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DEPARTMENT OF AGRICULTURE
APPROPRIATIONS FOR 1971

GOVERNMENT

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON DEPARTMENT OF AGRICULTURE AND RELATED
AGENCIES APPROPRIATIONS

JAMIE L. WHITTEN, Mississippi, *Chairman*

WILLIAM H. NATCHER, Kentucky
W. R. HULL, Jr., Missouri
GEORGE E. SHIPLEY, Illinois
FRANK E. EVANS, Colorado

ODIN LANGEN, Minnesota
ROBERT H. MICHEL, Illinois
MARK ANDREWS, North Dakota

WILLIAM G. BOLING, *Staff Assistant to the Subcommittee*

PART 1

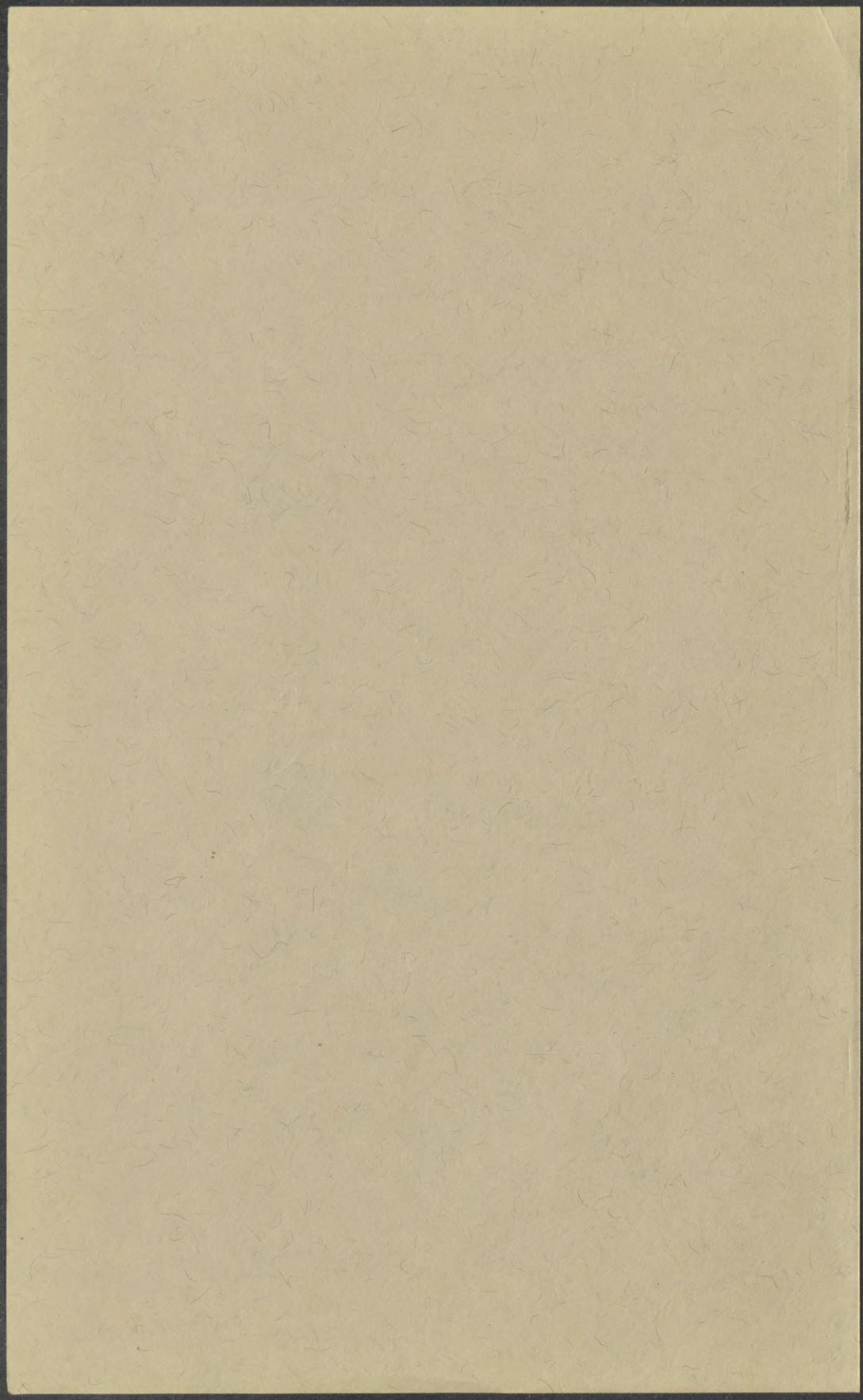
BUDGET FOR THE DEPARTMENT OF AGRICULTURE
GENERAL AGRICULTURAL OUTLOOK
SECRETARY OF AGRICULTURE

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WASHINGTON : 1970

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**DEPARTMENT OF AGRICULTURE APPROPRIATIONS
FOR FISCAL YEAR 1971**

MONDAY, FEBRUARY 16, 1970.

SECRETARY OF AGRICULTURE

WITNESSES

**CLIFFORD M. HARDIN, SECRETARY OF AGRICULTURE
J. PHIL CAMPBELL, JR., UNDER SECRETARY OF AGRICULTURE
WILLIAM E. GALBRAITH, DEPUTY UNDER SECRETARY
CHARLES L. GRANT, DIRECTOR OF FINANCE**

Mr. WHITTEN. Gentlemen, the committee will come to order.

Today we begin the hearings on the bill making appropriations for the Department of Agriculture and related agencies. We have with us the Secretary of Agriculture, Mr. Hardin, and Under Secretary, Mr. Campbell, and their associates.

Mr. Secretary, we are glad to hear from you at this time. I notice that you have a prepared statement. Prior to that, there are a few comments I would like to make for the record and for your consideration. Recently in speaking to the National Limestone Institute I made the point that hereafter agricultural legislation—including the agriculture appropriation bill—is going to have to meet with the approval of the urban Congress.

AN URBAN CONGRESS

In the House of Representatives, for instance, we have 47, I believe is the figure, Members out of 435 that have as many as 20 percent of their constituents who are engaged in agriculture. With only 47 Members out of 435 we are going to have to have a bill that meets the approval of many, many urban Members.

Further, I expressed the feeling that we would not have any trouble if urban Members understood the true situation. If they understood that the 5.6 percent of our folks who have huge investments, risk, and hard work, free the other 94.4 percent to do all those things, which contribute to our higher standard of living.

LOW PERCENTAGE OF U.S. CONSUMER'S INCOME REQUIRED FOR FOOD

I further pointed out that in this country on the average 17 percent of the consumer's income is spent for food, compared with 28 percent in England, 50 percent in Russia.

FARMS ARE BIGGEST MARKET FOR INDUSTRY AND LABOR

Our farms are our biggest market for industry and labor. Each year farm purchases included \$3.4 billion in new farm tractors and other farm vehicles, another \$3.4 billion for fuel, lubricants and maintenance. Farmers use more petroleum than any other single industry, and 320 million pounds of rubber or enough to put tires on 6 million automobiles.

Those engaged in agriculture consumed 28 billion kilowatt-hours of electricity and consumed 25 million tons of steel. We have to get all that over to the consumers and folks engaged in these other pursuits.

I pointed out many other times, if it took 50 percent of our folks engaged in agriculture, it would result in something like \$180 billion less to spend for the products of industry and labor. I have here the record of a hearing this subcommittee had with Secretary Benson when he was Secretary of Agriculture in 1957. Many of the things that you seem to recommend I think were tried and found wanting in his day.

FARM INCOME AND PRODUCTION RELATIONSHIPS

I have the figures to show, as he reduced price supports, production went up, not down. As he reduced prices, farm income went down not up.

I have the records for his 8 years, showing such facts without any qualification whatever. Much of this earlier hearing will be put into this record for your consideration. We must realize that those engaged in agriculture are going to stay there only so long as they break even or make money. There is a limit to the consumer dollar and the more of that dollar that Congress through various laws gives to labor in minimum wage or gives to labor through the right to bargain for wage rates and the more that industry places its price above their costs in order to stay in business, the less there is for the agricultural producer.

As I have said many times, I don't know any of the fellows engaged in agriculture today, that wouldn't want to have you give them a check so they wouldn't have to run the tremendous risks incurred each year by farming.

Farm income—and this is very simple but I have expressed it a thousand times—is volume times price less cost. If his costs go up because of what is happening to wages, and if his prices are going to be reduced by you and the Department and his volume is going to be reduced by other provisions of law which you advocate, it looks to me like there will be fewer and fewer farmers who break even or stay in farming.

I mention this at the outset so that you may touch on this as you go along.

POLLUTION PROBLEMS

Recently our committee received a report by the investigative staff of Appropriations Committee on this matter of pollution. This report is available to all members of the committee. The volume is about 4 inches thick and it develops that we are spending about \$2 billion combating pollution in one form or another at the present time. And it is a real problem with which we have to tangle.

As I told the representatives of the executive department—the Director of the Bureau of the Budget, Secretary of the Treasury, and the head of the Economic Council—it makes no sense to recommend \$2 billion to eliminate pollution through new programs and in the same budget recommend that we do away with agricultural conservation programs where we have over 1,100,000 people helping us to prevent pollution, putting up about equal amount of money plus their labor which amounts to about two-thirds.

May I say that our study tried to find out nothing except what is being done now, which nobody else seemed able to tell us. But we found that seven departments and agencies had plans for laboratories and studies on what to do. We found just about every government agency seeking approval to get in on the new programs, most with some justification. How to coordinate such efforts is a real problem.

I mention all of these things so that in addition to whatever you may have prepared that you touch on the budget recommendation to end existing programs which work. We must have agricultural production and therefore producers. If costs go up and they do, it lessens income. The same thing happens if price is cut or volume reduced. You say in your statement, which I have glanced at, the farm picture is not good. Would you feel free to tell us what you plan to do to make it better.

Secretary HARDIN. Should I proceed with my statement?

Mr. WHITTEN. Yes, sir.

GENERAL STATEMENT OF THE SECRETARY OF AGRICULTURE

Mr. Chairman, members of the subcommittee, it is a privilege to appear once again before this distinguished committee.

A year ago when I testified before you for the first time I outlined some of the difficult challenges confronting agriculture—specifically some of the problems we faced in such areas as farm income, surplus capacity, exports, rural America, hunger and malnutrition, and the natural environment.

In my testimony today I will make a brief statement of our progress and of the present situation in agriculture. Having done this, we will be better able to discuss our specific targets under the 1971 budget.

STATUS OF AGRICULTURE

The distinguished chairman of this subcommittee recently pointed out that “to provide food and fiber we must make it worth while to produce * * *. To have a stable economy we must have a financially sound agriculture.”

I agree wholeheartedly with that statement and I am pleased to be able to report progress toward this objective.

FARM INCOME

Overall, 1969 was a relatively good year for U.S. farmers. Realized net income increased by \$1.2 billion, reaching a level of about \$16 billion.

Average net income per farm is estimated at an alltime high of \$5,468, compared with \$4,805 in 1968 and \$3,049 in 1960.

Farm cash receipts rose about \$3 billion. This was due chiefly to higher prices, especially for livestock and livestock products which increased about 12 percent.

PRODUCTION

Total farm output set another new record, 1 percent above 1968. Crop yields per acre continued to rise. For the first time the U.S. corn yield exceeded 80 bushels, after 4 years in the 70- to 80-bushel range, and 4 years before that in the 60- to 70-bushel range. The wheat yield nudged above 30 bushels for the first time. For the fifth successive year, the yield of grain sorghum was above 50 bushels. Grain sorghum, once our fourth-ranking feed grain crop, now ranks second to corn in tonnage produced.

The posture of commercial farming was relatively favorable in other respects also. We were able to keep carryover stocks of feed grains and cotton from rising. However, stocks of wheat and soybeans increased and are above desirable levels. Nevertheless, despite another record soybean crop in 1969, we anticipate little change in carryover as of September 1, 1970. We look for a boost of about 15 percent in soybean disappearance during the current marketing year.

EXPORTS

In contrast to these plusses in the agricultural situation, the total value of U.S. agricultural exports during the 1969 fiscal year declined 9 percent to the lowest level since 1962-63. The dock strike accounted for approximately one-third of the decline and another one-third was due to a drop in food aid shipments, chiefly to India and Pakistan where bumper crops were harvested.

The remainder of the decline resulted from a loss of dollar sales due to large grain crops in Europe and competing countries, noncompetitive U.S. cotton prices, and a shortage of certain grades of U.S. cotton.

During the last half of calendar 1969, however, exports of U.S. farm products were about 10 percent higher than in the same months of 1968.

For the current marketing year, soybean exports are expected to be up 50 million bushels over last year's 290 million bushels. Soybean meal exports should increase about 10 percent. The volume of wheat and wheat product exports will be up from last year's 544 million bushels. Early season corn shipments have been heavy, but Southern Hemisphere countries are now making heavy forward sales.

AGRICULTURE'S BASIC PROBLEMS REMAIN

Although the progress of the past year is welcome and hopeful, agriculture's longtime problems continue.

FARM INCOME

This is what you were referring to in your opening remarks.

The average person on a U.S. farm still has only about three-fourths as much income as the average nonfarm person.

To put it another way, the returns to capital and for labor in agriculture are about three-fourths of that for the rest of our economy.

People on farms are particularly hard hit by inflation. Unlike many other producers, farmers are unable to pass on to the buyers of their products the effects of rising production costs.

At this point I would like to respond to your opening questions, if I might.

Mr. WHITTEN. Thank you, Mr. Secretary. In addition to those earlier comments, I note you recommend out of this limited income that the farmer pay more and more fees, and increased premiums on crop insurance.

May I say that I did not make those statements to catch a man off guard by any manner or means, but this is an area in which we both work and have views and some information and knowledge. These are serious questions.

Secretary HARDIN. Frankly, Mr. Chairman, I appreciate the opportunity to respond.

Mr. WHITTEN. I knew you would. Go ahead.

NEED FOR IMPROVED EXPORT OPPORTUNITY

Secretary HARDIN. In these changes in legislation that we have been working on with the House Agriculture Committee, we have urged them to consider lower support prices or lower loan levels as a means of opening up some of the foreign markets that we have been unable to reach with our current programs.

Take wheat, for example. I am convinced that the program we have followed for the past several years has greatly limited our export opportunity with our price supports, which have become a target in some instances for other countries to get under, and with our policy then of controlling production. Here we have really been doing the production adjustment job for the entire exporting world. We have had to reduce the wheat allotment beginning 3 years ago, by about 10 or 12 percent each succeeding year against 12 percent this year. If the present program is continued, I feel certain that further reductions in acreage allotments in wheat will be necessary.

I have not been willing to foreclose our export opportunities. I don't know that we would ever get down to just producing for domestic consumption at 525 million bushels because we would still have our high protein varieties and other special varieties that perhaps would have a demand abroad.

MAINTAINING FARM INCOME

We have felt that if we could tie our domestic prices to world prices and thus move more produce and then relieve the income problem in agriculture with payments directly to farmers, so that we still keep farm income up, we would have the best opportunity to increase total net income over a period of years to our farmers.

Mr. WHITTEN. Let me call your attention to something. You have folks in the Department who were here when Mr. Benson was here. Your statement ignores things that he ignored for 3 years.

BUYING AND SELLING AUTHORITY OF CCC

The law provides that the Commodity Credit Corporation can buy and in many areas it requires them to buy at the support prices. Back through the years this has been true.

This authority is provided in the charter of the Corporation. The charter of the Corporation gives to the Corporation the authority to sell in world trade at whatever the traffic will bear. The committee hearings at the time when Mr. Benson was Secretary show that for 3 years he did not even know he had authority to sell competitively for dollars in world trade. This committee went after the issue so strongly that he finally offered some commodities in world trade at competitive prices. They moved so readily that finally we got him to offer cotton in world trade for what the traffic would bear. He sold 1 million bales in about 6 weeks, more than he thought he could sell in a year. He planned to sell 7 million bales in about 15 months up to that time he was storing these commodities, holding them above world prices, counting them to justify his cutting American acreage down and thereby reducing farmer's income. He was also counting them to justify to the Congress reductions of price supports, claiming price supports had caused over-production. I will give you a copy of these hearings and you will see that the record shows as he reduced price supports, production went up as the producer tried to make up in units what he had lost in price. By counting this cotton which had not been offered for sale competitively, acreage was reduced and 55,000 farm families had to leave the farm.

Mr. Secretary, we did not lose foreign markets, we gave them away. Now we fall back on Government checks to keep agriculture going.

Industry and Labor get their return from the consumer. Only the farm producer sells at world prices, pays American prices with built-in labor costs and has been dependent upon their government check for part of his cost and all his profit. Many urban congressmen don't understand these facts. You recall the recent fight we had to get congressional approval for such payments. There are other factors than just renting the land but I'd like to give you a homely illustration. I stopped in a Cincinnati motel and the man behind the desk asked me, "Congressman, how do you justify these big payments to some farmers?"

I said, "In the first place, I voted against the present farm program because I figured an urban Congress would sooner or later refuse such payments. The farmer should get his fair price from the user."

He asked, "How do you justify the payments, particularly the large ones?"

I said, "I just rented a room from you for \$16. How about renting a wing of your Holiday Inn for \$16?"

He said, "I would have to have \$1,600 for a wing."

That is the answer here. These folks who received large checks rented a wing to the Government. It is a little more complex than that. However, the size of the check is based on the volume or degree that the farmer participates in the Government program.

The other question that I would raise with you is, How in the world do you think American agriculture can produce and sell at world prices and pay U.S. prices with such high costs of labor included in everything that they buy?

I think it was Adlai Stevenson, who turned a phrase rather well who said that the farmers are the only people in the world who have to sell at wholesale and have to buy at retail.

PURCHASE OF SURPLUS PRODUCTION VERSUS PAYMENT FOR
NONPRODUCTION

Mr. WHITTEN. Don't you think that, with the need for food, it would be much, much better to let the producer produce and take off his surplus by purchases which would then be diverted to good use. Our urban society could understand such a program.

Secretary HARDIN. No. As a matter of fact, I don't. I think we are better off to let the consumers have the benefits of whatever slight—and we are talking very slight—drop in prices there might be. I am not sure there would be any because we have some evidence now that our market prices are running well ahead of the support price.

EXPORT OF INCREASED PRODUCTION

I think we would increase our sales abroad for hard dollars and then we will be able to produce more on individual farms. I think we can increase farm income.

Mr. WHITTEN. You are talking like Mr. Benson.

Secretary HARDIN. No, there is a difference.

Mr. WHITTEN. What I am trying to tell you, whatever your price support is, you can sell in world trade for whatever you want for the CCC charter authorizes you to. Your exports are dependent upon your policy. If you will use your authority you can sell. Your statement seems to ignore the fact that the charter of the Commodity Credit Corporation gives you unlimited authority to sell in world markets what you have for whatever it will bring.

U.S. SHARE OF WORLD COTTON MARKET

Not only that, but in the area of cotton we have a law which requires sales at competitive prices in world trade to maintain our fair share of World markets as predetermined by you. Unfortunately such authority has never been used consistently. We blow hot and cold.

Secretary HARDIN. That is correct.

Mr. WHITTEN. What is our fair share?

Secretary HARDIN. Of the world market?

Mr. WHITTEN. Yes.

Secretary HARDIN. First, of our domestic market—

Mr. WHITTEN. I know about that, but what is our fair share of world markets. The law says you have to determine it. You have not gotten around to it yet?

Secretary HARDIN. It has been declining.

Mr. WHITTEN. No, I asked a specific question, Mr. Secretary. You have not decided what our fair share is?

Secretary HARDIN. I don't have that information available.

Mr. WHITTEN. You have folks in your Department.

Secretary HARDIN. We will come to you with a figure, of course, based on certain assumptions, but what does it mean?

Mr. WHITTEN. It means then that you will have done as the law requires.

Secretary HARDIN. That is right.

Mr. WHITTEN. We might have the pertinent provisions of the law put in the record at this point.

(The information follows:)

EXPORT SALES PROGRAM FOR COTTON

In furtherance of the current policy of the Commodity Credit Corporation of offering surplus agricultural commodities for sale for export at competitive world prices, the Commodity Credit Corporation is directed to use its existing powers and authorities immediately upon the enactment of this act to encourage the export of cotton by offering to make cotton available at prices not in excess of the level of prices at which cottons of comparable qualities are being offered in substantial quantity by other exporting countries and, in any event, for the cotton marketing year beginning August 1, 1956, at prices not in excess of the minimum prices (plus carrying charges, beginning October 1, 1956, as established pursuant to sec. 407 of the Agricultural Act of 1949) at which cottons of comparable qualities were sold under the export program announced by the U.S. Department of Agriculture on August 12, 1955. The Commodity Credit Corporation may accept bids in excess of the maximum prices specified herein but shall not reject bids at such maximum prices unless a higher bid is received for the same cotton. Cottons of qualities not comparable to those of cottons sold under the program announced on August 12, 1955, shall be offered at prices not in excess of the maximum prices prescribed hereunder for cottons of qualities comparable to those of cottons sold under such program, with appropriate adjustment for differences in quality. Such quantities of cotton shall be sold as will reestablish and maintain the fair historical share of the world market for U.S. cotton, said volume to be determined by the Secretary of Agriculture. (7 U.S.C. 1853.)

U.S. SHARE OF WORLD COTTON MARKET

Mr. WHITTEN. I also would like for you to supply for the record, if you would, your determination of the fair historical share of the world cotton market and what it will require you to produce.

(The information follows:)

SUPPLY OF COTTON IN FOREIGN FREE WORLD AVAILABLE FOR THE RESPECTIVE MARKETING YEARS AND THE DETERMINATION OF "THE FAIR HISTORICAL SHARE OF THE WORLD MARKET FOR THE U.S. COTTON" UNDER SEC. 203 OF THE AGRICULTURAL ACT OF 1956

[All data in million bales]

Marketing year beginning August 1	Carry-in	Production	Net exports ¹	Supply available	Carryout	Available for use	Estimated consumption, foreign free world in market year	Need from United States to meet needs	Determined fair share
1960-61-----	9.2	18.9	1.7	26.4	10.1	16.3	23.2	6.9	6.5
1961-62-----	10.1	19.6	1.8	27.9	9.5	18.4	23.5	5.1	2 5.5
1962-63-----	9.5	21.9	2.1	29.3	9.7	19.6	23.3	3.7	3 5.0
1963-64-----	9.7	22.0	2.5	29.2	10.3	18.9	24.4	5.5	4 5.0
1964-65-----	10.3	23.0	2.1	31.2	10.6	20.6	24.9	4.3	5.0
1965-66-----	10.6	23.5	1.9	32.2	10.6	21.6	24.9	3.3	5.0
1966-67-----	10.6	22.8	1.7	31.7	11.4	20.3	25.3	5.0	5.5
1967-68-----	11.4	23.9	1.2	34.1	12.9	21.2	25.5	4.3	4.2
1968-69-----	12.9	26.0	1.8	37.1	13.5	23.6	26.4	2.8	4.0

¹ Includes destroyed and exports to United States and Communist countries.

² Reduced March 1962 to 5,000,000 bales.

³ Reduced July 1963 to 3,500,000 bales.

⁴ Increased July 1964 to 5,500,000 bales.

⁵ Estimated.

COTTON.—U.S. SUPPLY-DISTRIBUTION TABLE, 1960-61—1968-69

[In millions running bales]

Marketing year beginning Aug. 1	Carryover	Production	Imports	Supply	Consumption ¹	Exports
1960-61	7.6	14.4	0.1	22.1	8.3	6.6
1961-62	7.2	14.4	.2	21.8	9.0	4.9
1962-63	7.8	14.9	.1	23.0	8.4	3.4
1963-64	11.2	15.3	.1	26.6	8.6	5.7
1964-65	12.4	15.2	.1	27.7	9.2	4.1
1965-66	14.3	14.9	.1	29.3	9.5	2.9
1966-67	16.8	9.9	.1	26.8	9.5	4.7
1967-68	12.5	7.2	.2	19.9	9.0	4.2
1968-69	6.4	11.0	.1	17.5	8.2	2.7
1969-70 estimated	6.5	10.0	.1	16.6	8.2	2.5

¹ Includes destroyed.² Includes 128 unaccounted for.

Mr. WHITTEN. I don't mean to be argumentative but we have experimented with so many of these things. Mr. Benson's record has disproved every proposal you have made.

DECLINING COTTON EXPORTS

Secretary HARDIN. Mr. Chairman, for the past 8 years exports of cotton have been declining.

Mr. WHITTEN. Sure, because we had programs designed to reduce production and for much of the time we had little if any cotton to sell.

Secretary HARDIN. That is right. Look at the record. The record is not good.

Mr. WHITTEN. Where do we go from here?

RECOMMENDATIONS OF COTTON INDUSTRY

Secretary HARDIN. Last year the cotton industry had a research committee that worked for many, many months analyzing the industry and they made a report to us last March. They recommended that there had to be some substantial changes in the program or they felt that the industry was going to head in the wrong direction. We listened to them.

Mr. WHITTEN. That is all good, except the law takes precedence over the recommendation of any group that comes in.

Secretary HARDIN. They were asking that the law be changed.

Mr. WHITTEN. But in the meantime aren't you obligated to carry out the law as it exists?

Secretary HARDIN. Yes, sir; we are trying to.

(Recess taken.)

Mr. WHITTEN. Mr. Secretary, you might go ahead. We mentioned cotton and unless there is objection, I will insert later in the record, the 1957 hearings before our subcommittee. You will note the record on all commodities and the effect on 55,000 farm families.

COMPETITION IN FOREIGN MARKETS INCREASING

Secretary HARDIN. Turning from these general problems to more specific difficulties, we find competition for our farm products in-

creasing in foreign markets. These markets currently take a fourth of our output of cotton, a third of our wheat, almost a third of our soybeans, over half of our rice, and over one-tenth of our feed grains.

WORLD PRODUCTION

World agricultural production advanced in 1969, due to an increase of 3 percent in the less-developed nations. This resulted primarily from phenomenal grain increases in Asia, mainly India and Pakistan, reflecting the impact of favorable Government policies, expanding use of high-yielding grain varieties, and generally good weather. Latin America and Africa also had sizable total production increases, but they lost ground on a per capita basis because of population growth.

The average annual world grain production for the past 4 years had been 115 million tons larger than in the preceding 4 years. The greater part of this increase—87 million tons—took place in developed countries. World grain stocks are at an all-time high. Not only are such traditional exporters as the United States, France, Canada, and Australia well supplied with grains, but traditional importing countries are also accumulating sizable grain stocks. West Germany, for example, holds record stocks of wheat and Japan has record rice stocks.

Developed countries, such as those of Northwest Europe, and some of the less-developed countries, such as India, Pakistan, and others in Southeast Asia, are becoming more nearly self-sufficient in food grains. Since Canada, Australia, and Argentina depend on foreign outlets relatively even more than we do, competition for world markets is very keen.

We need to gear ourselves to maintain a strong position in foreign trade; otherwise, the magnitude of the adjustments required of our farm production plant will become greater.

EFFECT OF GREEN REVOLUTION ON EXPORTS

Secretary HARDIN. There has been quite a bit of talk about the "Green Revolution" and what this might do to our potential exports. This is not all unfavorable.

We had a case where Pakistan came in last year to negotiate the Public Law 480 contract for this year and they told us they did not need any wheat—their own production was up. Four months later they were back and wanted a million tons of wheat and said they needed it desperately because they were facing a famine in East Pakistan. We asked what went wrong with their estimate of 4 months earlier.

Their production, they said, had come up to expectations but was not coming to market. With the increased prosperity which accompanied the production, the farmers were increasing their own consumption and feeding more to their livestock. Therefore, it was not available to ship to East Pakistan. I think this is a reflection of what can happen in countries where the majority of the people are in rural areas.

We forget there is a huge potential demand there if they can buy, and I suspect that if this world revolution in agricultural production does continue, while it may have disrupting influences on a short-term basis, it could actually increase our total demand for food for export.

It is uncertain, but I think you can make as strong an argument that way as you can the other. The point I am trying to make is that this is not all bad.

PRODUCTION POLICIES

Mr. WHITTEN. For years I have taken issue with our policy—a policy that has been followed through several administrations—of holding an umbrella over world production in regard to numerous commodities. We let other countries talk us into holding our commodities surplus to domestic needs, at a price higher than the world price so they could get the markets and we were kind of a residual supplier. That is explained in detail in the records in the Department.

So we can easily see from these records that we were not only withholding our production but promoting increased foreign production even as you would do now.

Through the years I learned in dealing with the Commissioner of Agriculture in Holland and the Assistant Secretary of the Exchequer in Great Britain and Agricultural Attachés, and the trade organization people in Germany that they, like everybody, want us to withhold our products and let them have the trade.

But when we went to the retail traders they want to know that we will produce and keep our production on the counters of the world on a constant basis so they can get our commodities at world prices. We have consistently failed to do this through the years.

If you do not have it, you cannot sell it, and if we refuse to offer at competitive prices we can't sell in world markets. Further, we hold an umbrella over our foreign competitors while we furnish experts to teach foreign countries how to take our normal markets.

Secretary HARDIN. May I say I share your concern on that, because we have undertaken production adjustment for the rest of the world. We have taken ourselves almost automatically out of the world markets, which have been our historical markets.

Mr. WHITTEN. That is true and it is part of the policy. It is not because of the law, because the Commodity Credit Corporation has always had full authority to sell in world trade, and, with regard to one commodity the charter requires you to sell. Several of your predecessors have not done so and you have not been able to up to now.

Secretary HARDIN. You and I have not discussed that particular issue before and I do want to explore it further and talk about it. I will do so if you will permit.

Mr. WHITTEN. I will be glad to. Please understand these are common problems.

Secretary HARDIN (continuing). If I may:

NEW FARM LEGISLATION NEEDED

The problems to which I have just referred underscore the need for new acceptable and workable farm legislation.

The changing structure of commercial agriculture has important impact on farm policy and programs. In an earlier day commodity price supports were expected to help solve both the problem of economic stability for the larger commercial producer and the problem of poverty income for the small, inadequate producer. Today it

is increasingly obvious that commodity price supports high enough to help substantially the small, inadequate producers would "over-benefit" the larger commercial producers and put our price-supported products into an impossible competitive position. Here I am talking about the very small producers.

The Agriculture Act of 1965, as extended, expires after this year's crop. Without new legislation we would go back to the basic farm legislation, part of which was enacted in 1958 and part considerably earlier.

As we foresee them these would be the results: Total net farm income in 1971 would drop from \$800 million to \$1.2 billion below 1969.

The Government would acquire roughly 40 million tons of feed grains and 6 million bales of cotton—thus preventing an even larger drop in income.

The costs of Government programs in 1971 would decline by some \$450 million to \$800 million below 1969. But in ensuing years, because of the rising handling and storage costs of our growing feed grain and cotton stockpiles, program costs would mount.

Because of excessively high and noncompetitive cotton price supports, the textile industry would rapidly shift to competing fibers.

Among the possible alternatives to allowing the 1965 act to expire are: to extend the 1965 act—to expand it—to soften it—or to phase it out. I guess those are the alternatives.

Since the act was barely extended in 1968 and public support for it has weakened since that time, it is difficult to see how the legislation could be either expanded or extended. The other alternatives—to soften or to phase out the 1965 law—are also doubtful.

There has been laid before the Congress a proposal which is the joint product of many months of bipartisan labor on the part of the USDA and the House Agriculture Committee. We believe this legislation would move agriculture in the direction of more emphasis on individual decisionmaking and a stronger role for the commercial market. It would make our farm products more competitive, thus opening the possibility for larger markets. By permitting more efficient use of resources, it would help farmers reduce production costs. It would use payments to maintain farm income.

EXPLANATION OF PROPOSED LEGISLATION

Mr. WHITTEN. Please explain what you mean by those statements. The first statement you made:

This legislation which you propose before the Committee on Agriculture would put more emphasis on individual decisionmaking and a stronger role for the commercial market.

Do you mind explaining to the committee how you feel that would come about?

Secretary HARDIN. Yes. The draft legislation in its present form would provide that there would no longer be specific acreage limits or production limits on individual commodities, either cotton or feed grains, or wheat, but rather, the producer would set aside a certain number of acres totally on his farm and with his remaining acres could produce whatever crop he chose, the limit being the total available acres.

Mr. WHITTEN. There is another problem, a stronger role for the commercial market.

Secretary HARDIN. Yes, and with the loan program used more as a loan program and less as a price-support program, our lower support prices, tying our domestic price to the world market, we believe we would move larger quantities in world trade.

STATUS OF SOYBEAN STOCKS

We have an example of soybeans this past year where we did reduce the support price from \$2.50 to \$2.25 a bushel a year ago. At that time it looked as though our stocks of soybeans were going to continue to rise very rapidly. Immediately we started to increase the movement in domestic markets and also abroad, and it now appears that we will be able to sell, if not all, within 60 million bushels of the entire production of 1969 and add very small amounts to the carryover stocks.

Mr. WHITTEN. May I say for the record at this point, I was one of those that was opposed to raising the price supports on soybeans at that time. The price support was raised at a time when the market was higher than the increased price supports. Everybody said it would not do any harm. It did do harm when the price went back down.

AUTHORITIES FOR SALE OF COMMODITIES

You were pointing out the benefits of reduced price supports. Is it not a fact that through the channel of the Commodity Credit Corporation you could have sold at this reduced price anyway and held these markets under the present law?

I know you could under the Commodity Credit Corporation charter. Could you under existing statutes?

Secretary HARDIN. I will provide the information for the record. (The information follows:)

Sales for export are expected from the minimum sales price restrictions on commodities owned by Commodity Credit Corporation. The pertinent provisions of law are set forth below:

SALES IN GENERAL

Agricultural Act of 1949. Sec. 407.¹ The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales policies for basic agricultural commodities or storable nonbasic commodities the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges: *Provided,*² That effective with the beginning of the marketing year for the 1961 crop, the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 per centum above the current support price for cotton plus reasonable carrying charges, except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below

¹ 63 Stat. 1055. October 31, 1949.

² This proviso was added by section 109 of the Agricultural Act of 1958, 72 Stat. 993.

the estimated domestic consumption and exports for such marketing year pursuant to the provisions of section 342 of the Agricultural Adjustment Act of 1938, as amended: *Provided further*,³ That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103 (a) plus reasonable carrying charges: *Provided*⁴ further, That if a wheat marketing allocation program is in effect, the current support price for wheat shall be the support price for wheat not accompanied by marketing certificates: *Provided*,⁵ That whenever the Secretary of Agriculture determines that the carryover at the end of any marketing year of a price supported agricultural commodity for which a voluntary adjustment program is in effect will be less than 25 per centum (35 per centum in the case of wheat) of the estimated export and domestic consumption of such commodity during such marketing year, the Commodity Credit Corporation shall not sell any of its stocks of such commodity during such year for unrestricted use at less than 115 per centum (120 per centum in the case of wheat whenever its carryover will be less than 25 per centum of such estimated export and domestic consumption) of the current price support loan plus reasonable carrying charges. The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will not substantially impair any price-support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses. Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest, shall make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States including the Virgin Islands⁶ declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855)⁷ and shall make feed owned or controlled by it available at any price not less than 75 per centum of the current basic county support rate for such feed including the value of any applicable price support payment in kind (or a comparable price if there is no current basic county support rate) for assistance in the preservation and maintenance of foundation herds of cattle (including producing dairy cattle), sheep, and goats, and their offspring, in any area of the United States including the Virgin Islands⁸ where, because of flood, drought, fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe in such areas, the Secretary determines that an emergency exists which warrants such assistance, such feed to be made available only to persons who do not have, and are unable to obtain through normal channels of trade without undue financial hardship, sufficient feed for such livestock: *Provided*, That the Secretary may provide for the furnishing of feed or mixed feed, in accordance with regulations prescribed by him, to such persons by feed dealers under an arrangement whereby the feed grains (or other feed being sold by the Corporation) in the feed so furnished would be replaced with feed owned or controlled by the Corporation and sold to such persons at a price determined as provided above.⁸ Except on a reimbursable basis, the Corporation shall not bear

³ This proviso was added by Pub. L. 88-297, 78 Stat. 175, approved April 11, 1964.

⁴ This proviso was substituted for the previous proviso by section 204 of Pub. L. 88-297, approved April 11, 1964, and made applicable for the marketing years through 1969 by the Food and Agriculture Act of 1965, Pub. L. 89-321, 79 Stat. 1203, approved November 3, 1965. The final year of the period was extended from 1969 to 1970 by Pub. L. 90-559, 82 Stat. 996, approved October 11, 1968. The prior provision which provided as follows: "*Provided*, That if a wheat marketing allocation program is in effect, the current support price for wheat shall be the support price for wheat accompanied by marketing certificate and wheat sold shall be accompanied by a marketing certificate," is effective beginning with the 1971 crop marketing year.

⁵ This proviso was added by the Food for Peace Act of 1966, 80 Stat. 1538, approved November 11, 1966.

⁶ The words "including the Virgin Islands" were added by Pub. L. 88-585, 78 Stat. 927, approved September 11, 1964.

⁷ See Pub. L. 86-299, 73 Stat. 574, approved September 21, 1959 (p. 231).

⁸ The language appearing after "(42 U.S.C. 1855)" was added by the Act of August 7, 1961, 75 Stat. 203, 204, and was further amended by Pub. L. 88-585, 78 Stat. 927, approved September 11, 1964, by adding this proviso.

any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State or other area.⁹ Nor shall the foregoing restrictions apply to sales of commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the Corporation's operations because of the small quantities involved, or because of age, location or questionable continued storability, but such sales shall be offset by such purchases of commodities as the Corporation determines are necessary to prevent such sales from substantially impairing any price-support program, but in no event shall the purchase price exceed the then current support price for such commodities.¹⁰ For the purposes of this section, sales for export shall not only include sales made on condition that the identical commodities sold be exported, but shall also include sales made on condition that commodities of the same kind and of comparable value or quantity be exported, either in raw or processed form.¹¹ Notwithstanding the foregoing, whenever prior to December 31, 1963, the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free of contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation available to producers of milk in any area or areas of the United States at such prices and on such terms and conditions as he deems appropriate in the public interest.¹² Notwithstanding any other provision of this section, for the period August 1, 1966, through July 31, 1971, (1) the Commodity Credit Corporation shall sell upland cotton for unrestricted use at the same prices as it sells cotton for export, in no event, however, at less than 110 per centum of the loan rate, and (2) the Commodity Credit Corporation shall sell or make available for unrestricted use at current market prices in each marketing year a quantity of upland cotton equal to the amount by which the production of upland cotton is less than the estimated requirements for domestic use and for export for such marketing year. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of part (2) of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly.¹³ Notwithstanding any other provision of this section, effective August 1, 1968, the Commodity Credit Corporation shall make available during each marketing year for sale for unrestricted use at market prices at the time of sale, a quantity of American grown extra long staple cotton equal to the amount by which the production of such cotton in the calendar year in which such marketing year begins is less than the estimated requirements of American grown extra long staple cotton for domestic use and for export for such marketing year: *Provided*, That no sales shall be made at less than 115 per centum of the loan rate for extra long staple cotton under section 101 (f) of this Act beginning with the marketing year for the first crop for which the national marketing quota for extra long staple cotton is not established under paragraph (3) of section 347 (b) of the Agricultural Adjustment Act of 1938, as amended. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly. (7 U.S.C. 1427.)

Mr. WHITTEN. If so, the last act was that much worse than I thought it was. Prior to the 1965 act where we had a loan program and a non-recourse call by the Commodity Credit Corporation charter, the Corporation clearly lets you sell the Government supplies at whatever price it takes to move in world trade.

⁹ The words "or other area" were added by Pub. L. 88-585, 78 Stat. 927, approved September 11, 1964.

¹⁰ This sentence was added by the Act of July 29, 1954, 68 Stat. 583.

¹¹ This sentence was added by the Act of January 28, 1956, 70 Stat. 6.

¹² This sentence was added by section 404 of the Food and Agriculture Act of 1962, 76 Stat. 632.

¹³ The previous two sentences were added by the Food and Agriculture Act of 1965, Pub. L. 89-321, 79 Stat. 1197, approved November 3, 1965. The date was extended from 1970 to 1971 by Pub. L. 90-559, 82 Stat. 996, approved October 11, 1968.

Mr. GRANT. Under the charter CCC is also authorized to pay export subsidies on commodities sold abroad. I will provide the wording of the law for the record.

(The information follows:)

(1) May make such loans and advances of its funds as are necessary in the conduct of its business. (15 U.S.C. 714b(1).)

(m) Shall have such powers as may be necessary or appropriate for the exercise of the powers specifically vested in the Corporation, and all such incidental powers as are customary in corporations generally; but any research financed by the Corporation shall relate to the conservation or disposal of commodities owned or controlled by the Corporation and shall be conducted in collaboration with research agencies of the Department of Agriculture. (15 U.S.C. 714b(m).)

(The Commodity Credit Corporation:)

SEC. 5. SPECIFIC POWERS.—In the fulfillment of its purposes and in carrying out its annual budget programs submitted to and approved by the Congress pursuant to the Government Corporation Control Act (31 U.S.C. 841-871), the Corporation is authorized to use its general powers only to—

(a) Support the prices of agricultural commodities through loans, purchases, payments, and other operations.

(b) Make available materials and facilities required in connection with the production and marketing of agricultural commodities.

(c) Procure agricultural commodities for sale to other Government agencies, foreign governments, and domestic, foreign, or international relief or rehabilitation agencies, and to meet domestic requirements.

(d) Remove and dispose of or aid in the removal or disposition of surplus agricultural commodities.

(e) Increase the domestic consumption of agricultural commodities by expanding or aiding in the expansion of domestic markets or by developing or aiding in the development of new and additional markets, marketing facilities, and uses for such commodities.

(f) Export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities.

(g) Carry out such other operations as the Congress may specifically authorize or provide for.

Mr. WHITTEN. Which in effect means sell at competing prices?

Secretary HARDIN. Yes, sir.

(Off the record.)

REDUCING PRODUCTION COSTS

Mr. WHITTEN. Now the other statement you made just then was to help the farmer reduce production costs. How do you propose to do this?

Secretary HARDIN. In this manner, Mr. Chairman, we think under the set-aside proposal we have been discussing, many farmers will choose to raise more acres than is now permitted under the allotment program, and especially we think this will be true with wheat and cotton. Several growers have told us if they could continue to get the payments on domestic allotments in wheat and comparable payment for cotton, if they were not restricted on their total production, then they would choose to go ahead and plant additional acres and take their chances in the world market.

We believe that many producers would choose to do this and make more efficient use of their tractors, their combines and their own labor and thereby increase total production and expand our world sales.

Then we have this situation in which for many, many years we have had the 15-acre exemption on wheat which has caused wheat to be grown in almost all of the States and in some States where it is not

economical, but because there is an allotment and a program, it has been continued.

We think in the Corn Belt, for example, many farmers would choose not to plant the wheat, but plant this acreage in corn because it is more profitable, and over a time you would get those allotments transferred to the commercial wheat growing area, which would help them. So the program will permit a gradual shift, to take advantage of regional specialization.

MAINTAINING FARM INCOME

Mr. WHITTEN. In the next statement I quote, "It will use payments to maintain farm income."

That is the one I mentioned being so difficult this year. We were able to pass the 1970 appropriation bill, primarily because the authorizations expired in 1 more year, and enough folks went along with us to carry it for a year. How will you get the payments to maintain farm income through Congress?

Secretary HARDIN. My judgment is probably not as good as yours on this. I am not as close to it and have not had the experience you have had in the legislative process, but I would hope—

Mr. WHITTEN. If we had not had your help, we would not have one this time.

I appreciate those laudatory remarks, however, we are all in this fight together.

LIMITATIONS ON PAYMENTS TO PRODUCERS

Secretary HARDIN. In working with the House committee, we have attempted to devise a program of limiting payments that is less severe than the one that was discussed in the Congress this past year, one that would represent a sliding scale and still would not limit severely the typical commercial farmer. I feel it necessary that the limit not be as severe as the one that was discussed, the \$20,000 limit, because if we do have to continue to get 50 or 60 million acres out of production each year, and I think we do have to do this, and if the payments are limited severely, a great many of the larger commercial farmers and the middle-sized ones will opt out of the program.

How many at this point no one can say, but to the extent that they do choose not to join the program, the acres that must be set aside or diverted will fall more heavily on the small farmer and we would then further complicate his problems by requiring him to set aside larger and larger acreages that he could not farm, which would have the effect of increasing his costs on the acreage he does farm, and we do not think this is a good trend.

EFFECTIVE DATE OF NEW FARM LEGISLATION

Mr. WHITTEN. Do you ask this committee in advance of that legislation to go ahead and implement it with funds in the 1971 budget before us?

Secretary HARDIN. No, Mr. Chairman, this budget is still under the existing 1965 act so that the new legislation we are discussing would not have to be considered by this committee in terms of appropriations until a year hence.

Mr. WHITTEN. So even though the law expires in December 1970, we will not be asked for any money for fiscal 1971. Wouldn't this put us back here at Christmas trying to get the money for the coming year?

Secretary HARDIN. The new legislation would take over on January 1 for crops to be harvested mostly after July 1, 1971, so that most of the payments would be in fiscal year 1972.

(Off the record.)

Secretary HARDIN. I was going to say the one exception to this is winter wheat.

Mr. WHITTEN. You might proceed with your statement. I apologize for interrupting, but I think where you made the points is probably the best place to discuss them.

LISTENING CONFERENCES

Secretary HARDIN. On the basis of our five regional "listening conferences" attended by farm and rural leaders from 32 States, we have reached the conclusion that changes in our farm programs are urgently needed. Over and over we were told that farm programs for the Seventies must both protect farm income and give farmers more latitude to make their own farming decisions.

USDA ADMINISTRATIVE IMPROVEMENTS

To enable the Department to carry out its responsibilities more effectively, a number of administrative improvements have been put into effect.

ESTABLISHMENT OF EXPORT MARKETING SERVICE

I reported on the first of these—the establishment of the Export Marketing Service—when I testified before you last March. The Export Marketing Service is an action agency heavily dependent upon world and domestic commodity information supplied by FAS and ASCS. We are pleased with the manner in which this Service responds to changing export opportunities.

ESTABLISHMENT OF FOREIGN ECONOMIC DEVELOPMENT SERVICE

The Foreign Economic Development Service has replaced the International Agricultural Development Service. It is financed with funds transferred from other agencies, mainly the Agency for International Development and is concerned with economic development through technical agricultural assistance and the training of foreign agricultural experts.

ESTABLISHMENT OF FOOD AND NUTRITION SERVICE

Another new agency established in 1969, the Food and Nutrition Service, is concerned with the administration of the Federal food programs for children and needy adults. It permits greater specialization and concentration on the effective administration of these food programs. The Food and Nutrition Service has direct responsibility for the expansion of family food assistance programs into new counties and cities, and also for encouraging full participation in these programs by all eligible persons.

RURAL DEVELOPMENT

We have intensified our efforts to bring to bear on the problems of rural America, the programs of our own Department and those of other departments and agencies, both public and private. We recognize that the primary responsibility for rural development rests with the local people. Our goal is to help them help themselves as effectively as possible.

Assistance is being provided through the Federal Extension Service, the Farmers Home Administration, the Soil Conservation Service, the Rural Electrification Administration, the Forest Service, the Farmer Cooperative Service, and other USDA agencies. To improve utilization of the special capabilities of these agencies in achieving rural development, we have abolished the Rural Community Development Service and transferred its functions directly to the various USDA agencies. Coordination of our rural development programs as well as policy development in this field is now lodged in a national USDA Rural Development Committee.

Mr. WHITTEN. Let me interrupt at this point. I do note your decision to abolish the Rural Community Development Service.

ESTABLISHMENT OF RURAL COMMUNITY DEVELOPMENT SERVICE

I would like for the record to show exactly what happened. Prior to your being there, we were advised that the Department had set up the Rural Community Development Service and had sent certain names to various agencies within the Department—REA, SCS, and various others—and directed such agencies to hire Joe Doaks by name and pay him out of their money and send him back over to the underground rural development group.

It was further understood they had agreed they would not advise the Congress of what I consider misuse of funds. We took the matter up with the Secretary after we learned of the practice and it did not take long for that to come to an end. About that time I got a hold of a copy of the plans, and among other things, it provided for a completely new agency.

I speak from recollection and I have a copy with me. The new group said they would need 5,000 new employees and that none in the Department of Agriculture were qualified to carry on this rural development program. Later they said this was only a tentative proposal.

We pointed out what was involved. We certainly were and are in sympathy with rural housing, rural water systems, and a thousand and one things that go through the Department to develop rural areas, all sponsored by this committee, and approved by the Congress. After the grandiose unit was discontinued it was our committee which set up a rural development unit in the Department to coordinate rural programs in the Department with other agencies.

The committee felt it would be a mistake having so many new agencies—OEO and just about every combination of letters you can think of—all having programs that fit into Appalachia, for example.

This committee has done its share to promote rural development through various programs, such as to attract small industry to rural areas and to make it possible for rural people to provide for themselves and not aggravate the overcrowded city problems. Again our commit-

tee set up this Rural Community Development Service in the Department to coordinate its many efforts and to make use of programs of other agencies.

ABOLISHMENT OF RURAL COMMUNITY DEVELOPMENT SERVICE

Now it appears you have abolished the whole unit. I do not know who you counseled with, but now we are left with many agencies in rural development. The agencies in the HEW bill reported out this morning. HUD is in rural housing; HUD is doing work in rural sewage and water programs; and there are many agencies in agriculture. Now you have abolished this group without any congressional approval and I cannot see where you have anybody to coordinate these activities.

Secretary HARDIN. Yes.

Mr. WHITTEN. What happened to the people?

Secretary HARDIN. How many people were there?

Mr. GRANT. There were 17 people.

Mr. WHITTEN. What did you do with the money you saved?

Secretary HARDIN. The functions, funds, and people involved were transferred to other agencies of the Department.

Mr. WHITTEN. You mean to let all of these activities be unsupervised and uncoordinated?

Secretary HARDIN. Definitely not, Mr. Chairman. We have established a committee under the Assistant Secretary for Rural Development and Conservation for coordinating these various activities, and we are using the existing agencies of the Department to carry out the thrust of rural development. This is what was happening in any event, since you cannot carry on a national program with a total staff of 17 people.

COORDINATION OF RURAL DEVELOPMENT EFFORT

Mr. WHITTEN. No, but you might coordinate; the Extension Service might find out what FHA is doing.

Secretary HARDIN. We have established this coordinating committee, which coordinates not only within the Department, but one person is assigned from this group to be liaison with HEW and their program, and another with OEO, still another with HUD, and with Commerce, so that they are doing two things. We have one person on this committee who is thoroughly familiar with the programs of each of the other departments and agencies and is responsible for making certain that the other agencies are aware of the needs of rural America.

I think we are going to be able to get a stronger thrust totally into this effort by this technique.

Mr. WHITTEN. I thought that is what we had.

Secretary HARDIN. We are searching for a person who will be assigned to my office who will have the title of Special Assistant for the Development of Rural America, and he will be—

Mr. WHITTEN. You do not think these people you farmed out somewhere else would be better than some new folks which you may bring in?

Secretary HARDIN. The man who was head of this left before we came. And there were two or three other professional people who left.

Mr. WHITTEN. This having been set up by the Congress, do you think there is any obligation on your part to confer with the Congress? Perhaps not necessarily with this committee, but confer with the Congress about it before you abolish something of this sort.

Do you think it leaves a good relationship just for us to find out?

SHIFTING OF RCDS FUNDS

Another question: What happens to the \$484,000? Do we save it or are you going to have a supplemental coming up for it? Who did you send these folks to?

When we appropriate money for a particular thing and you take it and use it for something else, do you think this course is sound business, or legal?

Mr. GRANT. Mr. Chairman, there will be a proposal to amend the 1971 budget to shift this money from the Rural Community Development Service to the Farmers Home Administration, the Extension Service, REA, Soil Conservation Service, and other agencies. Some will need to be provided to the Secretary's office to do the coordinating job the Secretary is talking about.

Mr. WHITTEN. You tell us after the fact. Do you think that is the way to run a railroad?

Mr. GRANT. The money appropriated for fiscal year 1970 will still be used for the same purposes and same people.

Mr. WHITTEN. No. These people are not going to be doing the same work. If so, you would have kept them where they were. Somebody else is doing this work.

RURAL DEVELOPMENT FUNCTION TRANSFERRED TO OTHER AGENCIES OF THE DEPARTMENT

Mr. GRANT. It is my understanding that the same people who were in the Rural Community Development Service and providing liaison with, let's say the Department of Health, Education, and Welfare will continue to do that even though they are now to be assigned to another agency of the Department.

Mr. WHITTEN. Please furnish for the record the duties of these reassigned personnel.

(The information follows:)

PRESENT DUTIES OF FORMER EMPLOYEES OF THE RURAL COMMUNITY DEVELOPMENT SERVICE AND REASSIGNMENT OF LIAISON FUNCTIONS

J. R. FERNSTROM

Previous assignment.—Program assistant to the Administrator, RCDS providing liaison with the Economic Development Administration and the Small Business Administration with special attention to jobs and rural industrialization.

Present assignment.—(Federal Extension Service) Mr. Fernstrom provides liaison with additional agencies in the Department of Commerce including Economic Development Administration, economic development districts and title V, regional commissions with support from the staff of the Community Resource Development Division, FES, and with specific attention to jobs and rural industrialization, preparation, and provision of educational services in the field of industrial development.

Previous duties assigned elsewhere.—Liaison with the Small Business Administration is now handled by the community development staff of the Rural Electrification Administration.

C. B. GILLILAND

Previous assignment.—Assistant to the Administrator, RCDS providing liaison concerning agency associations with interdepartmental task forces.

Present assignment.—(Federal Extension Service) Mr. Gilliland now provides liaison with the Departments of Labor and Health, Education, and Welfare in addition to his previous duties. He is supported by the Community Resource Development Division staff in FES.

1. (a) Executive secretary of the interdepartmental task force on concerted services in training and education. (b) Washington liaison with local and State leaders in concerted services in training and education.

2. Member of the Cooperative Area Manpower Planning System (CAMPS) interagency work group in Washington.

3. Member informal interdepartment staff on manpower utilization.

4. Member Interdepartmental Committee on Children and Youth's subcommittee.

5. Member informal interdepartmental steering committee for training in agricultural occupations.

F. D. POLLARD

Previous assignment.—Program assistant to the Administrator providing liaison with Housing and Urban Development (HUD) with special attention to housing and community facilities.

Present assignment.—(Federal Extension Service) Performs substantially the same duties. With FES, he serves a specialist—Housing and Community Facilities in the Community Resource Development Division. Represents the Department on the Model Cities Interagency Coordinating Committee. Develops information concerning the need for housing, nursing homes, and other facilities for the elderly in rural areas. Identifies ways in which the public housing program can be used more extensively in small towns and rural areas. Serves as the Department's alternate designee on Indian matters.

R. G. SCHMITT, JR.

Previous assignment.—Provided liaison with the Office of Economic Opportunity and the Department of Labor concerning economic opportunity programs.

Present assignment.—(Farmers Home Administration.) Examples of his assignments include drafting material for public talks on rural development, special assignments for the Assistant Secretary and Rural Development Committee relating to economic opportunity programs, review of FHA files on title III and OEO programs in preparation for further work in connection with this program. He will continue to handle liaison with OEO and the Department of Labor for USDA.

R. C. SHIPMAN

Previous assignment.—Assistant to Mr. Schmitt who provided liaison with OEO and the Department of Labor concerning economic opportunity programs.

Present assignment.—(Farmer Cooperative Service.) On reimburseable detail to the Office of Economic Opportunity to carry out some liaison functions as shown above. The RCDS funds previously used for this position are now being used to provide liaison with cooperatives and other private organizations.

H. L. TAYLOR

Previous assignment.—As Program Assistant to the RCDS Administrator provided liaison with the Department of Health, Education, and Welfare and the Department of Labor specializing in education and training.

Present assignment.—(Rural Electrification Administration.) Serves as assistant to the Administrator of REA. The responsibility for liaison with the Small Business Administration has been assigned to other REA staff.

Previous duties assigned elsewhere.—These duties have been assigned to the Federal Extension Service. Mr. Gilliland handles this liaison assignment with the Departments of Labor and Health, Education, and Welfare, with the support of the staff of the Community Resource Development Division.

PHILLIP H. WEAVER

Previous assignment.—Acting Administrator, RCDS, and liaison with Regional Economic Development Commissions.

Present assignment.—Assigned to the Office of the Secretary in Federal-State Relations.

Previous duties assigned elsewhere.—Mr. Weaver's previous assignment is now handled by Assistant Secretary Cowden, the Department's Rural Development Committee, and a Working Group for Regional Commissions.

JAMES S. WOOD

Previous assignment.—As assistant to the Administrator specialized in special projects and provided liaison with the Bureau of the Budget and special liaison assignments dealing with all Federal agencies and the Office of Intergovernmental Relations.

Present assignment.—(Farmers Home Administration.) In reviewing the "Special Impact Program" in North Carolina and preparing a summary and an appropriate visual aid that identifies how this unique project accomplishes its objectives. He has also prepared a set of 13 visual aids and charts which identify FHA's efforts in implementing Secretary's Memorandum No. 1667.

O. W. ZETTER

Previous assignment.—Served as program assistant to the Administrator, Special Liaison with the Bureau of Indian Affairs, Department of the Interior, and the Department of Health, Education, and Welfare.

Present assignment.—(Soil Conservation Service.) Serves as a staff specialist in assisting with the development of procedures and techniques involved in the operation of the Service responsibilities in resource development. Particular emphasis will be placed on R.C. & D. projects, working relations with OEO in connection with community action programs as well as working relationships with USDA agencies and other departments on Service responsibilities in resource planning and development.

Previous duties assigned elsewhere.—Liaison with the Department of the Interior will be handled by the Soil Conservation Service.

In addition to the above professional staff, there were eight stenographic and clerical employees transferred to agencies to support these professional employees.

SUPPLEMENTARY STATEMENT ON RURAL DEVELOPMENT EFFORTS

Secretary HARDIN. We believe that rural development efforts can function more effectively by reducing layers of responsibility. In carrying out the important job of making the programs of other departments and agencies as effective in the rural areas as they are in other areas of our Nation we believe that the established old line agencies of the Department have the knowledge, experience, and facilities, including field offices, to do this most efficiently.

Therefore, we have abolished the Rural Community Development Service and placed the interdepartmental liaison activities in the hands of the action agencies who are also responsible for carrying out the technical assistance, counseling, credit, and other regular agriculture programs in rural areas. The nine professional staff members in RCDS were transferred to the agencies involved and to the Office of the Secretary.

The purpose of this action is to upgrade and intensify our overall rural development efforts. I want to make clear that the functions of the Rural Community Development Service will be continued and that the funds appropriated will continue to be used for the purpose authorized by the Congress as follows:

Extension Service.—Liaison with the Departments of Health, Education, and Welfare, Labor and Commerce for programs which are most useful to rural

people. This will be in addition to the major responsibility of the Cooperative Extensive Service for providing information about all programs and services of the entire Federal Government.

Farmers Home Administration.—Liaison with the Office of Economic Opportunity and the Departments of Housing and Urban Development and Transportation.

Soil Conservation Service.—Liaison with programs of the Department of the Interior.

Rural Electrification Administration.—Liaison with programs of the Small Business Administration.

Forest Service and Farmer Cooperative Service.—Liaison with cooperatives and other private organizations to solicit their participation and support.

Office of the Secretary.—Overall coordination and planning for the entire rural development program would be assigned to the Office of the Assistant Secretary for Rural Development and Conservation. This would enable the Secretary, the Under Secretary and Assistant Secretary Cowden to give more direct and personal attention to this work.

This more intensive coordination and direction of our rural development operations would be provided through a special assistant to the Secretary. In addition, I have created a USDA Rural Development Committee which consists of the Administrators and Deputy Administrators of the Federal Extension Service, Farmers Home Administration, Soil Conservation Service, Forest Service, Rural Electrification Administration, and other agencies as necessary. At the field level, similar committees have been established in each of the 50 States under the overall coordination and leadership of the Cooperative Extension Service. Each State rural development committee works out the best method of organizing and promoting rural development with their respective States.

Working closely with State and local authorities and in response to local initiatives we will help the people of rural America create new job opportunities, tailor manpower programs to local needs, and insure improved community housing facilities in America's towns and rural areas.

Mr. WHITEN. You might proceed then.

AGRICULTURAL RESEARCH POLICY ADVISORY COMMITTEE

Secretary HARDIN. We strengthened the cooperative research relationships between the USDA and the land-grant colleges by appointing a new Agricultural Research Policy Advisory Committee. And we realigned functions within the Agricultural Stabilization and Conservation Service.

FOOD ASSISTANCE AND NUTRITION IMPROVEMENT

When we came into office, one of our first major concerns was the programs for feeding the poor. We have been able to make significant progress toward meeting the President's commitment "to wipe poverty-related malnutrition and hunger from our land."

In the remarks by the chairman to which I referred earlier, there was a concise statement of the actions taken by the subcommittee and the Congress to alleviate domestic hunger and malnutrition. It pointed out that this committee recommended and the Congress provided in the Appropriations Act in the current fiscal year "over \$2 billion for the various food assistance programs, including the school lunch and school milk programs," and that it provided the full amount authorized by law for food stamps—\$610 million.

We have made major modifications in the food stamp program, commensurate with your authorization and appropriation of \$610 million for this fiscal year. We have been able to work out a formula that will enable everyone eligible to buy a more nutritionally adequate diet—the equivalent of the Department's economy food plan.

In early 1969, 485 counties and independent cities of the approximately 3,129 in the Nation had no food programs. At the end of 1969, all but 266 counties and independent cities either had or had applied for a food stamp or a direct commodity distribution program.

Also at the end of 1969, 3.4 million persons were taking part in the food stamp program—700,000 more than a year earlier. The commodity distribution program was reaching more than 3.6 million people, up almost 89,000 from a year earlier. One million more needy schoolchildren were receiving free or token-priced school lunches.

But much still remains to be done. We need the reform legislation on food stamps now pending before the Congress. We are committed to making a food program—either food stamps, or commodity distribution—available in every county in the country by the end of June, this year. At that time we expect to be reaching with the food stamp program some 1,800 project areas and 5,400,000 participants,

Poverty is only one of the major problems involved in hunger and malnutrition. Others are lack of knowledge and lack of incentive to improve nutrition. The intensive nutrition education campaign undertaken by the Department during the past year may be the most significant, undernoticed development in the war against malnutrition.

In November 1969, the Cooperative Extension Service had employed 5,030 nutrition aides from within depressed areas to help their neighbors stretch food dollars and serve nutritious meals. These workers, many of them previously unemployed and more than 60 percent from minority groups, use their special intensive training to teach food buying, meal planning, and budgeting within depressed areas. They are closing a communications gap that must not be allowed to persist.

THE AMERICAN ENVIRONMENT

There is great concern about the American environment. As the President pointed out in his state of the Union message, we must "make our peace with nature and begin to make reparation for the damage we have done to our air, our land, and our water."

And as he said in his environment message of February 10, "The tasks that need doing * * * call for fundamentally new philosophies of land, air, and water use, for stricter regulation, for expanded Government action, for greater citizen involvement, and for new programs to insure that government, industry, and individuals all are called on to do their share of the job and to pay their share of the cost."

Because agriculture is both user and custodian of most of the Nation's soil and water resources, the Department of Agriculture has a major responsibility for protecting and enhancing the quality of the environment.

FOOD AND NUTRITION

Mr. WHITTEN. Mr. Secretary, I am understandably proud of the record of this committee relative to human nutrition. This record is long and strong on the support of nutrition and production research, research on marketing, and support of other agriculture programs de-

signed to improve the basic structure of agriculture and to enable the American people to spend only 16 percent of their income on food. This is largely unnoticed. I am equally proud of another part of this record which is equally unnoticed. That is this committee's direct support of direct food aid.

Two years ago the Congress adopted, at my request, some important new language for the section 32 appropriation. This language provided \$45 million for a number of expanded and innovative programs. We raised this amount to \$100 million in the 1970 budget. The language follows:

(4) In addition to other amounts provided in this act, not more than \$100 million (including not to exceed \$2 million for State administrative expenses) for (a) child feeding programs and nutritional programs authorized by law in the School Lunch Act and the Child Nutrition Act, as amended, (b) additional direct distribution or other programs, without regard to whether such area is under the food stamp program or a system of direct distribution, to provide, in the immediate vicinity of their place of permanent residence, either directly or through a State or local welfare agency, an adequate diet to other needy children and low-income persons determined by the Secretary of Agriculture to be suffering, through no fault of their own, from general and continued hunger resulting from insufficient food, and (c) milk for children in nonprofit high schools and schools of lower levels, child-care centers, summer camps, and similar nonprofit institutions devoted to the care and training of children.

Mr. Secretary, will you describe some of the programs provided by this legislation?

Secretary HARDIN. A total of \$67 million has been allocated to supplement the funds available from the child nutrition direct appropriation to provide for:

- (1) Special cash assistance which provides schools with a higher rate of cash reimbursement for serving free or reduced-price lunches to needy children;
- (2) Serving school breakfasts to children in schools that draw attendance from low-income areas and those in which a substantial portion of the children must travel long distances; and
- (3) Equipment necessary for serving these lunches and breakfasts.

The primary emphasis in the use of these funds is the extension of program benefits to needy children.

The \$2 million designated for State administrative expenses is allotted to the States on the basis of detailed plans and justification of need for supervising and giving technical assistance to local school districts for additional activities undertaken by them to reach more needy children with lunch and breakfast programs.

The \$20 million of these funds allocated for the special milk program are being used to supplement the \$84 million appropriated to increase the consumption of fluid milk by children. All nonprofit schools of high school grade and under, all nonprofit summer camps, and child-care institutions devoted to the care and training of children are eligible to participate.

A special experimental program authorizing free food stamps to persons with little or no income was started in March 1969 in Beaufort and Jasper Counties, S.C., with \$5,000 of these funds, and this project is continuing at this level in 1970.

The special supplementary food package program makes available enriched foods for new and expectant mothers, infants, and young children in food stamp areas. The program is operated through local health facilities such as clinics, with doctors and public health nurses prescribing for clients those foods offered by the Department of Agriculture.

A new experimental program in a limited area of Chicago involving the issuance of a special purpose food certificate is being tested. Eligible recipients—low-income new and expectant mothers and infants—use this food voucher to purchase milk, infant formula and baby cereal in local retail stores. The remaining \$10,995,000 budgeted for 1970 is to be used for these two programs.

Mr. WHITTEN. Last year we appropriated a total of \$610 million, an increase of \$270 million, for food stamps. I have helped this program grow from a small experiment conducted under section 32 to be the major food aid program of the Department.

For example, in 1967 I was able to get the conference to agree and the Congress to direct that \$5 million of the funds for the food stamp program go to especially needy persons. This language follows:

DEPARTMENT OF AGRICULTURE AND RELATED AGENCIES APPROPRIATION, 1968,
CONFERENCE REPORT

(To accompany H.R. 10509)

Amendment No. 37: *Food stamp program.*—Reported in technical disagreement. The managers on the part of the House intend to offer a motion which will provide \$185 million for this program, \$23,200,000 from prior-year balances and \$161,800,000 by direct appropriation. Of the amount provided, \$5 million may be used in needy areas in this program where it may be required to meet problems resulting from the need for special consideration for extremely low-income families.

In addition, this committee has supported the nutrition education program. In last year's report, we stated:

The committee has approved an appropriation of \$30 million for the nutrition aide program initiated last fall. This is in line with the latest budget recommendation and places existing programs on a yearly basis. Of this sum, \$7,500,000 shall be available for professional workers to promote 4-H type programs in the depressed areas of our cities. This program involves educational work among low-income groups to reduce the incidence of malnutrition, by providing homemaker aides who will use available information, knowledge and skills to teach needy people to utilize all resources toward the achievement of a more nutritionally adequate diet.

In this connection, the committee feels that full use should be made of the Nation's 3 million 4-H Club members to promote 4-H Club-type work with the youth of our town and cities. The success of this program in rural areas has forcefully demonstrated the effectiveness of this approach. It may well be found that the most successful results from nutritional education of low-income families will come through work with the younger members of the family.

For these and other reasons clearly established in the record, I am proud of this committee's efforts.

I would like to insert a table at this point showing the food assistance program levels for 1969, 1970, and 1971 without regard to source of funds. This table indicates an increase requested for 1971 of \$133.3 million for the child nutrition programs, a reduction of \$104 million for the special milk program, an increase of \$640 million for food stamps, and an increase of \$20 million for the nutrition education program.

(The information follows:)

SUMMARY OF USDA FOOD ASSISTANCE PROGRAMS

[In thousands of dollars]

	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Change, 1970 to 1971
Child feeding:				
Child nutrition	\$519,781	\$551,650	\$684,978	+\$133,328
Special milk.....	102,677	104,000	-----	-104,000
Family feeding:				
Food stamp.....	250,981	610,000	1,250,000	+640,000
Commodity distribution.....	285,717	295,275	312,745	+17,470
Direct distribution to institutions.....	32,227	12,889	26,416	+13,527
Nutrition education.....	9,948	30,000	50,000	+20,000
Total food assistance.....	1,201,331	1,603,814	2,324,139	+720,325

THE AMERICAN ENVIRONMENT

Secretary HARDIN. Our responsibility, as I see it, is to manage the environment for the widest range of beneficial uses, without degrading it, without risk to health or safety, without loss of future productivity, and without being tyrannized by pests.

During the past year we have taken several important actions in the interests of a healthy environment:

We have taken actions to carry out chemical-by-chemical and use-by-use review of DDT and other persistent pesticides.

We have strengthened our working relations with other Federal agencies by appointing Dr. T. C. Byerly as environmental quality coordinator for the Department.

All heads of USDA agencies were instructed in June 1969 to lead a nationwide effort to improve water quality through prevention of pollution from Federal activities.

In the past year, 130 small watershed projects have been approved for Department help—nearly one-seventh of all the projects approved in the 15-year history of the program.

In 1969, the Great Plains conservation program was extended for another 10 years, and its provisions were broadened to do a better job in pollution control, fish and wildlife improvements, and recreation.

Already this year (1970), we have approved USDA planning help to 12 new resource conservation and development projects—for a total of 68 now underway. Most of these projects include accelerated soil and water conservation, development of water conservation, development of water resources, economic development and improvement of educational, cultural, and recreational opportunities.

And I may say here that with the great amount of emotion that has existed in the use of pesticides and other chemicals, we have felt it highly important that the literally hundreds and hundreds of decisions that must be made as these are reexamined, be made in an atmosphere of scientific detachment with full use of all the scientific data available. We are trying very hard to achieve this kind of a situation and I think with a fair degree of success.

RURAL AMERICA

One home in three in rural America is substandard. One in three of our rural communities with a population over 1,000 has no public sewage facilities. To put it another way, over 30,000 rural communities lack central water systems and over 40,000 lack central waste disposal systems. About two-thirds of all the Nation's substandard housing is in rural areas.

Mr. WHITTEN. That being true, Mr. Secretary, how do you reconcile that statement with the Department cutting so drastically the funds down that the Congress appropriated?

Secretary HARDIN. I can give you the figures here.

Mr. WHITTEN. I believe you cut direct loans, grants and so forth. You talk about how many homes there are without sewage and water and yet \$18 million funds in grants that this Congress appropriated for that purpose were frozen this year and you have requested the reduced amount for next year. Loan funds have been reduced proportionally. Does that help pollution?

Secretary HARDIN. No, sir; it does not.

Mr. WHITTEN. Do you think it is more important to put that in foreign aid or something?

Secretary HARDIN. I think it was a matter of priorities and a matter of judgment. When we got down to considering the budget totals, that is the way it came out.

Mr. WHITTEN. Was that the Department recommendation to the Bureau of the Budget or does it work the other way? You just got through pointing out to the committee the critical situation in which 1 in 3 of our rural communities with a population over 1,000 has no public sewage facilities. To put it another way, over 30,000 rural communities lack central water systems and over 40,000 lack central waste disposal systems. About two-thirds of all the Nation's substandard housing is in rural areas, and your requests curtail the congressional effort.

This committee and the Congress provided a \$18 million increase in grant funds to help, and increased substantially the loan fund and yet we find those funds are frozen and we find you are requesting much less money for the coming year than we provided this year. How do the two go together?

Secretary HARDIN. To answer your question, our recommendation was for \$46 million.

Mr. WHITTEN. Thank you. We realize you have to back the budget in your original presentation. Proceed.

EXODUS TO CITIES

Secretary HARDIN. These are among the reasons for the mass exodus to the cities.

A hundred years ago our Nation was 85-percent rural and 15-percent urban. Today it is 65-percent urban and 35-percent rural. And may I add there, we are defining as rural America that part of the country that lies outside the 212 designated metropolitan centers, an area that encompasses 35 percent of the population, about 65 million, and that includes some of the smaller cities as well as the rural county seat towns and other small towns.

Even though the rate of net migration from rural America has slowed in recent years, more than 1,000 counties are still experiencing population decline.

We must develop a sound national growth policy which will lead to a healthy distribution of our population throughout the Nation. But this requires rural development to create a climate of opportunity in the countryside.

It is not enough simply to think in terms of improving conditions and opportunity for the people in rural America, and thereby stemming the migration to the cities. We must do much more. We must make it a matter of urgent national policy to create in and around the smaller cities and towns sufficiently good employment opportunities and living environments that large numbers of families will choose to rear their children there.

With a further growth of 100 million projected by the year 2000, strong positive steps must be taken swiftly so that Americans will have a real choice of where they want to live.

The creation by the President of the Urban Affairs Council with the Secretary of Agriculture as a member, the appointment of the Task Force for Rural America, and the establishment of the Rural Affairs Council were all important steps toward the development of a national growth policy for America. The USDA Rural Development Committee, to which I referred earlier, was established in support of this policy.

The Department is taking rural development action in the field through 50 State committees of USDA and other key personnel.

Working closely with State and local authorities, and in response to local initiatives, we will help the people of rural America create new job opportunities, tailor manpower training programs to local needs, and insure improved community and housing facilities in America's cities, towns, and rural areas.

As the President has said, "We must create a new rural environment that will not only stem the migration to urban centers but reverse it."

The Department contributes to this new rural environment through its housing programs, grants and loans for water and waste disposal systems, extension service programs to support the development activities of rural communities and multicounty areas, programs to bring telephones and electricity to rural users, rural development research, watershed protection and management programs, and resource conservation and development projects.

I should add that the Presidential Task Force Report on Rural America has not yet been released. I think it will be shortly. When that is available for study it is our hope to come forward with more specific recommendations for a total program for rural America.

That will be handled through the Rural Affairs Council.

THE 1971 BUDGET

The Department's fiscal year 1971 budget is directed squarely toward the major goals of: (a) maintaining farm income and providing food and fiber for all Americans at reasonable prices, (b) providing necessary additional food to needy children and families, (c) assisting in

the development of our rural communities, including the provision of better housing, (d) protecting consumers against unwholesome or contaminated food, and (e) strengthening our pesticide regulatory efforts.

These goals call for efforts in research, credit, technical assistance and investment in the human resources, the land and water resources, the timber and recreation resources of the Nation. They are investments for the people—the Nation's resources for use now and far into the future.

Following are some major changes in the budget for 1971:

COMMODITY CREDIT CORPORATION

The major program for helping farmers maintain their incomes, CCC is the largest item in the Department's budget. Its expenditures will total nearly \$3.8 billion next year, an increase of about \$132 million. This is an estimate. It shows a net increase based on the latest projections of production, utilization, and exports we expect next year. There are many uncontrollable factors involved in this estimate. The actual amounts may differ. The appropriation we are requesting will fully restore losses of the Corporation through fiscal year 1969.

FARMERS HOME ADMINISTRATION

Increased credit for farmers, home construction, and community water and waste disposal in rural areas, is a keystone to the rural development program. The total program for the Farmers Home Administration, including loans (both direct and insured), grants and related administrative expenses, totals \$2.3 billion next year, an increase of \$633 million over 1970 estimates. Most of this increase is needed for housing low- to moderate-income families. The 1971 budget proposes an increase of 64,000 housing loans to needy families for a total of 146,000 such loans.

FARM OWNERSHIP LOANS

May I add here, Mr. Chairman—I know that you are interested in this—that in the current fiscal year we have had a very difficult situation with respect to farm ownership loans. We have just in the past week advanced some funds from the fourth quarter to the third quarter to try to meet the March 1 deadline which has significance in the purchase of farmland. We also have authorization to transfer \$50 million from the insured housing area to the farm ownership program to use between now and June 30. This will provide some relief in this area.

RURAL ELECTRIFICATION ADMINISTRATION

These loan programs are being continued in 1971 at the same level as in 1970; that is, \$345 million for electrification loans and \$125 million for telephone loans, for a total of \$470 million. The request for new loan funds is slightly less than 1970, primarily because of the use of prior year balances carried forward.

PAYMENTS TO STATES

As a part of this administration's commitment to strengthen State and local governments to enable them to deal more effectively with some of the problems facing the Nation, we are asking States to carry a greater share of the responsibility for improving conditions in rural areas, as well as in carrying out the program of nutrition education. This will be done through the Cooperative Extension Service and the State experiment stations of our land-grant colleges.

In the past year and a half, the Cooperative Extension Service has achieved considerable success in providing nutrition education to low-income people both in cities and in rural areas. The Cooperative Extension Service at the State and local levels together with the State experiment stations will emphasize programs and activities to carry out rural development programs involving leadership, research, and technical assistance to help local people help themselves.

For all of these and other related purposes the budget proposes increases totaling \$49.8 million. Twenty million dollars of this increase will be used for nutrition education, working both with groups of adults and through groups of young people, as this committee suggested a year ago.

Incidentally, we have had a very favorable response from the State experiment directors on these proposals.

Mr. WHITTEN. The things that I hear indicate the overall program is working much better than your extension people thought that it might at the time. They have been pleased?

Secretary HARDIN. That is true.

Mr. WHITTEN. With adults as well?

Secretary HARDIN. That is true.

RURAL DEVELOPMENT PROGRAM

Over \$10 million in the Extension Service and \$5 million in the experiment stations will be directed to rural development projects.

It is my feeling that these agencies have the knowledge and understanding of local conditions to enable them to provide the maximum contribution toward making rural areas more attractive places to live. Most of the remaining funds are needed to keep up with rising costs. They are necessary just to keep us from falling behind in our efforts.

I would like to add this further comment. By involving the Extension Service more heavily in the rural development endeavor through the funds proposed here, which when divided among the States provides only a modest amount for any one State, I think we gain access to some very vital services that exist in the land-grant universities. As these rural communities think about expanding, they need specialized help which they can draw from the faculties of the State universities through the Extension Service.

FOOD ASSISTANCE PROGRAMS

Secretary HARDIN. This is the second largest item in our budget. For 1971, we are asking for \$2.3 billion, an increase of \$720 million over the amount appropriated in 1970. Of this increase, \$640 million will be used for the food stamp programs, bringing the total amount available for

these programs up to \$1.25 billion in 1971. This increase will provide funds to cover the full year costs of program modifications which were made last December, further modifications which we plan to make when pending legislation is enacted, and increased participation during 1971. We expect 7.5 million people to be participating in these programs by the end of 1971, 2.1 million more than at the end of 1970.

We are also asking for additional funds for child feeding programs, both through the regular appropriation for child nutrition and through the special authority in section 32 which this committee added to feed needy children and low-income persons determined to be suffering, through no fault of their own, from general and continual hunger. During 1971 we plan to be able to serve free or reduced price lunches to approximately 6.6 million children under these programs.

FOOD FOR PEACE

The budget next year contemplates a program of \$1,133 million for Public Law 480 activities. This reflects the anticipated requirements of the foreign peoples who need additional food and fiber, given the necessity of holding the budget as low as possible.

Sales under title I are down \$112 million as world wheat and rice production show a continued increase. Title II dispositions are down some \$6 million to an estimated \$351 million in 1971.

PRINCIPAL PROGRAM REDUCTIONS

The preparation of this budget has presented a number of very difficult problems because the needs in many areas are so great. To meet the urgent needs of some areas we found it necessary to make budget reductions in others. The major reductions are:

a. Elimination of the agricultural conservation program. This program has been very valuable to the Nation. Because of the need to hold down the overall budget and reduce outlays, no program is proposed for 1971 and the 1970 program is being carried out at the \$185 million level rather than the \$195.5 million level authorized. I hope that farmers will continue their conservation activities without cost-sharing by the Federal Government.

b. Elimination of the special milk program. This change is recommended in view of the expanded programs for food assistance, particularly school lunches where milk will be available.

c. Water and sewer loans and grants. There is an overall reduction of \$22 million in water and sewer loans and grants below the current level for 1970 and a reduction of \$70 million below the original plan for 1970.

d. Plant pest control programs. We are proposing the elimination of four relatively lower priority programs (European chafer, sweet potato weevil, soybean cyst nematode, and phony peach and peach mosaic).

Mr. WHITTEN. At this point, I notice in the brief summary of the budget that we have before us that they said in some of those programs the job had been accomplished. These are not illustrations or examples of where the job had been accomplished, are they?

Page 50 of the 1971 Budget Appendix, describes termination of programs totaling \$300 million in 1971. It states:

Activities proposed for elimination include certain agricultural programs which have accomplished their purpose or are no longer of high priority.

We will go into this ACP in a few minutes, as well as some other things. These things that you reduced, do they come under that description or is there some other reason?

Secretary HARDIN. I believe that in the budget document, as I recall, they are included in that category.

SWEET POTATO WEEVIL

Mr. WHITTEN. In other words, sweet potato weevils no longer bother us?

Secretary HARDIN. No; that is not in that category.

Mr. WHITTEN. How about the other ones that you mentioned?

Secretary HARDIN. The diseases here are clearly a matter within the whole pest control budget, a matter of most urgent priority. These were deemed by our people to be of less urgency.

SOYBEAN CYST NEMATODE

Mr. WHITTEN. Soybean cyst nematode, which worries my friend from Illinois quite a bit, or my friends from Indiana, Michigan State University and Purdue and my good friend Frank Bow, the ranking Republican, say the soybean cyst nematode is one of the greatest threats since the advent of the boll weevil 100 years ago. You say that is in the category of those jobs that have been completed and no longer are serious? Can you drastically cut it back?

PHONY PEACH AND PEACH MOSAIC

Phony peach and peach mosaic. I was down in those peach areas and since they can't get anybody to gather the peaches, it may not make a whole lot of difference.

SOYBEAN CYST NEMATODE

Secretary HARDIN. On the soybean cyst nematode—

Mr. WHITTEN. Did you tell the Under Secretary about that?

Secretary HARDIN. Under the quarantine program the spread of the nematode has been slowed down. Because of the large infested areas, the Federal program of quarantine to prevent the spread from interstate movements of the nematode is not making a significant impact. Crop rotations and resistant varieties are the best current approach to reduce losses.

Mr. WHITTEN. You might proceed with your statement. I am familiar with some of the problems that you have in getting clearance at the Budget Bureau level. Proceed.

PHONY PEACH AND PEACH MOSAIC

Secretary HARDIN. I was going to say on the phony peach and peach mosaic, the State-enforced quarantines against phony peach

and peach mosaic diseases have been extremely effective. The incidence of these diseases is very low. The States have the capability of maintaining the program.

Mr. WHITTEN. Would it be all right with you if we asked Dr. Bayley for a little more details?

Secretary HARDIN. Certainly, sir.

Mr. WHITTEN. Please continue.

Secretary HARDIN. There are also a number of smaller but important items in the budget to which I'd like to call your attention. For the Agricultural Research Service we are asking for increases as follows: \$2.1 million for research; \$2 million for controlling the imported fire ant, an insect of increasing annoyance to the people of the Southeastern States; \$1 million for hog cholera eradication as we hopefully enter the final stage in the elimination of this disease; and \$2.4 million for pesticides to strengthen our enforcement and registration activities to provide protection to consumers and users of these products.

We are asking for \$8.3 million for the Soil Conservation Service for works of improvement on Public Law 566 watersheds and we are striving to reduce the lag between planning and installation of these works. This involves a decrease of \$1.3 million for planning new projects. We are also asking for an additional \$3.1 million for resource conservation and development projects. These projects can make an important contribution to rural development in the areas which they serve.

Increases are being requested for the Economic Research Service and the Statistical Reporting Service.

These are small but extremely important in our judgment.

The major item requested for ERS is an increase of \$865,000 to study changes in production costs of agricultural commodities throughout the world so that we can maintain our position in world trade.

SOIL CONSERVATION PROGRAMS

Mr. WHITTEN. Mr. Secretary, I take issue with you to some degree. The President is making a big to-do about pollution; the press and news media and other people are all recognizing the seriousness of it. To cut back on the Soil Conservation Service works of improvement strikes me as pennywise and pound foolish. I understand that you have frozen a good deal of what we approved for the President in 1970. Then you propose to cut \$1.3 million for planning new watershed projects for next year.

I will read some of the details about the ACP program in a few minutes. It just does not make sense to me. I mentioned education earlier. It is very, very important. Now, we asked for this job of representing our districts in Congress and we asked for assignment on this committee. At least we are serving here by our own free will and I asked to be on it. Most of us did, I am sure.

Now you are asking us to go before Congress and ask for a whole lot of extra money to gather statistics. What about those farmers out there who have all of their soil washing into the reservoirs and who are polluting the area around them? They read about these grants to the cities and find that this committee, on your recommendation, is cutting

the daylights out of the action projects and appropriating a lot more money to collect statistics and do economic research. I don't think they are going to be happy with me, or you either, if we were to do it.

INFORMATION ON AGRICULTURAL COMMODITY PRODUCTION COSTS

Secretary HARDIN. I think it is in their best interests if we can find out just a little more.

Mr. WHITTEN. I doubt if you can convince farmers of that.

Secretary HARDIN. I think we need to know what the potential of some of the major producing areas are, the true potential on down the road here in being competitors in certain commodities. That is what we are attempting to do on a very small basis, and I think a rather key one.

SOIL CONSTRUCTION PROGRAMS

Mr. WHITTEN. That could be, but let me point out in your preceding paragraph. We already know of \$1.3 million of planning projects that are badly needed. You cut them. You don't need any research to find them. You have a record of them in the Department?

Secretary HARDIN. I should add there that we are well ahead on the planning. We have quite a lag between projects already planned and those we have been able to activate.

Mr. WHITTEN. While the President wants us to get rid of pollution, your idea is to let planning drop back to construction instead of speeding construction up to catch up with planning. It seems you have the cart before the horse. You let planning drop back instead of speeding construction to catch up. Isn't that shortsighted?

Secretary HARDIN. In terms of the budget stringencies, there was no other choice. What you point out is certainly true. There are two ways to equalize this.

Mr. WHITTEN. This is another case of where you had to yield to the overall budget level, is that correct?

Mr. GRANT. The Department posed this reduction in planning in order to bring about this equalization.

Secretary HARDIN. We are way out ahead on planning.

Mr. WHITTEN. Go ahead, Mr. Secretary.

EXPORT MARKET PROMOTION

Secretary HARDIN. We are also asking for an increase of \$1 million in the export market promotion work of the Foreign Agricultural Service.

IMPROVED LIVESTOCK SURVEYS

For SRS we are asking for \$1 million to expand and improve livestock surveys.

If I had to pick out one of the smaller items, that is one I would underline.

It is essential that the accuracy and dependability of our livestock estimates be improved.

MEAT AND POULTRY INSPECTION

An increase of \$9.2 million is requested to carry out the Department's responsibilities for meat and poultry inspection under the Wholesome Meat Act and the Wholesome Poultry Products Act.

This statement cannot deal adequately with all of the many factors which had to be taken into account in the preparation of this budget. There has been a shifting of emphasis in some cases, and a sharpening of priorities. This is a time for budget restraint, but it is also a time of increasing needs. The Department's budget for 1971 deals responsively with the most difficult problems it faces. It is a budget sensitive to the taxpayers' burden and possible inflationary pressures.

This request includes those funds and personnel needed to carry out the most important activities in rural America in fiscal year 1971.

I thank the members of this committee for the opportunity to appear before you. I will be pleased to answer your questions on the budget requests we have submitted.

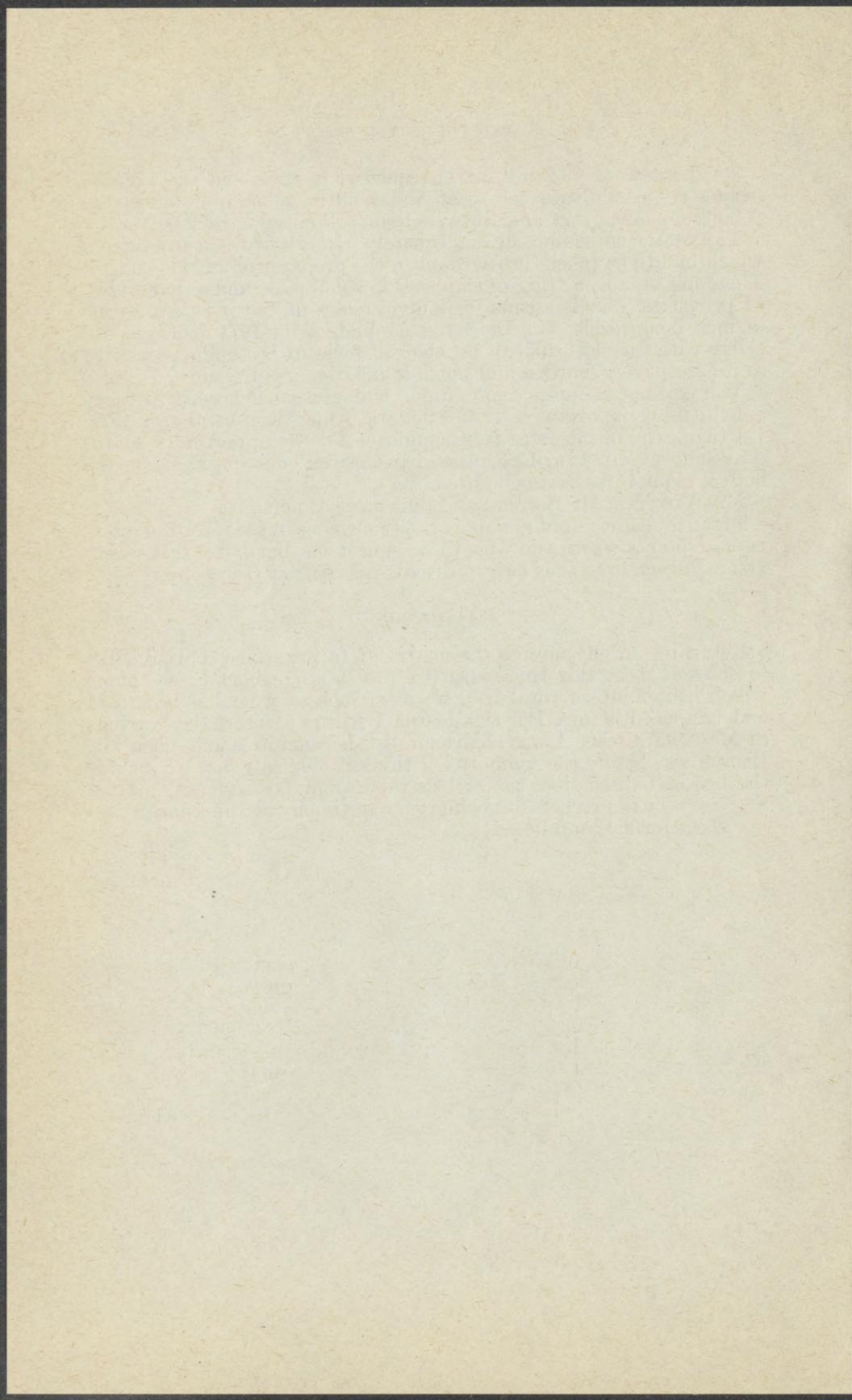
Mr. WHITTEN. Mr. Secretary, thank you very much.

I realize that it might not appear too courteous in the record to interrupt at points where you were discussing items, but I feel that where you say something it is best to discuss the issue at that point.

1957 HEARINGS

Returning briefly now to the matter of farm income, I would like to show that at this time when we are talking about those things which contribute to rural life, we must look to what has been said and happened before. For this reason I will now insert the hearings of May 1957; when I was chairman of this committee and when Mr. Benson was before the committee. I think it only fair that we include the original discussions as well as tables and the statement of the Secretary in the record following your testimony at this time.

(The information follows.)



Reprinted from Hearing Held on February 26, 1957.

PRESENT CONDITIONS IN AGRICULTURE

TUESDAY, FEBRUARY 26, 1957.

WITNESSES

EZRA TAFT BENSON, SECRETARY
TRUE D. MORSE, UNDER SECRETARY
EARL L. BUTZ, ASSISTANT SECRETARY
MARVIN L. McLAIN, ASSISTANT SECRETARY
R. L. FARRINGTON, GENERAL COUNSEL
DON PAARLBERG, ASSISTANT TO THE SECRETARY
WALTER C. BERGER, ADMINISTRATOR, COMMODITY STABILIZATION SERVICE
FRANCIS C. DANIELS, GENERAL SALES MANAGER, COMMODITY STABILIZATION SERVICE
F. MARION RHODES, DIRECTOR, COTTON DIVISION, COMMODITY STABILIZATION SERVICE
HOWARD J. DOGGETT, DIRECTOR, SOIL BANK DIVISION, COMMODITY STABILIZATION SERVICE
ROBERT P. BEACH, ASSISTANT DEPUTY ADMINISTRATOR, OPERATIONS, COMMODITY STABILIZATION SERVICE
RALPH S. ROBERTS, ADMINISTRATIVE ASSISTANT SECRETARY

Mr. WHITTEN. Gentlemen, I would like to ask the committee members that we adhere to the regular order in this hearing and let the chairman complete his line of interrogation. I have some definite points I would like to develop, after which the witness will be passed to Mr. Marshall and Mr. Natcher and to Mr. Andersen, Mr. Horan, and Mr. Vursell.

Mr. Secretary, I think that the committee has concluded that, since nothing is more important right now to agriculture than the overall policies of the Department and the activities in the Congress in connection with farm income and things of that sort, that we should have a special hearing on this phase of the Department's program at this time, rather than wait for your regular appearance on the 1958 budget.

Mr. BENSON. Mr. Chairman, I believe everybody has been handed a copy of a statement which is an attempt to cover the items which I understood that you wanted us to discuss particularly, soil bank, the price support levels, which we have set, and the relationships between the two.

Mr. WHITTEN. Those are the major things that we should have in mind. I believe that we might delay the presentation of your statement briefly, so that I might develop some things that might not have had your detailed attention in it.

Mr. Secretary, it is no great secret that I have differed with your views in agriculture, as good Americans can, and that some members of this committee from both parties have seriously questioned the correctness of some of the views which you and your administration have had with regard to price supports.

REDUCTION IN PRICE SUPPORTS

Now, what really led us to request that you appear at this time was your recent announcement making reductions in price supports for several commodities. What were those commodities and how much was the reduction in 1957 as compared to 1956, Mr. Secretary?

Mr. BENSON. That is all covered in this statement, taken up commodity by commodity, Mr. Chairman. I wonder—

Mr. WHITTEN. Could you give us that information at this time?

Mr. BENSON. I have a table in here, page 9, under the caption of "Price Supports," which shows the 1957 supports, the support level in dollars and cents and in percentage of parity, and the average price received by farmers as of January 1957.

Mr. WHITTEN. We would like to have a table included in the record at this point showing changes in price supports announced in the election year of 1956 and those announced this year.

(The table referred to is as follows:)

Announced Price Supports

Commodity	1956		1957	
	Percent of parity	Price	Percent of parity	Price
Corn.....bushels..	84	\$1.50	77	\$1.36
Wheat.....do.....	82.6	2.00	82.5	2.00
Cotton.....pound..	82.5	.2934	77	.2815
Rice.....hundredweight..	82.5	4.57	80	4.43
Barley.....bushels..	76	1.02	70	.94
Grain Sorghums.....hundredweight..	76	1.97	70	1.83
Oats.....bushels..	76	.65	70	.60
Rye.....do.....	76	1.27	70	1.15
Cottonseed.....ton..	70	48.60	65	46.20
Flaxseed.....bushels..	70	3.09	65	2.92
Soybeans.....do.....	75	2.15	70	2.09

PRICE SUPPORT CORRELATED TO FARM INCOME

Mr. WHITTEN. Mr. Secretary, in going over a review of your Department in the years that you have been Secretary, I notice that you have reduced price supports on cotton by 12 percent. You have reduced price support on cotton from 32 cents to approximately 28 cents. You have reduced price support on corn by 20 percent, on barley by 26 percent, on cottonseed by 33 percent, flaxseed by 25 percent, oats by 25 percent, rye by 21 percent, sorghum by 20 percent, soybeans by 21 percent, butterfat by 19 percent, and milk by 19 percent. That is the reduction that you have made in price-support levels during your tenure in office. During that same period, farm

income has gone down something in excess of 20 percent. These figures are evidence of the soundness of myself and other members of the committee in the belief that the price received by the farmer is a very key factor in farm income. A comparison between the reduction in farm income from 1952 to 1957 and the reductions you have made in price-support levels during this period, certainly bear out such a conclusion.

In your advocacy of reduced price supports, you have always taken the view that to reduce supports would increase consumption. What evidence do you have that there has been any increase in consumption in these commodities that you have reduced?

RECOGNITION OF FARMERS' PLIGHT

Mr. BENSON. Mr. Chairman, you have raised several questions: First of all, in adjusting the price supports—there have been cases where we have also shown some increases—we try to look at each commodity and do what we think is best for that commodity, particularly in the long run.

Mr. WHITTEN. Do you mean that you consider what is best for the middlemen or do you mean the farmers who are engaged in producing the commodity?

Mr. BENSON. Our concern is for the farmer. Our major concern is for the farmer; I am sure you know that.

We recognize that one of the most serious depressing effects on farm income—in the last couple of years, particularly—has been the very heavy accumulations of surplus commodities in Government warehouses. Our career economists estimate that our surpluses have brought about a reduction of some 20 percent in the total farm income or about \$2 billion. To pile up surpluses in Government warehouses, which in turn depress farm prices, is not helping agriculture.

So, we tried to set the supports at levels that would permit these commodities to flow into consumption. Then we put our emphasis on marketing, for which you have been very strong, Mr. Chairman. We put our emphasis on markets, the expansion of markets at home and abroad. We want to move these supplies into use rather than into Government warehouses, which are not a market. Once it gets there, only three things can happen to it; eventually it will have to move out into domestic markets or into foreign markets, or just stay there and accumulate storage charges until it spoils. So we have tried to set these supports at a level that will tend to promote orderly marketing and tend to permit these commodities to move into consumption.

SALE OF COMMODITIES IN WORLD MARKETS

Mr. WHITTEN. Mr. Secretary, I could buy that a little easier if the record did not show that for 3 separate years you had unlimited authority to sell these commodities in worldwide markets, that there were no restrictions whatsoever. Such statements will be found on page 99 of the CCC hearings in the 84th Congress, in 1956. Further

evidence will be found on page 49 of the 1955 hearings, second session, in which you listed all the various commodities that you had responsibility for but flatly refused to offer in world trade on competitive basis.

I realize you took the view that other countries didn't have the money with which to buy our products. We had to correct that by showing that the foreign countries did have dollars.

The next argument that you made, as I recall it, was that the trade was opposed to these competitive sales. So we in turn had to have an investigation as to where the trade stood on this matter. Also, I believe there was some other argument as to the policies of the State Department. So we had the State Department before us. As I recall it, they testified that they had never opposed competitive sales, though they kept their hands in the Public Law 480 disposals.

Finally in 1956, for the first time, we got you to offer this cotton, because of the supply on hand. Yet for 5 straight years I was trying to get you to do the very logical thing of offering it for sale at competitive prices. It is my understanding from your reports that, once we got you to move, you sold about 6 or 7 million bales in 1956. If you had been offering that cotton for sale in 1954, 1955, and 1956, what is your judgment as to how much cotton you would have moved? What is your view as to how much of this 35 percent cut in cotton acreage that you visited on the cotton farmer could have been avoided? By your own survey, you showed that in 1955, 55,000 farm families were put off the farms in the South under the acreage reduction for cotton in that year. If you had offered this cotton, as you are authorized under law, for sale competitively during those 5 years, how much of this terrible situation would have been prevented?

Mr. BENSON. First of all, Mr. Chairman, I think it would be difficult to show that these people who have left the farm have done so because of our sales policy.

Mr. WHITTEN. It is not sales policy. It is lack of sales policy and your own survey said they were put off farms as a direct result of acreage cuts.

Mr. BENSON. Call it what you will, I am sure it is not due to policy or lack of policy, as you want to call it. In the case of cotton, there are a number of factors in the situation, as you well appreciate, I am sure. It is part of the trend that has been going on for many years in agriculture. The number of farmers has been declining. The greatest declines took place before this administration came into office, not due to Government policy but due to the play of economic forces. The great demand for labor in the cities at high wages, mechanization of agriculture, and many other factors have played a very important part in that trend. The trend is still going on, in a limited way.

EFFECT OF ACREAGE REDUCTION IN 1955

Mr. WHITTEN. Mr. Secretary, in connection with that, I would like to include in the record at this time the report of your own survey as to the effect of your acreage reduction in 1955 for cotton.

(The report is as follows:)

Number of counties with 1,000 or more acres of cotton and number of counties reporting

State	Number of counties having 1,000 or more acres of cotton	Number of counties reporting	State	Number of counties having 1,000 or more acres of cotton	Number of counties reporting
Alabama.....	67	67	Mississippi.....	77	80
Arizona.....	7	7	New Mexico.....	11	10
Arkansas.....	63	54	North Carolina.....	55	64
California.....	8	9	Oklahoma.....	59	74
Florida.....	11	27	South Carolina.....	46	44
Georgia.....	138	139	Tennessee.....	35	44
Illinois.....	0	3	Texas.....	205	212
Kentucky.....	2	2	Virginia.....	6	14
Louisiana.....	46	29			
Missouri.....	8	8	Total.....	844	887

Summary of answers from 887 counties to the following question:

"How many renter families (tenants and sharecroppers) have been or will be forced off farms due to 1955 reduction in cotton allotments? The question is concerned only with the number of renters (as defined above) forced off farms due to the 1955 reduction in cotton acreage allotments and not for other causes such as mechanization, drought, etc."

	<i>Renter families</i>		<i>Renter families</i>
Alabama.....	7, 554	Mississippi.....	11, 981
Arizona.....	127	New Mexico.....	137
Arkansas.....	4, 246	North Carolina.....	2, 783
California.....	0	Oklahoma.....	1, 477
Florida.....	279	South Carolina.....	4, 147
Georgia.....	8, 157	Tennessee.....	3, 075
Illinois.....	40	Texas.....	5, 580
Kentucky.....	60	Virginia.....	108
Louisiana.....	3, 395		
Missouri.....	2, 202	Total.....	55, 348

Summary of answers from 887 counties to the following question:

"How many small cotton farmers (i. e. those with 5 acres or less of cotton allotted in 1954) will have net income for the farm reduced by \$100 or more due to the 1955 cotton acreage reduction? Do not include in this estimate the number who may have income reduced due to not planting full allotments. The value of crops produced on acres diverted from cotton should be considered in arriving at the net income loss."

Alabama.....	17, 595	Mississippi.....	34, 414
Arizona.....	38	New Mexico.....	64
Arkansas.....	1, 496	North Carolina.....	17, 397
California.....	0	Oklahoma.....	378
Florida.....	2, 348	South Carolina.....	10, 400
Georgia.....	14, 888	Tennessee.....	14, 944
Illinois.....	147	Texas.....	6, 129
Kentucky.....	203	Virginia.....	1, 632
Louisiana.....	6, 649		
Missouri.....	1, 881	Total.....	130, 603

Mr. BENSON. Of course, when you say our acreage reduction, Mr. Chairman, you must realize that the acreage reduction was caused by the formula in the law. We followed that. I know you maintain we ought to have been selling more cotton competitively. There are a

number of factors in that situation—you have mentioned some of them—and I think there was a limitation on dollars. Nobody knows exactly what that limitation was. We were anxious, too, to get some flexibility into our support mechanism. Otherwise, it would simply mean that the Government would receive all the cotton at one figure and then sell it out at some other figure.

Mr. WHITTEN. Which is what the law contemplates, isn't it?

Mr. BENSON. I am not sure that the law contemplates that. We have the authority to do it, that is true, but certainly—

Mr. WHITTEN. If the law authorizes you to support prices, and sets the basis on which you support, and then provides for sales in world trade competitively, would it not seem that Congress had intended that or would not have written it into law?

Mr. BENSON. May I answer it in this way: I am sure that the Congress did not intend that we become the sole marketer of cotton and have all the cotton flow into Government hands. In time this would dry up our private marketing machinery.

Mr. WHITTEN. Your action was taken because of the middleman?

Mr. BENSON. No, it was not. We think it is in the interest of the farmer to preserve our marketing machinery.

COMPETITIVE SALE OF COTTON IN WORLD MARKETS

Mr. WHITTEN. I would like to ask you again, if the Congress wrote into law price supports and provided for sales in world trade on competitive basis, wouldn't you think that Congress intended that?

Mr. BENSON. I think Congress intended that we use that authority, with wisdom, of course. We felt that the course we pursued was the wise course and of course you mentioned that there was some opposition from other departments. We did have a problem of getting support for the sale of cotton abroad. You know that. We first obtained approval for the sale of 1 million bales of the lower quality cotton and many people thought then that we would not be able to move the million bales.

Mr. WHITTEN. Was that approval from the White House level?

Mr. BENSON. Yes, and from other departments of Government. And then there—

Mr. WHITTEN. May I keep the record straight, Mr. Secretary? At the time we had this cotton problem, this committee had finally persuaded you to offer all 19 other commodities in world trade on competitive basis. Were you not, when you were having trouble getting clearance for cotton, offering all other commodities?

Mr. BENSON. I am not sure whether we were offering them all but Dr. Butz could answer that, I think.

Mr. WHITTEN. At the time we finally received clearance to move cotton on a competitive basis you were offering all other commodities in world trade on a competitive basis, were you not?

Mr. BUTZ. Yes, sir.

Mr. BENSON. I think we did supply a statement on that—Dr. Paarlberg reminds me.

ACREAGE FORMULA

Mr. WHITTEN. Your own survey showed that, in addition to all the farmers that were being squeezed out economically, acreage reductions

put 55,000 farm families off the farm. In doing that, you said you were following the formula. I agree with that, but that formula also provides that you shall add expected exports, expected domestic consumption, plus 30 percent, in fixing the acreage.

Now, by holding this cotton off world markets for 3 straight years, though the law authorized competitive sales and I think contemplated it, your exports were down so that cut the farmers' acreage. Because your exports were going down, you had that extra cotton on hand. So when you figured that into your acreage allotments, you hit the farmer again.

So, I am saying that this policy of holding our cotton off world markets competitively, ruined many American cotton farmers.

Now, I don't mean to belabor the record, Mr. Secretary, but I would point out again, the law provides and has provided that, notwithstanding the formula, in time of an emergency you had authority to increase acreage with regard to any commodity. As I pointed out at that time, and I would like to have the record show here the pertinent parts of Proclamation No. 2914, on December 16, 1950, the President of the United States declared that a state of national emergency existed.

(The requested information is as follows:)

PROCLAIMING THE EXISTENCE OF A NATIONAL EMERGENCY BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

Whereas recent events in Korea and elsewhere constitute a grave threat to the peace of the world and imperil the efforts of this country and those of the United Nations to prevent aggression and armed conflict; and

Whereas if the goal of Communist imperialism were to be achieved, the people of this country would no longer enjoy the full and rich life they have with God's help built for themselves and their children * * *

I summon our farmers, our workers in industry, and our businessmen to make a mighty production effort to meet the defense requirements of this Nation * * *.

Mr. WHITTEN. So here we had the emergency declared, and here was the law that gave you the right to increase acreage in time of emergency, and here were 55,000 farm families, according to your own survey without a thing to do. I have always differed with you about your failure to use that power under the law. You will recall that, before you became aware of having that authority under the law, you had made the speech to the southern governors in Virginia, in which you stated that the situation was so serious, if it were within your power, you would do something to relieve the situation of these farm families put out on the roads. Then I called your attention to the fact that in time of emergency you had a right to relieve it, as the President had declared an emergency. But, as I recall it, you said that you had gone over it and your conscience would not let you reach the proper determination.

Mr. BENSON. There was no emergency insofar as the supply of cotton was concerned.

Mr. WHITTEN. That is correct. But the law doesn't say an emergency insofar as the supply of cotton. It says in time of emergency.

Mr. BENSON. Just because there was a military emergency, it did not mean that we go to extremes on any commodity program.

I would like to say again that the fact that people have left farms in the South and elsewhere has not been due to any particular agricul-

tural policy. In my judgment, it has been due to a whole series of factors, most important of which, I think, has been the demand for labor in the cities, high wages offered, mechanization of agriculture, the increased efficiency of our farmers. Those have been the major factors.

Mr. WHITTEN. I can't agree with you fully. I don't mean to say that some of those things don't enter into it. I realize that you place great emphasis on economic units. Well, the farmer is an economic unit. When you cut the price of a farmer's bale of cotton by \$9 last year and \$6 this year, and when you cut his cotton acreage 35 percent, you have made a lot of economic units uneconomic by action of the Department of Agriculture.

PRICE SUPPORTS DO NOT AFFECT THE WORLD MARKET

Mr. BENSON. Of course, had we continued the high rigid support program, which would tend to dry up markets both at home and abroad—

Mr. WHITTEN. I want to take issue with you right there. Why would it dry them up abroad?

Mr. BENSON. Because our cotton was not priced competitively—

Mr. WHITTEN. All right. You set the price in world trade.

Mr. BENSON. And at home.

Mr. WHITTEN. I would like to ask you to answer my question. You said that the high support level dried up our markets abroad. You just agreed that you had authority to sell abroad competitively, regardless of support level. You agree to that, don't you?

Mr. BENSON. Yes, I think the authority is in the CCC Charter.

Mr. WHITTEN. Whatever the support level was, you had the authority to sell competitively. If foreign markets were being dried up, it was your own refusal to offer competitively. Would you not agree that, whatever your reasons for not doing it might be, that was the cause?

Mr. BENSON. As a matter of fact, Mr. Chairman, I come back again to the point I made earlier, that I am sure it was not the intent of Congress that the CCC be the sole marketing agency in this country. We do not want Government monopoly in the handling of—

Mr. WHITTEN. Why treat cotton differently from the other 19 commodities you were already selling competitively prior to 1956.

Mr. BENSON. I do not know that we are treating it differently. We started on some earlier than others.

Mr. WHITTEN. You just heard your own folks say that on January 1, 1956 you were offering and had been for some time all 19 commodities except cotton.

Mr. BENSON. Certainly there was no disposition on the part of any of us to discriminate against any commodity. Of course, cotton is a world commodity. It is a very sensitive commodity, in some areas. You have the question of our relations with other countries to consider, which you don't have to the same degree in many of the other commodities which we sold.

Mr. WHITTEN. You mean that cotton, with the biggest reduction of any of them and the only commodity taking 2 straight years' reduction, is the only commodity that these international commitments and assurances and all that kind of thing tie into?

Mr. BENSON. It is not the only one, Mr. Chairman. It is one of the very important ones.

Mr. WHITTEN. Mr. Secretary, I feel so strongly about this, I hope you will accept my apologies in advance for seeming to be very much wrought up about it. But I would appreciate your answering my questions and I will give you any time you wish to qualify, modify or expand on your answers. But, may I again repeat the question: When you said that high support levels would in any way affect foreign sales, you were mistaken, unless you yourself withheld that commodity from foreign markets, because there was no limit on your ability to offer it in world trade competitively. Isn't that right?

Mr. BENSON. High supports?

Mr. WHITTEN. You are not answering.

Mr. BENSON. Yes, I will answer it. High supports, Mr. Chairman, would have the effect of pricing our cotton above world markets and to that extent would tend to dry up world markets, which has happened.

Mr. WHITTEN. I can't let that answer stand because it is a flat contradiction of the truth.

Mr. BENSON. Let me finish my answer. We could, however, under the charter of CCC, as I understand it, have stepped in as a government, and taken the commodity in and sold out at a much lower figure on a competitive basis.

Mr. WHITTEN. As authorized by the law?

Mr. BENSON. Yes, it was authorized by law.

Mr. WHITTEN. As you are now doing it?

Mr. BENSON. As we are now doing it.

Mr. WHITTEN. So, the support level would not have a thing in the world to do with your ability to offer these commodities competitively in world trade under any circumstances?

Mr. BENSON. It would unless we disregarded entirely the relationship of price supports to the whole operation and unless we eliminated from our thinking the possibility that the Government would become the only market for cotton and take over the whole operation. This would tend to dry up our own private marketing machinery which I think is not good for agriculture.

Mr. WHITTEN. I think these 55,000 farm families were put out because you were giving attention to middlemen as against the farmer.

Mr. BENSON. There again, Mr. Chairman, we don't agree. I think that was not the major factor at all. The major factors are the ones I have mentioned.

FARMERS' COST

Mr. WHITTEN. Now, I think you will agree that farmers' income is price times volume less cost. What has happened to farm costs during the 4 years that you have been in office, Mr. Secretary?

Mr. BENSON. Well, farm costs have remained high, in many cases have risen substantially.

Mr. WHITTEN. Farm income is down 20 percent or more, and costs are staying stable at the best and actually climbing a little bit. If you want to help the farmer's income, you have to do it one of two ways, don't you? Pricewise or volumewise. Price or volume is all that is left, since cost is constant or rising.

Mr. BENSON. I don't say there isn't anything we can do on the cost side; as you know, we are putting a lot of emphasis, in our research

program, on reducing costs, making our farmers even more efficient. I think that some of these wage settlements have had an adverse effect on agriculture. I have spoken out, I presume at some risk, on that issue also.

Mr. WHITTEN. Well, you asked industry and labor unions to hold themselves in check, to help the situation. Then you do more damage to farm incomes by reducing price supports, than perhaps they are doing with their constant increases.

You have had a 62-percent increase in research. I know there have been some findings, but I would like for you to agree if it is true, that notwithstanding 62-percent increase in funds in your own Department for research, in spite of all the benefits that you thought would come from that, costs have still gone up during your tenure, haven't they?

Mr. BENSON. I think they have gone up, but that is not evidence that research is ineffective.

Mr. WHITTEN. I am not arguing that.

Mr. BENSON. Research is never dramatic. It is always slow but it is effective over the long pull. I think most of the progress we have made in agriculture in the last 50 years has been due to research and education which has resulted in reduced costs, more efficiency on the part of our farmers. Then I think the freedom that the farmers have had to operate has been another important factor.

Mr. WHITTEN. Now we get back to what I wanted to develop. If costs, notwithstanding all your efforts, have gone up and farm income is down 20 percent, and you want to help that farm income, you have got to increase the number of units he has to sell, or you have got to increase the price that he sells it for, haven't you? That is your only way in the world to increase his net income, isn't it?

EFFECT OF REFUSAL TO SELL IN WORLD MARKET ON FARM INCOME

Mr. BENSON. Of course one of the big factors that depresses farm income has been this overhanging supply of surpluses as you know. We do want to increase acreage and I think we are moving in the direction where we can give increased acreage. I would like to see that.

Mr. WHITTEN. Let us get to the other factors and see about that.

You say that the drop in farm income is all due to this big supply overhanging his markets. Why was it in 1953 you would not sell these commodities in world trade competitively so as to get them off his neck? Why was it in 1954 you would not offer these commodities in world trade competitively? Why was it in 1955 that you finally got around to offering many of them, but you still would not sell cotton?

Now, you are very proud, and the President is proud, and I am proud of you for being proud of what you did sell in 1956. But if you had not stuck to your policy of holding these commodities—and many folks thought you held them so you could get your way about lowering prices—

Mr. BENSON. That is not true, of course.

Mr. WHITTEN. I say, many folks thought that. If you had not stuck to your determination, from your friends' standpoint, and your stubbornness, as your critics would view it, how much of that would have helped farm income if you had been following the policy of selling competitively in 1953, 1954, 1955, that you did follow in 1956?

Mr. BENSON. I presume no one knows, Mr. Chairman, but there are other things we had to do. We had to get broad authority for the movement of these surpluses, in addition to pricing some of them competitively on world markets.

Mr. WHITTEN. I cannot agree with you there. When the charter gives you unlimited authority to sell through normal channels for dollars without restrictions, I do not see where you would have to have any additional authority.

Mr. BENSON. We wanted a program that would not keep the Government permanently in business handling farm commodities.

Mr. WHITTEN. You were willing to let farm income drop 20 percent; you were willing for 55,000 farm families to be forced off farms in the South alone, just to have the kind of a program you wanted.

Mr. BENSON. That was not the cause; that was not the cause.

Mr. WHITTEN. What is the cause?

Mr. BENSON. We were trying to get a well-balanced program and have been moving, I think, in that direction.

Mr. WHITTEN. Let me return to this: You will agree, won't you, that if you want to help farm income, you have got to increase the units to sell, or the price per unit?

Mr. BENSON. Or reduce his costs.

Mr. WHITTEN. We have seen costs going up in spite of all your research. So if his costs are stable, the farmer will be lucky, won't he?

FARMERS FACE RISING COST

Mr. BENSON. As a matter of fact, Mr. Chairman, I think, that most of the decline in farm income has been due to rising costs. I think the records will show that. About four-fifths of it.

Mr. WHITTEN. You say it has been rising; the costs.

As amateur economists, we travel with fear and trepidation when we talk to you experts in the field. But farm income has been price times volume less cost—always. And the Secretary says that the drop in farm income, that this reduction you have given him in price, and this 35 percent cut you have given him in acreage, which cut his volume, have not caused the drop in farm income. He says it is the increase in cost. Doctor, you do not believe that yourself, do you?

Mr. PAARLBERG. I would like to explain it this way, Mr. Chairman—

Mr. WHITTEN. You do not believe that yourself.

Mr. PAARLBERG. Since 1947, if you want to consider that the beginning point, it was the high point in farm income, since that time volume of farm production has gone up sharply.

Mr. WHITTEN. Per acre.

Mr. PAARLBERG. Gross volume, total agricultural volume, has gone up sharply. The prices received have gone down. When you multiply the larger volume times the somewhat lower price, the gross income of agriculture is not much changed since 1947. Since 1947 the costs of farm production have increased markedly, a consequence largely of increased quantities of purchased items, and some increase in per unit costs. So that of these three elements you suggest, the big responsibility for the farmer's reduced net income attaches to his rising production costs.

Mr. WHITTEN. Of course that increase clearly shows your reduction in price supports did not cut production. Now, let me give you the other factor. You are figuring the farmers that are left on the farm, and you are not including the 55,000 who were put off cotton farms in 1955, according to your own survey.

Mr. PAARLBERG. If you wanted to figure this on a per capita basis, Mr. Chairman—

Mr. WHITTEN. Per farmer or per capita?

Mr. PAARLBERG. Per farmer.

Mr. WHITTEN. If you include the farmer who has been squeezed off, it would make your picture somewhat different; would it not?

Mr. PAARLBERG. It would indicate a greater increase in production on a per farm basis than has been the case on an aggregate basis.

Mr. WHITTEN. Could we have in the record at this point the production of cotton for the years 1947 down to date?

Mr. PAARLBERG. We can supply that.

(The information requested is as follows:)

Year:	<i>Production of cotton, United States</i>	<i>Thousand bales</i>
1947	-----	11, 860
1948	-----	14, 877
1949	-----	16, 128
1950	-----	10, 014
1951	-----	15, 149
1952	-----	15, 139
1953	-----	16, 465
1954	-----	13, 696
1955	-----	14, 721
1956	-----	13, 308

ACREAGE CONTROL HAS NOT REDUCED PRODUCTION

Mr. WHITTEN. One of the arguments, Mr. Secretary, that you made about reducing price supports was that it would decrease production. Dr. Paarlberg makes you out as being mistaken about that. Now please explain wherein the error was. Dr. Paarlberg says we have had an increasing production under your theory.

Mr. BENSON. That is right, as we cut back the acreage allotments on our farmers, they have tended to intensify their operations on the remaining acres. You know what has happened to the yield per acre in the case of cotton. In 1950 it was 269 pounds; in 1956 it was 408 pounds. In other words, acreage control is not effective in reducing total overall production.

Mr. WHITTEN. Mr. Secretary, that is a very good statement. I would give you credit for originality if I had not made that same statement to you in 1952, 1953, 1954 and 1955. On each occasion I pointed out to you that every time you reduce the farmer's price per bale of cotton he will try to make up the difference by having more bales.

Mr. BENSON. When you cut acreage he intensifies his operations on the remaining acres.

Mr. WHITTEN. Your records prove that it is true. The other statement that you have made was that this would increase consumption. When you reduced the selling price by the farmer—and you reduced him \$9 a bale last year, that is about \$100 million in farm income to

the cotton farmer, as I recall—your argument was that that would increase consumption. Was that not one of your arguments for it?

Mr. BENSON. I think consumption is related to price, Mr. Chairman.

Mr. WHITTEN. When you announced this recent reduction—

Mr. BENSON. As a matter of fact, the cotton industry, like any other industry, must be competitive, pricewise, and qualitywise, and I think promotionwise. I think those are three important factors. Now, if you are going to do that all by government, that is one thing; or if you are going to gradually get in a position where that industry will compete freely in the world, that is something else.

Mr. WHITTEN. Well, the law gives the right to compete freely in the world, if they can get the approval of the Secretary of Agriculture. I thought we had agreed earlier that you just could not get agreement—I realize you had problems at the White House and at other levels.

Mr. BENSON. It is a question of whether you are going to have a Government operation as a long-time proposition. If the Government is going to be in the cotton business eternally, that is the way out. But I do not believe that that is the course that we need to follow or should follow. I think the Government is in too darn much business now in competition with its own taxpaying citizens.

Mr. WHITTEN. I agree with you that you feel that way. And if you had it within your power to reduce wages, if you had it within your power to control bargaining contracts of labor unions, if you had it in your power to prevent United States Steel from raising its prices which reflect in raising everything else, if you had it within your power to prevent these 14 freight-rate increases since 1946, if all of that was in your power so you could treat all these segments like you did agriculture, we might not be so well off but we would be in a common pot. But unfortunately, we are saddled with your views in agriculture and these other folks do not have those views controlling their interests; that is the tragedy of this situation.

Mr. BENSON. Mr. Chairman, I am not asking for any more power.

Mr. WHITTEN. Well, I doubt whether any of these groups you talk about, as much as they might like you personally, would invite you to take over in these other fields.

Mr. BENSON. It would not do them any good if they did.

Mr. WHITTEN. My attention has been called to the fact that the Secretary of Labor was just in and asked for increases for labor, which is a little different viewpoint.

Mr. BENSON. He has asked that the minimum wage be extended to additional people. I am not opposed to high wages, to good wages. When those wage increases go beyond increased productivity, in the case of labor, then I think it is something that agriculture needs to take note of.

Mr. WHITTEN. I am not finding too much fault with your growling about these other segments of the population. I do a little of it myself. But you are in shape to make it come about in agriculture, while you can just criticize and talk about the others. But you are making your views stick where the farmer is concerned. That is what makes this wide disparity come about.

Now, let us put in the record since 1946 the consumption of cotton to see whether reduced price results in increased consumption.

I think Mr. Wells could answer that. Is he here today?

Mr. BENSON. I think not. Mr. Beach is here. He can respond to that.

REDUCED SUPPORT LEVEL CORRELATED TO RETAIL PRICES

Mr. WHITTEN. You cut the farmer's price; you cut the support level of cotton last year by \$9 a bale. That cost the cotton farmer a tremendous amount of income at a time when he dropped down to a very low point. Where did the \$9 go, Mr. Secretary? We went into it with Mr. Wells, and we cannot find where it showed up in any reduction in retail sales price of cotton products. So I am just wondering who got it.

Mr. BENSON. Mr. Chairman, I think it is obvious that the reduction in cotton greatly increased our exports.

Mr. WHITTEN. Wait a minute, Mr. Secretary. We just covered that point. Whatever the price-support level, the Secretary of Agriculture had authority to sell competitively in world trade. If price supports had been 5 percent of world price, he had a right to sell competitively; and, if it had been 40 percent of parity, he had the authority. So the price-support level has nothing in the world to do with the authority to sell competitively in world trade. Let us get that final.

Mr. BENSON. It has nothing to do with it if you want the Government to become the sole handler of cotton. It is just that simple.

Mr. WHITTEN. You are using that authority?

Mr. BENSON. I am using it, yes; temporarily.

Mr. WHITTEN. Temporarily? Do I understand you are going to stop it?

Mr. BENSON. I am anxious to get our agriculture in balance. I am perfectly willing to use emergency measures—the soil bank is an emergency measure; 480 is an emergency measure; this sale that we are making now in great volume, and I think successfully, and which you have been urging, is an emergency measure.

NEED FOR MOVEMENT OF AMERICAN PRODUCTION IN WORLD TRADE ON A COMPETITIVE BASIS

Mr. WHITTEN. You do not mean that we should not require the Secretary of Agriculture to consistently, in the years to come, keep American production moving in world trade on a competitive basis? You believe that is unsound?

Mr. BENSON. I want American production to continue to move in world trade. I do. I certainly do not suppose anyone ever put more emphasis on marketing than we have done.

Mr. WHITTEN. Competitively?

Mr. BENSON. It will have to be competitively.

Mr. WHITTEN. I take it from your statement that you mean, though, that, when this temporary situation is over, the American farmer ought to take a low enough price to compete with the 50-cents-a-day labor in Mexico and all these other countries that grow cotton. Is that your position?

Mr. BENSON. I think an efficient farmer could do that.

Mr. WHITTEN. You believe that he should do that?

Mr. BENSON. I am not saying what he should do; but I am saying that we want to get our program in operation so that we can compete without the Government taking over the commodity and being the

marketer. If we are not going to do that, then probably we ought to set up a system and be open and aboveboard with it and say we are going to pay one price on the domestic market and we are going to have another price for the part that moves in world trade.

Mr. WHITTEN. Is that not what the law says under the charter of the Commodity Credit Corporation? It provides for support levels. It provides for sales on a domestic market at investment plus reasonable carrying charges, usually figured at 105.

That same law, which has been the law from the day you took over, also provides for selling that commodity in world trade at a competitive level so we can retain our fair share of world trade and keep our farmers in business. That has been the law from the day you came in. So it is in the law and it has been open and aboveboard. We just could not get you to use that part of it which called for competitive sales abroad.

But let me point out what you just said, Mr. Secretary. You said that your sales policy as of now is a temporary measure, and that you wanted to let the price go down in the United States to the point that we would compete with foreign markets without any differential.

Mr. BENSON. No.

Mr. WHITTEN. Is that the reason you cut it to 77 percent?

Mr. BENSON. That is not the reason.

Mr. WHITTEN. What is your purpose, then?

Mr. BENSON. Our purpose is to try and get a support level that will permit more of this commodity to move in the trade and eventually get some increased acreage; we want to get a greater volume moving, and we want to get more of that volume moving in private trade rather than through Government hands.

Mr. WHITTEN. Your records show your price reduction did not increase domestic consumption and you had the right to sell at reduced prices in world trade anyway. Now, when you support this cotton, you sell it to the private trade on a competitive basis and it is handled by the private trade.

Mr. BENSON. But it is handled by the Government, comes into Government hands; the Government sells it.

Mr. WHITTEN. If you ever have any price-support programs under present law, it is going to come into Government hands and out of the Government's hands. If you are opposed to having it done that way, you are opposed to any price supports; are you not?

SOYBEANS

Mr. BENSON. No, I am not, Mr. Chairman; I think that is not a fair assumption at all. In the first place, let me take the example of soybeans, a newer crop, a crop that started in without any market. They have consistently asked that their support level be at a point that would permit them to expand their markets, which they have done at home and abroad. As a result, their commodity has moved into consumption; their market has greatly increased; they have gone from 1 million bushels up to over 400 million bushels; and they have met the competition at home and abroad.

COTTONSEED

Mr. WHITTEN. I would like to go into that a little further. I have read your speeches on it, and like many things, that is just chapter I. A person also has to read chapter II. The two commodities are competitive all across the board. The meal is competitive; the byproducts are competitive; their oils are competitive: soybean and cottonseed. And because you handled cottonseed in such a way as to give the break to soybeans, the picture is just as you described it. But you should discuss the two commodities together and that is the only way you can give a fair picture.

Mr. BENSON. That is what we tried to do.

Mr. WHITTEN. Your speeches on soybean, those that I have read, and I get all your speeches and I read them—

Mr. BENSON. I am complimented that you read them, Mr. Chairman.

Mr. WHITTEN. I certainly do, Mr. Secretary.

Mr. BENSON. I have tried to make a fair analysis. I would be glad to have Dr. Paarlberg comment on that point. He has studied the marketing of those two commodities.

Mr. PAARLBERG. One of the important factors about cottonseed is that its production is linked, of course, to the production of cotton. It does not respond independently to price because it is a small share of the total returns from the cotton crop. So that it reflects the experience of the control program on cotton. You have that difficulty in comparing cottonseed and soybeans.

Mr. WHITTEN. When you cut any competitor 35 percent in acreage, it naturally leaves a void there which is very helpful to the soybean. So that is quite a factor in your fine experience with soybeans.

Mr. PAARLBERG. This is true but soybeans have expanded far beyond whatever market came to them as a windfall as a consequence of the cotton program.

COTTONSEED AND SOYBEAN SHOULD BE CONSIDERED TOGETHER

Mr. WHITTEN. Haven't there been years in which you made a differentiation between the support levels of the soybeans and cottonseed, so there was a sufficiently wide differential to where the soybeans moved into the regular market and you ended up holding the other supplies in your hands? That is the key to this thing.

Mr. PAARLBERG. This has not been true the past 3 years.

Mr. WHITTEN. There was a period in which that differential was sufficient to make one move into the hands of the Government, and you would not sell it competitively, while the other took up the slack.

Mr. PAARLBERG. This has been rectified in recent years.

Mr. BENSON. Mr. McLain can comment on the relative support levels.

Mr. WHITTEN. I think at the moment you are perhaps curing it, but I am bringing out the history of this matter.

Mr. McLAIN. There is no problem at the present time on this score at all, Congressman.

PRESIDENT'S VETO MESSAGE

Mr. WHITTEN. We have gone pretty far afield so I want to get back to my original question. Your order reduced price support for cotton last year, when the President raised the price for everything else in sight, I cannot help but repeat again that cotton was the last one considered.

Mr. BENSON. The President did not do that.

Mr. WHITTEN. In his veto message he called on you to fix a high level price support on these commodities.

Mr. BENSON. The feed grains were raised by act of Congress. That was in the legislation.

Mr. WHITTEN. I believe they did, but for the other basic commodities he called on you to raise them in his veto message. I have complimented him for being a good politician. In the first part of his veto message he condemned high level supports. He said that it was just ruining this country and the press eulogized and praised him. In the second half of his message he fixed high price levels, and the papers praised him all over again. We admire that adroitness down in my section. But notwithstanding that, he reduced price supports on cotton \$9 a bale.

Again I ask the question, can you show me any reduction in the retail price of cotton products? We have been unable to find it. Mr. Wells has been unable to show it. Now, if you reduced the price to the cotton farmer by one hundred or more million dollars, and if the consumer paid the same price, you gave that money to somebody between the farmer and the consumer. Now who?

Mr. BENSON. Dr. Butz, will you comment on that?

Mr. BUTZ. I think you have raised 2 or 3 questions here, Mr. Chairman. In the first place, the price-support level on cotton was reduced by some \$9 a bale, as you point out. It is difficult to trace where that \$9 went. I think for the record we ought to make clear that a year ago this reduction had the support of substantial groups, including the National Cotton Council, for example, and some of the Southern State farm bureaus for the simple reason—

Mr. WHITTEN. I think I should speak up and agree that that is right. I would not want to show that you folks were the only ones that were wrong in this thing. They were, too.

LOSS OF COTTON DOMESTIC MARKET TO SYNTHETIC FIBERS

Mr. BUTZ. I think there was logic back of it in the interest of the cotton producer himself, because he had been losing his domestic market to synthetic fibers. It was hoped that if there were a modest adjustment made in the price-support level, we would stop this rapid shift to synthetic fibers and hasten the day when we could increase the acreage allotment for our cotton producers.

That also ties in, I should think, with the export problem. You very properly pointed out that the Secretary has authority under the charter of the CCC to sell cotton at whatever price he desires to meet the world competitive price. In the last year, as you know, we have been selling cotton abroad at a subsidy of something like 8 cents a pound. A partial consequence of that has been very heavy competition by foreign mills against our domestic mills. As you know, we

have had to enter into a voluntary agreement with the Japanese to restrict their shipments of cotton textile products to this country.

WORLD PRICE TO DOMESTIC MILLS FOR EXPORT

Mr. WHITTEN. In that connection, I have recommended and have urged on the Department and others, that we provide for sale to the domestic mills of an amount of cotton at world competitive levels equivalent to their foreign exports. It is my understanding that in this way the allowance of stocks to a large degree would meet that same need.

Mr. BUTZ. I think it has so far as the exports of our domestic mills are concerned. But much of their problem during the last year came from increased imports from foreign mills that acquired their raw cotton at a price substantially below that which, under the law, our domestic mills could acquire cotton for domestic sales.

From the standpoint of the good of the cotton farmer in the South, we have been quite concerned in the Department of Agriculture about this because Japan, for example, constitutes a very important sales outlet for our raw cotton. And we have been quite fearful of retaliatory actions in Japan where this voluntary limitation was not appreciated—they have their domestic political problems, too. We have been quite fearful that retaliatory measures might result in diminution of our export outlet for cotton in Japan as well as in other important textile manufacturing countries. Therefore, I think it important to point out that even though the Secretary has the authority to sell cotton at whatever price he desires, if, through our action, we drive the world price of cotton unduly below our domestic price, we increase competitive advantage that foreign mills have over our own mills.

Mr. WHITTEN. That would not be true if you would just provide that the domestic mills could buy an amount of cotton at world price equivalent to exports. I would point out that the President has authority now to limit imports.

Mr. BUTZ. The principal outlet for domestic mills is the domestic market.

Mr. WHITTEN. You are trying to make your argument on the basis that we give an unfair position to foreign competitors. If your prime problem is the competition of foreign mills, I am right to recommend the foreign exports of our mills be on world-priced cotton.

Mr. BUTZ. It is broader than that, Mr. Chairman. You are quite right in your point that we could give the domestic mills the same competitive advantage in the export market and we are doing that—as a matter of fact, we subsidize the cotton content of cotton fabrics for export in the same equivalent amount as we subsidize raw cotton for export. Therefore, the domestic mills, insofar as we are able to get an equitable subsidy arrangement, have the same advantage in the export market as do the sellers of raw cotton in this country.

Mr. WHITTEN. We have ruled out that one. Let us move on to the next one.

Mr. BUTZ. The real problem, however, comes in the competitive advantage that you give the foreign mills in our own market.

Mr. WHITTEN. Let us carry that a little further. Section 22 gives the President of the United States authority to fix quotas of imports

and levy taxes up to 50 percent of the total value, if that imported commodity endangers any price-support program. So you have ample authority to protect what you are talking about.

VOLUNTARY AGREEMENTS SUBSTITUTED FOR ACTION UNDER SECTION 22

Mr. BUTZ. You are quite right. But what we have been doing in the past year is, in the absence of instituting section 22 action by the Tariff Commission route, we have negotiated a voluntary agreement with the Japanese under which they will limit their exports of certain cotton goods to this country, notably velveteens and gingham and certain manufactured items like sheets and pillowcases and blouses. We have entered into this voluntary limitation agreement with the Japanese. But now what we fear is that if we push that too far, or if, through compulsory section 22 limitation, we restrict their access to this market, they will turn elsewhere for their purchase of raw cotton and they have in recent years been our No. 1 market for cotton exports. That is a market we in Agriculture want to protect if we can.

Mr. WHITTEN. I realize you have a number of problems. I have personally never argued against your meeting those problems and seeing them and dealing with them. I might differ with your final conclusion. But don't tell me that you haven't got the authority.

Mr. BUTZ. Nobody is telling you we do not have the authority. What we are arguing is that if we exercise the authority to the fullest extent the Secretary has it, that we may impair our ability to export raw cotton.

Mr. WHITTEN. What the Secretary always talks about is, if you broke world markets, what the effect would be. If you recall, I have been always quite willing to see us regain our normal share of markets—referring to the time when we had some 6 or 7 million bales moving. I think we should. But when we are getting no more than has been our normal share, certainly nobody can rightly question our actions.

PRICE SUPPORT REDUCTION NOT REFLECTED AT RETAIL LEVEL

To offset the arguments that you folks were advancing, we made a survey to show that every other country in the world, friendly country or otherwise, was moving what it did not need by some means or other into world trade to make it competitive. So if we follow a course of making the commodities competitive, that is no more nor less than every other nation in the world is doing.

But I want to get back to my original question: If you cut the cotton farmer \$9 a bale and reduced his already depressed income that much further, and if it did not show up at the retail level, who got it?

Mr. BUTZ. That is difficult to answer. I do not have the answer.

Mr. WHITTEN. We have Mr. Wells and he is getting many millions of dollars a year for such research. We want that answer from the Department.

Mr. BUTZ. He can get it; and he is instituting an investigation of this. But it involves a breaking down of the margins in the whole cotton industry, as you understand.

Mr. WHITTEN. Now, if that reduction to the farmer does not show up in reduction of price to the consumer, you have not helped the

consumer any. All these folks buy cotton or rayon to sell to the consumer; the consumer is the final yardstick. If the consumers are having to pay the same price for the cotton, and if there is no change at the retail level, how can you argue that it affects to any substantial extent the ability of the cotton farmer to compete with Dupont?

Mr. BUTZ. Mr. Chairman, I do not have the figures at hand, but I am informed that there has been some change in relative costs of cotton and synthetic products in the wholesale markets.

One of our primary objectives is to recapture the domestic market for cotton fabric, or at least to stop the rapid shift that has been taking place to synthetics. I am informed that the rate of change has slowed down in the past year, if indeed it has not reversed. I do not have the figures here. That is one of our primary objectives within the domestic market.

Mr. WHITTEN. Dr. Butz, you are an expert in the field of economics—

Mr. BUTZ. Thank you, sir, for the compliment.

Mr. WHITTEN. I mean that. But I do think that applied economics is another matter. Is it your view that the American cotton farmer who has to apply the economics could produce at any price which would have any substantial effect on Dupont and all these big people who are in the synthetic field? Don't you think the farmer would go broke and be out in the road long before he could reduce his price to the point where it would have any sizable effect on Dupont's operations? I use Dupont because he is probably the biggest in the field.

Mr. BUTZ. Mr. Chairman, what you say might possibly come true no more rapidly if we continue to reduce his price than if we insist on maintaining the price where it was and the domestic market continued to deteriorate and we squeezed him back on production allotments he would go broke faster than ever.

ACREAGE RESERVE FRIGHTENS WORLD TRADE

Mr. WHITTEN. Mr. Secretary, pursuing another thing, I hope you will have occasion to read our report on our visit with the trades people in Europe, last summer. Everywhere we went, there was a disturbance—and not because you were selling competitively. They were disturbed because, with your views, and with the soil bank, it appeared that in future years we would not be the producers of cotton and other agricultural commodities to the point of being a consistent supplier to those countries. That was the main worry that they had. And if they read your testimony here, they are going to be scared to death that the United States will not produce and offer competitively in world markets to the point that they can count on it. It is very, very disturbing to me to have you say that competitively sales in world trade—and you have got to sell competitively if you want to sell—is a temporary program. It scares me to death, Mr. Secretary. I would like to insert that portion of our report in the record at this point:

(The report is as follows:)

PART IV—MEETINGS IN WESTERN EUROPE

This portion of the trip, which included visits to Amsterdam, Hamburg, Geneva, and Barcelona, was a followup on the trip made 2 years ago relative to sales of United States commodities in world trade at competitive prices. In each

of these cities, discussions were held with groups of business people and importers concerning the effect of recent decisions of the United States to enter world markets at competitive prices, and the possibility of increasing European markets for United States agricultural commodities in the future.

It is our feeling that these meetings were successful and productive. The opinions obtained and information gathered fully support the position taken by this committee during the past several years in insisting that the United States offer its agricultural commodities in world trade channels on a competitive basis. They also indicate that future actions to dispose of United States surpluses in an orderly manner and efforts to recapture our normal share of world markets will have general acceptance throughout Europe.

AMSTERDAM MEETING

In Amsterdam, we met with 2 groups of Dutch businessmen, 1 group consisting of the keymen in the cotton industry, and the other group consisting of important dealers in fats and oils. The representatives of the cotton industry were: Mr. W. Kats, secretary of the Federation of Societies on Cotton, Rayon, and Linen Industry; Dr. W. T. Kroese, director of the N. V. Ten Cate & Co.; Mr. H. C. Rommelaar, director of the Bureau of the Netherlands Society of Cotton Spinners; Prof. Dr. J. Wisselink, director of the Economic Institute for the Textile Industry; and Mr. A. J. Blijdenstein, president of the Association of Cotton Spinners.

The group representing the fats-and-oils industry included: Mr. G. J. van Waveren, director, Van Waveren's Koninklijke Graanhandel N. V.; Mr. J. E. Th. M. Randag, director, Unilever Grondstoffen Mij.; Mr. S. Hoek, secretary, Oil Crushers Society; Mr. M. Wijler, director, N. V. Granaria; and Mr. J. Verhage, director, International Controle Mij. Messrs. Robert H. Reed and John I. Kross, United States agricultural attachés to the Netherlands and Belgium, were also present.

HAMBURG INTERVIEWS

Our schedule at Hamburg included interviews with German officials representing organizations which import large quantities of United States agricultural commodities. Interviews were held with the following persons: Mr. Mueller, Swift & Co. (meat and livestock); Mr. Hoekfelt, Bunge G. M. B. H. (oilseeds); Mr. Alfred Toepfer (grains); Mr. Karl-Heinz Lange, member of board, and Dr. D. J. Schottelius, executive director, Bremen Cotton Exchange; Mr. Drechsel, F. H. Schaefer & Co. (cotton importers); and Mr. Schlenker, Reemtsma Tobacco Co. Messrs Schwartz and Rehling, assistant United States agricultural attachés at Bonn and Mrs. M. W. Thoreson and Mr. M. A. Falzone of the Hamburg and Bremen consulates accompanied the group.

These interviews were followed by a luncheon meeting with many of these same individuals. The guest list also included Regierungsdirektor Jess, member of German Senate; Mr. A. Muenchmeyer, president of Hamburg Chamber of Commerce; and officials of the United States consulate at Hamburg.

MEETINGS IN GENEVA AND BARCELONA

In Barcelona we met with various officials of the Spanish cotton industry at a luncheon meeting which included the following guests: Senor Pedro Marques, agent for Sternberg Martin Co., and director, National Cotton Center (which purchases all cotton imported by Spain); Senor Luis Jover, agent for Volkart Bros.; Senor Juan Masso and Ramon Perez-Cabrero, agents for Anderson Clayton & Co.; and Senors Manuel Bertrand Mata, Manuel Ortinez Murt, and Juilo Munoz Ramoneda, leading spinners and weavers. Also in attendance were Mr. Max H. Klein, president, American Chamber of Commerce; Senor Manuel Caragol, secretary, American Chamber of Commerce; Mr. Arthur O'Neil, Lykes Lines Inc.; Mr. James Clark, American Export Lines; Mr. John Burgess, agricultural attaché, Madrid; and Messrs. Milton K. Wells and Charles K. Ludewig, Barcelona consulate.

At Geneva, we met with two representatives of the cotton-importing interests of Belgium. Since our itinerary did not include Brussels, these men made the trip to Geneva to exchange viewpoints on sales of United States cotton in world markets on a competitive basis.

LOSS OF UNITED STATES MARKETS IN EUROPE

We found a general concern among these people about the loss of United States markets in Europe since World War II. The men from Belgium pointed out that American exports of cotton to their country have decreased from 60 percent of total imports before the war to 3 percent at the present time. Others pointed out a similar situation in most countries of Europe. We found that United States products are preferred at comparable or slightly higher prices because of better quality and more dependable deliveries, but that in recent years, United States prices have been held too high to compete in world markets despite the natural preference for United States products.

According to our information, the loss of United States markets in Europe is due to: (1) Refusal by the United States until recently to sell competitively; (2) The improved transportation and communications with all parts of the world since the last war, making trade with the Near East, Africa, and South America easier; and (3) the increased quantity and improved quality of products from other countries.

NEED FOR UNITED STATES TO REENTER WORLD MARKETS

In all cases, the business representatives contacted were realistic and practical and very adept at presenting their own points of view. At the same time, we found them fully aware of the United States problems and pleased with United States efforts to get back into world trade on a competitive basis. It was generally agreed that world trade will never return to normal as long as large amounts of United States surpluses are hanging over the market. It was pointed out that the general practice in recent years has been to buy in small amounts and to keep consumer inventories at a minimum. This has had the undesirable effect of putting importers and fabricators on a hand-to-mouth basis of operation. Normal long-range purchasing practices have been virtually discontinued.

During these meetings, it was found that foreign traders in cotton are most anxious that the United States give the world assurances that it will continue to produce and offer in world markets not less than 5 to 5½ million bales annually. They want to know that the United States will be a firm source of supply. At present, they are afraid this country is cutting acreage back so far it won't have the cotton to sell. They are especially fearful that the new soil-bank plan will lead to further cuts in United States acreage. If our Government will recognize this, it will mean additional cotton acreage for United States farmers. This is highly essential to United States farmers and to the world cotton trade as well.

We were told that the world has a real interest in American production for export because American varieties are much more consistent and the world is glad to deal with American exporters and American people. They know the average American export firm is solvent, that if commitments are made delivery will be made. On the other hand, all world traders are skeptical of having to import supplies from other sections, because those engaged in export trade from other countries are not always solvent and dependable, and the quality of the product may vary greatly.

Should announce annual export quotas

It was also found that trade groups feel that the United States should accept the best competitive bids at whatever price received. They feel that the Secretary of Agriculture should announce at the beginning of each year the approximate quantity of each commodity which the United States plans to offer during the year for export at competitive prices. They pointed out that the two factors which every dealer must know are quantity available and potential demand.

In recent years, the quantity element has been very uncertain in all world markets because of United States policies. They feel that annual announcements of United States exports would provide considerable stability to world markets. They also feel that such plan would result in higher returns to the United States for commodities sold than would efforts to control prices directly.

It is our belief that the Department of Agriculture should announce that it intends to produce and offer in world markets on a competitive basis from 5 to 5½ or 6 million bales of cotton annually. Under this plan, purchasers would regulate the price through the amount of their bids and the United States would avoid much international criticism. This action might also result in

higher returns for United States cotton. We are of the opinion, further, that this same approach should be considered with regard to other farm commodities.

TRADE WITH RUSSIA AND SATELLITES

Another policy question which was raised during these meetings was the matter of sales of United States agricultural commodities to Russia and the satellite countries. On this point, there was unanimous agreement among all the individuals contacted that the present United States restrictions on trade with Iron Curtain countries are unrealistic. It was pointed out that many of our western allies are trading with those countries and are picking up sales which the United States refuses to make.

All of these people complained about the requirement that they must certify that United States commodities which they purchase will not be resold to Iron Curtain countries. In their opinion, this restriction serves no useful purpose and creates artificial conditions in world markets. They claimed that such a restriction places them at a distinct disadvantage in handling United States commodities, particularly where other western countries sell such products to Russia and the satellites.

As a result of these meetings, and based on discussions in Russia and the satellite countries, it is apparent that our failure to sell farm commodities behind the Iron Curtain is open to serious question. Our refusal to offer cotton in that area on a competitive basis has caused Russia to increase payments to collective farms producing cotton by about 45 percent. This has enabled Russia to become more self-sufficient and less dependent on the American cotton farmer. Our refusal to sell cotton on competitive basis enabled Egypt to get a much higher price from Russia for Egyptian cotton, and thereby much more war material than would have been possible otherwise. Our refusal to sell corn to Russia, and at the same time to sell 5,000 tons of hybrid seed so that Russia can become more self-sufficient in corn, appears very shortsighted. While it may be sound for the whole group of western allies to refuse to do business with the Soviet bloc, it doesn't make sense for the United States to follow a different course from our allies in this regard.

UNITED STATES POLICY ON TOBACCO

Information gathered at these meetings also raises a serious question about the present United States policy of offering tobacco in world trade channels at 90 percent of parity levels. It indicates that tobacco may be going down the same road as cotton. While immediate effects may not be noticeable in the near future, this policy will eventually place the United States tobacco grower in the same disadvantageous position as the American cotton farmer.

Over any length of time, the United States cannot sell tobacco in world trade at above competitive levels. Increased production in other countries plus protection of a United States "price umbrella" will eventually allow our foreign competitors to take over world tobacco markets. The tobacco representative in Hamburg stated that very little United States tobacco is being purchased in Germany this year because of price differentials.

Mr. BENSON. We are going to be in there selling and the American farmer is going to be in there competing. I think we are going to hold the markets that we have regained since 1951-52 and I hope expand them still further.

EFFECT OF SOIL BANK UPON PRODUCTION

Mr. WHITTEN. Now, you endorsed the soil bank, Mr. Secretary as a means of reducing production. How much reduction are you going to have from the soil bank in your judgment with regard to all these commodities?

Mr. BENSON. I have it in my statement here.

Mr. WHITTEN. We would like to have that table put in the record at this point.

(The information referred to is as follows:)

Although the progress toward the goals is not uniform we are hopeful from present indications that wheat and cotton producers will put enough land into the acreage reserve so that participation will be within the range of our goals. In that event we anticipate a reduction under what would otherwise be expected.

of from 175 million to 200 million bushels of wheat and from 2.25 to 2.5 million bales of cotton.

The probable final signup for rice, tobacco, and corn is uncertain at this time. Farmers in most high yielding heavy producing corn areas have been slow to put their corn acreage into the reserve under the present allotment program.

The closing date for signing cotton and tobacco acreage reserve agreements is March 1. For spring wheat, corn, and rice the date is March 8. Because of the heavy workload, the signup deadline for the conservation reserve contracts to become effective in 1957 was extended from March 15 to April 15.

Our latest reports show that 17,424 conservation reserve contracts have been signed, to be effective beginning in 1956. These contracts cover 1,596,454 acres.

Contracts to become effective in 1957 numbered 14,400 and include 1,242,823 acres. The signup is just well under way, and the current figure is not indicative of the final total.

Thus far farmers in the Southwestern and Southeastern States have shown the greatest interest in the conservation reserve.

Mr. WHITTEN. I would like to have the information in the record with regard to reduced price supports for corn, barley, cottonseed, flaxseed, oats, rye, sorghum, soybeans, butterfat, milk. Also I wish to have in the record figures showing the production and domestic consumption in those fields since 1952.

(The information is as follows:)

Reductions in Federal price supports

	1952	1957	Reduction	Change from 1952 through 1956	
				Production	Domestic consumption
			<i>Percent</i>		
Cotton.....	\$0.32	\$0.28	12	-1.8 million bales.....	-461.0 thousand bales.
Corn.....	1.66	1.36	20	+159.0 million bushels.....	+178.0 million bushels.
Barley.....	1.26	.94	26	+144.3 million bushels.....	+83.8 million bushels.
Cottonseed.....	69.03	46.00	33	-695 thousand tons.....	-751.0 thousand tons.
Flaxseed.....	3.90	2.92	25	+18.5 million bushels.....	+4.8 million bushels.
Oats.....	.81	.60	25	-64.7 million bushels.....	-39.1 million bushels.
Rye.....	1.47	1.15	21	+5.5 million bushels.....	+4.0 million bushels.
Sorghum.....	2.46	1.83	26	+114.4 million bushels.....	+37.1 million bushels.
Soybeans.....	2.65	2.09	21	+158.6 million bushels.....	+95.7 million bushels.
Butterfat.....	.716	.586	18	+137.0 million pounds.....	+120.0 million pounds.
Milk.....	3.98	3.25	18	+10,627.0 million pounds.....	+9,986.0 million pounds.

NOTE.—During this period, Farm Price Index went down from 288 to 236, a decrease of 22 percent. This is about the average of the percentage reductions for the various commodities set forth above.

Crop production and support levels

CORN

	Production	Support levels	Percent of parity
1952.....	1 3, 292, 000, 000	² \$1. 60	90
1953.....	1 3, 210, 000, 000	² 1. 50	90
1954.....	1 3, 058, 000, 000	² 1. 62	90
1955.....	1 3, 230, 000, 000	² 1. 58	87
1956.....	1 3, 451, 000, 000	² 1. 50	84

¹ Billions of bushels.² Per bushel.

WHEAT

1952.....	1 1, 306, 000, 000	² \$2. 20	90
1953.....	1 1, 173, 000, 000	² 2. 21	91
1954.....	³ 984, 000, 000	² 2. 24	90
1955.....	³ 935, 000, 000	² 2. 08	82. 5
1956.....	³ 997, 000, 000	² 2. 00	82. 6

COTTON LINT

1952.....	⁴ 15, 139, 000	⁵ \$0. 3091	90
1953.....	⁴ 16, 465, 000	⁵ . 3080	90
1954.....	⁴ 13, 696, 000	⁵ . 3158	90
1955.....	⁴ 14, 721, 000	⁵ . 3170	90
1956.....	⁴ 13, 303, 000	⁵ . 2934	82. 5

³ Millions of bushels.⁴ Bales.⁵ Per pound.

TOBACCO

1952.....	⁶ 2, 256, 000, 000	⁵ \$0. 495	91
1953.....	⁶ 2, 059, 000, 000	⁵ . 466	91
1954.....	⁶ 2, 243, 000, 000	⁵ . 464	91
1955.....	⁶ 2, 193, 000, 000	⁵ . 462	91
1956.....	⁶ 2, 145, 000, 000	⁵ . 481	90

PEANUTS

1952.....	⁶ 1, 356, 000, 000	⁵ \$0. 120	90
1953.....	⁶ 1, 574, 000, 000	⁵ . 119	90
1954.....	⁶ 1, 008, 000, 000	⁵ . 122	90
1955.....	⁶ 1, 576, 000, 000	⁵ . 122	90
1956.....	⁶ 1, 566, 000, 000	⁵ . 114	86

⁶ Billions of pounds.

Mr. WHITTEN. Now, the third argument that the Secretary offered in support of his flexible supports was competition in world markets. The Secretary and everybody here agrees that he already had authority to sell competitively in world markets. So it leaves the chief argument for reduction in price supports increased consumption. And I want figures as to what the consumption has been since 1946, and what the production is with regard to these other commodities.

Mr. PAARLBERG. Would you like reference also to the fact that these are crops on which acreage has increased as a consequence of the diverted acres problem?

Mr. WHITTEN. I believe it would be well to put that in there, because it supports my contention that as you reduce the farmer's price he tries to make it up by increased volume. Therefore as you reduced his price, he has tried to make it up by having more to sell. It has been

my argument from the first. It is completely opposite to the Secretary's views.

PRICE SUPPORT AND FARM INCOME

Mr. BENSON. Mr. Chairman, I think the attempt to associate the 20-percent reduction in farm income with 23-percent reduction in price supports does not hold very well when you consider that only about 25 percent of farm income is from the supported income. You recognize that.

Mr. WHITTEN. That is true, Mr. Secretary. But I would go a little further. If you let the price on basic commodities go down to where they quit that and go into these other commodities, you would find it would have a sizable effect. That is one of the things that you have been preaching that I differed with. I think that the fellow who produces agricultural commodities that are nonbasic has a very deep interest in the support levels for basic commodities. In my country, if you will not let us grow cotton we will grow cattle. If in these other sections you have not got a sound program for wheat, they will get in the market for something else. I have not believed in a closed shop, but I can clearly see, if you have a labor union which is fixing the prices that it does have an umbrella effect over those nonunion members who work in the same field. So I think you are completely unsound when you say that those who do not produce basic commodities do not have a real interest in the income of those engaged in producing basic commodities. It has an umbrella effect.

Mr. BENSON. I have never said that they do not have an interest, Mr. Chairman. I pointed out that some would attempt to solve the whole problem by continuing high rigid supports on the basics. In some States, less than 1 percent of the income is from the basics.

Mr. WHITTEN. I would say that, because of the basics, those in the other fields have probably a better situation than they would have had if you had not had some stabilizing price support on your basic commodities.

Mr. BENSON. That is subject to debate, of course. In the case of corn, we are simply spreading the commercial corn area; we added 54 new counties last year. Some of them are in the Southern States, as you know.

PRODUCTION NOT SUBSTANTIALLY REDUCED BY PRICE REDUCTIONS AND ACREAGE CONTROLS

Mr. WHITTEN. Now, we turn to the point that Dr. Paarlberg made, which is that many of these commodities are in the nonacreage control category. That clearly shows that in the basic commodities, if you had not had acreage control, you would have had a great increase with your reduced price, would you not?

Mr. PAARLBERG. Would you repeat the question? I am sorry.

Mr. WHITTEN. I said, your experience in these noncontrolled commodities, where you do not control the acreage or the production, is that production has expanded. In the basic commodities, where you have reduced price supports, in the absence of acreage controls, you would have had an even greater increase in production; would you not?

Mr. PAARLBERG. I think not, Mr. Chairman. I think the reason that

oats and barley and sorghum grains increased in acreage was not due to lowering of price supports. It was due to the fact that the farmers had acres available for these crops. They had reduced their wheat and their cotton. They simply put these diverted acres into these crops. Mr. Chairman, if we believe that—

Mr. WHITTEN. May I interrupt you?

Mr. PAARLBERG. Yes; I want to get to the basic premise of your question.

Mr. WHITTEN. Answer my question and we will go from there. My question was that in the basic commodities, with reduced prices, in the absence of acreage controls you would have had a tremendously increased production in basic commodities.

Mr. PAARLBERG. My answer would be, "No," Mr. Chairman, a frank no.

Mr. WHITTEN. The cotton farmer in the South would not have had a tremendously larger growth of cotton if you had not had acreage control?

Mr. PAARLBERG. No. That is not your question.

Mr. WHITTEN. I know that section. If you are as uninformed about the rest of the country as you are about the cotton farmer, when you tell me that if you had not had acreage controls you would not have had an increased production, you do not know what you are talking about.

Mr. PAARLBERG. I did not say that. That was not my understanding of the question.

Mr. WHITTEN. May I repeat the question? With this reduced price support for cotton, if you had not had acreage controls, you would have had a tremendously greater increase in production; would you not?

Mr. PAARLBERG. I think, Mr. Chairman, that at the present level of lowered price supports for cotton you still have an inducement price—had you no controls, your production would indeed have been greater than with controls. That is the answer to your question, as I understand it.

Mr. WHITTEN. Production would have increased greatly as the farmer tried to make up in bales what he lost in price.

Mr. PAARLBERG. Your acres would be greater than they now are with controls.

Mr. BENSON. But the overall production was his point, Mr. Chairman. If overall production would not be reduced by that action, total agricultural production—

Mr. WHITTEN. You just passed the problem on to someone else. The farm income would have been greatly down, then.

Mr. PAARLBERG. It depends on whether you are thinking about the immediate year or whether you are thinking about building markets over a period.

Mr. WHITTEN. Dr. Paarlberg, we can argue about our economic views. Suffice it to say that we have been following yours and the Secretary's views for 4 long years and farm income is down 20 percent and everything else is up about 50 percent. The proof of the cake is in the eating, whether you agree with my views or I agree with your views. We have all these farmers forced off the farms in the South.

We had your Farmers' Home Administration up here a few days ago. They were talking about economic units and had lost track of the fact that they are supposed to help the farmer that has no other place to

turn. We have had your views, and the facts you cannot contest. It ought to be some evidence that there might be something wrong about your views when we look and see farm income down about 20 percent or more, when you have reduced price supports about 20 percent or more on most of the commodities. Any layman would figure that there might be some connection between the two. But you do not seem to see any tie at all.

Mr. PAARLBERG. He might go back to the period from whence this decline began and he might discover that the majority of the decline began before the program of flexible supports was inaugurated.

HISTORY OF FARM INCOME

Mr. WHITTEN. I have a table here in which, to try to be fair about it, I have included the year 1946. That was after World War II and prior to Korea when the demand started up again. At that time, cash receipts of farmers was \$28.4 billion. In 1952, cash receipts was \$32.5 billion, up 31 percent. By 1956, cash receipts had gone down 30 percent. But production expense had gone up 56 percent since 1946. Net farm income had gone down from \$15 billion in 1946 to \$11.8 billion in 1956, which would be a drop of almost 30 percent if you figure it in terms of a 1946 dollar.

Now, farm income per farm shows that today the farmer is getting less than half the income of other folks in our economy. It shows that the return of the farmer is down from 82.8 cents to 70 cents an hour, while income in all other fields has gone up tremendously and average much more than twice that of the farmer.

At the same time, while we have been arguing about reducing the price the farmer gets for his commodities, the consumers get more loaves of bread and other foods for his work hour than ever before.

I believe I will put this table in the record at this point. I would be glad to have any comment that you might wish to make on that, Mr. Secretary.

Mr. BENSON. Mr. Chairman, we have here the official figures from the Department showing prices received by farmers from 1946 on, the parity index, farm output, and net income of farm operators. I think that ought to be made a part of the record, too.

(The tables and data referred to are as follows:)

A. The situation on the farm

1. FARM INCOME DOWN

[In billions]

	Cash receipts		Production expenses		Net income	
	Amount	Percent	Amount	Percent	Amount	Percent
1946.....	\$24.8		\$14.3		\$15.0	
1952.....	32.5	+31	22.5	+57	14.3	-4.7
1956.....	30.0	+21	22.1	+56	11.8	-21.3

¹ Only \$10.4 billion based on 1947-49 dollars.

2. FARM INCOME PER FARM DOWN

	Gross	Production expense	Net	Invest- ment	Percent return	Number of farms
1946.....	\$4,947	\$2,416	\$2,531	\$14,223	198	5,927,000
1952.....	6,853	4,193	2,660	22,836	133	5,360,000
1956.....	6,934	4,519	1,2415	26,327	107	4,900,000

3. RETURN PER HOUR TO FARMER DOWN

1946.....						\$0.823
1952.....						.825
1956.....						.70
Manufacturing.....	\$1.98	Telephone.....				\$1.86
Coal mining.....	2.79	Wholesale trade.....				2.01
Construction.....	2.79	Retail trade.....				1.57
Railroads.....	2.11	Laundries.....				1.05

¹ Only \$2,117 based on 1947-49 dollars.

B. Conditions in other segments of the economy

1. CONSUMER INCOMES UP

	Total personal income		Per person	
	Amount	Percent	Amount	Percent
1946.....	<i>Billion</i> \$178.0		\$1,294	
1952.....	271.8	+53	1,833	+42
1956.....	306.0	+70	2,010	+55

2. WHAT 1 HOUR OF FACTORY LABOR WILL BUY INCREASING

	1939	1956	Increase	
			Amount	Percent
Bread (loaves).....	8.0	11.0	3.0	37
Steak (pounds).....	1.8	2.2	.4	22
Milk (pints).....	10.4	16.4	6.0	58
Butter (pounds).....	1.9	2.7	.8	42
Bacon (pounds).....	2.0	3.5	1.5	75
Eggs (dozen).....	2.0	3.3	1.3	65
Oranges (dozen).....	2.2	3.4	1.2	55

3. PERCENTAGE OF CONSUMER INCOME SPENT FOR FOOD DOWN

	Food	Housing	Transporta- tion
1946.....			
1952.....	35.6	9.3	8.2
1956.....	34.4	11.7	10.6
	32.1	12.0	12.7

C. Causes of farm problem

1. FARM PRICES DOWN (1910-14=100)

	Prices received		Prices paid		Parity ratio	
	Amount	Percent	Amount	Percent	Amount	Percent
1946.....	236		208		113	
1952.....	288	+22	287		107	
1956.....	236		286	+38	83	-26.5

2. FARMERS' SHARE OF FOOD DOLLAR DOWN

Percent

1945.....	53
1952.....	47
1956.....	40

Freight rates up 83.7 percent (14 increases since 1946); wages in marketing firms up 60 percent; other expenses up 50 percent or more.

3. INVESTMENT PER FARM UP

\$14, 223

1946.....	22, 836
1952.....	26, 327
1956.....	

4. FARM DEBT UP

Billion

1946.....	\$8.4
1952.....	14.8
1956.....	18

Selected data relating to agriculture, United States, 1939 and 1946-56

Year	Prices received by farmers	Prices paid or parity index	Parity ratio (percent)	Farm output			Food consumption per capita	Agricultural exports	Cash receipts from farm marketing ¹	Production expenses ¹	Net income of farm operators ²		Total farm debt excluded C.C.C., Dec. 31	Value of productive farm assets, Dec. 31 ³
	Index numbers (1930-14=100)	Index numbers (1947-49=100)	Index numbers (1947-49=100)	Live stock and products		Crops					Realized ¹	Total, including change in net investments ¹		
				Total	Index numbers (1947-49=100)									
1939	95	123	77	80	85	82	94	\$7,872	\$6,162	\$4,394	\$4,489	\$9.6	\$39.8	
1946	236	208	113	98	101	98	104	24,770	14,324	15,000	14,923	8.4	84.8	
1947	276	240	115	95	100	93	102	23,664	16,831	17,191	15,458	9.2	93.6	
1948	257	260	110	104	97	106	99	30,263	18,643	15,943	17,695	10.2	99.1	
1949	250	251	100	101	103	101	99	27,864	17,909	13,673	12,866	10.8	97.3	
1950	238	236	101	100	106	97	100	28,405	19,248	12,857	13,716	12.3	113.3	
1951	252	252	107	103	111	103	98	4,040	22,258	14,802	15,111	13.9	126.5	
1952	298	257	100	107	112	103	100	3,431	22,476	14,255	15,120	14.8	122.4	
1953	278	279	92	108	114	103	102	2,847	21,246	13,880	13,263	14.7	117.9	
1954	249	281	89	108	117	101	101	29,714	21,442	12,021	15,555	15.5	121.6	
1955	236	281	84	113	121	106	103	29,264	21,599	11,340	11,680	16.9	134.9	
1956: 1st quarter	226	280	83	114	123	106	104	4,159	22,143	11,836	11,586	18.0	4129.0	
1956: 2d quarter	225	279	81	---	---	---	---	896	21,300	11,200	11,400	---	---	
1956: 3d quarter	227	281	81	---	---	---	---	831	21,700	11,600	11,500	---	---	
1956: 4th quarter	241	285	85	---	---	---	---	1,026	22,200	11,600	11,300	---	---	
1956: 1st quarter	239	287	83	---	---	---	---	979	22,200	11,900	11,600	---	---	
1956: 2d quarter	235	289	82	---	---	---	---	30,300	22,500	12,400	12,100	---	---	

Source: Compiled from Agricultural Marketing Service and Agricultural Research Service data.

¹ Quarterly data are seasonally adjusted annual rates.² Note this is net income of farm operators from farming. Net income to all persons on farms, including hired farm labor, from both farm and nonfarm sources, is a different series, estimated at \$7,689 million for 1939 and \$19,784 million for 1956.³ Includes farm real estate (less value of dwelling), crops held for feed, livestock machinery, and equipment (less 60 percent of the value of automobiles), and demand deposits used for production. The estimated value of total farm assets as of Dec. 31, 1956, is \$176 billion, as compared with \$53.8 billion on Dec. 31, 1939.⁴ Estimated.

Mr. BENSON. When we start talking about decline in farm income, we need to go back, of course, to when that started. The major part of it took place before this administration ever came into office, as you know. A very large proportion of it took place under rigid supports. There are all sorts of predictions made that when we went to the flexibles that farm income was going to drop drastically.

There has been 2 years since 1947 when farm income has shown some rise. One was 1951 at the peak of the Korean war. The other was last year. The increase was modest but it was an improvement.

So I do not think you can relate all this to price supports as such or to Government policy as such.

There has been very serious decline in farm prices. We all regret it. But you cannot, I think, point that it is due to this policy or that policy. There have been many factors in the situation. Exports were declining very rapidly when we came into office. Surpluses were piling up. This transition from war to peace is a difficult transition: we all recognize that.

INVESTMENT OF CCC IN COMMODITIES

Mr. WHITTEN. Now, I want to show in the record the supply of CCC commodities that the Government had on hand when you came in and since that time. I want to show the supply on hand January 1, 1953, 1954, 1955, 1956, and 1957.

Then I want to show by respective years how much of these commodities you offered in world trade competitively, and what year, and how much of them were sold during those respective years.

(The information is as follows:)

CCC investment in price support commodities, Jan. 1, 1953-57

Year:	Million \$
1953.....	\$2, 452
1954.....	5, 665
1955.....	7, 171
1956.....	8, 666
1957.....	8, 211

Commodities offered for export sale on a competitive-bid basis during calendar year 1953

Commodity	Offered			Sold		
	Quantity	Estimated cost, largest offer	Percent largest offer to inventory	Quantity	Estimated cost	Estimated proceeds
Pea beans.....pounds..	58, 045, 700	\$4, 875, 838	41	58, 045, 700	\$4, 875, 838	\$1, 528, 329
Austrian winter peas.....do.....	40, 335, 700	2, 218, 464	25			
Honey.....do.....	98, 185	10, 398	2	98, 185	10, 398	9, 098
Total.....		7, 104, 700			4, 886, 236	1, 537, 427

NOTE.—Wheat is sold for export under the International Wheat Agreement and outside the agreement at less than domestic prices but is excluded from this statement since none was sold for export on a competitive-bid basis.

Commodities offered for export sale on a competitive-bid basis during calendar year 1954

Commodity	Offered		Sold			
	Quantity	Estimated cost, largest offer to inventory	Percent largest offer to inventory	Quantity	Estimated cost	Estimated proceeds
Peanuts.....	.....pounds.	62,068,000.....	100	137,040,000.....	\$20,414,000	\$9,002,923
Butter.....	.....do.	375,000,000 ²	195	30	0	0
Whey.....	.....do.	Indefinite ²	100	14,862,300.....	1,151,800	371,588
Cottonseed oil, crude.....	.....do.	Ranged from 20,000,000 pounds down to amounts available ²	100	114,680,070.....	15,378,000	12,064,745
Cottonseed oil, refined.....	.....do.	Ranged from 920,000 pounds down to amounts available ²	100	264,446,000.....	37,032,000	27,894,000
Flaxseed.....	.....bushels.	Indefinite ²	100	9,091,449.....	38,032,171	21,035,683
Linseed oil.....	.....pounds.	Ranged from 108,000,000 pounds down to amounts available.....	55	70,900,000.....	3,842,000	6,134,660
Oats.....	.....bushels.	Indefinite ²	100	3,585,000.....	3,243,500	2,147,660
Rye.....	.....do.	do. ²	100	3,125,000.....	3,263,700	2,574,588
Sorghums, grain.....	.....do.	do. ²	100	3,028,571.....	4,966,240	4,465,920
Barley.....	.....pounds.	do. ²	100	36,900.....	2,500	7,281
Baby lima beans.....	.....do.	do. ²	100	560,000.....	40,500	3,800
Pea beans.....	.....do.	do. ²	100	149,800.....	40,500	3,800
Red kidney beans.....	.....do.	do. ²	100	5,843,100.....	575,500	378,539
Large lima beans.....	.....do.	do. ²	81	2,441,387.....	2,423,500	523,288
Hairy vetch seed.....	.....do.	Ranged from 1,550,000 pounds up to 18,104,900 pounds, the latter amount being balance in inventory.....	33	0	0	0
Common vetch seed.....	.....do.	10,289,000.....	100	14,460,000.....	1,071,500	491,052
Barley.....	.....bushels.	Indefinite ²	15	4,292,620.....	6,310,151	4,120,915
Total.....	.....	543,374,107.....	-----	-----	165,183,412	92,914,102

¹ Highest value during period of offering.

² Offer intended to include entire inventory available.

All bids originally received were rejected. A later bid for the purchase of grade A butter at 41 cents per pound was accepted. Subsequently, offer was made to sell at not less than 41 cents per pound for grade A, and not less than 39 cents for grade B butter. On the basis of these prices CCC sold 1,414,351 pounds of butter at estimated cost of \$948,000 for \$557,662.

NOTE.—Above does not include 300 million pounds of linseed oil valued at \$57,600,000 from Defense Production Act stocks which was offered for export sale in May 1954 and which has been sold. Wheat is sold for export under the International Wheat Agreement and outside the agreement at less than domestic prices but is excluded from this statement since none was sold for export on a competitive-bid basis.

Commodities offered for export sale on a competitive bid basis during calendar year 1955

Commodity	Offered			Sold		
	Quantity	Estimated cost, largest offer	Percent largest offer to inventory	Quantity	Estimated cost	Estimated proceeds
Butter.....	6,500,000-10,000,000	\$6,460,000	4	10,000,000	\$6,204,024	\$3,615,971
Cheese.....	do.....	5,970,000	5	2,189,369	869,210	452,053
Nonfat dry milk solids.....	15,000,000	1,680,000	45	10,698,333	1,818,833	944,501
Dry whey.....	4,000,000-10,000,000	2,752,000	100	51,271,377	3,014,065	552,702
Dry whey products.....	12,000,000-51,271,377	2,653,554	100	1,054,100	65,354	10,541
Condensed whey.....	do.....	1,024,100	100	4,023,411	160,936	25,292
Wool.....	862,000-4,023,411	4,127,362	4	(1)	(1)	(1)
Cotton linters.....	do.....	6,225,000	100	(1)	(1)	(1)
Cottonseed oil:	(2)	69,896,829	100	(1)	(1)	(1)
Rude.....	300,000-15,025,887	2,133,675	100	50,884,800	7,066,812	5,833,737
Refined.....	22,400,000-49,616,000	8,583,570	19	232,290,600	39,762,190	30,336,162
Lined oil.....	360,000-22,400,000	3,875,200	70	114,511,332	18,825,525	12,135,091
Olive oil.....	4,621-6,642	931,540	100	(1)	(1)	(1)
55-gallon drums.....	450,000-3,000,000	762,000	9	(1)	(1)	(1)
Tung oil.....	do.....	(3)	(2)	5,097,637	8,546,675	7,194,366
Peanuts.....	360,000-2,000,000	3,355,000	.03	5,790,860	1,533,550	1,533,550
Corn.....	725,000-3,000,000	1,451,469	100	10,693,174	27,957,602	13,013,929
Rice (broken).....	300,000-3,250,000	7,735,000	7	67,928,885	92,143,965	62,956,723
Wheat (light test weight and soft red).....	do.....	4,173,000	100	45,500	371,735	295,750
Barley.....	100,000-500,000	3,695,000	40	131,300	1,037,606	832,220
Bentley.....	do.....	2,200,420	100	60,665	512,023	298,338
Great Northern.....	do.....	2,475,000	100	306,422	2,520,919	2,120,744
Pinto.....	do.....	1,370,904	100	213,616	1,358,450	671,615
Small red.....	do.....	1,258,706	100	204,400,973	6,029,829	5,062,511
Baby lima.....	do.....	1,645,000	10	1,597,972	5,546,252	5,069,551
Cottonseed meal.....	173,000-1,000,000	11,654,440	11	37,415,181	108,667,039	40,984,600
Flaxseed.....	140,000-4,190,000	2,277,500	11	17,890,961	16,428,636	9,742,781
Sorghums, grain.....	500,000-2,500,000	1,571,000	12	5,480,854	8,539,191	4,459,224
Oats.....	68,000-2,200,000	1,571,000	12	5,480,854	8,539,191	4,459,224
Rye.....	do.....	1,571,000	12	5,480,854	8,539,191	4,459,224

Seeds:									
Winte cover crop: Hairy vetch.....									
Hay and pasture:									
Grimm alfalfa.....									
Northern alfalfa.....									
Buffalo alfalfa.....									
Fescue.....									
Ladak alfalfa.....									
Birds/foot trefoil.....									
Soybeans.....									
Total.....									
	1, 230, 000- 2, 200, 000	341, 188	8	770, 000	119, 658	66, 374			
	(²) 3, 798, 946	8, 325	100	19, 832	8, 325	2, 009			
	3, 222, 829	1, 369, 653	78	3, 901, 970	1, 470, 976	411, 391			
	887, 954	511, 754	54	2, 210, 935	925, 277	270, 840			
	(³) 3, 628, 077	458, 439	13						
		99, 752	100	257, 757	99, 752	44, 808			
	3, 950	3, 555	5						
	3, 000, 000	8, 439, 000	44	4, 494, 116	12, 641, 948	10, 450, 855			
					373, 544, 836	210, 441, 279			

¹ Available either for export or domestic sale. Presumably export sales would be negligible and CCC records would not reflect whether any was actually exported.

² Indefinite; offers intended to include entire inventory available.

³ Offered in monthly sales list but no inventories became available.

⁴ Offerings were for light-test weight and soft red wheat only. Other wheat was sold for export under the International Wheat Agreement and outside the agreement at less than domestic prices but not on a competitive-bid basis.

⁵ Amounts available to 1,222,829 pounds.

⁶ Amounts available to 3 million bushels.

Mr. BENSON. And production.

Mr. WHITTEN. And the production.

In that presentation, I think we will see that holding these commodities off world trade, where you had the authority to sell them competitively, quite definitely was a major factor in depressing farm prices at home. As I say, it really ruined farm income, Mr. Secretary. I do not care if the National Cotton Council or the National Churches of the District of Columbia recommended it to you, we in the Cotton South, in your tenure, have had a 35-percent reduction in cotton acreage.

Then, contrary to nearly every other commodity in the United States, we had a \$9 reduction per bale of cotton last year, and you gave us another \$6 reduction this year.

Taking into account the \$9 a bale that you took away last year, the \$6 which you took this year, and the 35 percent acreage reduction, if you had left it alone, and had sold this cotton in world trade, the southern cotton farmer would have been in good shape today.

Now, not only do I want to make that point, but I want to show in the record a statement of the losses of the CCC for the 20 years before you took over and a comparison with the losses in the 4 years that

INCREASE IN BORROWING AUTHORITY OF CCC

I would like for the record to show, also, the increased borrowing authority of the CCC since we have been following your policies as against the total borrowing authority prior to your tenure.

(The information is as follows:)

Commodity Credit Corporation net loss on price-support operations

[In millions]

1933 through 1952.....	\$1,070.0
1953 through 1956.....	2,720.9

Borrowing authority

January 1953.....	\$6,750.0
January 1957.....	14,500.0

Mr. Secretary, I just differ all across the board with your farm views. There is nothing personal about this.

Mr. BENSON. I understand. May I ask that my statement be inserted in the record at this point because those several points you have raised are covered here.

Mr. WHITTEN. Your statement covers answers to questions I had not asked and therefore I prefer to continue my questions. Your general statement will follow my questions and your oral answers.

NEW LEGISLATION

Mr. BENSON. There is one point we sometimes forget. During the time we have been in office, the large portion of our operations has been under the old laws; you know that. The new legislation—I think that none of its became effective until the 1955 crops; and then it became operative gradually on some of it.

Mr. WHITTEN. You are saying, are you that the Republican Congress in the first 2 years of your tenure was rather slow to give you the laws you wanted?

Mr. BENSON. There were laws on the books and they were committed to by both parties. And we operated under those laws.

Mr. WHITTEN. The Republican Congress in the first 2 years was rather slow to buy your views?

Mr. BENSON. I think they did quite well. They gave us the broadest authority we have ever had for disposal of surpluses, and the 480 program.

Mr. WHITTEN. I thought that, with reference to the disposal of surplus stocks you already had unlimited authority to sell them in normal trade channels for dollars. Instead of using that, and you would not use it, Congress came along and let you give it away for foreign currencies. That was most unsound, the most unsound thing I ever heard of. Here is a Department that won't sell for dollars with unlimited authority, but Congress gave it authority to give commodities away for foreign currency.

Mr. BENSON. We want to do both; we are doing both.

PUBLIC LAW 480

Mr. WHITTEN. I have a report here from Mr. Garnett from the Foreign Agricultural Service. He discussed at great length Public Law 480, the giveaway program, and finally got down to a statement about sales made competitively. I told him that, if I were attached to his staff and got a report like that from my boss in Washington, I would think that he still wanted me to give preference to this giveaway.

Mr. BENSON. 63 percent of the commodities we have moved has been for dollars.

Mr. WHITTEN. I am proud of that.

I don't believe that you give me much credit, but then I live in a practical world and I wouldn't expect you to.

Mr. BENSON. You can have all the credit you want. I do not care who gets the credit as long as we get the job done.

Mr. WHITTEN. I hope you are wrong about the temporary statement. I think it will have a serious effect.

Mr. BENSON. We are not going to lose the markets that we have regained.

Mr. WHITTEN. I am glad to hear you say that.

Mr. BENSON. We are going to fight for them and expand them further if we can.

DOMESTIC CONSUMPTION OF COTTON ESTIMATED SAME UNDER REDUCED PRICE

Mr. WHITTEN. Now, let's get to cotton and see how you figured this formula for this year's reductions in price supports. What figure did you use as to expected domestic consumption?

Mr. BENSON. That is all in the statement at page 10.

Mr. WHITTEN. Could you read it at this point?

Mr. BENSON. Yes, I could. For domestic consumption estimated, 8,850,000 bales.

Mr. WHITTEN. What was the consumption this year, Mr. Secretary?

Mr. BENSON. The consumption, domestic use?

Mr. WHITTEN. For 1956.

Mr. BENSON. It was the same.

Mr. WHITTEN. This reduction, then, of \$9 a bale last year, \$6 a bale this year, according to your own estimate, has not increased consumption, then, has it, as you said it would?

Mr. BENSON. Not according to the estimate.

EXPORT OF COTTON

Mr. WHITTEN. Not according to the figures you used to fix the cotton farmers' price-support level and their acreage. What is the figure you use on expected exports?

Mr. BENSON. Exports, 4,500,000.

Mr. WHITTEN. You sold 7 million bales this year competitively.

Mr. BENSON. Six and a half.

Mr. WHITTEN. So now you are cutting that by 2 million bales. Isn't that making it a little hard on the cotton farmer? Is it because you do not know how temporary the sales program will be?

ESTIMATED COTTON EXPORT

Mr. BENSON. No; I think this is very realistic, Mr. Chairman.

They are estimates, of course, and I know you understand that. And if it is shown later that those estimates were out of line, of course we reappraise the situation.

Mr. WHITTEN. You know, I hate for the farmer to have to rely on your estimates, Mr. Secretary.

Mr. BENSON. That is in the law; we have to make them.

Mr. WHITTEN. I know, but I am speaking of you as an individual. I am sorry they have to count on your estimates.

Mr. BENSON. I am sure they will be done as honestly and as objectively as we can do them.

Mr. WHITTEN. I just want to show you why I say that. In 1955, you told the committee that you were going to offer this 1 million bales of cotton competitively in world trade and you hoped to sell them in 6 months. You sold them in 2 months. You hoped to sell 3 to 4 million bales, and you sold 6 $\frac{1}{2}$.

Now, your estimating was so far off in 1955 and 1956, as against what you actually did, that I just hate to buy your estimate for 1957 if you are going to follow the law and sell competitively.

Mr. BENSON. Mr. Chairman, this estimate was prepared by our own technicians who have been doing this estimating for years in the Department. It is not something that the Secretary has pulled out of thin air.

Mr. WHITTEN. But they are familiar with your general policy, which is to cut price supports every chance you have.

Mr. BENSON. They are also familiar with my policy which is to move as much cotton as we can.

Of course, we had a situation last year, Mr. Chairman, which I think we all recognize, that the pipelines were partially empty in many countries of the world. There was a backlog of orders and we cannot expect that situation to prevail to the same extent this year. We know that inventory stocks in countries outside the United States dropped about 2 million bales between August 1, 1955, and August 1, 1956.

Mr. WHITTEN. I could follow you a whole lot better if you had not written some estimates in 1955 and 1956 in which you said we would be lucky to sell 1 million bales in 6 months.

Mr. BENSON. There were people who felt we would not be able to sell any appreciable amount of cotton; they thought we would simply replace what would be sold for dollars through the private trade and you know what a struggle it was to get authority to sell a million bales. I felt we could sell it. I didn't know how soon we could sell a million bales, but I felt we ought to go and fight for the market and sell all we could.

Mr. WHITTEN. I want the record to show that I didn't give you any corner on being wrong. I think you had several Senators and the cotton counsel with you on those estimates.

Mr. BENSON. A lot of them are with us, too, in trying to get cotton price supports on a flexible basis. That is so that we can do a better job.

Mr. WHITTEN. Yes, sir, and those folks, all of them, are dominated by the middleman. You cannot show me a farm group that backs your policies in the least on this, can you?

Mr. BENSON. I think so.

Mr. WHITTEN. I will be glad to have it.

Mr. BENSON. I will be glad to provide it for you.

FARM GROUPS

Mr. WHITTEN. When you get into an organization that writes insurance, like the Farm Bureau or the National Cotton Council, most of which is anything but cotton farmers, of course you can find it, but I said you won't find a farm group that is a producer group, without these diverse groups in it, that agrees with you.

Mr. BENSON. You wouldn't say that one of our great general farm organizations does not represent farmers.

Mr. WHITTEN. I said that the leaders are dominated by those that are interested in other things. I said you won't find strictly a producer group that subscribes to your views, that I know of.

Mr. BENSON. These general farm organizations are strictly producer groups.

Mr. WHITTEN. I belong to the Farm Bureau and I am a lawyer and a Congressman. I know doctors and many others who are not farmers who are in it, because you have to join it to get the insurance.

Mr. BENSON. You probably have a farm, too.

Mr. WHITTEN. Well, it so happened that when I joined I didn't. I do happen to have a little farm now which will come to me someday. Incidentally, I rented it out because, while I have 300 acres of fine farmland, I cannot support anything on it because you have given me a 35-percent reduction in cotton acreage. I do not have any financial interest in it. It will come to me some day. I have to help look out after renting it, though I don't own it. I don't want it reflected that I have a personal interest in it, other than representing this area.

Mr. BENSON. I am sure you would agree that the few doctors or lawyers who have memberships are not the ones who set the policy.

Mr. WHITTEN. If you are talking about the national level of the Farm Bureau, I would agree with you. I do not believe even lawyers

and doctors would fix some of their national policy. If they came from farm areas, I don't honestly believe they could do that.

Mr. BENSON. I have a very high regard for the farm organizations. I think their membership is essentially farmers and their policies are set by farmers.

Mr. WHITTEN. I have the highest regard for their leaders as people. Like you, I differ with their views in many ways. I am proud that I have done that, because when I started off differing with them, they opposed competitive sales. And now they are proud of a part in it. They differed on a whole lot of things, and I am sure they have come around to my views to a large extent.

So I have no apologies for differing with them, just as I have none for differing with you. In your 4 years, you have come around about 60 percent to the views that some of us have kept trying to stress with you, Mr. Secretary.

Mr. BENSON. I think that is somewhat of an exaggeration, Mr. Chairman.

Mr. WHITTEN. If you want the record to show that you differ with me 90 percent, I am glad for you to have that privilege.

Mr. BENSON. No, we are only doing what I am sure you are trying to do; we are trying to do the things that are best for the American farmer. We can differ, of course. We have differed. I assume we will in the future.

ESTIMATED EFFECT OF PRICE SUPPORT AND THE SOIL BANK ON PRODUCTION

Mr. WHITTEN. Now, in fixing price supports and acreage allotments for this year, what allowance did you make for reductions that you will get through this soil bank?

Mr. BENSON. Our estimate, of course we do not know definitely, was that there would be about 4 million acres which would go into the acreage reserve part of the soil bank and so far as we have gone, that appears likely now.

Mr. WHITTEN. You are talking about acres. How much reduction in production do you estimate?

Mr. BENSON. That would have to be related to yield. If acres of average productivity come into the program, the figure would be about 400 pounds per acre. I have not figured it out, but it would be about 4 million acres times the assumed yield—isn't that the way we arrived at it?

Mr. McLAIN. Yes.

Mr. WHITTEN. If you had a given allowance for that much production or acres cut out, wouldn't you have ended up with an increase in cotton acreage for this year? If you had not estimated at the lowest possible level, and if you had not put at a minimum the expected exports, and if you had taken credit for the 4 million acres that you say the soil bank will take out, the acreage might have been higher. Don't you think you had better go down to the Department and give us about a 10-percent increase in cotton acreage?

Mr. BENSON. There is no minimum. We do not set anything at the minimum. There is no minimum on domestic consumption; no minimum on exports. We make an objective appraisal.

Mr. WHITTEN. In 1956, domestic consumption was 8,850,000 bales.

Mr. BENSON. That's right.

COTTON CONSUMPTION IN 1957

Mr. WHITTEN. You reduced the price \$9 a bale to the farmer on the theory that it would help increase domestic consumption. In 1957 you estimate that it won't improve the consumption one bale. I say that is an absolute minimum.

Mr. BENSON. We did not, Mr. Chairman, set this with the idea, or we were not motivated by the thought that we were going to get the greater consumption because price support had been lowered. We simply looked at the picture and estimated it as best we could in view of all the facts, what the domestic consumption would likely be.

Mr. WHITTEN. Dr. Butz, who is in your Department, said a while ago that the chief argument for reducing price supports to the farmer was this situation between cotton and synthetics. Presumably the only reason you wanted to change the position would be so that cotton would regain some of the markets that synthetics now have.

Mr. BENSON. Let me answer that by reading a paragraph from my statement:

Our estimates for the 1957 crop are the best we can make at this time. But it is extremely difficult to make these estimates with accuracy. For example, for the 1955 crop we underestimated production by 4,695,000 bales. This is largely because we calculated yields in the manner prescribed by law for the purpose of determining acreage allotments. We overestimated exports by 2,292,000 bales. Both these errors of estimation had the same directional effect on the level of price support, to boost it.

Mr. WHITTEN. You overestimated for this year; is that it?

Mr. BENSON. This is for 1955.

The supply percentage we announced, 92, resulted in a support level of 90 percent of parity. Had we been able to estimate with complete accuracy, the supply percentage would have been 152, so great as to indicate a minimum support level not at the top but at the bottom of the flexible scale, 75 percent of parity.

Now, in 1956 we did better, but only because of compensating errors. We underestimated production by 3,183,000 bales, which tended to boost the level of price support from where it would have been if our estimate had been correct.

We underestimated exports by 2,300,000 bales, which had the effect of reducing supports below where they otherwise would have been. Our first supply estimate, made in April, indicated a level of support at 75 percent of parity. This was revised in August to 78. Had we been perfect in our estimates the indicated level would have been 80.

And so it should be clear from what has been said that estimates made in advance of planting cannot be made with accuracy. The experience has been such as to suggest a reexamination of the whole formula approach to establishing support levels.

What I am saying, Mr. Chairman, is that we do the best job in a preliminary way that we can. Then, before the beginning of the new marketing year we appraise the situation, we review it carefully. If there is justification for raising it, we do so. We cannot lower it, however, after we have once announced it, regardless of what the facts may be later on.

So, it is only the part of wisdom that we be a bit conservative when we make our first announcement of the support level.

SOIL BANK

Mr. WHITTEN. Now we will go into another thing, Mr. Secretary, and that is this soil bank.

I personally believe the soil-bank acreage reserve program is headed in the wrong direction. It pays farmers not to farm. If continued it will have a bad effect on the business of every town and village in the country.

If continued for years we could lose all our foreign markets.

I fully believe that the same money expended in price supports, with all commodities surplus to domestic markets moving in world trade at competitive prices, as you have always had authority to do, and may I say as at the moment you are doing, would result in much more return to American farmers, would protect our towns and villages and yes, our cities. And may I say the cost to the Government would be much less.

We expect to recess this committee until along in April so that we can consider the report of our committee investigation of the soil bank.

I recently had occasion to meet a big farmer down in a county that adjoins mine. This man says he is going to rent 150 acres of land to the soil bank. He is going to take the money and put it in irrigation machinery and buy more fertilizer and grow more cotton on the land left. Unless the farmers keep up their production we are not going to have any foreign markets. We are going to dry up the domestic market. I think the soil bank, and I am saying it from my heart, as it is now administered, is the worst thing that ever happened to the American farmer.

When you start giving the farmer dollars for nothing, he cannot ever live it down.

For 12 years, here in Congress, every time we took a soil conservation program to the floor, we met a determined opposition that the ACP was giving the farmer something for nothing. We just saved it by the skin of our teeth each year. The Farm Bureau was after it. Every other farm organization was after your regular conservation program. Now it shows that you have given the American farmer \$1,250,000,000 out of the Federal Treasury.

We will have the benefit of our investigators' work who are in the field trying to get the real facts, and we will hear as much of the story of the soil bank as we can. I dare say that members of this committee may differ among ourselves as to the soil bank, but we did feel that we should have as much information as we could obtain for us to consider this matter.

Mr. BENSON. You will have our complete cooperation in that, Mr. Chairman; I hope you will find that our people in the field will give you wholehearted cooperation. If they do not, I hope you will let us know.

PUBLIC LAND BUYING FOR SOIL BANK

Mr. WHITTEN. Thank you. According to reports up to this time there are things which should be pointed out to you. The first is that in many sections of the United States, people who live in towns and others, nonfarmers, are going out and buying land and then renting it to you under the soil bank and paying for it with Federal money.

We have had that. I have had people in my office citing instance after instance.

The other thing that has been reported to me today is that you have no control over what land the farmer may put in the soil bank. Therefore, he is putting in his thinnest, sorriest land. He takes the money and buys irrigation equipment, buys fertilizer, and increases his production on the remaining land. There could not be a greater disservice to the American farmer, in my judgment, because it weakens the farmers' standing with the whole Congress and with the country.

If you will recall last year, Mr. Secretary, this subcommittee recommended and the Appropriations Committee approved funds through the regular conservation laws that are already on the statute books, where we would have gotten something for this money. I think the records will show that the losses of CCC have greatly increased in the past few years. The cost of the farm program when you add to it the soil bank will show that your administration is spending more money out of the Treasury helping the farmer, while all the time the farmer's income goes down, than was ever spent by your predecessors. That is one thing I think the record should show and the facts speak for themselves.

I realize that it was your statement that this original announcement about the Department was by a Mr. Davis brought in here from the Cleveland Plain Dealer, who opposed all farm programs as part of the policies of his paper. The first statement that came out of your office, written by him without your knowledge, I think is the way it has been explained, and I accept that, was that you had inherited the most overgrown bureaucracy in Government. Now the record shows that where there were 2 Assistant Secretaries, you have 6 or 8.

Mr. BENSON. No; not 6 or 8.

Mr. WHITTEN. In your immediate office, high level jobs. It shows in this budget there are 16,252 more employees requested under your policy than you had when you came in.

Mr. BENSON. I would like to have Mr. McLain comment on these specific cases you mentioned in connection with the soil bank.

May I say that we went to the soil bank as one additional tool to try and help and get our agriculture in balance. Imbalance had been caused at least in a measure by unwise Government policy, and because of the emergency situation we felt justified in resorting to emergency measures. We felt that because the Government was partly responsible for inducing a great increase in production, that the Government also had an obligation in helping to get things in adjustment for a peacetime economy.

So we look upon the soil bank as an emergency tool, the same as we look upon Public Law 480. We are trying now to liquidate a part of the accumulation of a good many years.

REGULATIONS ON ACREAGE RESERVE

Mr. WHITTEN. What regulations do you have to see that the farmer who gets the money for certain acreage does not increase his production on the remaining acreage? What regulations do you have to see that he takes out the average acres rather than the thinnest acres? What regulations do you have to prevent a man from buying land and paying

for it with a Federal Treasury check, so that at the end of 10 years it will not cost him a dime.

Mr. BENSON. The program is voluntary. We insisted that it be voluntary. We set up safeguards in the administration of it. I believe the program is being administered fairly and honestly. I would like to have Mr. McLain comment on it.

Mr. WHITTEN. Fairly and honestly is not what I am talking about. I am trying to find out what regulations you have to see that it results in a reduction in production.

Mr. McLAIN. First, let me answer the one question specifically as to what land is being taken out. Obviously you, knowing agriculture as you do, Mr. Whitten, know that a farmer entering into these agreements is not going to take his prize land. We recognize that. He is probably going to take his poor land and, frankly, I think there is nothing wrong with that if he is paid on the basis of what he takes out. These tracts of land are being looked at by the committees that establish the rates for payment.

It is just not all taken at the same rate, you understand.

Mr. WHITTEN. Mr. McLain, I am not trying to say that there is anything illegal. I am just saying that, if your purpose was to reduce production, when you failed to give some attention to renting the average acres on his farm, you passed up a chance to reduce production.

Mr. McLAIN. If we pay him on the basis of acres he does give, I think it does the same thing; don't you?

Mr. WHITTEN. But you are going to figure on that farm's average production per acre.

Mr. McLAIN. No, no. If the particular tract is not average, then his rate is less than the average.

Mr. WHITTEN. We will be glad to have your regulations in connection with any of this.

Mr. McLAIN. Just one comment on the other statement that you made here, that this farmer ought to be deprived of using these dollars to irrigate.

Mr. WHITTEN. I asked you if your purpose is to reduce production. I asked you what you did to keep the farmer from putting the rows closer together, increasing fertilizer input, and the use of irrigation machinery and things of that sort.

Mr. McLAIN. There is nothing in these basic laws that prevents a farmer—even the marketing quota laws on cotton—from doing the very best job he can on his remaining acres. Many people have suggested that we have a quantity control, a poundage or bushel control. Congress has never seen fit to pass that type of legislation. I think it is something that ought to be looked at.

Several of us in the Department happened to think that it might have some merit.

Mr. WHITTEN. I am not trying to advocate that. I frankly think that acreage controls will never work. I frankly think that we ought to have a domestic allotment program. I think we ought to support a farmers' share of the domestic market with regard to basic commodities and let him get the world market on the balance.

But I do think that, pending any such law as that, we should use the existing law which provides supports on the domestic market here, and on world trade at the competitive level to retain to the

farmer his share of world markets and retain to the farmer the right to farm.

As I have said so many times, any farm program ought to start off with letting the farmer farm and work from that.

But pending the law being changed, as I think it ought to be, the thing to do is to use the existing law. I am not recommending this with regard to soil bank. I am pointing out that unless you, by regulations, control these things we are talking about you will pay out the billion and a quarter of a million dollars and still get no substantial reduction in production.

Mr. McLAIN. We understand that. We are trying to set the regulations, Mr. Whitten, so that we do get maximum reduction. But you know we have—

Mr. WHITTEN. Let me carry this a step further. I am glad you cannot cut production that way because, if you could, we would lose our world markets.

Mr. McLAIN. Not as long as we have the supply that we currently have.

Mr. WHITTEN. Not next year, but if you continue to follow the policy you have, you will have us producing for the domestic market only.

Mr. McLAIN. The Secretary has consistently said that the soil bank is not a permanent thing.

Mr. WHITTEN. You scared me to death when you said that selling these commodities in world trade competitively is a temporary thing. I hope they do not die together.

Mr. BENSON. We are going to continue to have our markets abroad. I am sure of that.

May I refer back to this matter you mentioned about the increase in personnel in Agriculture.

Mr. WHITTEN. Yes, sir.

PERSONNEL INCREASE

Mr. BENSON. I think the inference was left that that has been because of the extravagance or poor management, but I think you know where that increase in personnel is. Part of it is the result of passage of legislation by the Congress, legislation which we supported. Didn't Mr. Roberts put a table in the record when he was here showing that? If he didn't, I would like to put one in indicating where that increase has been.

Mr. WHITTEN. I think you are entitled to it.

With regard to many of these programs, this committee has supported them. But it knocks into a cocked hat this original statement that it came out of the office.

(The material referred to is as follows:)

*Summary analysis showing by programs increases in average annual employment
fiscal year 1957 over fiscal year 1952*

Brucellosis eradication-----	+2, 408
Watershed program-----	+1, 589
Soil bank-----	+2, 265
Price support activities—increased volume-----	+2, 505
Strengthened research program in crops, livestock, utilization, market- ing, and forestry-----	+2, 106
Forest access roads and timber sales ¹ -----	+2, 303
SCS technical assistance to ACP ² -----	+1, 325
Agricultural attaches and market development-----	+349
Disease and pest control (including Mediterranean fly eradication)-----	+344
All other (net)-----	+1, 064
	+16, 258

¹ Made possible an increase in timber sales receipts of \$53,000,000.

² Increase results in part from substitution of SCS technicians who are Federal employees for employees of ASC county committees.

It is also significant that approximately 1,900 of the 16,258 man-years results from expanded inspection and other services which are paid for through trust funds or reimbursements from producers, processors, timber purchasers, and other cooperators.

Mr. BENSON. You have already indicated, yourself, that I had nothing to do with that. I didn't know about it. That ground has been plowed about 4 or 5 or 6 times in the past years.

Mr. WHITTEN. I just wanted to point out that these new policies you follow do not result in need for less personnel. I think that we are entitled to have that in the record.

Mr. BENSON. In the long run production will be in balance. The emergency programs should not become permanent programs and we do not expect them to become permanent, the soil bank and others.

Mr. WHITTEN. Mr. Secretary, I think you are on my side on this: You paid farmers last fall under the law where you knew they were not going to produce a thing in the world, where the wheat didn't come up, and where there was no chance in the world to produce.

Mr. BENSON. There were emergency features in the law last year. We carried out the law.

Mr. WHITTEN. I agree with you.

Mr. BENSON. As a matter of fact, we opposed the passage of the legislation applicable to the 1956 crop when it became so late that it was evident that most of the crops were all in the ground—

Mr. WHITTEN. I think you are entitled to say that.

Mr. BENSON. We are on record to that effect.

LEGISLATION NOW BEFORE CONGRESS

Mr. WHITTEN. I think you are entitled to that view. I agree with that view. I just want to show you where this kind of thing leads.

Today we have pending in the Senate—it passed the House—a bill where you pay rent to ranchers not to graze cattle on land that has no grass on it.

Mr. BENSON. We are opposed to it.

Mr. WHITTEN. The Department opposed that. Now you have a bill pending in the House and Senate which would pay farmers out in this timber country to not graze their cattle on Government land.

Mr. BENSON. We have opposed that, also.

Mr. WHITTEN. I just got a call from the Senate wanting the House to go along to buy cotton seed cakes to send out to disaster areas.

Mr. BENSON. We are opposed to that.

Mr. WHITTEN. I know your position is sound. But I am saying that in these emergency programs we are building up more and more the things that will break all farm programs. This is sincere on my part.

Mr. BENSON. I recognize the threat. I recognize the danger. That is why I have been emphasizing that these programs must be looked upon as temporary measures.

Now, the conservation part of the soil bank will be of longer duration, but the acreage reserve part and the Public Law 480 program, I think, must be looked upon as emergency measures.

Mr. WHITTEN. I do, too, and I hope you will put them behind the competitive sales program.

The answer never was to get rid of surpluses. The answer is to get your market back. It is a lot more important how you get rid of your surpluses, than whether you get rid of them. If you burned your surpluses up tomorrow, the relief would be temporary. You have to keep the farmer farming; and to do that you have to keep your production on the counter, offered for sale in world trade competitively. Just getting rid of those commodities under 480 or by throwing them in the ocean doesn't reach the cause. May I repeat it again, and it comes from the heart, the cause for our problem, by far the greater cause, is that for years we held the United States farmers' production off world markets because we would not offer that production competitively.

WORLD MARKET

Mr. BENSON. Mr. Chairman, I am sure that you and I are in agreement that there is no substitute for markets and there never will be. We have got to put our emphasis there. I am pleased, as you are, that our exports of today are the highest in history, and I am hopeful that many of these markets that we have regained, new ones that we have acquired, can be kept even after some of these emergency measures expire.

POLICY REVIEW

Mr. WHITTEN. I want to ask you to go back and review your own arguments that reducing price to the farmer \$9 a bale would increase domestic consumption. If you believe your own arguments, you will increase your estimate of domestic consumption for the current year. I want you to believe your own argument on the \$6 per bale reduction.

I don't believe this argument, but they are yours. I want you to go back and review the fact that you sold 6½ million bales when you thought you could sell a million, about 6 times more than you anticipated.

Mr. BENSON. We expect to review all of those.

Mr. WHITTEN. I want you to review the 70-percent support price, and when you analyze your price reduction for various commodities and match it against farm income which has gone down in direct proportion to your reduction in price supports—I hope you will increase the supports. As I have stated, it is your order which put

these 55,000 farm families out in the road. I have stressed cotton, but I would like to ask it with regard to each of these commodities.

Mr. BENSON. I would like to see the acreage increased. May I mention once more that a great majority of this price decline occurred before we adjusted price supports at all. The record shows that.

Mr. WHITTEN. I am in public office, myself; and my people would have little patience with my saying that it occurred before I went into office. It is my recollection that when you were running in 1952, and when you first appeared before us in 1953, that you were going to correct all these conditions.

Mr. BENSON. Mr. Chairman, I didn't run in 1952.

Mr. WHITTEN. When your party was running; I will put it that way.

Mr. BENSON. Of course, our aim has been to do that which is best for agriculture, and we have had bipartisan help in the study which led to the recommendations we made to the Congress. A good many of the recommendations that we brought up here were recommendations of the bipartisan commission, as you know. That was after a very careful study made up of 9 Democrats and 9 Republicans.

FARM POSITION

Mr. WHITTEN. May I say again, Mr. Secretary, at the conclusion of my part of this program, that I appreciate your appearance here. I know you are vitally interested in the subject, as we are. I have differed with you for the 4 years that you have been here, on your policies, by and large. I do believe that 4 years has tended to substantiate my part of this argument.

I think that those places where you have come around to the committee's views, including my own, have worked out very well. I therefore thought it well to put in the record the places where I think your own experiences have clearly shown that you were wrong in your prior views.

That does not prevent you from continuing them. But this situation is deadly serious. It is high time that we who are interested in agriculture, work out a domestic allotment plan or some other plan that will let our farmers farm.

You and Mr. Morse tell us that, the answer to the small farmers is to get a job somewhere else. If you came up with a bankers' program and told them to get out of banking, and if you came up with a labor program in which the answer was for labor to go to the farm, they would laugh you out of the country. But you have been advocating that type of thing for the farmer.

Mr. BENSON. We have never advocated that any farmer leave his farm. We think that decision should be made by the farmer. Our economy should be kept fluid enough so that people are free to move in or out, whether it be agriculture or banking or anything else. The rural development program, is simply a program to aid the farmer in making the adjustment that is in his own best interest. That is all it is. He makes the decision as he must always do in my judgment.

Mr. WHITTEN. When you cut cotton acreage 35 percent in 3 years, and would not sell it abroad but could have sold it, and when you cut that farmer's price \$9 a bale last year and \$6 a bale this year, and

your own statement shows that under 1 order in 1955 you put 55,000 cotton farmers out of homes in the South, you have not recommended that they get off the farms, you have made them get off the farm.

Mr. BENSON. The acreage allotments we have announced are based on laws passed by the Congress. There are many factors, as I have explained many times, that have contributed to any shift out of agriculture. It has been going on for more than 50 years.

Mr. WHITTEN. It has, and your policies have greatly aggravated it. I spent hours trying to show you the problem in my section of the country. You know that we have sharecroppers and renters and you know, as the acres on that farm are cut down, the tenants must leave. I did everything I could think of to get you to make the survey in 1955, but you had your Extension Service make it. I put it in the record earlier and it will show. Your own survey from your own Extension Service, showed that 55,000 farm families in the cotton-growing South were left without homes.

Now, that is in addition to the things that might come about due to economic pressures.

Mr. BENSON. It has been going on for a good many years, as you know, Mr. Chairman.

Mr. WHITTEN. But you can speed it up, or you can give us time to adjust to it. You can speed it up by reducing price to the point that, with these constantly increasing costs, it aggravates the situation.

PROGRAM OBJECTIVES

Mr. BENSON. Certainly, Mr. Chairman, the Government price-fixing route, with a program to cut further and further back on our acreages, is not the answer. We are all trying to find the answer, and also we have provided a program aimed at meeting the needs of the low-income farmer.

I think it is a constructive program, and I believe it is going to pay real dividends. It is not dramatic, but it is taking hold, and the reaction we are getting is very favorable. It is already accomplishing a great deal.

Mr. WHITTEN. I say it is nice, and it may add a little bit to homelife. But there again, it is just like Public Law 480 and these funny ways of getting rid of agricultural commodities.

Mr. BENSON. I do not consider them funny.

Mr. WHITTEN. All the time you were overlooking the normal way which is to offer our commodities for sale through normal channels, for dollars, which has worked so well the last year.

In the rural farm program, which was brought about because of no income, you are going all around the house and overlooking the way to help low income—and that is to raise it. If you want to have something better than low income, you must provide for a little higher income, and that is the point. You are giving them a county agent, and an assistant agent, and a whole lot of information. You send them a lot of pamphlets and a lot of research.

THE ANSWER TO LOW FARM INCOME IS MORE INCOME

But what the trouble to start with? Low income. There we are doing the same thing we did in the other business. If you want to help them, help the income. That is where the problem is.

Mr. MORSE. Mr. Chairman, as far as I know, there is very complete agreement that price supports will meet the problem of the over 1 million farm families with incomes of less than \$1,000 per year. Most of what they produce, in many instances, is consumed at home.

Second, there is a very large number of these farms that are not producing any price-supported commodities.

Mr. WHITTEN. That is where you picked the dairy farmer off. He is getting high-level price supports, but you changed him over from a general sort of farm program, on the ground that he wasn't a basic commodity producer. And milk production has increased. But getting back to the problem you mentioned, every farmer has an interest in the price-support program for basics because, if it were not for that, his situation would go down still further.

Mr. MORSE. Mr. Chairman, I spoke in Oklahoma last fall and had brought together the statistics on 20 northeast counties of that State. If I remember the statistics correctly, the average cultivated acres in those 20 counties per farm was eight and a half acres. You know the level of productivity for that area. Farmers are producing feed for milk cows, and eggs and chickens on that eight and a half acres and little if any cotton; they are not growing tobacco. They are growing very little wheat on their eight and a half acres. You just cannot get at the problem of such farm families through price supports.

I hope we will have the opportunity to discuss the rural-development program. I know it has already been coming up in connection with your hearings. We would like very much to have the opportunity to get into it as fully as you like. It is going to make it possible for most of the farm people to continue to live on their small farms and have adequate incomes when located within driving distance of Tulsa, for instance, where there are job opportunities. The people are continuing to live on farms and supplement the incomes from their small acreage with other income. That is a major objective of the rural-development program and it is considered sound.

I have expressed the idea this way. A lot of people go to the city and prosper, and what do they often do? They go out in the country and get a place to live. They like to live in rural areas. That is where the low-income farm people live now. Why don't we give them an opportunity to continue to live there and make the best use of their land, their agricultural opportunities, and in addition develop supplemental sources of income where they need such?

Mr. WHITTEN. Thank you, Mr. Morse.

Mr. Secretary, may I say that I appreciate your courtesy and your kindness in coming up here today. As you know, I feel very deeply about these things and I have been utterly sincere. I have always given you credit for the same thing, as you know.

We will recess until 2 o'clock at which time the other members of the committee will interrogate you.

Mr. BENSON. I assume you want me in it.

Mr. WHITTEN. Yes, sir; we won't put the show on the road without the star, Mr. Secretary.

Mr. BENSON. I don't know how much of a star I am, but I will be back at 2 o'clock.

(Committee recess.)

Mr. WHITTEN. Mr. Secretary, I would like to make the illustration that in my section of the country, and I am sure in many other sections of the country, a small farm of some 12 acres of cotton in the last 4 years has had that 12 acres cut down to something like 7 acres by action of the Government.

Then, the price on the cotton from the remaining 7 acres has been cut \$9 per bale last year, and \$6 per bale this year. That situation has largely caused the so-called rural-development program, but such programs are no substitute for farm income.

FARM INCOME, COTTON-EXPORT PROGRAM, AND PRICE-SUPPORT LEVELS

Reduced price supports have not increased consumption, decreased production, nor been reflected in lower prices to the consumer. Such reductions have helped reduce farm income.

Now, I have certain tables and information on farm income by States, the cotton-export program for 1957-1958, and price-support levels for various commodities which come from the Department's statistics. I would like to include that information in the record at this point. May I say the points I have made here today with reference to cotton price supports apply generally to other commodities.

(The information referred to follows:)

*Farm marketings: Cash receipts from major commodities and commodity groups,
United States, 1949-56*

[In millions]

Commodity or group	1949	1950	1951	1952	1953	1954	1955	1956 ¹
Livestock and products.....	\$15,404	\$16,045	\$19,670	\$18,281	\$17,134	\$16,271	\$15,837	\$16,207
Meat animals.....	8,324	9,248	11,365	10,109	8,793	8,868	8,171	8,245
Cattle and calves.....	4,848	5,678	7,001	6,206	4,878	5,088	5,167	5,258
Hogs.....	3,125	3,184	3,902	3,512	3,598	3,455	2,688	2,667
Sheep and lambs.....	352	386	462	391	317	325	316	319
Dairy products.....	3,748	3,719	4,250	4,567	4,366	4,114	4,213	4,491
Poultry and eggs.....	3,110	2,814	3,668	3,331	3,702	3,013	3,186	3,220
Eggs.....	1,857	1,564	2,093	1,801	2,073	1,627	1,746	1,771
Farm chickens.....	497	411	472	362	450	253	229	205
Broilers.....	442	530	703	756	786	747	834	849
Turkeys.....	263	261	341	352	336	331	325	345
Miscellaneous.....	222	264	387	274	273	276	267	251
Wool.....	100	129	231	123	129	129	101	94
Crops.....	12,460	12,360	13,239	14,257	14,035	13,443	13,427	13,792
Food grains.....	2,259	1,940	1,992	2,534	2,423	2,312	1,955	2,027
Wheat.....	2,061	1,737	1,769	2,220	2,164	2,031	1,687	1,742
Rice.....	178	183	198	290	243	261	246	268
Field crops.....	2,172	2,104	1,992	2,123	2,205	2,323	2,323	2,272
Corn.....	1,405	1,194	1,051	1,192	1,423	1,334	1,307	1,387
Other feed grains.....	487	626	602	538	478	682	683	557
Cotton.....	2,636	2,434	2,852	2,978	3,178	2,703	2,562	2,476
Lint.....	2,387	2,144	2,484	2,584	2,868	2,391	2,319	2,216
Seed.....	249	290	368	394	310	312	243	260
Oil-bearing crops.....	843	934	983	1,080	958	912	1,136	1,236
Soybeans.....	492	596	701	811	655	686	819	939
Peanuts.....	197	203	166	145	182	115	183	170
Flaxseed.....	149	130	111	115	112	107	133	123
Tobacco.....	903	1,061	1,191	1,090	1,094	1,161	1,225	1,151
Vegetables.....	1,664	1,501	1,801	2,098	1,748	1,624	1,761	1,963
Truck crops, fresh.....	821	788	931	1,039	944	896	971	994
Truck crops (processing).....	210	207	310	274	277	242	252	315
Potatoes.....	445	348	386	596	327	297	353	484
Fruit and tree nuts.....	1,013	1,209	1,209	1,138	1,240	1,272	1,287	1,437
Citrus fruit.....	276	351	316	267	348	338	351	423
Oranges.....	187	245	231	189	250	254	267	325
Deciduous fruit.....	737	858	892	871	892	934	936	1,014
Apples.....	201	201	267	246	270	276	238	248
Grapes.....	93	173	188	125	123	130	130	139
Peaches.....	85	90	116	114	112	116	108	131
Total cash receipts from marketings.....	27,864	28,405	32,909	32,538	31,169	29,714	29,264	29,999
Government payments.....	186	283	285	275	213	257	229	554
Grand total.....	28,050	28,688	33,194	32,813	31,382	29,971	29,493	30,553

¹ Preliminary.

Realized net farm income, by States, 1949-56

[In millions]

State and region	1949	1950	1951	1952	1953	1954	1955	1956 ¹
Maine.....	\$71.8	\$64.3	\$70.0	\$95.7	\$56.8	\$29.4	\$62.9	\$82.2
New Hampshire.....	18.4	16.7	21.6	19.8	23.7	18.9	20.3	18.0
Vermont.....	31.2	30.8	32.7	33.3	30.6	28.5	31.6	30.5
Massachusetts.....	64.9	59.3	75.5	58.7	64.8	41.4	41.1	40.6
Rhode Island.....	9.3	8.3	10.5	11.3	11.0	8.1	7.3	7.8
Connecticut.....	58.2	49.8	63.4	61.1	66.4	54.2	57.1	45.5
New York.....	317.9	279.0	325.4	370.6	316.1	266.3	266.6	280.7
New Jersey.....	99.7	94.8	130.5	111.4	122.5	82.2	75.7	93.7
Pennsylvania.....	300.4	238.5	299.1	287.7	271.5	213.5	220.2	219.2
North Atlantic region.....	971.8	841.6	1,028.7	1,049.7	963.3	742.3	782.9	818.2
Ohio.....	464.0	390.2	494.8	483.4	468.1	429.7	396.1	415.5
Indiana.....	473.7	422.9	515.5	468.6	498.8	417.7	367.1	383.9
Illinois.....	743.9	671.3	779.7	803.0	804.2	658.6	514.8	703.0
Michigan.....	311.4	282.0	346.7	332.6	322.1	280.0	246.5	274.5
Wisconsin.....	433.9	424.1	548.5	539.4	484.3	409.8	387.0	426.5
East north central region.....	2,427.0	2,190.5	2,685.1	2,627.0	2,577.5	2,196.0	1,911.5	2,203.4
Minnesota.....	559.5	512.7	544.3	533.8	568.1	489.6	491.8	519.5
Iowa.....	956.0	898.3	924.1	817.8	1,092.9	872.0	801.6	805.7
Missouri.....	519.9	487.7	598.0	481.0	491.4	437.7	369.0	419.6
North Dakota.....	240.8	203.9	222.5	217.7	155.9	136.6	171.3	191.5
South Dakota.....	271.4	203.3	240.9	206.2	190.2	224.8	199.1	155.2
Nebraska.....	433.0	374.8	437.2	411.0	494.4	347.1	379.2	347.2
Kansas.....	447.2	420.1	410.9	498.9	387.2	347.2	250.6	218.0
West north central region.....	3,427.7	3,100.9	3,377.9	3,166.4	3,380.0	2,855.6	2,662.4	2,656.8
Delaware.....	30.2	25.4	28.1	25.1	24.9	21.2	19.1	26.6
Maryland.....	82.5	70.0	80.8	80.6	88.8	70.0	56.1	64.9
Virginia.....	239.2	249.1	295.5	275.1	232.5	212.5	193.6	216.6
West Virginia.....	87.2	80.7	96.9	91.7	79.5	71.0	64.1	64.3
North Carolina.....	508.8	571.5	671.3	169.9	572.8	579.2	572.0	570.9
South Carolina.....	178.7	171.9	266.6	216.3	217.9	146.8	176.0	157.4
Georgia.....	265.7	315.2	365.9	345.3	345.2	254.0	306.8	281.6
Florida.....	217.4	260.4	233.9	219.4	267.5	244.4	286.3	340.3
South Atlantic region.....	1,609.8	1,744.2	2,039.0	1,873.2	1,829.3	1,599.2	1,673.6	1,722.7
Kentucky.....	371.9	321.7	406.3	358.4	341.1	339.7	302.1	312.5
Tennessee.....	306.6	293.7	352.4	347.6	306.8	290.0	239.9	277.1
Alabama.....	263.7	249.3	300.7	285.3	259.5	213.8	262.0	235.2
Mississippi.....	355.6	318.2	342.1	309.4	411.7	277.3	312.7	314.0
Arkansas.....	350.5	302.1	319.2	327.7	290.1	302.5	255.2	324.8
Louisiana.....	232.4	199.9	239.8	261.2	228.7	206.4	185.2	192.2
Oklahoma.....	311.8	238.9	255.8	301.9	222.9	194.2	137.7	161.0
Texas.....	1,035.4	1,058.4	1,031.6	948.1	759.2	777.7	678.4	596.6
South central region.....	3,227.8	2,982.2	3,247.9	3,139.6	2,826.9	2,601.7	2,373.2	2,413.3
Montana.....	182.8	162.9	203.5	185.4	166.2	181.8	163.1	151.7
Idaho.....	132.1	112.3	148.2	154.6	125.9	110.8	99.3	107.5
Wyoming.....	46.7	45.2	78.5	57.0	44.3	45.3	26.4	34.1
Colorado.....	192.5	164.8	160.6	192.3	166.8	122.5	79.8	82.7
New Mexico.....	95.8	91.3	99.8	77.9	72.1	67.9	33.6	48.4
Arizona.....	106.0	122.5	145.5	187.3	212.3	154.1	121.4	118.9
Utah.....	58.7	57.9	78.9	66.9	58.2	54.3	50.1	48.5
Nevada.....	20.9	20.5	31.5	26.3	14.5	13.5	11.8	9.7
Mountain region.....	837.6	777.5	946.4	941.7	860.3	750.2	585.5	601.4
Washington.....	220.8	229.2	277.7	257.3	260.5	246.4	208.6	195.8
Oregon.....	153.3	165.4	182.8	168.2	158.7	141.3	149.6	157.7
California.....	797.6	825.9	1,016.5	1,032.9	1,024.1	889.5	992.1	1,066.5
Pacific region.....	1,171.7	1,220.5	1,477.0	1,458.4	1,443.3	1,277.2	1,350.3	1,420.0
United States.....	13,673	12,857	14,802	14,256	13,880	12,021	11,340	11,836

¹ Preliminary.

NOTE.—Details may not add to totals, because of rounding.

UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, February 19, 1957.

USDA ANNOUNCES COTTON AND COTTON PRODUCTS EXPORT PROGRAMS
FOR 1957-58 SEASON

A cotton-export program for Commodity Credit Corporation stocks of upland cotton to be shipped after August 15, 1957, was announced today by the United States Department of Agriculture. Under this program, sales will be made periodically on a competitive bid basis as under the current export program (Announcements CN-EX-2 and NO-C-8).

The Department also announced today that the cotton products export program will be continued through the 1957-58 marketing year.

While cotton cannot be exported under the 1957-58 program until after August 15, 1957, the program is being announced at this time so that the domestic cotton industry, as well as foreign users of cotton, will know the Department's export sales policy and can begin to make sales and purchases for the new year. In general, the program will be substantially the same as the current program which permits the cotton to be delivered against all sales, including Public Law 480, barter, and credit sales, and allows substitution of an equal quantity of cotton for that purchase from CCC. The program will contain performance guaranty and price adjustment provisions essentially the same as under the current program. The purchaser will be required to make shipment of the cotton (1) within 9 months after delivery of the cotton or the warehouse receipts to the purchaser, or (2) by July 31, 1958, whichever is earlier. The current program provides for export within 12 months or by August 15, 1957, whichever is earlier.

Export requirements and conditions will be contained in an announcement (identified as Announcement CN-EX-4) to be issued soon by the Cotton Division, Commodity Stabilization Service. Terms and conditions of sales will be contained in Announcement No. NO-C-9 to be released by the New Orleans CSS commodity office which will also make sales under the program. The current cotton products program (Announcement CN-EX-3) will be amended in the near future in order to extend the program through the next season.

As under the current program, sales under the cotton export program for the 1957-58 marketing year will be made in an orderly manner so as to avoid disrupting world market prices and impairing the traditional competitive position of friendly countries.

Cotton will continue to be available for sale under the current program for shipment through August 15, 1957.

UNITED STATES DEPARTMENT OF AGRICULTURE COMMODITY STABILIZATION SERVICE
FEBRUARY 19, 1957.

ANNOUNCEMENT CN-EX-4

COTTON EXPORT PROGRAM

(1957-58 marketing year)

I. General

Commodity Credit Corporation (hereinafter referred to as "CCC") will make available for sale upland cotton from its inventories acquired in price-support operations for export pursuant to the terms and conditions of this announcement. Sales will be made on a competitive bid basis through the CSS commodity office, Wirth Building, 120 Marais Street, New Orleans 16, La. (hereinafter referred to as the "New Orleans office"). The New Orleans office will issue a sales announcement (identified as Announcement No. NO-C-9) which, together with this announcement, will contain the terms and conditions under which the cotton will be sold and exported. A catalog showing stocks of cotton available for sale will be issued and distributed by the New Orleans office, and may be obtained for a nominal fee from that office. Information pertaining to the operation of the program may be obtained from the New Orleans office.

Warehouse receipts will not be available to purchasers, and cotton cannot be exported under the program, prior to August 16, 1957.

II. Export conditions

A. *Exportation of cotton.*—All cotton sold hereunder is sold upon the condition that the purchaser exports or causes to be exported to a destination, other than Alaska, Hawaii, or Puerto Rico, outside the continental United States either the identical bales of cotton purchased from CCC or in substitution therefor an equal quantity of cotton (the cotton exported or caused to be exported by the purchaser is hereinafter referred to as "the cotton"). It is the policy of CCC not to sell cotton for export to countries or areas for which a general or specific export license will not be issued by the Bureau of Foreign Commerce. Accordingly, in purchasing cotton for export under this announcement, the purchaser makes the warranty contained in subsection E below.

While the purchaser may arrange to have some other person or firm export the cotton, the responsibility for such exportation cannot be transferred. CCC will hold the purchaser solely responsible for its export. Satisfactory evidence of exportation of the cotton must be submitted by the purchaser. If the purchaser causes the cotton to be exported by some other person or firm, the purchaser must have sold the cotton to or through such person or firm so that the cotton would be exported.

B. *Exportation of substitute cotton.*—1. If other than the identical bales of cotton purchased from CCC are exported in fulfillment of the export requirements of this announcement, the unpatched gross weight of the cotton exported (including any identical bales in the shipment) must equal the gross weight of the cotton purchased from CCC, and the cotton exported must be of grades within the universal standards for American upland cotton, must have a staple length of thirteen-sixteenths inch or longer, and must have been produced in the continental United States. Cotton exported in substitution must not be reginned, loose, or pickery cotton or any other such irregular cotton.

2. Cotton shipped as offset cotton in connection with Proclamation 2544 of the President of the United States will not fulfill the export requirements of this announcement.

C. *Time for export.*—The cotton must be exported after August 15, 1957, and not later than (1) 9 months after the date the warehouse receipts covering the cotton purchased from CCC are made available to the purchaser or the cotton is delivered by CCC to the purchaser, or (2) July 31, 1958, whichever is earlier. Cotton exported in substitution for cotton purchased from CCC hereunder must be exported after the date of purchase of such cotton from CCC.

D. *Satisfactory evidence of exportation.*—Evidence of exportation of the cotton to be satisfactory hereunder must meet the following requirements:

1. Separate documents must be submitted for each export shipment, and all documents covering any one such shipment must be submitted at the same time. Each document must identify, by the CCC sales number, the sale against which the export is being made. If the export sale is financed under Public Law 480, the purchase authorization number must also be shown on the documents evidencing exportation.

Where exportation or transshipment has been made to one or more of the countries or areas described in subsection E below under license issued by the United States Department of Commerce, Bureau of Foreign Commerce, evidence of exportation shall identify, in addition to the name and address of the consignee, the license issued by that Bureau. In the case of an exportation or transshipment to Hong Kong not requiring a specific license, the document evidencing exportation shall contain a statement by the purchaser that a specific license was not required.

2. If the cotton is exported to Canada or Mexico, the purchaser shall furnish a copy of the railroad bill of lading under which the cotton is shipped and an authenticated landing certificate issued by an official of the government of the country to which the cotton is exported, showing the number of bales, marks, the place and date of entry, and gross landed weight of the cotton, and the name and address of both the person who exported the cotton from the United States and the person to whom it is shipped.

3. If the cotton is exported to any country other than Canada or Mexico, the purchaser shall furnish a nonnegotiable copy of either an on-board ocean bill of lading or a port or custody bill of lading with on-board endorsement. The bill of lading must show the number of bales, marks, and gross weight of the cotton, the date and place of loading, the name of the vessel, the destination of the cotton, and the name and address of both the person who exported the cotton and the person to whom it is shipped.

4. The purchaser shall furnish a copy of a tag list showing the warehouse receipt numbers under which the cotton is exported and containing a certification that the cotton was produced in the continental United States, is of grades within the universal standards for American upland cotton, is of staple lengths of thirteen-sixteenths of an inch or longer, and is not reginned, loose or pickery cotton or any other such irregular cotton. Such tag list shall so indicate if only identical bales purchased from CCC are shown thereon. Such tag list shall be sworn to by the purchaser as true and correct.

5. If other than identical bales of cotton purchased from CCC are included in a shipment, the purchaser shall furnish an affidavit reflecting, in relation to each ocean bill of lading, the actual gross weight of the cotton shipped, exclusive of any franchised weight and exclusive of patches. The affidavit covering the last shipment against any sale must also state that the total unpatched gross weight of the cotton exported is equal to the gross weight of the cotton purchased from CCC under such sale.

6. If the purchaser causes exportation of the cotton to be made by some other person or firm, there shall be furnished a certification by the purchaser that his sale of the cotton to or through such other person or firm caused the export to be made, and a certification, on or attached to the bill of lading evidencing export, by the person or firm making the export shipment that such sale of the cotton by such purchaser caused the export to be made. The exporter named in the bill of lading under which the cotton is exported must warrant that the purchaser is the proper person who may utilize proof of exportation of the cotton under this announcement.

7. The documents specified above must be filed with the New Orleans office not later than 30 days after the date of the landing certificate, on-board bill of lading, or on-board endorsement of port or custody bill of lading. An extension of time for submission of such documents may be granted by the director of the New Orleans office if he determines that the purchaser has been or will be delayed in submitting such documents by a cause which the director of the New Orleans office determines to be beyond the control of the purchaser. Failure of the purchaser to furnish such satisfactory evidence of exportation within 30 days after the final date for exportation, determined in accordance with subsection C above, shall constitute prima facie evidence of failure to export.

8. The purchaser shall also furnish promptly any additional evidence of exportation which may be requested by the director of the New Orleans office.

9. If the cotton is loaded on board a vessel for shipment to a destination, other than Alaska, Hawaii, or Puerto Rico, outside the continental United States and is destroyed or damaged while on board such vessel, and the cotton or salvage therefrom does not reenter the United States, for the purposes of fulfilling the export requirements of this announcement, the cotton shall be regarded as having been exported.

E. *Warranty.*—In submitting a bid, the purchaser represents and warrants that the cotton exported pursuant to this announcement will not be exported by anyone or transshipped by the purchaser or caused to be transshipped by the purchaser:

1. To any country or area listed in subgroup A of group R of the Comprehensive Export Schedule issued by the Bureau of Foreign Commerce, United States Department of Commerce, unless a license for such exportation or transshipment thereto has been obtained from such Bureau;

2. To Macao unless specific license for such exportation or transshipment thereto has been obtained from the Bureau of Foreign Commerce, United States Department of Commerce; or

3. To Hong Kong if a specific license for such exportation or transshipment is required by regulations of the United States Department of Commerce under the Export Control Act of 1949, unless such specific license for such exportation or transshipment thereto has been obtained from the Bureau of Foreign Commerce, United States Department of Commerce.¹

¹ Information to purchaser: The Department of Commerce regulations prohibit exportation or reexportation by anyone, including a foreign exporter, of the cotton exported pursuant to the terms of this announcement, to Soviet bloc countries and other prohibited areas except under license. The attention of the purchaser is invited to the "Notice to exporters" which accompanies this announcement.

III. Performance guaranty

As a guaranty of performance, the purchaser shall furnish, prior to delivery of cotton by CCC, a cash deposit, performance bond, or letter of credit, acceptable to CCC. Such deposit, bond, or letter of credit shall be in an amount at least equivalent to \$30 for each bale of cotton delivered by CCC for which, at any one time, satisfactory evidence of exportation has not been submitted. Failure of the purchaser to furnish the acceptable performance guaranty as provided above by the time CCC is in position to invoice the cotton shall entitle CCC to add accrued carrying charges, as determined by CCC, to the invoice price of the cotton purchased; and in the event the purchaser is consistently delinquent in submission of performance guaranty, as determined by CCC, CCC shall be entitled to require the purchaser to furnish acceptable guaranty prior to acceptance of bids or at CCC's election to cancel the sale of such cotton. In the event of cancellation of sales, CCC will incur costs in removing and returning cotton to the catalog, and the purchaser shall pay to CCC as liquidated damages and not as a penalty the sum of \$1 per bale.

IV. Price adjustment

CCC sells cotton for unrestricted use at not less than the statutory minimum sales price for sales for unrestricted use (105 percent of the current support price for such cotton plus reasonable carrying charges) or the domestic market price, whichever is the higher. Sales of cotton by CCC for export are not subject to the statutory price restriction. Sales of cotton under this program may be made at reduced prices and are made upon the condition that the purchaser exports or causes to be exported in conformity with the requirements of this announcement either the identical bales purchased or in substitution therefor an equal quantity of cotton. If (1) any cotton sold hereunder, or in substitution therefore an equal number of pounds (unpatched gross weight) of cotton is not exported in conformity with the requirements of this announcement, or (2) exportation is made and (a) any of the cotton is exported by anyone or transshipped or caused to be transshipped by the purchaser, to any Soviet bloc destination or Communist-controlled area in the Far East unless a Department of Commerce license for such shipment or transshipment has been obtained, or to Macao, without specific Department of Commerce license, or to Hong Kong if such license is required and is not obtained, or (b) any of the cotton so exported is reentered into the continental United States or Alaska, Hawaii, or Puerto Rico (unless such cotton reenters pursuant to Proclamation 2544 of the President of the United States), whether or not such reentry is caused by the purchaser, the sales price of the quantity of cotton which is not so exported, which is exported or transshipped in contravention of (2) (a) of this section, or which is reentered (or if such cotton was exported in substitution, the cotton for which such cotton was substituted) shall be adjusted upward by the amount that such sales price is exceeded by the higher of CCC's highest statutory minimum sales price for unrestricted use, as determined by CCC, or the highest domestic market price, as determined by CCC, for such cotton between the date of sale and the final date for exportation hereunder (where the purchaser fails to export in accordance herewith or exports or transships in contravention of (2) (a) of this section) or the date of reentry of such cotton (where the cotton is reentered). The total amount of any such upward adjustment of the sales price shall be paid by the purchaser to CCC promptly upon demand. Upon payment of such amount, the cotton shall be available to the purchaser for unrestricted use.

V. Records and reports

The purchaser shall make available to CCC, from time to time, upon CCC's request, such information and reports and such of the purchaser's and such of his affiliates' and subsidiaries' books, records, and accounts, and other documents and papers, as CCC may deem pertinent to any transaction hereunder. Specific reporting requirements subsequently prescribed shall be subject to approval of the Bureau of the Budget pursuant to the Federal Reports Act of 1942.

F. MARION RHODES,
Director, Cotton Division,
Commodity Stabilization Service.

Approved:

WALTER W. SIKES,
Acting Vice President,
Commodity Credit Corporation.

NOTICE TO EXPORTERS

The Department of Commerce, Bureau of Foreign Commerce (BFC), pursuant to regulations under the Export Control Act of 1949, prohibits the exportation or reexportation by anyone of any commodities to Macao, Hong Kong, the Soviet Bloc, or Communist-controlled areas of the Far East including Communist China, North Korea and Communist-controlled areas of Vietnam and Laos, except under license issued by the United States Department of Commerce, Bureau of Foreign Commerce. Those regulations further require that persons exporting, in the form acquired or in a processed form, under general license to friendly countries, commodities which are obtained directly or indirectly from the Commodity Credit Corporation (CCC) or commodities which are in substitution for commodities so obtained from CCC or commodities which are subsidized for export by CCC either through cash payment or payments in kind filed with the collector of customs (in addition to any copies required for other purposes) one copy of the shipper's export declaration for forwarding to BFC and send to BFC, Washington 25, D. C., one copy of the on-board ocean bill of lading (for exportations by rail, one copy of the railroad bill of lading), for each shipment, regardless of value, involving sales of cotton textiles, other than cotton waste, of \$10,000 or more and involving sales of all other commodities, including cotton waste, of \$100,000 or more: Provided, that copies of the shipper's export declaration and the bill of lading for BFC are not required to be submitted covering any shipments to group O countries of cotton textiles other than cotton waste.

In the case of commodities purchased from CCC, or commodities being exported as "substitute" for such commodities, the \$100,000 figure applies to the sales contract between the CCC and the United States purchaser. For commodities being exported under CCC export subsidy programs, the \$10,000 figure for cotton textiles (other than cotton waste) and the \$100,000 figure for all other commodities (including cotton waste) apply to the sales contract between the United States seller and the foreign purchaser. Each of the documents for BFC must bear the notation "FC-2610" in the upper right-hand corner. The bill of lading for BFC must also bear the number of the corresponding shipper's export declaration and the CCC identification number (CCC sales contract number or CCC subsidy registration number).

For all exportations of commodities covered by the program announcement, instrument or document which this notice accompanies, the following statement is required to be placed on all copies of the shipper's export declaration, all copies of the bill of lading and all copies of the commercial invoice to the foreign purchaser:

"United States law prohibits disposition of these commodities to the Soviet bloc, Communist China, North Korea, Communist-controlled areas of Vietnam and Laos, Macao, or Hong Kong, except as authorized by the United States."

The United States Commerce Department export control regulations also require that exporters, in or in connection with their contracts with foreign purchasers, where the contract involves \$10,000 or more and exportation is to be made to a group R country, obtain from the foreign purchaser a written acknowledgment of his understanding of (1) United States Commerce Department prohibitions (Comprehensive Export Schedule, secs. 371.4 and 371.8) against sale or resale for reexport of said commodities, or any part thereof, without express Commerce Department authorization, to Macao, Hong Kong, the Soviet bloc, a Communist-controlled area in the Far East including Communist China, North Korea and Communist-controlled areas of Vietnam and Laos, and (2) the sanction of denial of future United States export privileges that may be imposed against any foreign purchaser for violation of the Commerce Department regulations. Exporters who have a continuing and regular relationship with a foreign purchaser may obtain a blanket acknowledgment from such purchaser covering all transactions involving surplus agricultural commodities and manufactures thereof purchased from CCC or subsidized for export by that agency.

Where commodities are to be exported by a party other than the original purchaser of the commodities from the CCC the original purchaser should inform the exporter in writing of the requirement for (1) obtaining the signed acknowledgment from the foreign purchaser, and (2) for submitting the additional copy of the shipper's export declaration and the bill of lading.

UNITED STATES DEPARTMENT OF AGRICULTURE,
COMMODITY STABILIZATION SERVICE,
New Orleans 16, La., February 20, 1957.

Subject: Announcements NO-C-8 and CN-EX-2—1956-57 Cotton export program.
Announcements NO-C-9 and CN-EX-4—1957-58 Cotton export program.

To All Catalog Holders and Other Interested Parties:

GENTLEMEN: We forward herewith Announcements NO-C-9 and CN-EX-4 dated February 19, 1957, which contain the terms and conditions under which cotton will be sold and exported under the cotton export program for the 1957-58 marketing year.

You will observe from the announcements that the first opening of offers under the 1957-58 cotton export program will be held Tuesday, March 19, 1957, at 3:45 p. m., central standard time. Prior to the said opening date of March 19, 1957, there is a scheduled opening under our current announcement NO-C-8 on Tuesday, March 5, 1957. Since, however, Tuesday, March 5, 1957, is observed in New Orleans as a local holiday because of Mardi Gras, and local conditions preclude our conducting business on that day, instead of opening offers under announcement NO-C-8 on March 5, 1957, we shall pursuant to announcement NO-C-8, open offers on the following business day, that is, Wednesday, March 6, 1957, at 3:45 p. m., central standard time.

A partial catalog of the 1955 cotton will be available for the opening on Tuesday, March 19, 1957.

We direct your particular attention to the offer form attached to announcement NO-C-9. Since we shall open offers March 19, 1957, and thereafter on every other Tuesday under both announcements NO-C-8 and NO-C-9, it is imperative in submitting your offers that you specify under which program you are submitting an offer. If our offer form is used, the caption and terms thereof are clear, and should you submit bids by telegram you must be certain to specify the program under which the offer is made. Commodity Credit Corporation will not permit transfer of sales from one program to another.

We have revised and are enclosing specimen offer form for use under announcements NO-C-8 and CN-EX-2 which clearly specifies that offers submitted thereon are under the said announcements for the 1956-57 cotton export program. Any offers received which do not specifically state the program under which they are made will not be considered. We shall furnish you prior to the opening of March 19, 1957, supply of the two offer forms.

Very truly yours,

F. P. BIGGS,
Director, CSS Commodity Office.

OFFER FORM—ANNOUNCEMENTS NO-C-8 AND CN-EX-2 1956-57 COTTON EXPORT PROGRAM

[CCC will not permit transfer of sales from one program to the other]

Mail address of firm _____

Date _____

Mr. F. P. BIGGS,

Director, CSS Commodity Office,
Commodity Credit Corporation, New Orleans, La.

GENTLEMEN: Pursuant to the terms of your announcement No. NO-C-8, dated April 17, 1956, and announcement CN-EX-2, and any amendments thereto, we submit our offer to purchase from Commodity Credit Corporation _____ bales of upland cotton at the price(s) specified below:

Grade and staple code	Growth (1 or 9)	State code (growth 9 only)	Warehouse number	Warehouse location	Bales	Bid price (cents per pound)

We agree to submit promptly final settlement statement with certified reweight sheets and classification certificates, if applicable, and outbound bills of lading, or ocean bills of lading, as the case may be, in accordance with the provisions of your announcements.

Draw through -----	-----
(Bank)	(Offeror)
-----	By -----
(Address)	Title -----

UNITED STATES DEPARTMENT OF AGRICULTURE,
COMMODITY STABILIZATION SERVICE,
New Orleans, La., February 19, 1957.

ANNOUNCEMENT NUMBER NO-C-9

SALE OF UPLAND COTTON

(Cotton export program 1957-58 marketing year)

To all Catalog Holders and Other Interested Parties:

GENTLEMEN: Commodity Credit Corporation (hereinafter referred to as "CCC") has issued Announcement CN-EX-4 announcing a Cotton Export Program under which it will make available for sale, for export after August 15, 1957, upland cotton acquired in price support operations and listed in the catalog. The CSS Commodity Office, New Orleans, Louisiana, announces that it will consider for CCC offers to purchase cotton for export under Announcement CN-EX-4. Cotton available for sale is listed in the catalog. This announcement and Announcement CN-EX-4 contain the terms and conditions under which the cotton will be sold and exported under the Cotton Export Program.

Sales of cotton hereunder cannot be transferred to the 1956-57 cotton export program (CN-EX-2 and No-C-8), or vice versa.

1. Offers will be opened Tuesday, March 19, 1957, at 3:45 p. m., Central Standard Time. The next opening will be on Tuesday, April 2, 1957, at 3:45 p. m., Central Standard Time, and thereafter offers will be opened every other week on Tuesday at 3:45 p. m., Central Standard Time. If Tuesday is a holiday, offers will be opened on the following business day. Offers received after 3:45 p. m., Central Standard Time, on a particular opening day will not be considered. Offers ineligible for consideration because of late receipt may be resubmitted for the next opening. All offers by letter must be submitted *directly* by the offeror or a full-time employee of the offeror to the undersigned on forms identical to the specimen form attached hereto. Offers must be signed by an employee of the offeror who has contractual authority. All telegraphic offers filed *direct* by the offeror or a full-time employee of the offeror and containing all essential information will receive equal consideration with signed offers; however, it is required that a confirmation of such telegraphic offer signed by an employee of the offeror, who has contractual authority, be submitted promptly. Either a properly completed prescribed offer form marked "Confirmation of Telegraphic Offer" or a confirmation copy of the offer telegram signed by an employee of the offeror, who has contractual authority, will be accepted as confirmation. Offers other than telegraphic offers should be submitted in plain sealed envelopes addressed to the undersigned and marked "Offer under Announcement Number NO-C-9, To be opened 3:45 p. m., Central Standard Time ----- (date on which offers to be opened)." This envelope should be enclosed in a regular envelope reflecting the return address of the offeror.

2. All offers must show in the space provided therefor a firm offer in cents per pound for the cotton, in the warehouse or compress where located. No charge for compression will be added to our invoice. Basis offers will not be considered. Alternate offers will not be considered. Offers which contain a time limit for acceptance will not be considered.

3. Separate offers must be submitted on cotton described in the catalog as growth 1 and growth 9. The offeror must insert the growth number in the space provided on the offer form in listing the cotton on which offer is submitted. Offers will be considered and successful offerors notified by wire as soon as possible after opening of offers. We reserve the right to accept offers either in whole or in part. We also reserve the right to reject any and all offers in

their entirety. All offers of a purchaser submitted for a particular opening on growth 1 cotton will be consolidated and any acceptance in whole or in part will be made under 1 sale; similarly, all offers of a purchaser submitted for a particular opening on growth 9 cotton will be consolidated and any acceptance in whole or in part will be made under 1 sale.

4. (a) The cotton will be invoiced on receipt weights and on the basis of the classification of the cotton as listed in the catalog. If the cotton is covered with cotton bagging, the cotton will be invoiced at seven (7) pounds more than the receipt weight. If the cotton is covered with bagging material used under the Experimental Bale Cover Program sponsored by the National Cotton Council, the cotton will be invoiced at receipt weight plus the number of pounds shown by the Program bale tag to be necessary to "adjust to normal gross weight" under the Experimental Bale Cover Program. Delivery and payment shall be made by sight draft with invoice and warehouse receipts attached unless (1) the sale is a credit sale to be applied against a Credit Sales Agreement entered into pursuant to Announcement No. GSM-1; or (2) cotton is being delivered under a barter contract entered into by CCC. Financial arrangements and delivery of warehouse receipts on credit sales will be in accordance with the Credit Sales Agreement entered into pursuant to Announcement No. GSM-1. Delivery under a barter contract will be in accordance with the terms of such contract. On offers accepted after August 15, 1957, drafts will be drawn as soon as possible after acceptance. On offers accepted prior to August 16, 1957, drafts will not be drawn prior to August 16, 1957, except as follows:

(1) If the purchaser enters into an agreement with CCC and a bank acceptable to CCC under which the bank will receive, handle, and control warehouse receipts in such a manner as to preclude movement of cotton into domestic consumption or export prior to August 16, 1957, the draft will be drawn immediately, and the purchaser may have the cotton sampled, processed for shipment, moved from one warehouse to another, and otherwise handle the cotton except for delivery into domestic or export channels prior to August 16, 1957.

(2) If the purchaser desires to obtain samples from cotton purchased from CCC on offers accepted by CCC prior to August 16, 1957, but does not desire to move the cotton from the warehouse in which stored, upon request and identification of the lots from which the samples are desired by the purchaser and establishment of a letter of credit in form and by a commercial bank acceptable to CCC in an amount at least equal to the invoice value of the cotton against which CCC may draw, CCC will deliver to the bank in which the letter of credit is established warehouse receipts and invoice covering the cotton attached to a draft payable by the bank on August 16, 1957. Upon receipt of such letter of credit, a tag list covering the lots from which the purchaser desires samples will be forwarded to the purchaser. Warehousemen will be furnished instructions that, upon presentation of such tag list by the purchaser, they may sample and otherwise process the cotton for shipment (but not ship prior to August 16, 1957) as directed by the purchaser.

In the event there is undue delay by the warehouseman in furnishing samples of cotton or in shipping cotton when ordered or in the event the warehouseman makes excessive charges for handling and delivering the cotton, upon written request by the purchaser supported by evidence satisfactory to CCC with respect to such unnecessary delays or excessive charges, CCC will amend the terms of sale from an "in store" delivery to delivery f. o. b. cars or trucks at the bid price plus the additional cost to CCC, as determined by CCC, occasioned by the change in terms of sale. In the event the terms are amended, the amended terms shall apply to all sales to the purchaser under this program in such warehouse after the change is authorized until the conditions responsible for the change in the terms of sale have been corrected by the warehouseman. Payment for the cotton shall be made in accordance with instructions from CCC.

(b) Final settlement shall be effected on *all* cotton included in a sale and shall be based on (1) reweights of the cotton at the warehouse where the cotton is stored at time of sale, with adjustment for other than jute or sugar bagging, as provided in 4 (a) above, regardless of whether a gain or loss is shown, and (2) the classification of the cotton as shown in the catalog unless the offeror has all of the cotton in a sale or, if he so elects, all of the cotton of one growth of any one grade and staple in one sale in a particular warehouse reclassified by a Board of Cotton Examiners of the United States Department of Agriculture, in which case final settlement shall be based on the reclassification of such cotton. All expenses incident to reweighing and reclassification shall be for the account of the purchaser.

(c) The purchaser shall furnish within ninety (90) days after the date warehouse receipts covering cotton purchased are made available to the purchaser upon payment of sight draft drawn by CCC, unless such time is extended in writing by the undersigned, a final settlement statement in prescribed form, together with claim on Form CSS-21 for amount due the purchaser or remittance payable to CCC. The final settlement statement shall be supported by:

(1) Original and one copy of certified reweight sheet, signed by the superintendent or manager of the compress or warehouse storing the cotton at time of sale, reflecting the gross reweight of each bale of cotton on a particular sale. All cotton in a warehouse sold as one grade and staple must be on a separate reweight sheet from other grades and staples. The following certificate executed by the superintendent or manager of the compress or warehouse must appear on each reweight sheet:

"This cotton was not resampled or reconditioned before reweighing."

(2) If final settlement is to be based on reclassification of the cotton, Form A Classification Memorandum, Form CN-378, Record Sheet, or such other classification documents, as may be acceptable to CCC, of the Board of Cotton Examiners of the United States Department of Agriculture serving the territory in which the cotton is stored which reflect the classification under the same tag numbers as sold by CCC. Separate classification documents shall be furnished for and identified to each tag list under each sale and if there is more than one grade on a tag list a separate classification sheet must be furnished for each grade. Review classification will be accepted only if (1) such review covers all of the cotton of one growth of any one grade and staple in one sale in a particular warehouse which was reclassified, and (2) the request for the review is received by the appropriate Board of Cotton Examiners within 10 calendar days from the date shown on the classification form covering the reclassification.

(d) If the purchaser has the cotton reclassified, representative samples from each bale of the cotton must have been drawn from each side of the bale and forwarded in accordance with instructions from the undersigned directly to the Board of Cotton Examiners by the warehouse in which the cotton was stored as of the date of sale, except that upon approval in writing by the undersigned the samples may be drawn by any mutually agreeable warehouseman, and the Board classing the samples must note on the Classification Memorandum that samples were received direct from warehouse.

(e) In computing the final settlement on bales based on reclassification of the cotton, the sales price for grades and staples reflected on the reclassification sheets which differ from the grades and staples reflected on the invoices will be adjusted on the basis of the average of the quoted average premiums and discounts of the fourteen (14) designated spot markets, except that adjustments (1) for $\frac{13}{16}$ " staple length shall be based on the average difference between $\frac{7}{8}$ " and $\frac{13}{16}$ " in those markets which quote both staples, (2) for staple lengths from $1\frac{3}{32}$ " through $1\frac{1}{4}$ " shall be based on the average difference between $1\frac{1}{16}$ " and the applicable staple length in the Memphis and Greenwood spot markets, and (3) for staple lengths longer than $1\frac{1}{4}$ " shall be based on the value determined by CCC. Adjustments for those staple lengths not quoted in each of the fourteen markets will be made to the fourteen markets. Premiums and discounts for the last ten market days preceding the week in which the buyer's offer was opened will be used in making adjustments. Splits in the white grades will be adjusted by one-half the quoted difference between the designated and next higher grade, and the light spots and light grays will be adjusted by one-half the quoted difference between the designated spotted or the gray grade and the corresponding white grade.

(f) In the event any of the cotton upon reclassification is classed as "below grade," such bales may be rejected by the purchaser and CCC will accept drafts with warehouse receipts attached for such bales drawn in an amount equal to the amount of the invoice for such bales.

5. CCC will deliver warehouse receipts which may be either insured receipts or uninsured receipts. The warehouse receipts contain the obligation of the warehouseman to deliver the bales of cotton represented thereby in good condition. CCC will not recognize any liability to the purchaser for loss due to damage. Therefore, the purchaser must look to the warehouseman for any loss due to damage. No warranty is made as to condition, growth, or area of production.

6. Storage charges will be paid by CCC through date of transfer of the receipts.

7. The buyer agrees to route cotton purchased in accordance with routing instructions to be furnished by CCC with invoice and in such manner as to protect CCC freight bills and not just outbound over the road named. Any routing which does not protect CCC freight bills must be approved by CCC. The buyer also agrees to furnish to CCC within sixty (60) days after date of bill of lading, two copies, properly endorsed, of outbound bills of lading with related tag lists of all such cotton. Such outbound bills of lading are to be endorsed as follows:

"This is to certify that we have purchased from Commodity Credit Corporation _____ bales of cotton representative of this bill of lading. Freight bills were not transferred; therefore, transit privileges are waived by us to Commodity Credit Corporation.

Signed _____
Date _____"

If cotton purchased under this Announcement is delivered to steamers or to consuming establishments in the city where it is stored at the time of purchase, the purchaser agrees to furnish CCC ocean bills of lading or mill receipts, as the case may be, together with tag lists of the cotton within sixty (60) days after date of ocean bill of lading or date of mill receipt.

If railroad bills of lading, ocean bills of lading, or mill receipts, as specified above, are not delivered to CCC within sixty (60) days after date of bill of lading or date of mill receipt, or, in the event the cotton is not shipped within eight (8) months, the buyer shall honor 3-day sight draft for freight bills held by the CCC covering the bales of such cotton which were shipped by rail to the warehouse issuing the warehouse receipts at their refund value based on shipment to Group B except on cotton stored at Group B points on which price paid for expense bills will be agreed to by CCC and purchaser.

8. No Member of or Delegate to the Congress of the United States, or Resident Commissioner, shall be admitted to any share or part of any contract resulting from offers submitted hereunder or to any benefit that may arise therefrom, but this provision shall not be construed to extend to such a contract if made with a corporation for its general benefit.

9. The buyer warrants that he has not employed any person to solicit or secure a contract hereunder upon any agreement for a commission, percentage, brokerage, or contingent fee, and that no such consideration or payment has been or will be made. Breach of this warranty shall give CCC the right to annul such contract or, in its discretion, add to the contract price for the cotton the amount of such commission, percentage, brokerage, or contingent fee. This warranty shall not apply to commissions payable by the buyer upon contracts secured or made through bona fide established commercial or selling agencies maintained by the buyer for the purpose of securing business.

10. By submitting an offer, the offeror warrants that he has not employed or utilized any person, firm, or organization which (1) furnished any information or service which might tend to prevent, limit, or restrict competitive bidding on cotton hereunder or (2) furnished any assistance to the offeror in the calculation of prices if such person, firm, or organization has assisted or is assisting other persons submitting offers hereunder in the calculation of prices.

11. CCC reserves the right to refuse to consider an offer if CCC does not have adequate information of financial responsibility of offeror to meet contract obligations of the type contemplated in the applicable announcement. If a prospective offeror is in doubt as to whether CCC is acquainted with his financial responsibility, he should either submit a financial statement to agency prior to making an offer, or should communicate with the office named in the announcement to determine whether such a statement is desired in his case. When satisfactory financial responsibility has not been established, CCC also reserves the right to consider an offer only upon submission by offeror of an acceptable surety bond guaranteeing performance of any contract resulting from such offer whether or not the announcement requires such bond.

12. In submitting an offer under this announcement, the offeror represents and warrants that he is regularly engaged in the business of buying or selling commodities and for this purpose maintains a business office in the United States, its Territories, or possessions including Puerto Rico and therein has a person, principal, or resident agent, upon whom service of judicial process may be had. CCC reserves the right to determine the eligibility of any offeror.

The catalog covering cotton sold under this announcement will, of course, be revised as necessary and revisions to the catalog will be issued as promptly as possible.

Interested buyers desiring information as to stock remaining available in the catalog may telephone this Office (Express 2411, extension 783). This service will not be available, however, to brokers or others who charge a fee to purchasers for catalog information.

Very truly yours,

F. P. BIGGS,
Director, CSS Commodity Office.

OFFER FORM—ANNOUNCEMENT NO-C-9 AND CN-EX-4, 1957-58 COTTON-EXPORT PROGRAM

(CCC will not permit transfer of sales from one program to the other)

Mail address of firm -----

Date -----

Mr. F. P. BIGGS,
Director, CSS Commodity Office,
Commodity Credit Corporation,
New Orleans, La.

GENTLEMEN: Pursuant to the terms and conditions of your Announcement Number NO-C-9 dated February 19, 1957, and Announcement CN-EX-4, and any amendments thereto, we submit our offer to purchase from Commodity Credit Corporation ----- bales of Upland cotton at the price(s) specified below:

Grade and staple code	Growth (1 or 9)	State code (growth 9 only)	Warehouse No.	Warehouse location	Bales	Bid price (cents per pound)
-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----

We agree to submit promptly final settlement statement with certified reweight sheets and classification certificates, if applicable, and outbound bills of lading, or ocean bills of lading, as the case may be, in accordance with the provisions of your Announcements.

Draw through:-----
(Bank)

(Address)

(Offeror)

By:-----
Title-----

UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, February 9, 1957.

1957 CROP OATS, BARLEY, RYE, AND GRAIN SORGHUM SUPPORT RATES ANNOUNCED

The U. S. Department of Agriculture announced today that price supports for 1957-crop oats, barley, rye, and grain sorghums will be at levels reflecting 70 percent of the parity price as of January 15, 1957. These 1957 supports are a lower percent of parity than for 1956 crops of these four grains.

The national average dollars and cents supports for 1957 are:

Oats-----	60 cents per bushel for Grade No. 3.
Barley-----	94 cents per bushel for Grade No. 2 or better (except mixed barley).
Rye-----	\$1.15 per bushel for Grade No. 2 or better, or No. 3 on test weight only.
Grain Sorghums-----	\$1.83 per hundredweight for Grade No. 2 or better (except mixed grain sorghums).

Changes in the 1957 program from 1956 program provisions include broadening eligibility requirements for oats and restrictions on price support for any of these grains produced in violation of restrictive leases on Federally owned lands. For the first time, the 1957 detailed program provisions for oats will provide appropriate premiums and discounts from Grade No. 3 to reflect differences in quality. The 1957 program also provides that garlicky oats will be eligible for price support.

Other eligibility requirements and operating provisions are substantially the same as for 1956 crops. Support will be carried out through Commodity Credit Corporation by means of farm and warehouse-stored loans and purchase agreements. These will be available through county Agricultural Stabilization and Conservation offices from harvest time through January 31, 1958. Oats, barley, and rye loans will mature on April 30, 1958, and grain sorghum loans on March 31, 1958. Earlier maturity dates may be set for some States because of local storage conditions or early harvests.

Any of these grains produced in violation of leases restricting production of surplus crops on federally owned lands will not be eligible for price support in 1957.

Minimum eligibility requirements for obtaining price support on these four grains follow:

Oats-----	Grade No. 3 or better, or Grade No. 3 garlicky or better.
Barley-----	Grade No. 4 or better, or Grade No. 4 garlicky or better.
Grain Sorghums-----	Grade No. 4 or better, Grade No. 4 smutty or better, or Grade No. 4 discolored or better, and containing not more than 13 percent moisture.
Rye-----	Grade No. 2 or better, or Grade No. 3 because of test weight only, and containing not more than 1 percent ergot.

The national average support rates announced today compare with support prices for 1956 crops of 65 cents per bushel for oats, \$1.02 per bushel for barley, \$1.27 per bushel for rye, and \$1.97 per hundredweight for grain sorghums. These support prices were at 76 percent of parity as required by provisions of the Agricultural Act of 1956.

UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, February 9, 1957.

USDA ANNOUNCES ACTION ON PRICE SUPPORT FOR 1957-CROP OILSEEDS

The United States Department of Agriculture today announced the following actions on price support for 1957-crop oilseeds:

(1) Soybeans will be supported at a national average price of \$2.09 per bushel, which is 70 percent of the January 15, 1957, parity price of \$2.98 per bushel.

(2) Flaxseed will be supported at a national average price of \$2.92 per bushel, which is 65 percent of the January 15, 1957, parity price of \$4.50 per bushel.

(3) Cottonseed will be supported on a basis to reflect approximately 65 percent of the January 15, 1957, parity price of \$71 per ton average quality seed. Loans on farm-stored cottonseed will be available at an average of \$46 per ton basis grade (100). Purchase prices to producers will be at an average of \$42 per ton basis grade (100), with appropriate differentials for purchases from ginneries to reflect normal handling costs.

On the 1956 crops, support for soybeans was at a national average price of \$2.15 per bushel, which was 75 percent of the January 15, 1956, parity price; support for flaxseed was at a price of \$3.09 per bushel, 70 percent of the January 15, 1956, parity price; and support for cottonseed at a loan rate of \$48 per ton, or at a purchase price of \$44 per ton basis grade (100). These supports for cottonseed reflected about 70 percent of the January 15, 1956, parity price of \$69.40 per ton average quality seed.

Soybeans

Price support on 1957-crop soybeans will be carried out as in the past through farm- and warehouse-stored loans and through purchase agreements. Loan and purchase agreements will be available from harvest time through January 31, 1958. Maturity date for loans will be May 31, 1958.

Soybeans to be eligible for price support under the 1957 operation must be produced in 1957. Soybeans must grade No. 4 or better and contain not more than 14 percent moisture to be eligible for support. County support rates for soybeans with premiums and discounts by classes and for differences in quality will be made available later.

Flaxseed

As in previous years, support for 1957-crop flaxseed will be carried out in most areas through farm- and warehouse-stored loans and through purchase agreements. In designated Texas counties where flaxseed is storable for a relatively short period, direct purchases may be the support method. Loan and purchase agreements will be available from time of harvest through October 31, 1957, in Arizona and California, and January 31, 1958, in all other States. Direct purchases, if needed, will be made through July 31, 1957, in Texas counties. Loans will mature on January 31, 1958, in Arizona and California and on March 31, 1958, in all other States.

Flaxseed to be eligible for support under the 1957 operation must be produced in 1957. Flaxseed must be grade No. 2 or better. Terminal and county support rates will be made available later.

Any flaxseed produced in violation of leases restricting production of surplus crops on federally owned land will not be eligible for price support in 1957.

Cottonseed

There are no major differences in program operations this year as compared with those for 1956 production. CCC will confine the program to loans to producers on farm-stored cottonseed, at an average of \$46 per ton basis grade (100), and to purchases of cottonseed from producers and participating gins. Purchases from producers will be at an average of \$42 per ton basis grade (100) and from participating ginnerers at \$46 per ton basis grade (100).

UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, February 9, 1957.

PRICE SUPPORT LEVEL FOR 1957-CROP UPLAND COTTON ANNOUNCED

Price support for 1957-crop upland cotton at a minimum level of 28.15 cents per pound, gross weight, basis Middling $\frac{7}{8}$ -inch at average location, was announced today by the U. S. Department of Agriculture.

This level of support reflects 77 percent of the current parity price of 36.56 cents per pound for upland cotton. In the event that the minimum level of support required by law on the basis of the supply percentage as of the beginning of the next marketing year (August 1, 1957) and the applicable parity price is higher than the support level announced today, the level of support will be increased accordingly. (Under provisions of law, if producers have not disapproved marketing quotas the minimum level of support for upland cotton varies with the available supply of cotton as of the beginning of the marketing year and the applicable parity price. In a referendum on December 11, 1956, cotton producers approved marketing quotas for the 1957 crop of upland cotton by a 92.4 percent favorable vote.) The support level on Middling $\frac{7}{8}$ -inch 1956-crop upland cotton is 29.34 cents per pound, reflecting 82½ percent of the parity price as of August 1, 1956.

With marketing quotas in effect, a producer to be eligible for price support on his 1957-crop upland cotton must comply with the farm acreage allotment for upland cotton established for his farm.

Any cotton produced in violation of leases restricting production of surplus crops on Federally owned land will not be eligible for price support in 1957.

Appropriate differentials will establish the difference between the level of support for Middling $\frac{7}{8}$ -inch and all other qualities of the 1957-crop upland cotton. The Schedule of Premiums and Discounts containing these differentials will be published later, when other detailed provisions of the program are announced.

The level of support for the 1957 crop of extra long staple cotton also will be announced later.

UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, July 2, 1956.

SECRETARY BENSON ANNOUNCES \$2 PRICE SUPPORT FOR 1957-CROP WHEAT

Secretary of Agriculture Ezra Taft Benson today announced that the national average wheat price support for 1957 production if quotas are approved in the July 20 referendum, will be \$2 per bushel.

If quotas are not approved, the available support level under legislative provisions will be at 50 percent of parity, or about \$1.21 cents a bushel on the basis of current parity estimates.

These national average support levels will be available in commercial wheat states for those who comply with their individual farm acreage allotments. Support rates in the 12 noncommercial wheat states, where there are no allotments, are set by law at levels representing 75 percent of the rates for commercial areas.

National average wheat price support rates for 1956 production, as announced by the Department on April 23, are at \$2 per bushel—the same level which is being continued for 1957.

Under the formula of the controlling legislation, and on the basis of the Department's supply estimates, the indicated minimum national average wheat price support for 1957 would be at 77 percent of parity. On the basis of the June 15 parity estimate of \$2.42 per bushel, the support level would be about \$1.86 a bushel. However, the Secretary is continuing the support for 1957 at \$2 per bushel under his discretionary authority.

Commenting on today's announcement, Secretary Benson said, "I am glad that the factors affecting the wheat situation make it possible to hold price supports at higher levels than the minimum indicated by the legislative provisions.

"It has been possible to increase wheat exports, through aggressive use of the special authorizations Congress made available. The Soil Bank, through both its Acreage Reserve and Conservation Reserve programs opens the way for very substantial production adjustments in the years immediately ahead. We have turned the corner and expect to start making steady reductions in the huge wheat surplus."

Background Information.—The determination that minimum wheat support levels for 1957 production would be at 77 percent of parity under the legislative formula is based on an estimated "normal supply" of 1 billion 140 million bushels for the 1957-58 marketing year which begins July 1, 1957. This normal supply estimate includes estimated 1956-57 domestic utilization of 650 million bushels; estimated 1957-58 exports of 300 million bushels; and a 20-percent allowance for carryover reserves of 190 million bushels.

The actual total supply estimated to be available for the 1957-58 year is 1 billion 668 million bushels, including an estimated carryover of 995 million bushels on July 1, 1957; 1957 production of 668 million bushels (reflecting fully effective Soil Bank operations for that year); and imports of 5 million bushels.

It is estimated that 225 million bushels of wheat will still be in the wheat set-aside. Set-aside wheat is not counted in calculating price support levels. Deducting the 225 million bushels from the 1 billion 668 million bushels in the actual supply estimate leaves 1 billion 443 million bushels as the supply level for determining price supports. This total is 126 percent of the determined "normal supply" level, and under the legislative formula would call for minimum supports for 1957 wheat at 77 percent of parity. Under the controlling legislation, price supports for wheat are to be established within a range of 75 and 90 percent of parity.

The national average price support of \$2 per bushel for 1956-crop wheat represents approximately 82½ percent of current parity.

UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, December 18, 1956.

1957 FLUE-CURED TOBACCO SUPPORT RATES ADJUSTED TO CURRENT MARKET DEMANDS

Major changes in the 1957 flue-cured tobacco price-support program—changes which are expected to discourage production of varieties viewed as undesirable under present demand conditions and to encourage an increase in the proportion

of the crop having characteristics currently in demand—were announced today by the United States Department of Agriculture.

Today's changes, which are in accord with recommendations of grower organizations and industry leaders in the flue-cured tobacco area, are as follows:

(1) 1957-crop flue-cured tobacco of varieties "139," "140," and "244" irrespective of grade, will be supported at one-half the support rates for comparable grades of other varieties.

(2) Price-support rates for individual grades of all flue-cured varieties will be adjusted to reflect current demand patterns. This action will support a program to encourage growers to follow cultural practices that will increase the proportion of the crop which has desirable flavor and aroma characteristics.

The three varieties viewed as currently undesirable have been classified by Federal and State scientists of the flue-cured tobacco area as "low to lacking in flavor and aroma, generally of light body, and/or currently with poor acceptance in the trade."

These varieties, particularly "139," represented a substantial proportion of the 1956 flue-cured tobacco crop. The increased production came just at a time when cigarette consumption was shifting from nonfiltered to filtered cigarettes. Since these varieties tend to produce a large proportion of tobaccos that currently have an estimated market value of only about one-half that of varieties high in flavor and aroma, their rate of price support is being reduced accordingly.

Another important consideration relates to exports. Normally about one-third of our flue-cured tobacco is exported, and this market historically has been based on the superior aroma and flavor of United States production. The three varieties designated for the one-half support rates are lacking in the flavor and aroma required by practically all foreign buyers of our tobacco.

While the Department views a reduction in price-support rates for these three varieties as necessary in the present situation, it recognizes that increased production of these varieties is only one of the causes of the recent increase in the volume of production of less desirable flue-cured tobacco. In the past few years the trend toward higher yields, brought about by heavier fertilization and the setting out of an increased number of plants per acre, has resulted in increased production of less desirable tobacco of many varieties. Flue-cured tobacco growers are urged, therefore, to take whatever further steps are needed to produce only the types of tobacco desired by domestic and export users. These steps include changes in production practices such as wider spacing, lower topping, and removal of suckers.

Each grower of flue-cured tobacco to be eligible for price support on his crop will be required to establish prior to harvesting whether he has produced any tobacco of varieties "139," "140," or "244." Any false representation will be subject to penalty as fraud. If he has produced tobacco of any of these varieties the marketing card issued for his farm will identify the tobacco as eligible only for the one-half support rate. For example, if the support rate for a comparable grade of tobacco of other varieties is \$55 per hundred pounds, the support rate for tobacco of the same grade of any of these three varieties would be \$27.50 per hundred pounds.

Department officials emphasized that price-support rates for individual grades of flue-cured tobacco, without regard to variety, will be adjusted to reflect current demand. This will mean increases in the price-support rates for the heavier bodied orange and red grades, offset by reductions in the L grade support rates and by substantial reductions in the LL and KL grade rates.

Department officials also commented today on a possible development related to production history, if changes were made in production control features of the tobacco program. There has been general discussion of the possibility of adding poundage control to the acreage limitations under the present program. If tobacco growers and their representatives decide to seek such program modification, the Department would suggest to Congress that the necessary legislation also make provision to exclude 1956 and 1957 yields per acre in establishing the poundage allotments for individual farms.

This suggestion for excluding 1956 and 1957 yields would be made to avoid rewarding, on a permanent basis, growers who have utilized seed varieties and cultural practices to obtain the high yields per acre which have contributed so materially to present surpluses—and to disproportionate volumes of tobaccos for which the demand has dropped sharply.

UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, February 9, 1957.

USDA CONTINUES CURRENT DAIRY SUPPORT PRICES FOR ANOTHER YEAR

The United States Department of Agriculture today announced that current dollars-and-cents support prices for manufacturing milk will be continued at the present \$3.25 per hundredweight for manufacturing milk (3.95 butterfat test) and 58.6 cents per pound for butterfat through the 1957-58 dairy marketing year which begins on April 1.

These support prices are an estimated 83 percent of the parity equivalent price for manufacturing milk and 80 percent of the parity price for butterfat as of early 1957. Because of increases in the parity prices since a year ago, the same dollars and cents represent slightly lower percentages of parity for the 1957-58 marketing year than the current 84 and 81 percent levels.

The buying prices for butter, which are set to reflect the support price for butterfat, will be slightly higher per pound after March 31. This change is needed to assure an average price to producers for butterfat fully equal to the support price during the coming heavy-producing summer months. Revisions have also been made in the area buying prices of butter to bring them more nearly in line with the market price structure. Specific area buying prices will be in effect for the deficit butter-producing areas of the Northeast, South, Southwest, and California. Specific prices will continue to apply to metropolitan New York, Seattle, and San Francisco as designated markets. To eliminate minor inconsistencies in present butter-buying prices at midwestern points, Chicago will be discontinued as a designated market. Buying prices at points other than those for which specific prices are announced will continue to be the price at the designated market (New York, Seattle, or San Francisco) named by the seller, less 80 percent of the lowest published domestic carload rail freight rates in effect on February 1, 1957, from the point to the designated market.

The 1957-58 buying price for Cheddar cheese is the same as for the current program.

The buying price for spray nonfat dry milk also is unchanged. The buying price for roller nonfat dry milk will be lowered one-fourth cent per pound because of the downward trend in production and use of this product.

Dairy product purchase prices, set to reflect the national average support prices for manufacturing milk and butterfat, will be as follows, effective April 1:

[Cents per pound]

	1956-57 buying price	1957-58 buying price
Butter:		
United States grade A or higher:		
New York, N. Y., and Jersey City, and Newark, N. J.-----	60.25	60.5
Seattle, Wash., and San Francisco, Calif.-----	59.5	59.75
California-----	(¹)	59.75
Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, Maine-----	(¹)	60.5
Arizona, New Mexico, Texas, Louisiana-----	(¹)	59.25
Mississippi, Alabama, Georgia, Florida, South Carolina-----	(¹)	59.5
United States grade B: 2 cents per pound less than the United States grade A price.		
Cheddar cheese: United States grade A or higher, standard moisture basis-----	35	35
Nonfat dry milk:		
Spray process:		
Barrels and drums-----	16	16
Bags-----	15.15	15.15
Roller process:		
Barrels and drums-----	14.25	14
Bags-----	13.4	13.15

¹ Designated market price less freight factor.

In addition to meeting the standards for U. S. Extra Grade, nonfat dry milk purchased must contain not more than 3.5 percent moisture, and have a direct microscopic clump bacteria count of not more than 300 million per gram as determined by USDA laboratory test.

Grade B butter and roller nonfat dry milk will continue to be purchased during the 1957-58 marketing year. Consideration will be given to discontinuing purchases of these products after March 1958.

The 1957-58 support price of \$3.25 per hundredweight is for manufacturing milk of a test equal to the national and yearly average butterfat test, which in recent years has approximated 3.95 percent. A corresponding price for manufacturing milk of 3.5 percent butterfat test (computed in direct ratio to butterfat content) would be \$2.88 per hundredweight. Many plants pay on the basis of 3.5 butterfat test for milk.

UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, February 18, 1957.

NATIONAL AVERAGE SUPPORT FOR 1957-CROP DRY EDIBLE BEANS TO BE \$6.31 PER 100 LBS.

The United States Department of Agriculture announced today that the national average support price for 1957-crop dry edible beans will be \$6.31 per hundred pounds. This is 68 percent of the January 15 parity price of \$9.29 per hundred pounds.

Price support for 1956-crop dry edible beans also was at a national average price of \$6.31 per hundred pounds, which was 70 percent of the February 15, 1956, parity price for beans.

The support price for the 1957 crop is at a level intended to encourage movement of bean stocks into domestic and export channels and at the same time discourage overplanting of the 1957 crop. Both 1955 and 1956 crops produced larger quantities of dry edible beans than commercial domestic and export outlets could absorb. Approximately 11 percent of the 1955 production was taken over by the Commodity Credit Corporation under price support. This was down from the 17-percent takeover from 1954 production, but the total of 3,040,186 hundredweight of 1956-crop dry edible beans put under price support through January 15, 1957, is up from the 2,757,134 hundredweight from the 1955-crop put under support through the same date a year ago.

The supported classes of dry beans produced in 1957 will be the same as those under the 1956 program and will include pea and medium white, great northern, small white, flat small white, pink, small red, pinto, red kidney, large lima, and baby lima beans. Support rates by classes and by areas where necessary will be announced later.

Beans will be supported through loans and purchase agreements, which will be available from harvesttime through January 31, 1958. The maturity date for loans and agreements will be April 30, 1958, except that an earlier maturity date may be established for particular States.

As a result of heavy movement of dry edible beans out of the CCC inventory in recent months, the uncommitted stocks in CCC hands now are at zero. On January 1, 1956, CCC had approximately 1.1 million hundredweight of beans on hand. This quantity, acquired from previous crop years, plus 1.85 million hundredweight of 1955-crop dry edible beans taken over under price support, has been disposed of.

UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, February 18, 1957.

PRICE SUPPORT FOR HONEY TO BE AT 9.7 CENTS A POUND FOR 1957 SEASON

The United States Department of Agriculture announced today that honey will be supported during the 1957 marketing season, which starts April 1, at a national average price of 9.7 cents a pound. This is 70 percent of the current parity price adjusted to the 60-pound container level. For the 1956 crop of honey the national average support level also was 9.7 cents per pound, equal to 70 percent of parity.

Price support for honey within a range of 60 to 90 percent of parity is mandatory under the Agricultural Act of 1949, as amended.

The program for 1957-crop honey is substantially the same as the one in effect last year. It provides for farm-storage loans and purchase agreements on U. S. Grade C or better extracted honey which is stored in 60-pound or larger containers in approved storage and is not objectionable in flavor. Beekeepers or cooperative associations of beekeepers can apply for loans or purchase agree-

ments directly to the Agricultural Stabilization and Conservation (ASC) county offices.

In announcing the honey price-support program, the Department again urges beekeepers to increase their efforts toward utilizing bees in pollination of important pasture, seed, vegetable, and fruit crops on a remunerative basis. The honey price-support program authorized in the Agricultural Act of 1949 is intended to extend interim financial assistance to beekeepers, thus providing them an opportunity to market their production of honey in an orderly manner. The Department also emphasizes the importance of continued and intensified activity in improving the marketing and distribution of honey by all elements in the industry.

Detailed information regarding the program, including support prices by classes of honey and areas of production, will be available at ASC county offices in the near future.

UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, November 20, 1956.

SECRETARY BENSON ANNOUNCES 1957-CROP RICE ACREAGE, QUOTA, AND PRICE-SUPPORT PROGRAMS

Secretary of Agriculture Ezra Taft Benson today announced the following actions on 1957-crop rice:

1. Proclaimed a national acreage allotment of 1,652,596 acres, the minimum permitted by law.
2. Proclaimed marketing quotas for the 1957 crop of rice.
3. Determined the "certificate" or "two-price" marketing program authorized by the Agricultural Act of 1956 will not be in effect for the 1957 crop.
4. Set the minimum national average support price at \$4.43 per hundredweight, which is 80 percent of current parity.
5. Set December 11, 1956, as the date for a referendum to determine producer approval or disapproval of quotas.

Commenting on these actions, Secretary Benson said, "Title V of the Agricultural Act of 1956 authorizes a nonmandatory two-price program if the Secretary of Agriculture determines that such a program is 'administratively feasible and in the best interest of rice producers and the United States.' On the basis of a Department study I have not been able to make such a determination. For this reason, I am continuing the present type of price-support operation for next year's rice crop.

"While supplies of rice have been materially reduced through aggressive foreign marketing under various programs of the United States Department of Agriculture during the last several months, the supplies are still in excess of anticipated use and require establishing an acreage allotment at the minimum and the proclamation of marketing-quota controls for the third successive year. The estimated supply situation, however, permits setting the support level at 80 percent of current parity."

If marketing quotas are approved in the December 11 referendum, price support will be available to eligible producers at not less than a national average price of \$4.43 per hundredweight. Individual farm marketing quotas for farms staying under their acreage allotments will be the actual production from the farm acreage allotment, as apportioned from State allotments which will be announced in a few days. Producers who remain within their acreage allotments will be eligible for price support on their entire production. Growers who exceed their farm acreage allotment will be subject to marketing quota penalties amounting to 50 percent of parity (as of June 15, 1957) per hundredweight of their excess production, and none of their production will be eligible for price support.

If marketing quotas are disapproved, there will be no restrictions on rice marketings. Acreage allotments will remain in effect as a condition of eligibility for price support at the 50 percent-of-parity level required by law when quotas are disapproved.

1957 acreage allotment

The 1957 national acreage allotment of 1,652,596 acres is the minimum fixed by law and is the same as the final allotted acreage for the 1956 rice crop. If the allotment had been determined on the basis of the law's supply formula, the

1957 acreage would have been reduced to 1,197,802 acres. (The 1955 allotted acreage was 1,928,334 acres.)

The national allotment with average yields will produce a crop of about 41,325,000 hundredweight, after allowance for acreage placed in the Acreage and Conservation Reserves of the Soil Bank. This added to the estimated August 1, 1957, carryover of 17 million hundredweight would make a total supply of more than 58 million hundredweight, which is substantially more than estimated domestic consumption and exports during the coming 1957-58 marketing year.

The national acreage allotment will be apportioned among the 13 rice-producing States in the same proportion as they shared in the total acreage allotted in 1956. Individual farm allotments will reflect varying plantings during the 5-year base period.

Rice marketing quotas

Under provisions of law, the Secretary of Agriculture is required to proclaim not later than December 31, marketing quotas for rice for the coming crop (1957) whenever the total supply for the preceding marketing year (1956-57) exceeds the normal supply by more than 10 percent. The total supply of rice for 1957 marketing quota determination is 58.1 percent above the normal supply figure and 43.7 percent above the marketing quota level.

(For marketing quota determination, the total supply is estimated at 81,190,000 hundredweight, consisting of a 1956 crop of 46,290,000 hundredweight, a carryover on August 1, 1956 of 34,600,000 hundredweight, and imports of 300,000 hundredweight. The normal supply is 51,355,000 hundredweight, based on an estimated domestic consumption of 25,854,000 hundredweight and exports of 20,832,000 hundredweight, with a carryover allowance of 10 percent.)

Marketing quota referendum

At least two-thirds of the producers voting in the referendum December 11 must approve quotas for the 1957 crop before they can be put in effect. Eligibility to vote and locations of polling places will be made available by county Agricultural Stabilization and Conservation offices in the 13-State area in which rice is grown. Producers will be notified of their farm acreage allotments before the referendum.

Rice marketing quotas were in effect for the 1955 and 1956 crops. In 1956, producers approved rice quotas by an 84.6 percent favorable vote (9,008—yes and 1,637—no). In 1955, the favorable vote was 90.2 percent (15,911—yes and 1,736—no).

1957 rice price support

If marketing quotas are approved by producers, price support will be available to eligible rice producers at a national average rate of not less than \$4.43 per hundredweight, which is 80 percent of the October 15, 1956, parity price of \$5.54 per hundredweight. The 80-percent-of-parity support level is set in accordance with provisions of law providing for a variable support level on the basis of the estimated supply of rice. (This range is from 75 to 90 percent of parity.) The supply of rice is now estimated at 121.6 percent of the normal supply for the 1957-58 marketing year. This indicates a minimum support level of 80 percent of current parity.

(For 1957 price-support determination, the 48,059,000 hundredweight normal supply figure for the 1957-58 marketing year is based on estimated domestic consumption of 25,690,000 hundredweight during the 1956-57 marketing year, estimated exports of 18,000,000 hundredweight during the 1957-58 marketing year, plus a 10-percent carryover allowance of 4,369,000 hundredweight. The total supply figure for price-support purposes is also for the coming marketing year (1957-58) instead of the preceding one as used for marketing quotas. For price support, the total supply is estimated at 58,425,000 hundredweight, the same as the supply indicated on the basis of 1957 acreage allotment plus the August 1, 1957 carryover. This is 121.6 percent of the normal supply figure.)

The minimum support rate of \$4.43 per hundredweight for 1957-crop rice as announced today will not be reduced but will be increased if a combination of the rice parity price as of August 1, 1957 (the beginning of the marketing year) and the supply percentage as of that date requires a higher level of support.

The price-support program for the 1957 crop will be carried out through loans and purchase agreements as under past programs. Loans and purchase agreements will be available through January 31, 1958. The loans mature April 30, 1958, unless an earlier date is approved by USDA.

At present, USDA has committed all CCC stocks of rice against either actual sales or export programs primarily under Public Law 480, title I, for future delivery. A year ago, CCC had approximately 13,000,000 hundredweight of rice in its inventory.

The support rate for 1956-crop rice is \$4.57 per hundredweight, 82½ percent of parity; for 1955-crop rice it was \$4.66 per hundredweight, 85 percent of parity; and for 1954-crop rice, \$4.92 per hundredweight, 90 percent of parity.

1957 State acreage allotments

State rice acreage allotments for 1957 and the final allotments for 1956 are as follows:

[Acres]

State	Apportionment of 1957 national rice allotment	Total allotted acreage in 1956	State	Apportionment of 1957 national rice allotment	Total allotted acreage in 1956
Arizona.....	229	229	South Carolina.....	2,846	2,847
Arkansas.....	398,890	399,084	Tennessee.....	517	517
California.....	299,674	299,820	Texas.....	422,185	422,390
Florida.....	956	957			
Illinois.....	20	20	Total apportioned to States.....	1,651,596	1,652,399
Louisiana.....	474,863	475,004	Unapportioned national reserve.....	1,000	197
Mississippi.....	46,660	46,683			
Missouri.....	4,578	4,580	United States total....	1,652,596	1,652,596
North Carolina.....	29	29			
Oklahoma.....	149	149			

UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, November 14, 1956.

SECRETARY BENSON ANNOUNCES PRICE SUPPORT AND RELATED CORN PROGRAM DETERMINATIONS

Secretary of Agriculture Ezra Taft Benson today announced price support levels and related determinations which would apply under alternate corn programs for 1957 production.

The U. S. Department of Agriculture announced on Friday, November 9, that corn growers would vote in a referendum December 11 to determine whether Soil Bank corn base acreages or corn acreage allotments would be used in the 1957 program.

If two-thirds or more of the farmers who vote in the referendum favor base acreages, they will be in effect next year. If more than one-third favor acreage allotments, they will be in effect.

The Department also announced on Friday that the national corn acreage allotment for the 894 designated commercial corn-producing counties would be 37,288,889 acres, if allotments are used. The corn base acreage for the same commercial counties, as set by the controlling legislation, would be 51 million acres.

The further determinations announced today are—

1. If the base acreage program is approved, 51,000,000 acres, price support will be available in the commercial counties at a national average of \$1.31 per bushel.

2. If the acreage allotment program is approved, 37,288,889 acres, price support will be available in the commercial counties at a national average of \$1.36 per bushel. This price support level is determined by the formula of the law which applies when acreage allotments for corn are in effect.

3. There are no plans to offer price support for 1957 corn production which is not in compliance with acreage allotment or Soil Bank provisions. Such noncompliance price supports were available in 1956 because of special conditions.

4. The unit rate for determining payments under the corn Acreage Reserve program of the Soil Bank in 1957 will be 90 cents per bushel, the same as for this year.

"With the determinations which have now been announced," Secretary Benson said, "farmers will have all the essential information before voting in the Decem-

ber 11 referendum. This will be an important decision. It will determine the sort of corn program which will be available in 1957 and later years.

"The corn supply available for 1956-57 has reached an all-time record level of 4,579,000,000 bushels. A near-record 1956 crop, estimated at 3,413,000,000 bushels, was added to a record carryover of 1,166,000,000 bushels of corn produced in former years. This huge supply is directly responsible for the further drop in the national corn acreage allotment and the 'allotment' price support levels which have been determined by the formula of the law.

"The corn programs have not worked out well in the past. Because such a large proportion of the crop is either fed on the farm where produced or marketed in the immediate area, the kind of marketing quotas which are used for other basic crops have not proved feasible for corn. Corn marketing quotas are not authorized by present legislation.

"Even more important, corn acreage allotments have not been effective—either as a way for individual farmers to qualify for price support, or as a means to secure production adjustments.

"The national corn acreage allotment has dropped sharply in recent years. There is no 'minimum' level—no floor under the corn allotment—no matter how big the supply becomes.

"The corn allotment for commercial counties was 49.8 million acres in 1955. With a bigger total supply of corn that year, the allotment dropped to 43.3 million acres in 1956. Next year, if allotments are in effect, the total allotment under the formula of the law can be only 37.3 million acres—and this will have to be spread over 894 commercial counties, 54 more than in 1956.

"With the cutback in total allotments, the share for each individual farmer has also had to be reduced—to the point where many farmers have found that it was not practicable to comply with them. Even in 1955, with a relatively high total allotment, only about 51 percent of the corn produced in commercial counties was grown in compliance with allotments. Compliance would undoubtedly have been much less this year if the lower allotment had remained in effect. It was replaced by the 51 million base acreage provided in the Soil Bank legislation.

"With an even smaller allotment to cover more counties in 1957, it is obvious that most farmers would find that limiting corn production to their allotted acres would not fit in with sound farm management. Relatively few would be able to comply.

"When acreage allotments are operative, eligibility for price support depends on compliance with the established farm allotments. As allotments have been reduced, increasing numbers of farmers in commercial counties have in effect been barred from price support.

"This is the basic situation which underlies the legislative provision which Congress provided for a referendum this December on alternate corn programs. Farmers have the choice of continuing the base acreage which has been in effect this year, or going back to an acreage allotment. Under base acreages, they will have a higher level from which to measure both price support eligibility and Soil Bank participation.

"If the base acreages are in effect, the price support level will be determined each year on the basis of the general situation—as it was this year when the available support for 1957 production was set at an average of \$1.31 per bushel. Eligibility for price support will depend on producing within the individual farm base acreage, and taking part in the Soil Bank to the extent required.

"If acreage allotments are in effect, the price support will be determined each year as provided by law within a mandatory range of 75 to 90 percent of parity. Eligibility will depend upon compliance with the farm allotment, whether or not the farmer participates in the Soil Bank.

"There have been questions about the possibility of 'noncompliance' corn price support again in 1957. Corn in commercial counties which was not produced in compliance with acreage allotment or Soil Bank provisions this year was made eligible for price support at an average of \$1.25 a bushel, as compared with the full support of \$1.50 a bushel.

"When Soil Bank and related legislation was delayed, several steps were taken to help strengthen and stabilize current farm income. One of these special steps was raising the average corn price supports to \$1.50 a bushel, from the previously announced \$1.40 for commercial counties. Another was the provision for price supports at lower levels for corn which was not produced under adjustment controls.

"On the basis of presently known facts of the general situation, we have no plans to offer such 'noncompliance' corn price supports for 1957 production. Farmers now have the opportunity to utilize the Soil Bank and other programs on a full-year basis.

"I hope farmers will study the alternate corn programs carefully, and then vote on December 11 for the one they determine to be in their best interest."

Farmers will receive notice of their individual corn-base acreages and acreage allotments for 1957 from the county Agricultural Stabilization and Conservation committees before the referendum. Other information about the referendum and the alternate programs upon which farmers will vote will also be available from the ASC committees and county agricultural agents.

Operating details of the 1957 corn price support program, and the basis for determinations under the controlling legislative formula, will be announced in the near future.

Price support levels for 1957, 1956, and 1955

Commodity	Unit	Beginning of marketing season	1957			1956			1955		
			Average support price	Support level		Average support price	Support level		Average support price	Support level	
				Percent of parity	Based on 1st of—		Percent of parity	Based on 1st of—		Percent of parity	Based on 1st of—
A. Mandatory commodities:											
1. Basic:											
Wheat.....	Bushel.....	July.....	1 2 2.00	Percent 82.5	July 1956.....	1 2 2.00	Percent 82.6	July.....	1 2 08	Percent 82.5	July.....
Corn in commercial area: Compliance with acreage limitations. Noncompliance acreage limitations.	do.....	October.....	1 2 1.36	77	Nov. 1956.....	1 2 1.50	84	October.....	1 1.58	87	October.....
do.....	do.....	do.....			do.....	4 1.25	70	do.....			
Cotton:											
Upland.....	Pound.....	August.....	2 28.15	77	February.....	2 29.34	82.5	August.....	31.70	90	August.....
Extra long staple.....	do.....	do.....			do.....	5.662	75	do.....	5.520	76	Do.....
American-Egyptian.....	do.....	do.....			do.....	5.670	(6)	do.....	5.532	(6)	
Sea Island and Sea Island.....	do.....	do.....			do.....	5.170	(5)	do.....	5.032	(5)	
Peanuts.....	do.....	do.....			do.....	1.14	86	August.....	1.22	90	August.....
Rice.....	Hundredweight.....	do.....	2 4.43	80	Nov. 1956.....	2 4.57	82.5	do.....	4.66	86	Do.....
Tobacco:											
Flue-cured (11-14).....	Pound.....	July.....			October.....	4.89	90	July.....	4.83	91	July.....
Flue-cured (21-24).....	do.....	do.....			do.....	3.61	(7)	do.....	3.46	(7)	
Burley (31).....	do.....	do.....			do.....	4.81	90	October.....	4.62	91	October.....
Maryland (32).....	do.....	do.....			do.....	4.70	90	do.....	(8 9)	(8 9)	(8 9)
Dark air-cured (35-36) and sun-cured (37).....	do.....	do.....			do.....	3.21	(7)	do.....	3.08	(7)	
Penn. seedleaf (41).....	do.....	do.....			do.....	(8 9)	(8 9)	October.....	(8 9)	(8 9)	October.....
Cigar filler and binder (42-44, 51-55).....	do.....	do.....			do.....	3.74	90	October.....	3.89	92	October.....
Puerto Rican (46).....	do.....	do.....			do.....	3.14	89	do.....	3.19	88	Do.....
2. Nonbasic:											
Butterfat.....	do.....	April.....	5.86	80	February.....	5.86	81	April.....	5.62	76	April.....
Milk for manufacturing.....	Hundredweight.....	do.....	3.25	10 83	do.....	3 3.25	19 84	do.....	3 15	10 80	Do.....
Wool.....	Pound.....	do.....	.62	101	Oct. 1956.....	.62	106	Sept. 1955.....	.62	106	Oct. 1954.....
Mohair.....	do.....	do.....	.70	86	do.....	.70	92	do.....	.70	91	Do.....
Honey, extracted.....	do.....	do.....	.097	11 70	do.....	.097	11 70	March.....	.099	11 70	March.....
Tungnuts.....	Ton.....	November.....	53.76	65	do.....	53.76	65	October.....	51.06	60	November.....

B. Nonmandatory nonbasic commodities:

Barley	Bushel	July	70	February	3 1.02	76	May	.94	Dec. 1954.
Grain sorghums	Hundredweight	October	70	do	do	76	do	1.78	Do.
Oats	Bushel	July	70	do	3 .65	76	do	.61	Do.
Rye	do	do	70	do	3 1.27	76	do	1.18	Do.
Cottonseed	Ton	August	65	do	12 48.60	70	February	12 46.34	March.
Flaxseed	Bushel	July	65	do	3 .00	70	do	2.91	Do.
Soybeans	Bushel	October	65	do	2.15	75	do	2.04	Do.
Beans, dry edible	Hundredweight	September	70	do	6.31	70	March	6.36	Do.
Crude pine gum	Barrel ^{1a}	April			24.80	90	February	24.91	January.
					(27.66)			(27.45)	

¹ Commercial area only; support outside commercial area is 75 percent of the rate that would reflect the United States average level except that in 1956 it is 82.5 percent for corn.

² Announced as minimum support price: will be increased if a combination of the parity price and the supply percentage at the start of the marketing season requires a higher level of support.

³ 1956 support prices originally were announced as follows: Wheat, \$1.81 minimum (76 percent); corn, \$1.40 minimum (81 percent); rice, \$4.04 minimum (75 percent); barley, \$0.93 (70 percent); oats, \$0.59 (70 percent); rye, \$1.16 (70 percent); grain sorghums, \$1.80 (70 percent); butterfat, \$0.562 (78 percent); manufacturing milk, \$3.15 (82 percent).

⁴ Support price for corn in the commercial corn area produced by a farmer who does not comply with acreage limitations.

⁵ Parity not separately computed for American-Egyptian, Sealand and Sea Island cotton.

⁶ Support is in excess of 90 percent of parity because parity price at start of marketing year was lower than at time the level was announced prior to planting time.

⁷ Support price based upon 75 percent of barley support price in case of fire-cured; 66 2/3 percent of barley support price in case of dark air-cured and sun-cured.

⁸ Support prohibited since marketing quotas were rejected by growers.

⁹ Anno need "do support."

¹⁰ Percent of parity adjusted to 60-pound container basis.

¹¹ Support price grade basis.

¹² Support price grade basis. Loans and purchases made at the following levels: basis grade (100); 1957 do in \$46, purchase \$42 from producers and \$46 from ginners; 1956 loan \$45, purchase \$44 from ginners and \$48 from ginners; 1955 loan \$46, purchase \$42.

¹³ Standard barrel, net basis (gross basis in parentheses).

STATEMENT OF THE SECRETARY

Mr. WHITTEN. Mr. Secretary, you may now insert your prepared statement at this point.

(The statement referred to is as follows:)

STATEMENT BY SECRETARY OF AGRICULTURE EZRA TAFT BENSON

Mr. Chairman and members of the subcommittee, our agencies which have already been before this subcommittee have reported satisfactory hearings and have been impressed with the way in which you are proceeding. You have a difficult task and we are anxious to be helpful.

It is my understanding that you wish me to discuss the recent price support announcements of the Department of Agriculture and the soil bank. Inasmuch as these two are related to one another, I presume that you wish me to discuss the nature of that relationship.

INVESTMENTS OF THE COMMODITY CREDIT CORPORATION

First, I wish to comment briefly on the inventory position of the Commodity Credit Corporation. The most recent date for which we have complete information, December 31, 1956, shows an investment of \$8.2 billion, down \$455 million from the corresponding month a year earlier. Investments of CCC in farm products owned and under loan are expected to total approximately \$7.6 billion on June 30, 1957. This will be a reduction of \$700 million in a period of 12 months. It will be a reduction of approximately \$1.3 billion since the peak holdings of February 1956.

SALES AND OTHER DISPOSAL OPERATIONS

The downward adjustment in investment is being accomplished thus far chiefly by our sales and other disposal operations, which are on a vast scale. CCC disposals of all kinds, by fiscal years, are:

	<i>Million dollars</i>
1953.....	\$520
1954.....	1,424
1955.....	2,115
1956.....	2,723
1957 (first 6 months).....	2,235
1957 (estimated for full year).....	3,976

Our present liquidation is unique, in sharp contrast with the liquidations that came during World War II and during the Korean war. It comes at a time of peace, when supplies are overabundant, not only in the United States but in other countries.

This subcommittee, particularly its chairman, has maintained that a liquidation like the present one could be successfully accomplished. There have been many misgivings at home and abroad, within and outside of government, as to whether this was in fact the case. I am happy to report that these misgivings have been allayed to a considerable extent. You have already learned, I am sure, that we have announced continuation during the coming marketing year of the same type of export sales program for cotton that we have had in operation for the present year.

We have not only sold great quantities of cotton, wheat, rice, and wool, we have completely liquidated holdings of many other commodities:

Commodity	Peak Inventory	Year	Present inventory
	<i>Pounds</i>		
Cottonseed oil.....	877,738,000	1955	0
Cottonseed meal.....	1,013,428,000	1953	0
Linseed oil.....	528,028,000	1951	0
Flaxseed.....	9,494,000	1954	0
Seeds.....	427,963,000	1953	0
Soybeans.....	8,254,000	1956	0
Tung oil.....	38,516,000	1955	0
Honey.....	6,168,000	1953	0

It is not generally realized that most of the exports of Commodity Credit Corporation stocks are for dollars. Since July 1, 1953, 63 percent of our disposals have been for dollars:

*Percent of dispositions from price-support inventories by type of program,
July 1, 1953, to Nov. 30, 1956*

Sales for dollars.....	63
Donations.....	12
Barter.....	10
Other transfers and sec. 32 sales involving direct use of Government funds...	8
Sales for foreign currencies.....	7
Total.....	100

In the first half of the fiscal year 1957, dollar sales have accounted for 66 percent of all disposals. On our sales for dollars we have realized, from July 1, 1953, through December 31, 1956, 71 cents for every dollar invested by the Corporation.

The figure I have given you on sales for foreign currencies reflects disposition through this outlet of CCC-owned stocks only. Commodities which are in surplus, though not in Government hands, are also sold for foreign currencies.

It is true that the rate of export movement has recently been increased by a number of events which may not be repeated and that therefore the recent high rate of export may not continue. Among these developments are short supplies of wheat and oil crops in Europe, the Suez crisis, and the replenishing from United States supplies of depleted cotton stocks abroad.

This committee is concerned with our use of section 32 funds, which is a matter related to the whole complex of surplus, soil bank, and price supports.

With respect to the current fiscal year, we carried over on July 1, 1956, \$244 million of unobligated section 32 funds from the prior year and had added to that almost \$200 million of customs receipts, making a total availability of section 32 funds for fiscal year 1957 of something over \$444 million. Commitments for commodities through the first 7 months of fiscal 1957, or through January 31, 1957, ran almost \$110,800,000. Making allowances for administrative expenses and further purchases, it appears that the carryover at the end of this fiscal year would be close to \$300 million depending upon developments from now through June 30.

As an attachment to this testimony a table is shown giving section 32 expenditures, by commodities and by years, for the past 20 years. The total column indicates that expenditures in the fiscal years 1955 and 1956 are the heaviest that have been made under section 32 outside of the 3 years, fiscal 1940 through 1942.

SOIL BANK

Reports from State Agricultural Stabilization and Conservation offices giving soil-bank participation as of February 15 show that farmers have placed a total of 15,251,968 acres in the 1957 acreage reserve program. That acreage, when compared with the total 1957 goal for the program, indicates the generally good progress being made.

Our announced total goal for eligible crops under the acreage reserve program lies within a range of from 20.3 to 25.4 million acres. The agreements signed by farmers through February 15 represent about 75 percent of the low side of the goal and about 60 percent of the high side of the goal. These figures were as of 2 weeks before the closing signup dates for cotton and tobacco, and 3 weeks before the closing dates for wheat, corn, and rice. The supply situation for peanuts and extra long staple cotton is good enough that, with average yields on the allotments, we do not expect difficulties with surpluses this year. Therefore, these two commodities were not included in the 1957 acreage reserve program.

Acreage covered by agreements, the total acreage offered by farmers and the goals for the eligible crops are as follows:

Crop	Acres in reserve Feb. 15	Additional acreage offered by farmers Feb. 15	Total offered col. 1+col. 2	Goal
Wheat (all)-----	11, 610, 396	396, 506	12, 006, 908	12, 000, 000-15, 000, 000
Cotton-----	1, 798, 614	1, 144, 255	2, 942, 869	3, 500, 000- 4, 500, 000
Corn-----	1, 707, 321	931, 233	2, 638, 554	4, 500, 000- 5, 500, 000
Rice-----	95, 135	56, 809	151, 944	175, 000- 225, 000
Tobacco-----	40, 502	8, 492	48, 994	125, 000- 140, 000

The additional acreage offered consists of acreage farmers wanted to put in the program above the initial maximum farm limits, and acreage offered within the farm maximums but which could not be accepted because the money allocated to a county was obligated by previously accepted contracts.

Action taken during the past 2 weeks will make it possible for county ACS committees to accept a large percentage of the acreage listed as "additional acreage offered."

For corn, wheat, and cotton, county committees are now accepting all agreements offered up to the initial farm maximums. The initial farm maximums are: for corn, the larger of 20 acres or 30 percent of the farm allotment; for wheat, the larger of 50 acres or 50 percent of the farm allotment; and for cotton, the larger of 10 acres or 30 percent of the farm allotment.

For most types of tobacco, county ASC committees in counties with total allotments of less than 2,000 acres are accepting agreements for all the allotted acreage a farmer wishes to place in the acreage reserve. In counties of large production—with total allotments of more than 2,000 acres—county committees may accept tobacco agreements up to the farm allotments, provided the county committee and the State ASC committee have determined that putting the additional acreage in the reserve will not adversely affect the economy of the county.

The three States with the largest participating acreage for each crop include:

	<i>Acres</i>
Wheat:	
Kansas-----	4, 260, 007
Colorado-----	1, 311, 750
Texas-----	1, 115, 460
Corn:	
Nebraska-----	507, 929
Missouri-----	297, 371
Iowa-----	157, 102
Cotton:	
Texas-----	615, 130
Mississippi-----	196, 914
Alabama-----	173, 945
Rice:	
California-----	30, 525
Arkansas-----	24, 787
Louisiana-----	21, 897
Tobacco:	
North Carolina-----	¹ 19, 042
Georgia-----	3, 949
South Carolina-----	3, 268

¹ Flue-cured tobacco.

Although the progress toward the goals is not uniform we are hopeful from present indications that wheat and cotton producers will put enough land into the acreage reserve so that participation will be within the range of our goals. In that event we anticipate a reduction under what would otherwise be expected of from 175 million to 200 million bushels of wheat and from 2.25 to 2.5 million bales of cotton.

The probable final signup for rice, tobacco, and corn is uncertain at this time. Farmers in most high-yielding heavy-producing corn areas have been slow to put their corn acreage into the reserve under the present allotment program.

The closing date for signing cotton and tobacco acreage reserve agreements is March 1. For spring wheat, corn, and rice, the date is March 8. Because of the heavy workload, the signup deadline for the conservation reserve contracts to become effective in 1957 was extended from March 15 to April 15.

Our latest reports show that 17,424 conservation reserve contracts have been signed, to be effective beginning in 1956. These contracts cover 1,596,454 acres.

Contracts to become effective in 1957 numbered 14,400 and include 1,242,823 acres. The signup is just well underway, and the current figure is not indicative of the final total.

Thus far farmers in the Southwestern and Southeastern States have shown the greatest interest in the conservation reserve.

The acreage reserve part of the soil bank is a costly, temporary, emergency method of reducing the stocks which have accumulated despite our efforts to control production.

From the foregoing, we can be reasonably clear as to what the acreage reserve program is; it is equally important to remember what the program is not.

It is not a program to empty Government warehouses so they can be filled again.

It is not a method of paying farmers to make acreage reductions which are called for under the adjustment principle.

It is not crop insurance of the kind a farmer takes out after he knows his crop is lost.

It is not a device by means of which the various crops or the various sections of the country compete to get the heaviest payments from the Federal Treasury.

Proposals have been offered which would eliminate the effectiveness of the soil bank as a means of bringing about essential reductions in our surplus stocks. A word of warning might be offered: If this voluntary program should be so diluted as to become ineffective, then programs are likely to be invoked which are wholly out of keeping with the character of American agriculture as we have come to know it.

COSTS

Disposal operations are expensive. The soil bank will be expensive. Expenditures under the agricultural budget request currently being reviewed by the subcommittee are the largest in history, \$5.3 billion, which is \$2.4 billion above expenditures during fiscal year 1954, the first full fiscal year of this administration. This is more than \$1,000 for every farm in the United States. The realized cost of programs primarily for the support of farm prices and farm incomes in fiscal year 1956 was \$1.9 billion, including \$975 million of direct CCC price-support losses. The \$1.9 billion cost is equal to 16 percent of farm operators' net income in 1956. Realized costs will probably be much increased during 1957 as our sales and other disposal operations are stepped up and the soil bank gets fully into operation.

These costs are high because we report realized losses when the commodities are disposed of, not when they were acquired, and some of the commodities we are now moving were acquired years ago. Costs are high because production was tremendously stimulated by a prolonged period of incentive prices—incentives supplied first by the market place and then by law. They are high because acreage controls have not reduced our overall production. They are high because our people have been spared the wars which cut the costs of earlier liquidations. War is a "solution" to our surplus problems which I am sure none of us wishes to see.

The high cost of present and prospective programs makes it imperative that these programs achieve their objectives. The acreage-reserve program must indeed be used to reduce the production of crops in surplus. Our disposal operations must not simply liquidate Government inventories so they can be built up again.

PRICE SUPPORTS

I shall next review the facts which relate to our recent announcements regarding the level of price supports for the coming year. The following summary table

provides an overall view of recently announced levels as well as those announced earlier:

TABLE 1.—Announced 1957 support levels¹ with comparisons

Commodity	Unit	1957 support level		Average price received by farmers January 1957	Net realized cost of stabilization programs, fiscal 1956
		Percent of parity	Dollar level		
Recently announced:		<i>Percent</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Million dollars</i>
Cotton, upland.....	Pound.....	77	0.2815	0.3021	85.4
Butterfat.....	do.....	80	.586	.591	264.8
Milk for manufacturing.....	Hundredweight.....	83	3.25	3.39	231.9
Oats.....	Bushel.....	70	.60	.752	15.1
Barley.....	do.....	70	.94	1.05	53.1
Sorghum grain.....	Hundredweight.....	70	1.83	2.13	65.3
Rye.....	Bushel.....	70	1.15	1.22	7.6
Soybeans.....	do.....	70	2.09	2.31	15.9
Flaxseed.....	do.....	65	2.92	3.04	7.7
Cottonseed.....	Ton.....	65	46.00	60.40	78.2
Dry edible beans.....	Hundredweight.....	68	6.31	6.88	16.4
Honey.....	Pound.....	70	.097	.152	-----
Peanuts.....	do.....	82	.1107	.111	10.5
Previously announced:					
Wheat.....	Bushel.....	83	2.00	2.09	530.1
Corn.....	do.....	77	1.36	1.23	132.4
Rice.....	Hundredweight.....	80	4.43	4.57	54.9
Wool.....	Pound.....	101	.62	.467	7.3
Mohair.....	do.....	87	.70	-----	-----

¹ The support level for naval stores will shortly be announced. Support levels for various types of tobacco will be announced later.

We have farm-price data on 17 of these 18 commodities as of January 1957. As of that date, all but corn and wool were higher than the announced 1957 support levels and all but corn, wool, peanuts, rye, and flax were higher than the 1956 support levels.

Cotton

Table 2 gives data regarding the support program for upland cotton.

TABLE 2.—The support program for upland cotton, 1954-57

Crop of	Level of support		Carry-in at beginning of year (thousands of bales)	Net realized cost of stabilization programs, fiscal year (millions of dollars)
	Percentage of parity	Average support level for Middling 7/8-inch cotton (cents per pound)		
1954.....	90	31.58	9,550	17.5
1955.....	90	31.70	11,000	21.5
1956.....	82.5	29.34	14,400	85.4
1957.....	77	28.15	¹ 12,200	-----

¹ Estimated.

The announced level of price support for the 1957 crop of upland cotton, \$0.2815 per pound, is equal to 77 percent of the January 1957 parity. It was determined in accordance with the following estimates:

TABLE 3.—*Calculation of supply percentage and minimum support level for 1957-crop cotton*

	<i>Thousands of running bales</i>
1956 carryover (Aug. 1, 1956) ¹ -----	14, 000
1956 crop (December report)-----	13, 100
1956 imports-----	50
1956-57 Total supply -----	27, 150
1956-57 domestic use (estimated)-----	8, 850
1956-57 exports (estimated)-----	6, 500
1957 Carryover (Aug. 1, 1957)-----	11, 800
1957 crop (estimated)-----	11, 200
1957 imports-----	50
1957-58 Total supply (estimated) -----	23, 050
Less remainder of set-aside (estimated)-----	800
Total supply for price support (estimated) -----	22, 250
1957-58 domestic consumption (estimated)-----	8, 850
1957-58 exports (estimated)-----	4, 500
1957-58 Total disappearance -----	13, 350
1957-58 normal supply (130 percent)-----	17, 355
Supply percentage-----	128. 21
Minimum level of support (percent of parity)-----	77

¹ Excludes preseason ginnings (410,000 B/C).

Interest has been shown in the method by which we obtained the production estimate of 11,200,000 bales for the 1957 crop. This was arrived at by assuming that of the 17,600,000 acres allotted, all but 4 million acres would be harvested. Most of these 4 million acres were expected to go into the acreage reserve program of the soil bank, an event which now appears likely. The remaining 13,600,000 acres harvested were estimated to produce an average of 400 pounds per acre. Yields in 1955 and 1956 were 417 and 408 pounds respectively. A yield of 400 pounds would produce 11,333,000 500-pound bales, or about 11,200,000 running bales.

We are currently estimating 1956-57 domestic consumption of all cotton at about 9 million bales. This would consist of about 8,850,000 bales of upland cotton and about 150,000 bales of extra long staple cotton. Unless domestic consumption picks up some during the remainder of the 1956-57 marketing year this could be on the high side inasmuch as domestic consumption in the first 5 months, August through December 1956 fell off 172,000 bales from a year ago. As has been our custom for years we used the same estimate for both years of the formula.

We believe there is rather general agreement now that we will export approximately 6.5 million bales of upland cotton in the 1956-57 marketing year. In our opinion, however, it would not be realistic to anticipate exports during the 1957-58 marketing year equal to the exports during the current year. We know that inventory stocks in countries outside the United States dropped about 2 million bales between August 1, 1955 and August 1, 1956. We know, too, that a substantial part of the cotton which has been sold for export during the past year will be used to replenish foreign stocks, probably in the neighborhood of 2 million bales. This being the case, export of 4.5 million bales of United States cotton in 1957-58 would make available for consumption about the same amount as will be consumed in the 1956-57 marketing year.

Our estimates for the 1957 crop are the best we can make at this time. But it is extremely difficult to make these estimates with accuracy. For example, for the 1955 crop we underestimated production by 4,695,000 bales. This is largely because we calculated yields in the manner prescribed by law for the purpose of determining acreage allotments. We overestimated exports by 2,292,000 bales. Both these errors of estimation had the same directional effect on the level of price support, to boost it. The supply percentage we announced, 92, resulted in a support level of 90 percent of parity. Had we been able to

estimate with complete accuracy, the supply percentage would have been 152, so great as to indicate a minimum support level not at the top but at the bottom of the flexible scale, 75 percent of parity.

In 1956 we did better, but only because of compensating errors. We underestimated production by 3,183,000 bales, which tended to boost the level of price support from where it would have been if our estimate had been correct. We underestimated exports by 2,300,000 bales, which had the effect of reducing supports below where they otherwise would have been. Our first supply estimate, made in April, indicated a level of support at 75 percent of parity. This was revised in August to 78. Had we been perfect in our estimates the indicated level would have been 80.

It should be clear from what has been said that estimates made in advance of planting cannot be made with accuracy. The experience has been such as to suggest a reexamination of the whole formula approach to establishing support levels.

Estimates of supply and the parity price for cotton must by law be reviewed prior to harvest. If revised estimates indicate that the originally announced support level was too low, the law specifies that supports must be raised. If the original estimates turn out to yield too high a support level, supports cannot be lowered. This argues for conservatism in preplanting estimates, perhaps greater conservatism than has been exercised in the past. In 1955, for example, if our early estimate had been more conservative, we could have adjusted supports in line with supplies. But, having made our early announcement of price supports at a high level, we were bound to hold it.

Other arguments militate against high price supports for cotton.

Foreign textile manufacturers would press all the harder to move in on the American market.

Consumption of manmade fibers would be further stimulated.

Acreage of "wild cotton," deliberately grown in excess of allotments, would increase. Such acreage has increased appreciably in each of the last 2 years.

There would be further inducement to increase the yield per acre beyond that which, in the absence of allotments, would be an economic level.

Participation in the soil bank would diminish or the per acre inducement would have to be increased.

Cotton has a number of special provisions which result in higher prices than would otherwise occur. One of these "fringe benefits" is the requirement that the appropriate level of price support be applied to $\frac{7}{8}$ -inch Middling cotton. All grades of $\frac{7}{8}$ -inch cotton now comprises only about 5 percent of our production. This is different from the provisions for all other basic commodities, for which price support is related to the average of the crop. Another "fringe benefit" is the provision for cotton and peanuts which holds the price at 90 percent of parity whenever the supply percentage is not more than 108. For all other commodities, this figure is 102 percent.

Dairy products

For dairy products, the price support levels during the coming marketing year will be the same, in terms of dollars and cents, as has been the case during the current marketing year. Supports are required by law to be at such level, not more than 90 percent of parity nor less than 75 percent, as the Secretary determines necessary in order to assure an adequate supply.

TABLE 4.—The support program for butter, 1954-57

Marketing year beginning	Level of support		CCC stocks beginning of marketing year	Net realized cost of stabilization programs, fiscal year
	Percentage of parity	Average support level		
	<i>Percent</i>	<i>Cents per pound</i>	<i>Million pounds</i>	<i>Million dollars</i>
1954.....	75	0.562	364.2	94.5
1955.....	76	.562	236.6	228.0
1956.....	81	.586	0	264.8
1957.....	80	.586		

TABLE 5.—The support program for manufacturing milk, 1954-57

Marketing year beginning	Level of support		Uncommitted CCC stocks beginning of marketing year		Net realized cost of stabilization programs, fiscal year
	Percent of parity	Average support level	Cheese	Dry milk	
	Percent	Per pound	Million pounds	Million pounds	Million
1954.....	75	\$3.15	483.1	598.8	\$124.9
1955.....	80	3.15	328.6	86.3	199.4
1956.....	84	3.25	228.2	46.4	231.9
1957.....	83	3.25			

The outlook for dairying in 1957-58 is similar to that for 1956-57. This was the decisive consideration in holding the supports at the same dollar level. In terms of parity, supports are slightly reduced. This reflects chiefly the upward movement in the index of prices paid by farmers.

Our stocks of dairy products are relatively low, the result of heavy out-movement chiefly through donation and sales below cost. This has been an expensive operation and a cause of genuine concern. Cost of the dairy program is high when compared with programs for other commodities. This is partly because the bulk of our dairy surplus has been moved and the costs have been reflected in our reports. When the stocks of wheat, cotton, and corn are likewise moved, increased costs for these commodities will be reflected in our statements.

Feed grains

Price supports may be provided for feed grains other than corn, not in excess of 90 percent of parity, in accordance with guidelines specified by law. The Agricultural Act of 1956 required that prices of the 1956 crops of oats, barley, sorghum grain, and rye be supported at 76 percent of parity. For the coming year we have announced price supports which reflect 70 percent of the January 1957 parity, the same percentage as in 1955. The dollar and cents level of support is close to the 1955 level, being slightly higher for sorghum grain, the same for barley, and slightly lower for oats and rye. This level seemed to us to be the most appropriate one in view of the eight factors provided by law. These are:

1. The supply of the commodity in relation to the demand therefor;
2. The price levels at which other commodities are being supported, and in the case of feed grains, the feed values of such grains in relation to corn;
3. The availability of funds;
4. The perishability of the commodity;
5. The importance of the commodity to agriculture and the national economy;
6. The ability to dispose of stocks acquired through a price support operation;
7. The need for offsetting temporary losses of export markets; and
8. The ability and willingness of producers to keep supplies in line with demand.

I know that this subcommittee is concerned about our increasing supplies of feed grains. The combined carryover of feed grains including corn at the end of the present marketing year is expected to be an all-time record, 10 percent above last year, the record up to that time. I know you realize that large supplies mean low prices. I know you are aware of the fact that reduced prices of feed grains result, after a time, in reduced prices of livestock products. I share your awareness and your concern.

The stubborn fact, however, is that feed grains are in very heavy supply. That being the case, they cannot be priced as if they were scarce.

There are those who would apply to oats, barley, rye, and sorghum grain the same kind of production control that has been in operation on corn. Yet during the recent years that corn has been under acreage allotments, the carryover of this controlled crop has grown more rapidly than the carryover of all the uncontrolled feed grains combined.

The fed grain program which the Department of Agriculture has advocated is as follows:

1. To reduce the production of corn chiefly by means of the acreage reserve program of the soil bank, operating from a base acreage that would make it possible for a goodly number of corn farmers to participate;

2. To reduce the production of oats, rye, barley, and sorghum grain chiefly by means of the conservation reserve program of the soil bank;

3. To keep our program on a voluntary basis and provide as large a measure of operating freedom to each farmer as we possibly can;

4. To provide price stability for the feed grains at levels which will be fair both to the grain farmers who sell and to the livestockmen, dairymen, and poultry producers who buy. These must be levels which will not pile up unmanageable stocks of feed in Government hands;

5. To obtain value received, either in terms of adjusted production or in conservation, for the dollars we put out to feed grain producers through the soil bank.

People have used these phrases in connection with pricing policy on feed grains: "high-price policy" and "low-price policy." As for a "high-price policy," it cannot be long pursued in the absence of effective production control, which, after 25 years of effort, has not yet been achieved. As for a "low-price policy," our present stocks of feed are so heavy that such a policy would result in a price-depressing flood of pork, beef, poultry, and dairy products. Our objective, therefore, is reasonable stability for feed grains in the middle range of price, coupled with responsible operation of the soil bank. We think our announced levels fit in with this objective.

TABLE 6.—The support program for oats, 1954-57

Crop of—	Level of support		Carry-in at beginning of marketing year	Net realized cost of stabilization programs, fiscal year
	Percentage of parity	Average level support		
July 1—	<i>Percent</i>	<i>Per bushel</i>	<i>Thousand bushels</i>	<i>Million dollars</i>
1954.....	85	\$0.75	226,641	10.6
1955.....	70	.61	302,693	19.1
1956.....	176	.65	346,819	15.1
1957.....	70	.60	² 225,000	-----

¹ Established by law.

² Estimated.

TABLE 7.—The support program for barley, 1954-57

Crop of—	Level of support		Carry-in at beginning of the year	Net realized cost of stabilization programs, fiscal year
	Percentage of parity	Average support level		
July 1—	<i>Percent</i>	<i>Per bushel</i>	<i>Thousand bushels</i>	<i>Million dollars</i>
1954.....	85	\$1.15	71,144	2.0
1955.....	70	.94	130,550	25.1
1956.....	176	1.02	117,096	53.1
1957.....	70	.94	² 120,000	-----

¹ Established by law.

² Estimated.

TABLE 8.—The support program for grain sorghum, 1954-57

Crop of—	Level of support		Carry-in at beginning of marketing year	Net realized cost of stabilization programs, fiscal year
	Percentage of parity	Average support level		
Oct. 1—	<i>Percent</i>	<i>Per hundred-weight</i>	<i>Thousand bushels</i>	<i>Million dollars</i>
1954.....	85	\$2.28	22,260	7.3
1955.....	70	1.78	74,977	44.0
1956.....	176	1.97	81,376	65.3
1957.....	70	1.83	² 70,000	-----

¹ Established by law.

² Estimated.

TABLE 9.—*The support program for rye, 1954-57*

Crop of—	Level of support		Carry-in at beginning of marketing year	Net realized cost of stabilization programs, fiscal year
	Percentage of parity	Average support level		
July 1—	Percent	Dollars per bushel	Thousand bushels	Million dollars
1954.....	85	\$1.43	14,980	0.1
1955.....	70	1.18	16,417	2.8
1956.....	¹ 76	1.27	16,665	7.6
1957.....	70	1.15	29,000	-----

¹ Established by law.² Estimate.*Oilseeds*

For oilseeds as well as for feed grains the support program is discretionary, not to exceed 90 percent of parity. We are instructed to follow the 8 guides mentioned above. As was the case for feed grains, we established supports at dollar levels which in January of 1957 reflected the same percentage of parity as prevailed in 1955. In our judgment, this level met the overall interest of our farming people better than any other level we could name.

As has been the case for some years, we set the support for soybeans 5 percentage points of parity higher than for cottonseed and flaxseed. Experience has shown that the oilseeds ordinarily are in a reasonably good competitive relationship with one another under such conditions.

TABLE 10.—*The support program for soybeans, 1954-57*

Crop of—	Level of support		Carry-in at beginning of marketing year	Net realized cost of stabilization programs, fiscal year
	Percentage of parity	Average support level		
	Percent	Per bushel	Million bushels	Million dollars
1954.....	80	\$2.22	1.3	0.6
1955.....	70	2.04	9.9	.1
1956.....	75	2.15	4.0	15.9
1957.....	70	2.09	25.0	-----

TABLE 11.—*The support program for flaxseed, 1954-57*

Crop of—	Level of support		Carry-in at beginning of marketing year	Net realized cost of stabilization programs, fiscal year
	Percentage of parity	Average support level		
	Percent	Per bushel	Million bushels	Million dollars
1954.....	70	3.14	14.2	51.3
1955.....	65	2.91	11.2	22.8
1956.....	70	3.09	4.0	7.7
1957.....	65	2.92	16.0	-----

TABLE 12.—The support program for cottonseed, 1954-57

Crop of—	Level of support		Net realized cost of stabilization programs, fiscal year
	Percentage	Average support level for basis grade 100	
	Percent	Dollars per ton	Million dollars
1954.....	75	54.00	59.8
1955.....	65	46.34	85.6
1956.....	70	48.60	78.2
1957.....	65	46.15	-----

Dry edible beans

Dry edible beans are another crop for which price supports are discretionary. In providing support, the Secretary is to be guided by the eight factors previously mentioned.

During the last completed year of operation, the 1955 crop, CCC acquired ownership of 11 percent of the dry bean crop. Our stocks have been moving, but at considerable loss.

When we considered all the facts, we set price supports for the 1957 crop at the same dollar level as last year, \$6.31 per hundred pounds. Due to changes in parity, this came out at 68 percent of the January 1957 parity as compared with 70 percent the year before.

TABLE 13.—The support program for dry edible beans, 1954-57

Crop of—	Level of support		Carrying at beginning of marketing year	Net realized cost of stabilization programs, fiscal year
	Percentage of parity	Average support level per hundredweight		
	Percent		Million hundredweight	Million dollars
1954.....	80	\$7.24	2.2	\$8.2
1955.....	70	6.36	3.0	15.2
1956.....	70	6.31	1.9	16.4
1957.....	68	6.31	2.1	-----

Honey

For honey, price supports are required at not less than 60 nor more than 90 percent of parity.

We announced price supports for 1957 production at \$0.097 per pound, 70 percent of parity. This is the same as for 1956 production.

TABLE 14.—Support program for honey, 1954-57

Marketing year:	Level of support		Net realized cost of stabilization programs, fiscal year
	Percentage of parity	Average support level per pound	
			Million dollars
1954.....	70	\$0.102	0.8
1955.....	70	.099	.6
1956.....	70	.097	-----
1957.....	70	.097	-----

Peanuts

The Agricultural Act of 1949, as amended, provides that the level of support on 1957 crop peanuts—inasmuch as producers have approved marketing quotas—shall range between 90 and 75 percent of parity, depending upon the percentage which the total supply is of the normal supply at the beginning of the marketing year. Present estimates are that the total supply of peanuts will be 122.5 percent of the estimated normal supply prescribing a support level at not less than 82 percent of parity for the 1957 crop.

TABLE 15.—*The support program for peanuts, 1954-57*

Peanuts, crop of—	Level of support		Carry-in at beginning of marketing year	Net realized cost of stabilization programs, fiscal year
	Percentage of parity	Average support level		
	<i>Percent</i>	<i>Cents per pound</i>	<i>Million pounds</i>	<i>Million</i>
1954.....	90	12.24	417.8	\$25.1
1955.....	90	12.24	279.8	3.5
1956.....	86	12.35	377.4	10.5
1957.....	82	11.07	1 420	-----

¹ Estimated; not available until Aug. 1, 1957.

This completes my statement. I wish to thank this subcommittee for listening patiently to a rather detailed presentation. My staff and I will be happy to answer your questions.

U. S. DEPARTMENT OF AGRICULTURE—AGRICULTURAL MARKETING SERVICE
Removal of surplus agricultural commodities (sec. 32)—Obligations by commodity groups, fiscal years 1936-56

Fiscal year	Cotton	Dairy	Eggs and poultry	Fruits	Grain	Livestock products	Peanuts and products	Tobacco	Tree nuts	Vegetables	Miscellaneous	Total
1936.....	\$4,059,978	.....	\$108,604	\$2,439,281	\$5,764,307	.....	\$306,550	\$1,000,213	\$1,289,188	\$1,707,599	\$40,462	\$16,896,182
1937.....	6,836	.....	2,138,766	6,290,222	13,813,200	\$107,229	.....	1,720,637	1,544,360	1,365,684	1,238,177	15,451,887
1938.....	133,829	\$368,386	1,728,868	17,830,045	13,813,200	.....	2,301,818	1,565,838	1,611,723	7,942,674	1,958,852	54,261,221
1939.....	1,894,431	38,995,906	570,549	17,830,045	18,236,037	.....	.....	4,400,807	1,282,227	5,466,358	1,197,604	79,846,708
1940.....	49,472,402	17,884,220	15,489,520	25,557,097	44,302,037	25,826,388	692,355	.....	1,408,653	2,683,463	883,117	185,208,471
1941.....	54,008,044	14,855,720	14,753,283	33,000,818	22,479,059	30,719,343	8,125,877	.....	1,038,967	24,724,696	8,996,194	212,353,028
1942.....	12,238,044	29,379,618	25,977,967	29,967,124	29,155,316	14,221,175	1,462,200	.....	1,850,302	35,394,445	3,745,120	182,739,272
1943.....	6,475,499	10,382,973	11,895,850	11,839,079	19,137,498	440,000	1,048,970	1,694,000	678,881	21,895,063	626,453	86,119,266
1944.....	1,319,636	3,610,624	5,883,402	1,242,780	1,314,938	367,194	.....	.....	.....	9,463,524	239,459	23,090,142
1945.....	273,764	.....	3,072,083	3,069,212	4,154,712	.....	.....	.....	.....	7,440,505	19,796	13,732,600
1946.....	18,586,865	.....	10,697,769	34,062	3,751,462	.....	.....	.....	.....	26,548,305	.....	50,286,835
1947.....	34,458,392	.....	19,713,104	19,543,631	.....	.....	.....	8,546,500	1,133,820	21,000,752	.....	71,700,645
1948.....	2,452,852	.....	13,857,261	10,138,591	4,191,686	.....	.....	.....	.....	21,009,628	822,158	79,541,643
1949.....	235,371	1,823,100	13,261,510	27,768,265	2,854,945	.....	10,167,022	.....	3,928,800	5,264,214	1,713,600	56,223,010
1950.....	20,289	15,542,143	5,107,432	22,506,134	7,101,747	.....	4,559,092	.....	.....	3,257,263	803,958	27,497,555
1951.....	.....	.....	3,697,872	24,125,829	.....	12,176,772	876,074	.....	3,300,488	10,720	1,546,564	37,949,813
1952.....	935,760	4,174,675	21,775,636	14,000,846	3,490,415	1,382,188	.....	.....	1,038,308	.....	3,694,200	31,431,636
1953.....	10,575,443	87,120,934	9,387,879	83,822,255	.....	1,382,188	.....	.....	1,038,308	.....	2,544,200	187,541,110
1954.....	13,264,148	.....	4,605,890	4,605,890	.....	380,808	.....	.....	401,741	.....	2,544,200	187,541,110
1955.....	8,261,842	78,478,611	.....	4,605,890	12,465,336	101,248,723	.....	.....	118,467	.....	551,486	287,306,325
1956.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	214,288,922
Total.....	218,704,209	330,692,367	174,702,222	279,333,095	192,865,988	270,692,075	28,548,057	18,063,921	20,277,810	205,410,627	30,895,180	1,770,196,560

FEBRUARY 16, 1970.

Mr. WHITTEN. Now that we have reviewed history, I hope it will help you in your recommendations for a farm program and farm policy. It does, if it is read, indicate a good many things that could be well studied again as we come into a period of having the rewriting of the Agricultural Act which expires. Among other things we find in this record of hearings that we had the Department make a survey and they showed that by holding U.S. cotton off world markets and counting it to reduce domestic acreage, 55,000 families were put off the farms. I went the limit trying to change this policy.

The Secretary at that time said in a speech to the Governors at White Sulphur Springs, W. Va., that he recognized this problem and if it were in his power he would do something about it, at which time I went and looked up the record and called his attention to the fact that at this time in 1957 we were operating under a state of emergency that had been declared by the President of the United States, Proclamation 2914, December 16, 1950.

I then showed that under the law, in periods of national emergency, the Secretary is authorized to increase acreage because of the emergency and thereby he had authority to save these 55,000 families being pushed off the farm because of his acreage reduction.

The reason I want this in the record is because it shows what happened as price supports were reduced, the farmer increased his production. One advantage of staying here a good while is that you remember some of these things. I went and looked this up and saw the similarity between many of your recommendations and those Secretary Benson recommended in 1957.

1971 BUDGET

Turning briefly to the budget before us, as I said earlier 5.6 percent of our people are producing for all the rest of us. It is to be noted, and I say so for the record, the authorized level for the current year is \$195,500,000 for the agricultural conservation program, of which \$10,500,000 is being held in reserve by the Bureau of the Budget. The rural water and waste disposal grants for the fiscal year are reduced by \$18 to \$28 million. Direct loan account, FHA of various types was reduced from \$319,400,000 authorized by the Congress to \$277,500,000. In agricultural research you asked that we increase funds for next year, but this year you reduced them from what the Congress provided by \$2,639,000.

In rural electrification you reduced the amount provided by the Congress by \$20 million.

Farmers Home Administration, rural housing for domestic farm labor, reduced by \$50,000.

Mutual and self-housing, \$875,000.

Rural rental housing, \$2 million.

Soil Conservation Service loans, watershed works of improvement, \$2 million.

Flood prevention by \$200,000.

Resource conservation and development by \$1,800,000.

Proceeding further, Farmers Home Administration, various types of programs, under farm ownership loans, you reduced \$125 million.

Nonfarm enterprise loans by \$31,500,000. Recreation loans to individuals by \$9 million.

Water and sewage systems. These are the loan accounts—\$30 million.

Irrigation loans, \$1,750,000.

Grazing loans, \$18,250,000.

Recreation loans to associations, reduced by \$23 million.

Rural housing insured loans by \$414,800,000.

Rural rental housing, \$6 million.

Farm labor housing loans, \$8,300,000.

Then we go on down to authorization specified, not involving use of funds: planning starts provided by the Congress. We provided 100 and you have already cut back to 50. Construction starts, the Congress provided 80, you cut back to 50.

It strikes me where you asked for increases here you are doing so in the face of having cut most of all of these same programs for the present year beyond the money that the Congress made available to you.

Secretary HARDIN. May I respond here, Mr. Chairman?

Mr. WHITTEN. Yes.

THE NEED TO CONTROL INFLATION

Secretary HARDIN. This was a part of the total effort of the administration to bring inflation under control and represented our part of the cuts in Federal expenditures deemed necessary to make this effective. We had to agree that there was no sector of our economy that had a greater interest in controlling inflation than the agricultural sector, as I think you indicated in your opening remarks. Therefore, while many of these things were extremely important, we went ahead and supported the effort to the full extent we could.

SPECIAL MILK PROGRAM

Mr. WHITTEN. We also note in the new budget that the special milk program is recommended for elimination. I believe I can understand the reasoning, but at a time when the whole country is up in arms about nutrition, to recommend all the increases that are recommended and then cut out this program where the children would buy milk for 3 cents, seems short sighted.

Milk may not be as good as nature thinks it is, but it is what they feed a baby until he is close to a year old. My observation is that in many instances it is not the underprivileged that suffer from lack of nutrition; it is the overprivileged, as somebody said. Those who have the money buy cokes and sweets instead of what they need. I realize again what is involved in this.

INCREASES FOR RESEARCH

Then we turn to the research you mentioned earlier. You put increased research on beef quality and reproduction and on remote sensing. That is flying around upstairs and taking pictures down below? You put those ahead of the control of soybean cyst nematode, the sweet potato weevil and other things in your comparison as to the relative value?

Secretary HARDIN. Within the limits of the program we are operating, yes.

INCREASE FOR PESTICIDES REGULATION

Mr. WHITTEN. In pesticide regulation, you are requesting \$2.4 million increase. I realize that this is a highly controversial area where the news media can make it extremely hard to strike a balance. I have tried it a time or two when this committee had to pick the \$10 million lost because of statements made affecting cranberries. What has been the true picture of the situation as far as agricultural staying competitive while various groups want to get rid of practically all pesticides? Other groups think it is just as necessary for plant and animal life and human health to keep all pesticides. I have tried myself to bring about a balance. It is a constant fight, but what is the story today?

Secretary HARDIN. As I have indicated in my statement earlier, we are doing everything that we possibly can to consider each of these issues and each registration in an atmosphere of scientific detachment, with full consideration to scientific data that may be available. I think it is important we move carefully and thoroughly, that we recognize dangers that may exist, that we also consider the dangers that can exist on the other side if a chemical is not available and that we safeguard that contingency.

We are moving ahead in that kind of framework. I share your concern that if determinations are made in an environment of emotion, that it is very easy to make wrong decisions. This we are trying to avoid.

Mr. WHITTEN. I think this subject warrants a whole lot more discussion than we have had up to this point. I don't know whether it is best to call on you at this point or wait until Dr. Baley, the assistant secretary for this function, testifies.

Secretary HARDIN. Dr. Ted Byerly is working with Dr. Bayley and he is our No. 1 person on this whole pesticide program.

Mr. WHITTEN. I think this is a technical area and I said, trying to learn something about it myself, we would be glad to have you enlarge on your statement to any degree you want to. We will wait and discuss this further with those who deal directly with it. Feel free to enlarge your remarks in the record if you wish to.

Secretary HARDIN. Could we go off the record?

Mr. WHITTEN. Sure.

(Discussion off the record.)

Mr. WHITTEN. Could we have a copy of any agreements that may exist between you and other departments and agencies, as well as your explanation about how it will operate?

Secretary HARDIN. We will be glad to put in the record the agreement executed between the Secretary of HEW and the Secretary of the Interior and myself for moving ahead on these issues.

(The information follows:)

INTERDEPARTMENTAL AGREEMENT FOR PROTECTION OF THE PUBLIC HEALTH AND THE QUALITY OF THE ENVIRONMENT IN RELATION TO PESTICIDES

PURPOSE

Coordination of the activities of the three Departments pertaining to economic poisons as defined in section 2 of the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 135), hereinafter referred to as pesticides, with reference to

the review of current or proposed registrations to assure maximum protection of the public health, the well-being of man, and the quality of the environment.

EXISTING DEPARTMENTAL RESPONSIBILITIES

Each of the three Departments has certain statutory authority and responsibility relating to pesticides in the environment, as set forth below :

Department of Agriculture

1. Statutory authority under the Federal Insecticide, Fungicide, and Rodenticide Act for registration of pesticides.

2. Responsibility for research, education, information, regulatory, and action programs designed to protect the well-being of man, crops, livestock, forests, ranges, habitats, products, structures, and premises against arthropod and other invertebrate pests, weeds, and fungi with equal concern for the protection of beneficial nontarget organisms and the quality of the environment.

Department of Health, Education, and Welfare

DHEW has the statutory authority and responsibility under the Federal Food, Drug, and Cosmetic Act for establishing safe tolerances for pesticides in or on raw agricultural commodities, processed food, and potable water. The Department also has responsibilities for protecting the public from health, occupational, and environmental hazards related to the use and disposal of pesticides, and for other public health aspects such as the control of diseases and their vectors.

Department of Interior

USDI has statutory authority and responsibility under the Federal Water Pollution Control Act to carry out programs, to protect and enhance the quality of the Nation's waters including determining the effects of pesticides in water on health, welfare, and aquatic life. These responsibilities include establishing water quality standards for interstate waters. The Department also has statutory authority for the conservation of wild birds, fish, mammals, their food organisms and their environment as affected by pesticides and the appraisal of effects of pesticides on fish and wildlife.

INFORMATION

Each Department will keep each of the other Departments fully informed of developments in knowledge from research or other sources which may come into its possession in connection with matters referred to in this agreement. High priority shall be placed by each Department representative to respond to each of the other Departments' requests, whether written or oral, for any and all information concerning action pending or taken on pesticide matters.

PROCEDURES

A. General

1. Each Department will designate a qualified representative to act on behalf of such Department in carrying out the terms of this agreement. All communications from USDA, DHEW, and USDI will be directed to these representatives.

2. USDA shall furnish to the other Departments copies of each proposal received for registration or re-registration with the accompanying safety data (if any) and a request for an opinion from DHEW and USDI on the requested action in their areas of responsibility.

3. Within 15 working days DHEW and USDI shall evaluate each registration or reregistration proposal in light of the data supplied and offer an opinion or provide a status report as to whether or not the registration should be granted or specify the additional data deemed necessary before such evaluation can be made. When either is unable to assess the public health or environmental risk without additional data, USDA shall advise the registrant of its inability to consider registration of the pesticide until the additional data requested have been received and reviewed by the respective departments according to the following procedures described below.

B. Specific

1. The departmental representative will accomplish review by his agency of each proposal and report results of such review to each of the other agencies within 15 working days of the receipt of the proposal. If there is insufficient information to reach a decision on the proposal, USDA will be contacted within

such period of 15 working days and advised with particularity what additional information is needed for the necessary evaluation. Applicants for registration should not be discouraged from communicating with DHEW or USDI on registration matters of mutual interests, so long as the other representatives are informed of this details of such contact by memorandum thereof.

2. Upon receipt of such a request for further information, USDA will make arrangements to obtain the additional information, if available, and furnish it to the Department making the request. USDA will withhold final action on the matter for 15 working days, from the date of furnishing the requested information or advice that such information is not available, pending receipt of the report of the other Department of the results of further review.

3. If a Department concludes that the registration should be rejected in whole or in part, this view shall be expressed in writing along with a statement of the reasons for the conclusion including the specific information, lack of information, or scientific judgment upon which these are based.

Upon being so notified, USDA will notify the party involved, that is, the applicant or registrant, and offer him an opportunity to submit any data, views, or arguments with respect to the proposed rejection and any such submission shall be promptly referred to the other Department representatives who shall report to USDA the results of their review of the submission.

4. In the event that after the review of the additional data the Departments cannot agree on the approval of the proposal, any Department may request the formation of a registration review panel for the purpose of making a complete review of the issues and related information or lack thereof and submit a detailed report of their findings. Each registration review panel shall be composed of two representatives from each of the three Departments with the chairman to be selected from the representatives of the Department from which the objections have come.

The registration review panel shall prepare its report within 20 working days, including any minority opinions, and submit it to each of the three Departments.

5. The report(s) of the registration review panel shall be reviewed by each Department within 15 working days of its receipt.

6. If significant differences between the Departments remain still unresolved, all data and information submitted by all parties shall be reviewed at the first monthly interdepartment pesticide meeting after the reviews of the registration review panel reports have been made.

7. In the event agreement is not reached among the department representatives at the monthly interdepartment pesticide meeting, a submission of the reports of the reviews referred to in paragraphs B-1 through B-6 above, will be referred at the request of the Secretary of the objecting Department to the Cabinet Committee on Environmental Quality. The referral shall be accompanied by a statement prepared by each Department analyzing the issues involved and setting forth the decision it recommends. The Cabinet Committee on Environmental Quality will consider such recommendations and make a written report, either accepting, rejecting, or modifying them.

8. Based upon consideration of the action of the Cabinet Committee, the Secretary of Agriculture will make the decision as to the specific action to be taken with respect to the matter on which the Department representatives were not in agreement, and will thereupon notify the other two Secretaries in writing in advance of the publication of the final determination if he has not followed the recommendations made by the objecting Department(s), specifically stating his reasons for such action.

9. When registration is granted, USDA shall supply to DHEW and USDI final printed labeling at the time of registration with a copy of the final letter to the registrant.

10. The departmental representatives may review existing patterns of usage and registrations for particular pesticides. A conclusion by USDA, DHEW, or USDI that an existing pesticide use or registration may be detrimental to the public health or to the quality of the environment shall be transmitted to the other two Departments together with the supporting reasoning and information, with a recommendation for corrective action. Written information from all sources on the health or environmental aspects of such pesticides shall be submitted to a registration review panel for review and recommendations. If USDA, DHEW, or USDI disagrees with the recommendations of the Registration Review Panel, that Department can initiate further review by the procedural steps described in paragraphs B-6 through B-8 above.

INTERDEPARTMENT PESTICIDE MEETINGS AND CONFERENCES

The Department representatives will meet jointly at an interdepartment pesticide meeting once a month to provide a continuous dialog concerning all aspects of their current activities and to promote cooperation and understanding among the Departments. Monthly reports concerning their activities will be made to the Secretaries of the three Departments, according to a mutually agreed upon format.

The departmental representatives will arrange a general conference at least once each year to discuss research needs, research program and policy, and the application of research findings in action programs, including public information relating to pesticides. The interdepartment pesticide meeting will consider broad questions on policies relating to pesticides involving the interrelationships of control programs, research, registration, tolerances, the public health, and general departmental recommendations to the public.

In order to promote free interchange of information among the departments involved under this agreement, each department representative should be invited and encouraged to participate in conferences, meetings, and various symposiums with Federal, State, university, or industry people on possible matters of mutual interest.

EFFECTIVE DATE AND SUPERSEDURE

This agreement shall become effective upon signature by the Secretaries of USDA, USDI, and DHEW, and shall supersede the agreement entitled "Interdepartmental Coordination of Activities Relating to Pesticides by the Department of Agriculture, the Department of Health, Education, and Welfare, and the Department of the Interior," published in the Federal Register on May 1, 1964 (29 F.R. 5808).

CLIFFORD M. HARDIN,
Secretary of Agriculture.

Date: January 28, 1970.

ROBERT H. FINCH,
Secretary of Health, Education, and Welfare.

Date: January 28, 1970.

WALTER J. HICKEL,
Secretary of the Interior.

Date: January 28, 1970.

Mr. WHITTEN. Is it true that the Secretary of Interior has veto power over the use of pesticides by individual farmers?

Secretary HARDIN. No, that is not true. You will see this in the agreement we are supplying.

Mr. MAHON. I am very much interested in the Secretary's testimony, but before you proceed may I discuss a matter of concern? Mr. Secretary, we have four or five subcommittees running at the same time right now.

(Discussion off the record.)

Mr. WHITTEN. Mr. Chairman, we are mighty glad to have you here. See you later.

I have had reports that there are several wildlife societies with considerable funds devoted to exploiting the emotional nature of pesticides.

I am convinced unless the Department of Agriculture stands up to these drives, the cost of living can greatly increase. The health danger would greatly increase and malaria would be back with us, and many, many other things.

IMPACT ON PESTICIDE ELIMINATION ON FOOD PRODUCTION

If you don't stand up, who will stand up? I have been disturbed a little bit about your canceling registrations because of charges. Could you report for the record the resulting costs and the resulting damages in the field of food production if these pesticides under attack were eliminated from use; do you have such figures that you could supply for the record on that?

Secretary HARDIN. I do not think it would be possible to give you an accurate figure at this stage on this. We are proceeding use by use and chemical by chemical to re-examine, to see whether there is a good alternative available now. If there is, is it more expensive? Is it less effective?

This will not be completed for several more months. I presume we could give you some kind of a rough guess.

Mr. WHITTEN. Please supply what you have for the record.
(The information follows:)

The Use of Pesticides in Agriculture

In our opinion some synthetic chemical pesticides will be necessary for the protection of human health and well-being, and for the protection of crops, forests, livestock, and the environment for the foreseeable future. We must continue to seek, to develop, and to apply those methods of effective pest control least hazardous to man, to non-target organisms, and to the environment.

Nearly all farmers use some kind of pesticides for the protection of their crops and livestock. In 1966, they used 353 million pounds of pesticides other than sulfur, and spent about \$561 million for materials alone. This was more than half the value of all pesticides used in the United States, and was up about a tenth over 1964. Total insecticide and fungicide use in 1966 (exclusive of sulfur) remained about the same as in 1964, but herbicide use increased. The use of insecticides on cotton was down because of the large reduction in acres grown, but herbicide use was up more than a third.

Leading products among the insecticides continue to be toxaphene, DDT, and aldrin. These three accounted for over half of all insecticides used by farmers in 1966. Shifts in ingredient usage among insecticides from 1964 to 1966 showed a slight decrease in the use of chlorinated hydrocarbons and an increase in the use of organic phosphorus compounds. Among herbicides, more 2,4-D was used in 1966, and it continued to be used in larger quantities than any other herbicide, but its relative importance was down. So far as application is concerned, farmers themselves applied three-fourths of their pesticides in 1964; custom operators applied one-fourth.

Although no data are available to show current farm use of pesticides; in recent years manufacturer sales of pesticides have been increasing 10 to 15 percent annually. Most of the increase is accounted for by expanded use of herbicides. Insecticide usage has shown more moderate advances while fungicide use has held about steady.

Over half of U.S. farmers use weed, insect, or disease control chemicals in the production of their crops. In 1966, about 37 percent of the farmers growing crops used herbicides, 29 percent used insecticides, 4 percent used fungicides, and 8 percent used other pesticides (including defoliants, desiccants, growth regulators, miticides, and rodenticides).

Table 1 summarizes the acres of crops treated with pesticides in 1966. The proportion of crop acreage treated with pesticide chemicals is increasing. This is especially true for herbicides. For example, corn acreage treated with herbicides increased from 11 percent in 1952 to 57 percent in 1966. Cotton acreage on which herbicides were applied went up from 7 percent in 1958 to 52 percent in 1966. Considering all crops, about 27 percent of the total cropland (not including pasture and rangeland) was treated with weed control chemicals in 1966. They were applied on over half of the corn, cotton, rice, peanuts, and potato acreage.

Table 1.--Acres of crops grown, farm value, and acres treated with pesticides, by type of pest control and crop, United States, 1966 ^{1/}

Crop	Total acres :		Farm value :	Acres on which pesticides were used for the control of --			
	grown in 1966 ^{2/} :	acres :		Weeds :	Insects and diseases ^{3/} :	Diseases ^{4/} :	Other ^{4/} :
	1,000 acres :	Million dollars :	1,000 acres :	1,000 acres :	1,000 acres :	1,000 acres :	
Cotton.....	10,349	1,258	5,430	5,588	207	2,691	
Corn.....	66,255	5,106	38,060	21,864	5/	---	
Wheat.....	54,513	2,142	15,500	1,090	5/	---	
Sorghum.....	16,439	807	4,932	329	---	---	
Rice ^{5/}	1,980	421	1,030	198	---	---	
Other grain.....	35,635	976	10,500	356	---	---	
Soybeans.....	37,388	2,553	10,270	1,496	5/	671	
Tobacco.....	973	1,253	19	788	68	5/	
Peanuts.....	1,490	272	939	1,043	521	5/	
Sugarbeets.....	1,223	260	404	147	122	---	
Other field crops.....	8,607	546	3,185	861	86	5/	
Alfalfa.....	29,008	2,892	140	2,031	---	---	
Other hay.....	35,796	---	530	5/	---	---	
Pasture.....	6,544,512	---	8,150	5/	---	---	
Irish potatoes.....	1,497	620	883	1,332	359	135	
Other vegetables.....	3,690	1,443	1,033	2,066	738	4/	
Citrus.....	6,11,179	492	342	1,144	861	448	
Apples.....	6/675	252	108	621	486	189	
Other deciduous fruits.....	6/800	402	104	576	464	40	
Other fruits and nuts.....	6/1,807	485	325	1,066	705	18	
Summer fallow.....	36,984	---	740	---	---	---	
All crops (not including pasture).....	346,288	22,180	94,474	---	---	---	
All crops (including pasture).....	890,800	---	102,624	42,596	4,454	4,454	

^{1/} Does not include Alaska and Hawaii. Excludes pesticides used for seed treatment, for stored crops, and in farmyards and gardens. Acres treated for different types of pest control are not additive since the same acres are frequently treated for more than one type of control. ^{2/} Crop production, 1967, U.S. Dept. Agr. Cr Pt 2-2 (7-67). ^{3/} Estimated from 1968 Agricultural Statistics. ^{4/} Other pesticides include defoliants, desiccants, growth regulators, miticides, and rodenticides. ^{5/} Less than 0.5 percent of the acres grown. ^{6/} Estimates based on 1964 Census of Agriculture.

More crop acres were treated with herbicides on large farms than on small ones. Twelve percent of the farmers with agricultural sales less than \$2,500 a year used herbicides on 11 percent of their crop acres, not including pasture. On the other hand, 74 percent of the farmers with agricultural sales over \$40,000 used herbicides on 38 percent of their acres.

The use of insect and disease control chemicals is also increasing on some crops. In 1952, only 1 percent of the corn acreage was treated, compared with one-third of the acreage in 1966. Tobacco acreage on which insecticides and fungicides were used went up from 47 percent in 1952 to 81 percent or more in 1966. The proportion of cotton acreage treated remained fairly constant during the last 10 years at a little over half the acres.

About 29 percent of the farmers used insecticides on one or more crops in 1966. However, only 12 percent of the total crop acreage (not including pasture and rangeland) was treated. In 1966, insecticides were used most extensively on tobacco, peanuts, fruits, and vegetables. For these crops, over 50 percent of the acres received insecticide treatment.

Disease control chemicals were used on a very small portion of the total crop acreage--about 1 percent. However, over 70 percent of the citrus and apple acres were treated with disease control chemicals. The chemicals were also used on a large share of other fruit acreage and peanut and vegetable acreage.

Nearly 70 percent of the tobacco acreage was treated with other chemicals, mainly plant regulators to control the growth of suckers. Defoliant and desiccants were used on about one-fourth of the cotton acreage. Other chemicals were used extensively on citrus and apples, mainly to control fruit setting and as harvesting aids.

Table 2 presents the farm value of U.S. crops and farmers expenditures for pesticide materials for various types of pest control in the production of these crops for 1966. Total cost for controlling pests on crops--material and application--was about \$760 million. Thus, in 1966 farmers expenditures for pesticides were equal to slightly more than 3 percent of the total value of their crops.

No precise estimate of the benefits from the use of pesticides can be given but it is certainly substantial, many million of tons in terms of crops yield and great improvement in product quality.

Table 2.--Acres of crops grown, farm value, and expenditures for pesticides, by type of pest control and crop, United States, 1966 ^{1/}

Crop	Total acres grown in 1966 ^{2/}	Farm value ^{3/}	Expenditures for pesticides used for the control of --- ^{4/}				
			1,000 acres	1,000 dollars	Weeds	Insects and soil organisms	Diseases	Other ^{5/}
Cotton.....	10,349	1,258	28,934	57,561	1,572	6,396	
Corn.....	66,255	5,106	94,809	39,589	38	237	
Wheat.....	54,513	2,142	9,108	851	52	---	
Sorghum.....	16,439	807	8,165	1,083	---	---	
Rice.....	1,980	421	6,466	322	---	---	
Other grain.....	35,635	976	4,699	232	5	---	
Soybeans.....	37,388	2,553	42,746	2,745	54	---	
Tobacco.....	973	1,253	145	8,177	437	11,428	
Peanuts.....	1,490	272	4,454	4,380	249	2,488	
Sugarbeets.....	1,223	260	2,011	316	1,150	19	
Other field crops.....	8,607	546	10,114	2,224	155	27	
Alfalfa.....	29,008	---	476	7,540	---	11	
Other hay.....	35,796	2,892	724	331	---	---	
Pasture.....	6/544,512	---	11,408	1,147	---	7	
Irish potatoes.....	1,497	620	1,960	7,404	3,757	1,498	
Other vegetables.....	3,690	1,443	9,729	17,545	3,952	2,016	
Citrus.....	6/1,179	492	1,117	16,719	2,665	821	
Apples.....	6/675	252	1,000	14,527	11,582	1,865	
Other deciduous fruits.....	6/800	402	1,062	8,855	2,613	2,147	
Other fruits and nuts.....	6/1,807	485	2,674	7,258	4,575	1,558	
Summer fallow.....	36,984	---	1,096	---	---	---	
Nursery and greenhouse products.....	7/	8/	334	368	44	3	
All crops (not including pasture).....	346,288	22,180	231,823	198,027	32,900	30,514	
All crops (including pasture).....	890,800	---	243,231	199,174	32,900	30,521	

^{1/} Does not include Alaska and Hawaii. Excludes pesticides used for seed treatment, for stored crops, and in farm-yards and gardens. ^{2/} Crop Production, 1967, U.S. Dept. Agr. Cr. Pr. 2-2 (7-67). ^{3/} Estimated from 1968 Agricultural Statistics. ^{4/} Source: Data from Economic Research Service, USDA, Pesticide and General Farm Survey, 1966. ^{5/} Other pesticides include defoliants, desiccants, growth regulators, miticides, rodenticides, fungicide-insecticides, herbicide-insecticides, insecticide-soil fumigants, and other combinations. ^{6/} Estimates based on 1964 Census of Agriculture. ^{7/} Acres not reported separately in 1966. ^{8/} Vegetables grown in greenhouse included in other vegetables. Nursery and other greenhouse products not included.

PUBLICITY ON PESTICIDES

Mr. WHITTEN. I am advised that in New York City, one of the wildlife societies is sponsoring radio announcements which in part say get rid of the DDT gang, and then they list many pesticides, herbicides, and insecticides.

Honestly, it is disturbing how the public can be inflamed. It looks to me like you who deal with food production, and I am not trying to get over that which is not true, are going to have to fight back for the good of those who stirred up so much trouble.

Secretary HARDIN. I think this is our responsibility, Mr. Chairman, to look at all of these things for which these chemicals are being used and if we find there is indeed danger as a result of new and scientific information available, then I think none of us, including any member of this committee, wants to put out a product that is unsafe.

Mr. WHITTEN. Certainly nobody wants to do that on this committee or elsewhere. This is what we have to guard against. With the increasingly accurate measuring devices, where they can identify one part in a trillion, it is getting to where nothing is absolutely zero.

Secretary HARDIN. That is true. Testing methods are more accurate and refined than at any time in the past. I think our position here is to try to base the decisions on the very best information from science and balance any uncertain future here against certain losses.

Mr. WHITTEN. When you get all that done, how do you get it to the public? That is where the problem arises.

Secretary HARDIN. That is a problem indeed.

INCREASE FOR PESTICIDES REGULATION

Mr. WHITTEN. I notice that you are asking for \$2.4 million increase in funds for regulation. Is any of that going to information on protecting the public health? A few people talk about the dosage. You can take too much of anything and injure your health. Too much water will kill you, and that has been proven. What part of this increase is going to make sure the public knows about it after you have tested to determine the proper dosage for these essential pesticide, herbicides, or insecticides. Publication of these facts are necessary so that hysteria won't make them get rid of a whole lot of pesticides that are essential and not dangerous when properly used.

Secretary HARDIN. I don't believe any of these funds were earmarked specifically for publicizing.

Mr. GRANT. That is right. We do have \$280,000 which this committee has provided for several years for coordination of departmental and interdepartmental pesticides activities and for emphasizing the importance of pesticides in agricultural production. That is a part of the agricultural research appropriation item.

Mr. WHITTEN. You might feel free to add to that when you get the record.

MANAGEMENT OF ENVIRONMENT

Another thing I mentioned several times has been this environmental drive, and it is proper that we give some attention to our environment before it is too late.

I cannot reconcile that to the action that you take in your cutting out ACP. One of the greatest pollutants in surface water is sediment. That is erosion of land. Nearly 4 billion tons of sediment are delivered to the waterways each year, and 75 percent is derived from agricultural and forest lands. More than 1 billion tons of sediment, including 4 million acres of topsoil reaches the major streams of the United States annually from agriculture and other sources. Sediment damages in all cases has been estimated at \$500 million annually.

There is no way to estimate that damage that is done and the necessity for looking after it. Under ACP—and I want the record to show this—how many participants have we had over the last 6 or 8 years as well as the other projects? I am told it is somewhere around 55,000 major works of improvement, about 87 percent of what is done in this program is permanent, whereby about 1,100,000 farmers paid two-thirds of the cost. It is just unbelievable that any group could cut that program out and go off after a mirage, go after these things that are being espoused all in the same budget.

According to your justification, 2,072,000 water storage reservoirs were built from 1936 to 1968. I say for the record, as folks who have farms know, these water ponds, have done much to distribute grazing. Cattle, as you know, go so far from water and turn and go back. These ponds scattered around contributed greatly to the amount of beef that is available, which in turn has favorably affected the price.

Thirty million acres of terraces have been constructed; 113 million strip cropping systems have been established to control wind and water erosion. One million acres of permanent sod waterways have been established to control water erosion, and so on down the line.

You could leave all our children and children's children all the money in the world, but with wornout land you leave them nothing. I have been to India and many of these wornout countries and all the time it was a case of getting caught tight, as we are. They cut their attention to the land. They didn't put back what they took out. Here we are falling into the same situation. I cannot understand it.

NUMBER OF SOIL CONSERVATION TECHNICIANS AFFECTED BY PROPOSED
REDUCTION IN ACP

You seem to overlook two things. How many soil conservation technicians would this eliminate in your announcement to cut this program out next year? This committee provided years ago that 5 percent of the ACP money would go to pay technicians to do work for them. As I recall, last year it provided about 400 or so, man-years that would be eliminated the first year and about that many in the second year.

Mr. GRANT. In the fiscal year 1971, Mr. Chairman, there would be a reduction of 440 man-years in the Soil Conservation Service, but in the succeeding year there would be an additional reduction of 430.

Mr. WHITTEN. That is the Soil Conservation Service?

Mr. GRANT. Yes, sir. There is expected to be a total of 430 man-years engaged in that work in 1971.

SOIL EROSION

Mr. WHITTEN. Another thing that I thought we might mention here is that we had erosion before this country was ever settled or you wouldn't have the Mississippi River Valley. With all of man's efforts you cannot completely control it. In the city of Memphis, despite all the efforts we have made, about 40 acres of topsoil pass that city every day in the year on an average. Not only that, but we here are going to kick out the window the one program that has worked with all these participants, not the kind of the pie in the sky sort of thing, where you hope these folks will do these big things with a lot of appeal.

Could I ask if the Department recommended this elimination or if this was something that came from the Bureau of the Budget?

Secretary HARDIN. We recommended, sir, that it not be reduced.

Mr. WHITTEN. We have had this same thing before. This is not directed to you or to the administration's Budget Bureau. This committee has recommended and the Congress approved restoration of it for about 16 out of 18 years.

MEAT AND POULTRY INSPECTION

Mr. Secretary, I have taken up so much of your time this afternoon. I want to compliment you for us all. I would like, on meat and poultry inspection, if Mr. Grant would dig it up, the letter that went out to the field when they were getting pictures on this meat inspection law. I would like that inserted here.

(The information follows:)

U.S. DEPARTMENT OF AGRICULTURE,
CONSUMER AND MARKETING SERVICE,
COMPLIANCE AND EVALUATION STAFF,
Dallas, Tex., July 27, 1967.

Memorandum to: All Dallas area compliance officers.

From: Wilbur F. Michael, officer in charge.

Subject: Special Project Q.Q. & C. (Quick, Quiet, and Confidential).

Effective immediately, we are to discontinue all other C. & E.S. work and devote full time (plus any overtime necessary to effectively complete this assignment) to "Project Q.Q. & C." Overtime will not be authorized for travel.

The information we will gather at nonfederally inspected (NFI) plants in this effort is to be used at congressional hearings now being held in connection with the proposed amendment (H.R. 6168) to the Meat Inspection Act.

For the purpose of this project, the following areas of responsibility are assigned: Barrett—Colorado and Oklahoma; Halverson—Arkansas; and Ramos—Texas and Louisiana.

We have been designated to make this survey since our presence in NFI plants would attract less attention than any other USDA personnel, as we are normally in and out of these plants.

This project consists of three parts, as follows:

1. You are to gain entrance into NFI plants (slaughter and/or processing) under the guise of (a) meeting local inspection personnel to gain cooperation in our normal C. & E.S. work, (b) discussing our denaturing and decharacterizing requirements with management, (c) etc. This should be done quickly and quietly in such a manner that no one is aware of the real purpose of your visit. This will require a very discreet approach and may tax your imagination. Other approaches used to gain entrance to NFI plants are: (1) requesting management's permission to check their freezers for products bearing Federal marks of inspection that might be forged or counterfeit. (2) Explaining to and showing management how Federal marks of inspection must be obliterated before used containers are filled.

The sole purpose of your visit is to observe, and for each plant visited, submit a written report direct to B. H. Rorem, Acting Director, C. & E.S., USDA, South Agricultural Building, room 2614, Washington, D.C. 20250 (copy to me), listing any deficiencies noted that indicate a need for tighter inspectional controls. You are not to limit your observations to the following, but examples of things to be checked are: (a) Plant facilities—window and door screens, drainage, types of floors, ceilings and walls, lighting, welfare facilities, equipment, etc.; (b) environmental sanitation—availability of sterilizers for equipment used on diseased or contaminated meat, hand washing facilities, cleanliness of employees and their clothing, spitting on floor, cleanliness of equipment (describe type of dirt or filth, stipulate amount only if excessive), etc.; (c) inspectional procedures—lack of or inadequate ante and post mortem inspection, temperaturing of cooked product containing pork, labeling controls, etc.; (d) 4-D type animals held in livestock pens for slaughter—cancer-eye, downers, deads, cripples; (e) plant operations procedures—meat and/or product in contact with floors, contamination of carcasses with manure, pus, dirt, etc., in dressing operation, deceptive packing, etc.

Plants selected for this survey will be those in which you would expect to find the most discrepancies. In other words, look for "horrible examples."

2. In 1963, Dr. M. R. Clarkson prepared a report concerning a comprehensive fall and winter survey made in 1962 by MID of intrastate meatpackers and processors in 48 States. Their report showed there was widespread use of false or deceptive labels or packing and that much intrastate meat contained diseased tissues and spoiled, putrid, filthy materials.

Please submit a report to me stating what each of the States you are concerned with, has accomplished in the way of corrective measures (as new laws, etc.) since 1963.

3. You are to each collect a minimum of five retail samples of NFI-produced meat food product. If time permits and you find additional products you feel should be sampled, feel free to do so. It is expected that most of this sampling will need to be done on Saturday and Sunday. This will leave the weekdays through next Wednesday for your survey of NFI plants. Incidentally, all of this work must be completed by Wednesday, August 2, 1967.

The samples are to be airmailed to the Meat Inspection Laboratory, U.S. Court and Customhouse Building, 1114 Market Street, St. Louis, Mo. 63101. You should select product you believe might be violative. Be sure you get labels if available. Labels should be attached to the sixth copy of the MI-422, which will be mailed directly to Rorem. You keep the seventh copy and mail fifth copy directly to me. Original and all other copies should accompany the sample. If hamburger is sampled, be sure it is produced in a meat plant and not ground by the retail store. Purchase and use dry ice you feel necessary to pack with your sample. Contact your nearest MI office for sample mailing containers, bags, etc.

Attached is a specimen copy of MI-422 to be used as a guide in their preparation. Be sure all information shown on the specimen is included. In block No. 3, show "noninspected—1" for your first sample, "noninspected—2" for your second sample, and so on.

Use the attached chart to determine the particular analyses you desire laboratory to do. Desired analyses not printed in blocks on the MI-422 should be written in the other blocks.

Also attached for your use is a paper listing "analysis which the MI laboratories are able to perform," including species determination and coagulation tests to determine highest temperature attained in cooked products. Suggest this analysis be made on smoked sausage to determine if possible live trichinae have been destroyed.

In your reports of plant surveys it is suggested you use dramatic, graphic terms with impact, such as cancer-eye, pus, manure, disease, excreta, cockroaches, rats, flies, loose paint, cobwebs, rust, grease, overhead dripping sewer lines, toilet facilities mice, flour, excess water, chemicals, excess fat, etc., instead of other more acceptable terms. Of course, you must be factual in your reports. Try to find evidence of contaminants on the meat if possible.

Please keep in daily contact with this office and give us telephone contact points, etc., where you might be reached.

Enclosed are preaddressed "franks" for the St. Louis laboratory.

I am to phone Mr. Rorem next Monday to report our progress.

Mr. WHITTEN. If I read the record right, you have had only three States which have come up to Federal meat inspection standards.

Secretary HARDIN. At this stage.

Mr. WHITTEN. The Department has given to other States, except one, an additional year to make improvement. I would like to know what the total cost to the Government would be if the other States do not come up to it and we have to take over this whole job of marketing.

Secretary HARDIN. Yes, sir.

(The information follows:)

If it were necessary for the Federal Government to take over the entire job of inspecting meat, the total estimated cost would be about \$113 million, an increase of about \$22 million above the 1971 budget. This is calculated on the same volume of meat inspection as is projected for fiscal year 1971. This would include inspection of plants in those States that do not now meet Federal standards.

FOOD STAMP PROGRAM

Mr. WHITTEN. Could you tell us something about the food stamp program and how you are handling that?

Secretary HARDIN. The major changes have occurred since the additional appropriation was approved in November making the total \$610 million. This permitted increasing the allowance for a family of four from \$58 a month to \$106 a month, which is the amount calculated to purchase the Department of Agriculture economy diet.

The cost to families for the stamps has been recalculated to give a little more help to the very poor.

I am referring to the changes already made as a result of the increased appropriation. I think those are the two principal factors.

Mr. WHITTEN. In addition to the necessity for raising the authorization from \$170 million to \$1,250,000,000 what other change in food stamp legislation is necessary for you to use effectively the 1971 budget request?

Secretary HARDIN. The principal other change in the program recommended by President Nixon and still before the Congress is the provision of free stamps to those in the very lowest income brackets, and we are defining these as those with an income of less than \$360 per year for a family of four.

The other change provides that the stamps shall not cost more than 30 percent of anyone's income. It is also planned to extend the program, either a stamp program or a commodity program, into all the remaining 266 communities by the end of this year, which would mean they would be in the next year's program for 12 months. Those are the principal items.

PRINTING OF FOOD STAMPS

Mr. WHITTEN. For the record, and we have developed in times past, how are these stamps handled? Who prints them? Are they printed under contract?

Secretary HARDIN. They are printed by the Bureau of Engraving and Printing.

Mr. WHITTEN. Do they use very ordinary paper? Would they be very easy to counterfeit?

Mr. GRANT. No, Mr. Chairman, they use a special process to discourage counterfeiting.

In addition to that, we are now going to number them serially in order to make them more difficult to counterfeit and make it easier to identify stolen stamps.

THEFTS OF FOOD STAMPS

Mr. WHITTEN. Articles have appeared in the paper that you had a million dollars' worth of stamps stolen in recent months. Last year I believe it was testified in one instance \$300,000 was stolen.

Secretary HARDIN. It is a little over a million going back to the early sixties, but most of it in recent months. Some of those have been recovered now, a rather significant percentage actually. And we are, as Mr. Grant said, proceeding now to have all stamps numbered serially so they can be identified and traced back to the original source, which we think will help.

About half of them are being handled by banks and there are additional ones being handled by other agencies.

PROCEDURE FOR HANDLING FOOD STAMPS

Mr. WHITTEN. Do you pay a commission to the bank for handling them?

Mr. GRANT. I would have to put that in the record. I believe a small payment is made. We ask the local welfare offices to whom we issue the stamps to keep them in a bank vault if they do not have other adequate security.

(The information follows:)

BANKS AND THE FOOD STAMP PROGRAM

Banks may perform several functions for the food stamp program.

REDEEMING COUPONS FOR RETAILERS

All commercial banks, under procedures issued by the Federal Reserve System, redeem coupons for retailers. Banks receive no payment from Federal, State, or local governmental units for this service.

FEDERAL DEPOSITARIES FOR CASH COLLECTIONS FROM FAMILIES

Certain commercial banks, selected by State or local officials, may be designated as a Federal depository by the U.S. Treasury. Coupon-issuing offices deposit the sums collected from participating families (the purchase requirements) in these banks. The banks transfer such sums to the separate food stamp account maintained in the U.S. Treasury. The U.S. Treasury reimburses such banks for their costs, under their Federal depository reimbursement policy.

COUPON-ISSUING AGENTS

The State welfare agency or the local governmental unit may contract with commercial banks to issue (sell) coupons to eligible families. State or local funds pay the issuing fees under such contracts; no Federal funds are involved.

FEDERAL RESERVE BANKS

Coupons redeemed for retailers by commercial banks are sent to Federal Reserve banks. These banks perform a counterfeit check on a sample basis and then destroy the coupons. USDA pays Federal Reserve banks for this service. It is estimated that about \$100,000 will be obligated for this service in fiscal year 1970.

Mr. WHITTEN. So you are handling the stamps, distributing the stamps to the welfare agency, but they by and large are determining the eligibility; is that correct?

Mr. GRANT. Yes, that is correct.

Secretary HARDIN. Am I correct that the liability for loss—

Mr. GRANT. After the stamps have been turned over to a State, the State would be liable for any losses.

Mr. WHITTEN. Liability just means you are responsible, or does it mean any recovery?

Mr. GRANT. It means they are responsible for making good on the stamps we cannot recover.

Mr. WHITTEN. How much personnel do you have handling the food stamp program?

Mr. GRANT. In the Food and Nutrition Service there are 1,200 man-years involved in the food stamp program throughout the country. In addition, employees of the Office of the Inspector General are involved in investigating the use of the stamps, thefts, and other problems.

Mr. WHITTEN. Would you be the one to give us the full information on that or should we wait until he is here?

Mr. GRANT. I will be glad to get it.

Mr. WHITTEN. Supply it for the record. It might give the committee some advance notice.

(The information follows:)

The Office of the Inspector General is responsible for auditing the Food and Nutrition Service and State agency activities involved in administering the food stamp program. OIG is also responsible for investigating violations of the program, including thefts of coupons from issuing offices; trafficking, which involves the unlawful exchange of coupons for profit; and sales of ineligible items by participating retailers. In fiscal year 1970, 170 man-years are budgeted by OIG for audit and investigative work under the food stamp program.

(Off the record.)

FHA LOAN PROGRAMS

Mr. WHITTEN. You mentioned your housing program earlier. As a matter of fact, in most all of these, are you cutting back from what the Congress provided last year?

Mr. GRANT. The total FHA loan and grant program, Mr. Chairman, as presented to this committee last year, including both direct and insured loans, was \$2.3 billion. We are now operating at the rate of \$1.6 billion. The reduction is primarily in the insured loan program.

This came about for several reasons. One is that in order to make these insured loans, we have to sell the paper in the money market. Other difficulties involved compliance with the outlay limitation, the very high interest rates that we have experienced recently, and to some extent the reduction in budget estimate for staffing funds in 1970.

Mr. WHITTEN. It will be some time before this volume is printed. I hope you will take it on yourself to provide for the record, Mr. Grant, the total number of rural housing units that have been built over the years, the number of watersheds that have been planned, the number that have been constructed, the percentage of construction done, the number of P.L. 566 loans that have been made by the Farmers Home Administration, and the percentage of completions

and those which you have had to refuse because of unavailability of funds or authority.

Mr. GRANT. Yes, sir.

REA LOAN PROGRAMS

Mr. WHITTEN. I notice you are reducing funds for REA. You never did release the \$20 million extra for the current year for REA. So provide as well, the total number of rural cooperatives and a statement on what their situation is as of the present time, and at that point could we have also that number of watershed applications pending, both in planning and in construction, the number of REA loan requests that are pending, both power generation and for distribution and other activities by REA?

Mr. GRANT. Yes, sir.

Mr. WHITTEN. And we might ask for the present status of production loans for the Farmers Home Administration.

Mr. GRANT. That is for operating loans?

Mr. WHITTEN. Yes. So we might have it at one place here.

(The information follows:)

RURAL ELECTRIFICATION ADMINISTRATION

The loan applications on hand, in both the electric and telephone programs, as indicated in the table below, are substantially in excess of the loan funds available. However, by very careful use of the loan authorization, we feel that it will be possible to meet the most urgent needs of the borrowers on an orderly basis for the current fiscal year.

ELECTRIFICATION LOAN APPLICATIONS ON HAND AS OF JAN. 31, 1970

	Distribution borrowers	Power supply borrowers	All borrowers
Total number of active borrowers.....	935	46	981
Number of borrowers with pending applications.....	171	11	182
Loan purposes:			
Distribution facilities.....	\$148, 117, 000	\$142, 000	\$148, 259, 000
Generation facilities.....	10, 583, 000	157, 815, 000	168, 398, 000
Transmission facilities.....	17, 647, 000	82, 206, 000	99, 853, 000
Total pending.....	176, 347, 000	240, 163, 000	416, 510, 000
Uncommitted loan program for remainder of year.....			171, 377, 000

TELEPHONE APPLICATIONS ON HAND AS OF JAN. 31 1970

	Cooperative borrowers	Commercial borrowers	All borrowers
Total number of active borrowers.....	233	614	847
Number of borrowers with pending applications.....	113	232	345
Applications pending.....	\$129, 602, 000	\$254, 905, 000	\$384, 507, 000
Uncommitted loan program for remainder of year.....			\$46, 982, 000

As of February 13, 1970, \$199,573,826 of the \$275 million available for operating loans has been obligated as follows:

	Number	Amount
Initial.....	10, 436	\$84, 284, 216
Subsequent.....	22, 877	115, 289, 610
Total.....	33, 313	199, 573, 826

Public Law 566 watershed program status June 30, 1969

	<i>Number</i>
Watershed workplans completed, cumulative.....	1, 014
Projects moved into construction stage, cumulative.....	686
Projects completed.....	238
Percent of projects completed.....	23. 5
Completed workplans on which construction has not been started.....	328

Watershed works of improvement loans made from inception through June 30, 1969, totaled 198 loans for \$36.6 million. Flood prevention loans from inception through June 30, 1969, totaled 23 loans for \$3.2 million.

Loans made for new dwellings under the Housing Act of 1949, as amended

<i>Fiscal year</i>	<i>Number</i>
1950	2, 070
1951	2, 455
1952	1, 810
1953	1, 702
1954	1, 385
1955	
1956	386
1957	1, 792
1958	2, 394
1959	4, 723
1960	2, 949
1961	4, 211
1962	7, 327
1963	15, 876
1964	11, 497
1965	11, 618
1966	19, 420
1967	26, 977
1968	27, 179
1969	26, 043
Total	171, 814

SALE OF FHA LOANS

Secretary HARDIN. I would like to add to this if I may for the record, that we have been able to work out a new financial instrument for selling the FHA paper, and the prospects for the future look very good.

Mr. WHITTEN. I was going to ask you later about the interest rates. Has this great increase in interest rates created real problems in moving this paper?

Secretary HARDIN. Yes, it has.

Mr. WHITTEN. Supply for the record in some detail what the interest rates have been and what the outlook is at the present.

Without objection, we will put this in here.

(The information follows:)

FARMERS HOME ADMINISTRATION INTEREST RATES TO PRIVATE INVESTORS

Farmers Home Administration interest rates on loans sold to private investors in January 1969 were 6.625 percent for periods of 1 to 25 years. In January 1970, the interest rates were: 8.5 percent for 1 and 2 years; 8.625 percent for 3 through 9 years; and 8.75 percent for 10 to 25 years.

Actual cash disbursements for premium interest paid to private investors in January 1969 and 1970 were \$19.6 million and \$30.4 million respectively.

From all indications, it appears that interest rates will be somewhat lower before the end of this year.

Mr. WHITTEN. Thank you, Mr. Secretary.

Mr. Natcher?

Mr. NATCHER. I want to join with my chairman in thanking you for your appearance before this committee this time, and for your statement.

NEW FARM LEGISLATION

You point out in your general statement that new farm legislation is not only needed, but under the Agricultural Act of 1965 as extended, must be enacted this year.

Has this been presented in a bill to the Committee on Agriculture in the House?

Secretary HARDIN. No, it has not. It is now in draft form being considered by the House committee.

Mr. NATCHER. Generally, what do you propose, Mr. Secretary, by way of new legislation? Is it a continuation and expansion of the act of 1965 as extended?

Secretary HARDIN. No. This would not be a proper classification.

Let me say first, we have been working with the House committee in an effort to develop a cooperative program, cooperative in the sense that we worked on it together in the belief that this is an important enough issue that it deserves bipartisan support if we could possibly arrange it in this way. I think the prospects are good we can.

With that background, the draft we have worked up together provides, first, for greater flexibility for the individual farmer in what he will plant, and what he will market—more choices.

Second, it provides a generally lower loan rate than has prevailed in the past, with the greater attention perhaps to the income payments, commodity by commodity, that are involved in these programs, cotton feed grains, and wheat.

We have been concerned, as the chairman was earlier in our discussion, that nothing be done in these programs that would reduce farm income, but rather the reverse.

We are very much aware, as we looked across the country and studied this area by area, that if there were any substantial reduction in farm payments, this would be demoralizing on most rural communities because these payments have been capitalized into farm prices, into mortgages, into local taxing structures. So we are much concerned with this.

We are concerned with the direction that we have been going with cotton and wheat, less so with feed grains, in the loss of our export markets and are trying to write legislation that will permit us to regain the world markets that we have lost. Those are the principal items.

In the draft bill is also a class one base plan for dairymen. There is the recommendation for the extension of the Public Law 480 program. Those are the principal items, sir.

We realize that the most efficient way and the cheapest way for the Government to divert land is to take it out of production on some kind of permanent basis, but we also realize that if this is done massively, it produces potentially serious problems in local communities.

There is also the problem of possible grazing competition in the cattle industry and there are other problems such as creation of eyesores in individual communities if the land taken out is not maintained from the standpoint of weed control, pest control, and so on.

So we have recommended three pilot programs at modest levels, one to provide assistance to local units of government, particularly towns, to acquire land that is now being cropped that they will need for sewer purposes or other local government purposes in the future. This is in the belief that if land is to be taken out of agriculture, it is best to take it out for a certain future use.

Secondly, we have recommended a pilot program of purchasing cropping rights along the line of mineral rights—it has the same legal status again on a very limited basis to see whether this offers a tenable way of retiring land, and thirdly, the reinstatement of cropland conversion which I think has not been funded in recent years.

Am I right, Mr. Chairman?

Mr. WHITTEN. Yes, that is correct.

Secretary HARDIN. Then we are recommending an additional small bonus to those farmers that would plant some grain on their diverted or set-aside acres and open their farms to hunting in conformance with State law.

Mr. NATCHER. Mr. Secretary, in your new proposals as they are being submitted now for a new agricultural program that will take the place of the Agricultural Act of 1965 that expires, what major change do you make now in diversion of land? You say as far as diversion of land on a permanent basis.

Secretary HARDIN. Yes. I suspect we are talking about a million acres on a permanent basis, but a total diversion on an annual basis pretty much on the order of magnitude that it is today, 40 to 50 million acres.

Mr. NATCHER. The other night, Mr. Secretary, I saw a program on television where they had a number of housewives, and one or two of them were complaining very bitterly over the fact that we had hunger in this country, with some 25 to 30 million people going to bed hungry every night, and we were paying farmers not to produce food.

This never has been explained to the people, they do not understand this program, Mr. Secretary. The fact that we have hungry people does not mean that this condition would not exist if this program was changed. Can we explain this properly to the people.

Secretary HARDIN. I think you can, but it is difficult for some people.

Mr. NATCHER. It is very difficult and I know it.

FOOD PROGRAMS

Holding production in line does not mean that we will continue to have hungry people or that we are not taking care of them. Am I right, Mr. Secretary?

Secretary HARDIN. You are absolutely right. There is plenty of food to take care of all of the hungry people in this country if we could get the proper distribution of it, and this of course is what we are attempting to do with the various programs.

But let us just say that the total production of food in this country is not the limiting factor.

FOOD-FOR-PEACE PROGRAM

Mr. NATCHER. Under the food-for-peace program is there any shortage in any of the food that you distribute under this program? Do you have any shortage there at all in food for peace? Are you having to buy at any regular period to keep on hand adequate food for this program?

Secretary HARDIN. We did buy several products such as condensed and evaporated milk, tallow, lard, blended foods, and textiles, on the open market as a part of this program, but that was indirectly part of our total surplus removal activity.

To be technically correct, though, I have to make those exceptions.

RURAL AMERICA

Mr. NATCHER. I certainly agree with your statement concerning rural America and speaking in terms of exodus to the cities from the small farming communities and from the small towns and small cities.

I certainly believe that if we keep our small towns and our small cities strong that you will keep our people at home, and I think that certainly it would help us with our problems in our large cities today.

REA PROGRAMS

Under REA, Mr. Secretary, you are using the same amount that we had in 1970. Is this adequate?

According to the number of loan applications that are now pending in the Rural Electrification Administration, not only for electric but for rural telephones, are you requesting an adequate amount?

Secretary HARDIN. The answer is "No," but I will ask Mr. Grant.

Mr. GRANT. In direct response to your question, the 1971 budget will not meet all of the applications.

We are usually unable to finance or provide for all of the applications we receive. We do the best we can within the overall limitations. There are proposals for supplemental financing for electric loans where the members of the various co-ops are getting together and developing an organization.

Mr. Hamil will be talking with you about this in more detail later, but we hope that this organization will take care of part of the load.

Mr. NATCHER. Right at that point, Mr. Grant, this is a new proposal and it is really not underway at this time?

Mr. GRANT. It is not underway at this time.

Mr. NATCHER. And may not be during the fiscal year 1971.

Mr. GRANT. I do not know. We hope it will be. There is also legislation pending on the telephone bank which was reported by the House Agriculture Committee and a similar bill was reported by the Senate Committee on Agriculture and Forestry. This would provide some additional assistance in telephone loans.

STATUS OF FARM DEBT

Mr. NATCHER. Mr. Secretary, in your statement you point out the increase in the overall amount received by the American farmer during the past fiscal year.

What can you say to us generally about the farm debt? Is it up or down, Mr. Secretary?

Secretary HARDIN. I am sorry, Mr. Natcher, I cannot give you that off the cuff. It is up, but I cannot tell you how much. May I put it in the record?

Mr. NATCHER. Fine.

Thank you, Mr. Secretary.

Mr. Chairman, thank you.

(The information follows:)

Farm debt outstanding January 1, 1970, was \$58.1 billion, up about 6 percent from the \$54.6 billion of a year earlier. Despite this increase in debt, proprietors' equities in farming increased from \$242.8 billion at the beginning of 1969 to a record high of \$249 billion on January 1, 1970. Probably a greater problem to farmers than the increase in their overall debt position was the increase in interest rates of 1½ to 2 percent which occurred during 1969. Though a number of individual farmers experienced financial difficulties in 1969, loan repayments remained good and delinquencies were few.

Mr. WHITTEN. Mr. Hull?

Mr. HULL. Mr. Secretary, I am delighted to have you here today. I see you said:

WATER AND SEWER LOANS

One in three of our rural communities with a population over 1,000 has no public sewage facilities. To put it another way, over 30,000 rural communities lack central water systems and over 40,000 lack central waste disposal systems. About two-thirds of all the Nation's substandard housing is in rural areas.

Which it is. You come back over here and you have water and sewer loans and grants and this is an overall reduction of \$22 million in water and sewer loans and grants below the current level for 1970, and a reduction of 80 million under the original plans in 1970. So how do you expect the folks out in the country to make any progress really?

Secretary HARDIN. It is a matter of priorities, sir, in terms of the total budget. We have not reduced our enthusiasm for the program or the need that exists. Some of this may be able to be reached under this new program recommended in the President's message on the environment, where \$10 billion would be made available over the next 4 years to provide sewer facilities for all municipalities in the country.

The details of that, of course, are not yet available. We are hoping that will help.

FARM LABOR

Mr. HULL. Do you know it is almost impossible for anybody to get anybody to work on a farm.

Secretary HARDIN. To work on the farm?

Mr. HULL. Yes.

Secretary HARDIN. Yes, indeed, I know this very well.

Mr. HULL. Irrespective of what you may pay them, pay them the top wage.

RURAL LOAN PROGRAMS

Your statement says "Increased credit for farmers, home construction, and community water and waste disposal in rural areas is a key-stone of the rural development program," and they are not getting them.

Secretary HARDIN. I still believe that.

Mr. HULL. We are not getting them. You have here most of this increased need for housing by low- and moderate-income families. What are you doing to help that, anything?

Secretary HARDIN. There is an increase in that.

Mr. HULL. Are you using it? I just wonder if you are using it any place?

Mr. GRANT. For this year we have now projected about \$719 million for insured loans to low- and moderate-income families.

As of the end of January, actual loans have run about \$335 million. So on that basis, we will probably come pretty close to using it fully.

Mr. HULL. In what area does most of that money go?

Mr. GRANT. I don't have a State breakdown with me but I can get it.

Mr. HULL. Put it in the record please.

(The information follows:)

As of January 31, 1970, insured rural housing loans for low-to-moderate income families had been obligated as follows:

<u>STATE</u>	<u>NUMBER</u>	<u>AMOUNT</u>
Alabama	1,478	\$14,439,740
Arizona	160	1,821,730
Arkansas	1,696	16,216,750
California	322	3,864,050
Colorado	251	2,402,250
Connecticut	75	1,053,150
Delaware	63	867,680
Florida	485	5,133,390
Georgia	1,092	12,428,060
Idaho	359	4,499,320
Illinois	859	9,350,210
Indiana	514	5,211,910
Iowa	961	9,598,770
Kansas	342	3,007,820
Kentucky	1,034	11,660,920
Louisiana	641	6,329,670
Maine	655	5,935,220
Maryland	420	5,994,650
Massachusetts	39	481,880
Michigan	536	6,526,700
Minnesota	555	5,769,640
Mississippi	2,684	26,537,500
Missouri	1,236	12,133,320
Montana	63	644,990
Nebraska	418	3,682,380
Nevada	18	276,330
New Hampshire	150	1,581,250
New Jersey	555	7,390,970
New Mexico	146	1,227,490
New York	1,074	12,378,440
North Carolina	1,678	18,945,840
North Dakota	317	3,134,950
Ohio	455	4,618,630
Oklahoma	830	8,759,980
Oregon	234	2,789,950
Pennsylvania	594	7,153,970
Rhode Island	22	302,750
South Carolina	1,216	13,254,690
South Dakota	347	2,840,020
Tennessee	1,441	14,905,130
Texas	1,665	16,960,370
Utah	288	3,331,020
Vermont	343	3,821,280
Virginia	793	8,639,440
Washington	251	3,229,910
West Virginia	658	6,910,690
Wisconsin	783	8,538,370
Wyoming	138	1,473,120
Alaska	45	735,850
Hawaii	138	2,417,310
Puerto Rico	396	3,566,140
Virgin Island	7	112,500
TOTAL	<u>31,520</u>	<u>334,888,090</u>

Secretary HARDIN. The number of housing units that existed this year will be twice as high as last year and up another increment next year in our proposal. It is being expanded. But like so many things, Congressman, if we took care of all the needs, there just simply would not be enough dollars available.

Mr. HULL. I am satisfied of that.

SPECIAL MILK PROGRAM

Elimination of special milk programs. That is probably one of the best programs you have in the schools. I believe that is all I have now, Mr. Secretary.

Mr. WHITTEN. Mr. EVANS.

Mr. EVANS. Thank you, Mr. Chairman.

It is a pleasure to see you again and hear your presentation and your statement, Mr. Secretary.

THE NEED FOR PUBLICIZING THE AGRICULTURAL STORY

One comment in particular the chairman made I certainly concur in and that is, each year that goes by it becomes more difficult to pass basic farm legislation and agricultural appropriations. The figures I think he mentioned were about 47 Members of Congress that have heavy rural constituencies. In addition to our few number. We do not have much help from the press in this regard.

In Colorado we have had a difficult time in regard to public understanding of payment limitations, and there is much talk about how much money farmers get for not doing anything compared to what welfare people get, living in the cities. There is a growing gulf of misunderstanding between rural and urban areas on such legislation as this, and I wondered what you might suggest that the Department do to get the farmers' story across.

Are you and your Department doing anything to acquaint the people in the cities with the facts of farming life?

Secretary HARDIN. Congressman Evans, we have done everything we know how to do to point out to everyone in every conceivable way the fact that farmers have been supplying the American consumer with the highest quality, safest, most nutritious food supply in the world at the lowest percent of income after taxes that has ever been known in the history of this Nation or any nation.

We have told that story in a hundred different ways in the past months. We have placed it in our speeches, we have sent out charts, we sent out material to the media, it is being used, we send it to organizations to put in their house organs. At the same time, we are pointing out this increased productivity in agriculture and that farmers have not shared in the benefits from this, as witnessed by the fact their returns from labor and capital are less than the rest of the economy.

Mr. EVANS. I do not mean to put the whole burden on you and the Department. The Congress has a share of the responsibility here. But in the part of the country I come from, the word is not getting through. You still run into this emotional feeling that these are boondoggle programs, mis-expenditure of funds, and it concerns me deeply.

I just want a comment on that briefly.

Secretary HARDIN. We share your concern and if anyone can suggest how we can do this more adequately, we would like to try.

NEW FARM LEGISLATION

Mr. EVANS. One other thought occurs to me, Mr. Secretary, and that is, it has been a year and 2 months now under the administration of a new president, and I know it takes time for a new president to get his shop in order and his departments going. But we have known for some time, as has the President and as have you, that this farm bill is expiring this year, and as I understand it, all we have from you in Congress now is what you refer to as a "consensus" bill which you make very certain and clear to us and the public is not an administration bill.

It would seem to me that here is an excellent opportunity for the administration to talk not only to the American farmer, but the American public in regard to a specific farm program, and in explaining that program clear up these underspread misconceptions of our urban friends.

I think this would be the best thing the Department and the President could do.

Secretary HARDIN. Yes, but recognizing what you just said and what the chairman said earlier, that we are dealing with a Congress that has had less experience than past Congresses in agriculture, that we are going to need all of the support we can get. We have tried to develop a program here that the administration could support, that the members of both parties of the Congress that are interested in agriculture could support, and we do expect to do just exactly what you say as soon as we know what this is. But it did not seem probable that this was a place where we should just simply bring in an administration bill and say this is it. I think the chairman of the Agriculture Committee expressed it very well, Mr. Poage, when he said neither side of the aisle had the support on their own to put legislation through the Congress, and if we could combine our forces perhaps we could. This is what we are attempting to do.

Mr. EVANS. I look forward to the day when the administration can say that it stands behind a particular farm bill and take it to the country, for I think we need a factual dialogue desperately.

Secretary HARDIN. This is the position we are trying to reach—something all sides can feel is their program and will try to support it together. That is our objective.

Mr. EVANS. In regard to the consensus bill, it is my understanding that the high plains and summer-fallow areas is going to take it on the chin if it is kept as it is with regard to conserving base.

Secretary HARDIN. We have had a committee work on that very problem these past few days—I do not think this needs to be—to make sure that this is factored in as a special case. I think it will be solved satisfactorily.

Mr. EVANS. Do you mean 50 percent?

Secretary HARDIN. I have not seen the figures they have worked out, but it was recognized as we got into the discussion here on the general language that we had better take a special look at some of the fallow areas and take some actual farm situations and factor them through to see how they came out, and if necessary, make appropriate adjustment.

MIGRANT HOUSING

Mr. EVANS. One other question, can you tell me anything in regard to your policy this coming year, budgetwise, on migrant housing? What is your proposal for fiscal 1971?

Mr. GRANT. Our budget estimate is for \$2.5 million. This is the same amount that was appropriated in 1970, but we are planning a program level of \$3,761,450 in 1971. This includes the use of an estimated \$1,261,000 in carryover funds from the previous year. We expect that this will provide about 16 grants for migrant labor housing compared with 11 grants in 1970.

Mr. EVANS. Is this a grant and loan program?

Mr. GRANT. It is a combination, but the figures I just read had to do with grants.

Mr. EVANS. The funding you recommended would be about the same as it was in fiscal 1970?

Mr. GRANT. In terms of the appropriation, yes.

Mr. EVANS. You have how much carryover fund?

Mr. GRANT. In the grant appropriation, we will have a carryover from this year of about \$1,261,000.

Mr. EVANS. About an eighth of the entire amount made available last year?

Mr. GRANT. No, that is nearly half.

Mr. EVANS. That is right.

I have no further questions, Mr. Chairman.

Mr. WHITTEN. Thank you, Mr. Evans. Since you will be with us tomorrow, I think the committee will stand in recess until 1 o'clock tomorrow.

Thank you, Mr. Secretary, we appreciate your appearance and there are enough problems in this bill for all of us. We appreciate your sincerity and the spirit in which you have conducted yourself. We have a common problem.

Secretary HARDIN. Thank you.

TUESDAY, FEBRUARY 17, 1970

Mr. NATCHER. The committee will come to order.

Mr. LANGEN. Thank you, Mr. Chairman.

Mr. Secretary, it has been a real pleasure to have you before the committee. During the presentation of your statement yesterday and the colloquy that followed I found several things to be encouraging. Items such as noting that farm income is up; not where we would like it, but it is up. Also the desire to expand and increase exports is certainly another encouragement. The national growth policy that recognizes rural America as a part of such a growth policy provides a further encouragement. I think I should have to agree with your statement, however, that many of the long problems that have plagued rural America are still with us. I want to explore a couple of them as a matter of record. I shall try to follow them in the order that they were listed in your statement.

INCREASING FOREIGN MARKETS

First I noted your reference to the possibilities of increasing the foreign markets, and in so doing to establish American agriculture on a more competitive basis on the world market.

I note your reference to the work that might be directed at the cost of production around the world in order that we would be acquainted with and in a position to develop better competition in world markets. I made further note of the fact there was a request for an additional million dollars with which to promote the agricultural sales abroad, all of which are good.

Secretary HARDIN. May I just add, as you are aware, Congressman Langen, that this promotional work is done in very close cooperation with the exporting firms from this country. A great deal of the work is done by their personnel with our people helping to manage the trade shows and the other promotions in which they engage with their products.

Mr. LANGEN. Yes, I am.

SALE OF BEEF TO JAPAN

Surely this is a good arrangement because this brings that element in cooperation with the Department that I am sure is helpful. I believe some arrangement has been made to sell beef to Japan in connection with their Expo-70.

Secretary HARDIN. Yes, that is correct.

Mr. LANGEN. Wasn't this done with the cooperation of the Department and the Cattle Association of Colorado or some such combination?

Secretary HARDIN. That is correct. We have also had a modest increase in the quota for beef moving into Japan on a commercial basis. It is still in the token stage but as a result of a rather earnest request we made last fall they did double the quota for 1970 over 1969.

WAYS OF EXPANDING EXPORT MARKET

Mr. LANGEN. This is a good beginning and does offer some hope for the expansion of this market. However, I want to leave a suggestion or two, if a study is to be made and if consideration is going to be directed at our becoming competitive on world markets I personally believe there are some possibilities that we have not directed as much attention to as we might have.

First, your statement, suggests that lowering of price might be one of the means to make us more competitive. I think the first thing we have to recognize there is that the present program, particularly as it applies to wheat, was designed to do just exactly that—lower the price in order to make us competitive.

Secretary HARDIN. Could I respond to your last question, Congressman Langen?

Mr. LANGEN. By all means.

Secretary HARDIN. You were discussing the matter of floor prices for exports. My feeling is that if we go to a freer market situation, this does not necessarily mean lower prices. As I look at wheat and

cotton, it is my feeling that the fact that we have a pegged price that is announced to the world is, one, an invitation to other producing areas to come under it, and it is also a target for them to shoot at and get under.

We have the situation this year where we are above supports on practically all commodities that are moving in international trade.

I think this is a strong contributing factor to the very excellent movement we are getting these past 6 months. The stronger foreign demand is causing the prices to go up, I am sure, but it is moving much easier than if the supports were right up against the world prices. I do not know quite how to sharpen that analysis, but I cannot help but feel, as I look back over the record, that this is an important factor. It is true on wheat today we have both the subsidy and the inverse subsidy, and it is working to a degree, even though it is a bit cumbersome. We are moving wheat in good quantities.

FACTORS AFFECTING WORLD MARKETS

Mr. LANGEN. I should find no quarrel with that. What I had in mind was bringing it just another step further. It occurs to me that when we talk about world markets, and relating our own price to world markets or the price in any other country, it seems to me that the world market as such is a very fictitious market, because it is affected by so many things. It is affected to begin with, with subsidies that we may have in this country as they have in any number of wheat and feed grain producing countries. They have varied forms of them. We have had the experience with wheat in the Common Market, as an example. When we go back to the time when wheat had a support price in this country of \$2 a bushel and more. They then had a variable duty of about 9 cents. We kept cutting down the price and what do they do—they kept adding to their duty so now it is in excess of \$1.50. Obviously it has an effect on the world market.

There are other factors that affect the world market, some that we have been a party to, namely, attempting to under sell each other or run a cut rate store. Obviously when this is done in some volume it has to have an effect on the world market. It has to have a tendency of lowering that market.

It occurs to me that there are so many factors of this kind that enter into the movement of agricultural products in world trade, that if we are going to direct a study to that, some of these items ought to go into that study as well for purposes of trying to determine what effect do they have.

It doesn't really do much good to determine the cost of production in any given country if we then find that country tries to under sell the other countries regardless of cost of production and do so at a loss in many instances. I do not know whether the committee is going to provide the money for such a study, but if they do, it would seem to me that these points ought to be included in that study.

I am wondering whether the Department had interests in these same factors as I have. I think they are important to our sales.

REDUCING TRADE BARRIERS

Secretary HARDIN. Definitely we do have interest in this. As all of you know well, the President has indicated that he hopes to develop an atmosphere of freer trade. He hopes that we can be successful in reducing some of these border barriers, whether they are countervailing duties or import taxes or whatever they may be, or just plain tariffs or ad valorem tariffs, and so on.

We are particularly interested in this in agriculture, because it is our belief that if we can reduce the border barriers in many of the importing countries, we can compete successfully with most countries with most of our commodities.

Mr. LANGEN. I do not think there is any question but what we can compete.

Secretary HARDIN. If we assume that there is no opportunity to reduce these barriers, and that we are going to continue to have economic islands like the European Community, and to a degree, like Japan, we should be following the same kind of a policy here. But if all sections of the world make themselves economic islands with high walls, in the long run we are all worse off as a result of this. We would be better off if we can get to a situation of freer trade.

I do not think this latter point is unduly idealistic. I think there are opportunities with the force that we have in this Government to negotiate some reductions in our tariffs.

AGRICULTURE POLICIES OF BRITAIN AND THE EUROPEAN COMMUNITY

Indeed, we have been getting some reductions and others are in progress with Japan. I think we will be making progress with the European Community. You have had an interesting situation in the community of the six, and Britain across the channel, where their agricultural policies have been almost at opposite ends of the pole. Britain has been relatively an open market. I was in England in 1947 when they were just in the beginning stages of establishing their new postwar agricultural policy. At that time they were producing about a third of their foodstuffs and importing two thirds. They felt they should reverse this and indeed they have.

They launched what they called a cheap food policy where they permitted their food prices to be tied generally to the world level, and then they entered into a program of encouraging production by payments, commodity by commodity, to increase their own output. It was successful, and relatively economical. Relative, I am talking about now, to what was done on the Continent with the Community over these past 10 years. The figures there are rather astonishing. If you add up the dollars that the Community itself put into subsidizing the production of farm products and add to this the contributions of the member countries, and then add a factor for the higher food costs to the residents of the six countries as a result of the artificially high prices that are maintained by this policy, the cost to the people of the six is about \$15 billion a year on a gross national product that is half of ours, which would make it equivalent to \$30 billion a year in the United States. This is far in excess of the costs in this country, and far in excess of the costs in Britain.

So this is the type of thing that we are talking about here when you carry both of these to their extremes.

AGRICULTURAL POLICIES OF FRANCE

Mr. LANGEN. I should certainly agree. Let me say there are possibilities here. To supplement that, I had occasion to talk to three representatives from France some time ago, who were here at a wheat meeting. I, at that time, pointed out the problems that we had with the variable levies, and so on, most of which had originated in France to begin with. I expected they would be a little irritated about this. Much to my surprise, instead of being irritated, they said we are in complete agreement with you. We did not want to instigate these high tariffs, and they are high now. I guess we should call them levies. He said we had to in order to protect our own people.

You were one of those that created the need for us to come up with that protection. This leads me to believe that there is a possibility of a freer market if we begin to work at it. That is why I suggested that in a study of this kind possibly it is a factor that ought to be considered, to attract the attention of other countries, along with our own interests, and could ease the situation a little.

CUSTOMIZED PACKAGING FOR EXPORT

There is one other point in connection with that study that I would like to see included.

How great a significance it may have, I do not know. Obviously our purpose is one of attempting to sell products in foreign countries or on the world market. In many instances, we find that other countries have different tastes, they have different marketing processes than we do. They are not as well equipped, and so on. So in order to make a product attractive to them it probably has to be both packaged and marketed in a manner such as they want it.

I think we could go a long way in that direction because we have the ability to produce almost anything they want. Whether it is grains or meat and livestock products, package it is they want it, and market it their way. I think of Japan, as an example, who is a master at this business. In Minnesota you can buy Swedish matches among the Scandinavian communities made in Japan. If you go to the Indian reservations they have trinkets galore of moccasins and everything else made in Japan. Mostly because they were able to determine that there was a market here for those products. They proceeded to see that they prepared the product in a manner that was acceptable to the public here. I wonder whether we have pursued this as aggressively as we might have in beef or any of these products. If they want dark tough meat we can supply it. If they want choice steaks we can do that. Discovering just exactly what they want, package it for them, market it for them, might just not be the worst sales program to start. A little attention directed to this in connection with our desire to become competitive would seem to be worthwhile.

Secretary HARDIN. I agree with you completely, and there are several bright spots on this.

PATTERN OF PRODUCT DEVELOPMENT

The pattern of product development in the commercial food companies has changed quite a bit in the past few years, I am told. Once, the laboratory people in these companies tried to make some new products, then they would go out and see if they could find a market for them—sometimes they did and sometimes they didn't. Now the typical pattern is for the market development people to study the market and see what they think might be needed or what might sell, and then go back and see if they can make it. Since they have reversed this they have been much more successful. But your reference to Japan reminds me of an amusing incident in my office about 6 months ago. A Japanese cotton miller was in the office and he was being jovial, and commented that he was still puzzled by the fact that here was a people that could put a man on the moon and bring him back, but had not made a change in a bale of cotton in 100 years.

Mr. LANGEN. This is part of that story. I think at times we have been guilty of the reverse. We have sold them the lower quality stuff, or we have attempted to get rid of it on the foreign market—stuff that did not move too well on our own market and consequently was left over and which did not do us any good. It rather hurt our market.

Secretary HARDIN. I think the point you make is a very important and valid one, and I believe one that will be helped by this market promotion work we are doing.

This is one of the things they sense immediately, whether or not it is affecting the foreign market.

MARKET POTENTIAL RESTRICTED BY LIMITED FUNDS

Mr. LANGEN. Let me ask one further question in connection with the possibilities of foreign trade. We know that one of the other big barriers, and you referred to it yesterday, is that in many of the countries where there are great food needs and where there are potentially great markets, there is not any money with which to buy grain. I recall in one instance talking to a representative from India at a world food symposium, I believe, in New York. Because India has made some rather substantial improvements in their own production—wheat particularly—I believe they increased their production by some 40 percent in 1968, I found occasion to compliment them on this achievement. He was a very gracious person and smiled, and he said, "We feel pretty good about it ourselves and it is nice to have a little more grain in the graineries." But it has created a whole new set of problems for us. Now that we have raised this grain, all at once we discovered we have to sell it to somebody and our folks don't have any money.

It worked fine when we got the wheat from you folks and could give it away. Now we have a new combination of problems. I noted your reference yesterday to what happens when they do manage to improve their production, that this also adds to the economy of those farm people, and by the same token must add to the total economy and our part in that ought to be to encourage it in both directions. Not only does it help them, but it would help create a market for us in the

expansion of the use of food, and there is great room for this in many of those countries. I realize it is difficult, but Public Law 480 was designed to do this.

COUNTRIES PROGRESSING FROM DEVELOPMENT STAGE TO CASH MARKETS

Secretary HARDIN. Yes. It has been interesting to me to also look at the record of some of these countries that have moved up the scale. We can look at Korea and Taiwan as two countries that a few years ago were in the developing stage that have moved on up the scale economically and are selling industrial products and other things abroad, and creating their own foreign exchange in much greater quantities than at any previous time. They have both become rather good cash markets for U.S. farm products. Whereas a few years ago it was mostly Public Law 480, we are now selling some products there for full dollar sales.

Mr. LANGEN. Anyhow, these number of factors we have just discussed would seem to me to be suitable subjects for a study that relates to the possibility of our expanding our sales in world markets, as well as making some contribution to making the world market a little more realistic.

Secretary HARDIN. If we could put it in other terms, if we are going to put the effort, manpower and dollars into this kind of development program, we also need to know what the potential is.

Mr. LANGEN. Surely, it would seem to me to have great potential. In that same connection and relating to your statement on page 6, in which you refer to the help that this would provide for farm people here by an expanded market, and its relationship to a greater reliance upon a market, this means that these corrections would almost necessarily have to be made on the world scene as well as here, or they just won't happen. I think we have reached the point, where it is difficult to further reduce production costs. There are some possibilities in the reduction of costs but they are not great on a per unit basis, because of the expenses continuing to go up.

FARM LABOR COSTS

In my country we have some rather large farms and some rather big operations, but they have about reached the point of no return. They get into a terrific labor cost, and they cannot come down much more. In fact, one of the fellows that I know real well in this field complains about the difficulty in operating at a profit, and he farms some 17,000 acres with all of the best equipment there is. But labor costs and price of equipment just do not permit him to cut down his costs further.

RURAL DEVELOPMENT

Proceeding from there, I noted yesterday, too, some reference to the Rural Community Development Service, and a change in this agency. I am not real sure that I understood what the change constituted in all of its detail. But let me just say this: I hope whatever that change is will work and serve agriculture and the Department better than the old system did, because I could find little or no benefit in that old system.

I had occasion to make some requests several times only to wind up with some agency or a section of some department for my answer anyhow. It seemed to me that it just did not do the job. If this new arrangement will do the job, in coordinating those efforts, I could get enthused about that.

Secretary HARDIN. Mr. Chairman, I have asked Under Secretary Campbell to discuss this. Let me say by the way of introduction that in making these changes we were aware of the attitude of this committee of 2½ to 3 years ago in which you did react to the creation of the Rural Community Development Service. The reasons that we made the changes were the exact ones that were expressed in the committee statement. Would you present those, Mr. Campbell?

RURAL COMMUNITY DEVELOPMENT SERVICE

Mr. CAMPBELL. Congressman Langen and Mr. Chairman, in carrying out the intent of Congress and carrying out our views in the executive branch to the best of our abilities, we were quite aware of the attitude of the committee and we had no disagreement with the attitude of the committee as expressed in their report on the 1967 appropriation bill. For the record I would like to just mention some of the things the committee expressed at that time with which we do agree.

I would like to read certain sentences from the report of 1967:

This committee has a long record of support for rural development. * * * It has realized that, if the usual conveniences were made available in nonurban areas, more and more people would be attracted to live in such areas. The committee has recognized, too, the dispersion of many activities which makes rural development essential. * * * Such rural development efforts, however, should complement established programs which enable our farm producers to feed and clothe our people with the world's lowest food cost of only 18 percent of disposable consumer income. They should not be dependent upon approval of a new organization, without a program of its own, which in the opinion of the committee, would only retard the successful efforts of the Farmers Home Administration and other action agencies.

The committee is in favor of efforts to meet rural problems and will continue to support them. The committee believes, however, that such programs have been handled effectively in the past through the regular, established agencies of the Department, which have been working successfully with rural people through the years. These old-line agencies have funds, qualified technicians, and established field offices to meet the needs of rural areas. They can function more effectively if additional layers of supervision are not added between Washington and the rural areas to be served.

The Secretary's memorandum which transferred the functions of the Rural Community Development Service to other agencies of the Department stated that "It is an absolute necessity that the programs of other departments and agencies of the Federal Government be brought to bear on the problems of rural America. These programs need to be closely coupled to the missions of the agencies of the Department of Agriculture. Our goals are to: (a) help local people help themselves; (b) provide additional employment opportunities in rural America; (c) help rural America make a maximum contribution to American society realizing that all citizens have many common interests; and (d) encourage all activities that will improve the lives of people residing in rural America."

I have a statement which supplements the Secretary's memorandum and the passages from the 1967 report of this committee which I would like to include in the record at this point.

(The information follows:)

Secretary's Memorandum No. 1679 transferring the function of the Rural Community Development Service to other agencies of the Department was not considered a major reorganization requiring advance notice in the Federal Register since it involved only \$484,000 and 21 positions.

These funds are not being diverted from the purposes authorized by the Congress but are rather being transferred to the agencies and retained in the Secretary's office to perform the functions for which the funds were appropriated to the Rural Community Development Service.

For example: (a) Liaison with non-USDA agencies to identify which of their programs and services are most useful to rural people and communities; and negotiation of working agreements, policies, and procedures with such agencies to enable rural people to effectively participate in such programs:

Federal Extension Service (programs of the Departments of Labor; Health, Education, and Welfare; and Commerce).

Farmers Home Administration (programs of the Office of Economic Opportunity and Departments of Housing and Urban Development and Transportation).

Soil Conservation Service (programs of the Department of Interior).

Rural Electrification Administration (programs of the Small Business Administration).

The above assignments should be carried out in cooperation with any other USDA agencies whose programs may be affected.

(b) Liaison with cooperatives and other private organizations to encourage their participation and support:

Farmer Cooperative Service and Forest Service, and the other USDA agencies enumerated above or whose programs may be affected in accordance with their respective interests.

(c) Development and release of information about non-USDA programs for the use of groups and individuals interested and involved in carrying those programs to rural America:

Federal Extension Service, in cooperation with other USDA agencies enumerated above or whose programs may be affected.

(d) Overall coordination and planning for the above functions is assigned to the Office of the Assistant Secretary for Rural Development and Conservation.

If there be any lack of communication with the committee, it has certainly been an oversight rather than intent because we had no such intention. It was my personal responsibility to keep the committee informed and if I failed to do so I, of course, apologize. This won't happen intentionally in the future. None of the money and none of the personnel has been reassigned to any duty other than that as laid out by this committee.

Mr. WHITTEN. We appreciate the statement. We are glad to have this in the record. Perhaps by picking this up in the statement it may have been a little forceful way to call it to your attention. We have enjoyed a close relationship throughout the years which I think is helpful, even though we might disagree on certain things.

Where Congress has appropriated money for specific purposes, I think the Congress has been very receptive to any causes that might arise to meet a shift or a change and it is for this reason that the Congress passed the Government Reorganization Act giving the President such authority.

I think this puts us back on a working basis and insofar as you gentlemen are concerned I have the highest respect and regard for both of you. I don't think we will have any difficulty on this at all. I think you will find this committee is most sympathetic. Of course, you won't come to us unless you have a reason and as a usual thing I don't think you have much trouble selling us when these things do come up. Of course, we can't know it all either.

FARMERS HOME ADMINISTRATION PROGRAMS

Mr. LANGEN. Moving on to another subject and one again that finds my interest, namely, the functions of the Farmers Home Administration, and the great variety of programs that they provide loans and moneys for. It occurs to me that in giving recognition to a national growth pattern, and expressing our prime concern for rural America, the Farmers Home Administration plays a real important and significant part in this growth and development. If I may, Mr. Chairman, for purposes of identifying these facts in the record, make just a little short statement with regard to that.

I have noted of late that while we have gone through a period of some 30 years where in rural communities the young folks have continuously been moving out, and finding work and occupation in the metropolitan areas, there may be just a little change in this regard at this point, a change that is not so clear that you can point your finger at it directly but it is still there. It is because of the fact that this has gone on for 30 years that you now have a general populace that is substantially higher in an average age with a good many people reaching the point of retirement. In so doing, this means farms become available, small business places, a hardware store or filling station or whatever, because the folks are ready to retire, and so by virtue of that becomes available to some who have an interest and can finance the purchase. Not only that, but you find a little more opportunity for the younger element of the citizens in a rural area because they do not have a great deal of competition at that age.

The mail directed to our office has also indicated that there are a number of young men and women or young couples who, it seems to me, have indicated an interest in becoming farm operators, providing they can find some way with which to finance and begin that operation. This is not as difficult as it used to be because some of these farms folks that are getting ready to retire will sell at a fairly reasonable basis without too big a downpayment if a loan can be made.

In view of that—and I know about the difficulty of making the loan funds available, and the budget problem that has created tight money all over the country, whether it is the local bank or the savings and loan or wherever it may be—I have also noted by letters received several instances where young people who had an opportunity to buy a farm and applied to FHA for a loan. In some instances the loan was approved. But when the time came to make the purchase there were no funds available.

Here is an approved loan that apparently was determined by FHA to be a feasible loan, and a sound loan, yet the whole deal probably was not consummated merely for lack of funds. Because of that I just

cannot encourage emphatically enough the need to see that there are sufficient funds available to take care of every last one of these young folks that might be a potential farmer.

Secretary HARDIN. Have you been aware of this in other than the past 12 or 15 months?

Mr. LANGEN. Generally, I would say it has grown during the last 12 or 15 months.

Secretary HARDIN. This is my feeling also but I was not a part of the organization at the earlier date. What you say is definitely true, and this is why I reported yesterday that we have made an urgent effort to increase the farm purchase loan funds.

First, by moving some of the funds we have from the fourth quarter to the third quarter, so that they can be available before March 1, and then just this week we did get approval for transferring \$50 million of the housing loan money to the farm loan program, simply because there is much more pressure on the farm loans than there is on housing this year. We hope this will take care of the loans that could not be made earlier.

This is only a temporary solution, we realize, but I reported again just to emphasize that I agree with you completely that this is a real problem.

Mr. LANGEN. I would say that these moves you just referred to are excellent. Let me pursue it a little further because I do not think the problem stops there.

Secretary HARDIN. It doesn't. I agree.

SALE OF FHA ASSETS

Mr. LANGEN. I think I noted in the justifications where there was a greater reliance upon selling some of the paper that FHA has.

When this paper is sold it creates another problem, because in so many instances it has meant withdrawals from savings and loans, the local bank or other saving institutions, to the point where their available credit money becomes short, and consequently further aggravates the whole matter because now the local bank and the savings and loan people cannot care for what would probably be normal requests. So where do the requests end up?—over in the Farmers Home as another request. If those sales continue to increase and offer a further drain, it occurs to me we aggravate the whole problem even more.

Secretary HARDIN. Have you had any reaction since we changed the pattern of the sale of our FHA paper to units of \$25,000 and larger?

Mr. LANGEN. Yes, I have had some reaction to that—the obvious reaction.

The reaction to that has been some prudent person that has managed to save \$5,000 will say :

We as small investors are deprived of the benefit of these high interest rates. It is only those with the larger volumes of money that are permitted to participate in these sales.

So again it becomes a reverse reaction and points out how difficult and how complex this is. It is not a simple matter. At the same time, in approaching the overall problem it occurs to me we need to be aware of all of them and the reaction to them.

Secretary HARDIN. Do you have a reaction on that policy, whether we should have done it or should undo it?

Mr. LANGEN. My own opinion is this, and I say that, without sufficient study and attention, I do not know that there was sufficient saving in the total drain of money by adding that limitation. What happens is that you get the larger drains anyhow, and possibly it reduced sales some, but I do not think that provision alone changed the overall picture enough to make a great deal of difference. I could be wrong on that.

Secretary HARDIN. It was changed in order to establish the best possible balance between the small banks and small loan associations, which felt they were being competed against unfairly, and the individual who wanted higher interest income from his savings. Raising the FHA minimum purchase amount did limit the opportunity for the small investor, and I assume you have heard from people within that group. We also had the same reaction.

DEMAND FOR LOAN FUNDS

Mr. LANGEN. I suppose having called attention now to the demand for loan moneys and credit money, and the high interest rates that go along with it, this only further emphasizes the need to overcome the inflationary trends that generate the high interest rates in the first place. Which is another problem to the young man who wants to start farming. It is perfectly possible that a loan at a low rate of interest becomes a feasible loan as compared to the higher interests of today, and consequently the role of FHA grows right along with it.

Secretary HARDIN. I guess about all the hope I can offer here at this moment is the promise that we will do everything we can in the short run to ease this as we go along. In the process we are greatly improving the financial instrument that we are selling. Such sales are in very large denominations. We are trying to attract pension funds and other large investors, which are not present in the rural areas. We have been very much perplexed that we had to pay this higher rate of interest than was paid for other Government issues. I think there is now hope that with the new type of instrument we will be able to dispose of our paper at rates fairly close to those of the other Federal agencies. This will help immensely. Once we have established this instrument in the money markets, we should be able to move very vigorously in the future in meeting this rural credit need.

LOANS NEEDED FOR SMALL FARM UNITS

Mr. LANGEN. Let me make one other observation in connection with this same field. I have noted a number of other instances where young men have applied for FHA loans with which to buy a farm that have

been turned down and called to our attention. It is not really any of our business, but they are still called to our attention. They involve situations something like this. It may be a young man—in one instance—who is teaching school, but he wants to be a farmer. He has been prudent with the moneys he has earned teaching so he has a few dollars and now he sees a farm that is available for him to buy and he wants to buy it, and he can, if he can get a loan. The loan application is considered, it is turned down, and it is turned down because they say it is not an economical unit. It is a little too small.

I have noted instances where they pointed out that his future might be better in doing something else than attempting to operate this uneconomical farm unit. But the point I want to make is how in the world are they ever going to get started, or is that unit ever going to get any bigger, if he doesn't have this opportunity to start even with a small unit? In this day, as we mentioned a moment ago, there are numerous other units that are available for cash rent and the like, with which he can expand. If we are concerned about the rural growth policy, here is another avenue where a young person can be attracted to that rural community and perform in the profession that he likes to perform in.

I think at times that their attitude to this small economical unit is misinterpreted, because many of those can start on that basis and they can continue teaching for another year or two until they get a little firmer hold and then expand, but they will never get there if they do not get a chance to start.

In connection with the rural growth policy, it would seem to me that here is an avenue where it could be encouraged and could be helpful.

Secretary HARDIN. Very good; that is one we will take a look at as we restudy our policies in Farmers Home Administration.

SCHOOL MILK PROGRAM

Mr. LANGEN. I will move on to another subject—school milk—which obviously is going to develop into great concern for this committee and the Congress before it is settled.

I am puzzled a little about the figures as they are contained in the budget, recognizing there is an intention to transfer some funds into the regular school lunch and making milk an essential item of the regular school lunch program.

To what degree does the budget transfer funds or add funds to the regular school lunch for purposes of picking up the milk program?

Secretary HARDIN. Do you have that in hand, Mr. Grant?

Mr. GRANT. Mr. Langen, there is a total increase for the child nutrition programs of \$133,328,000. Most of this increase is for free and reduced-price lunches, where there is an increase of \$94,200,000. There is an increase of \$1,680,000 in the regular program. There is also an increase of about \$34.3 million for commodities to be made available to States. Offset against this is the reduction of \$104 million in the milk program. So more funds are being added to the school lunch program than are coming out of the milk program.

Mr. LANGEN. In other words, in round figures, there would be an increase of about \$29 million over and above the combined funds as of last year.

Mr. GRANT. Yes, sir.

Mr. LANGEN. That increase, however, may or may not be used for milk purposes. It could be used for anything that they decided to include in the more nutritious lunch.

Secretary HARDIN. Likewise, the main body of the fund would also be available for milk as well as everything else.

Mr. LANGEN. Could a school under the new budgeting now, with the moneys provided them, run a milk program on much the same basis that they ran it before with these special funds provided, if they wanted to?

Mr. GRANT. Under the school lunch program they do have to serve a lunch, and they have to serve milk with that lunch. They could continue to operate a milk program, but the child would have to pay more for it unless the local people put up the additional money.

INCREASED FUNDS FOR SCHOOL LUNCH

Mr. LANGEN. In any given school district that last year received moneys for school lunches and then got additional moneys for school milk, in view of the added funds here, shouldn't that school district get as much money as the combined allocation was last year, plus a little more because you have more in the total? If that is the case, they ought to be able to run exactly the same program, and provide as much milk as they did before, or else they have to buy something else or more expensive stuff.

Secretary HARDIN. I think that is generally true with one exception.

Mr. GRANT. Yes. Under the formula that is used in making funds available under section 11, it may not work out to an increase for every school. One of the things that the administration is trying to do is to provide a lunch for every needy child. So, within a particular State, I am sure they will be getting more money but whether it will work out the same in every school district, I do not know. Under the formula there are certain things to be taken into consideration. Low-income families, for instance. The thrust is to provide a lunch for every needy child rather than milk for certain children.

Secretary HARDIN. We are keeping the pressure on more and more to take care of the ones that need it the most. To the extent that more dollars go into total food for the needy, it could result in less free milk for the less needy. We have to admit that possibility.

(Discussion off the record.)

NEED FOR CONSOLIDATION OF NUTRITION PROGRAMS

Mr. LANGEN. In connection with the new nutrition program, will this program when implemented as outlined serve to improve something that I thought was kind of wrong before, where we technically maintained four separate channels through which we disbursed funds to the same school, namely, a breakfast program, a special lunch program, then a lunch program, and then a milk program, so that the administration of this combined program now might be a little cheaper.

Secretary HARDIN. Mr. Grant, can you answer on this? I know we have not hit utopia yet.

Mr. LANGEN. I am sure that is true, but there is also room for improvement.

Secretary HARDIN. That is right.

Mr. GRANT. Mr. Langen, I am sure you will want to go into this more when the Food and Nutrition Service is here.

Mr. LANGEN. I surely will.

Mr. GRANT. The objective you are talking about would require some changes in basic legislation. There is a separate formula in the law for the regular school lunch program and certain conditions have to be met.

There is a separate formula for section 11, which provides assistance to needy schools. There is also a separate formula for the breakfast program. Then there is a non-food-assistance program with another set of conditions to be met. So while we try to combine these in our letters of credit, which is an authorization for the State to draw down funds, they still have to report on them separately under existing law.

Mr. LANGEN. This is a technicality but let me raise this point. I have often wondered why can't a school district do all of this on the same application blank, in which there is identified school lunch, school breakfast, and the others, and eventually add them up and come up with one total.

Now they have to operate completely separate under each one.

Mr. GRANT. I do not know why that necessarily has to be. I think it would be a good idea to try to work out some simplifications along this line within existing law.

THE NEED FOR CONSERVATION OF SOIL AND WATER

Mr. LANGEN. In the area of conservation, which includes obviously a broad field, the R.C. & D. projects, ACP, SCS and other conservation programs which to me are all related in that they deal with the basic conservation of soil, water, and the productivity of the soil that we have.

Having noted the reductions in ACP, and some reductions in other areas, to me this becomes a matter that is worthy of our most serious attention. The reason I raise the point is that we have great production capacity beyond all doubt. Yet at the same time it does not take much to use up or to catch up with that production capacity.

I recall during World War II, when we approached World War II we had bins of wheat and feed grains and surpluses galore, to the point where we did not know where to put them and did not have the storage. I was in the PMA offices at that time and within a matter of about 2½ years I conducted the meetings in which we were asking farm people, "Won't you please sweep out your granary? We don't care whether you have 5 bushels or 5,000 bushels, but we want them and we want them now."

This was after we had taken off all production restrictions. We were producing at maximum capacity. We had not only kept pace with maximum capacity, we had used up the surpluses. So consequently it is easy to see where we can catch up to that total production capacity. In view of that experience which to me indicates conservation and preserving that production capacity certainly has a place. One of the things that I noted here, particularly in connection with ACP, is that it has been said that farm folks can probably carry on these practices at their own cost. I find some quarrel with this. The reason I do is because their income is inadequate to begin with. Even when we point to the fact that their per capita income is

three-fourths of what the rest of the country is, one of the things that I noticed so often is failed to be mentioned, and I do it myself. At times, that small income is also associated with a terrific investment in many instances, which ought to have brought that return up a little higher. They are initiated to get something back on their investment, plus the work they put into it. For this reason I raise the question about their ability to carry on any more of this under the present price structure.

Secondly, it appears to me that Government has a role to play, because this matter of conservation is not just an annual thing. It is something that bears value to generations that follow and to problems that may confront the country in future years. I think Government has a role to play here in making sure that it is done. It becomes particularly pertinent when that farm income is not quite what it ought to be. If that income was up at a level where it ought to be, I do not think there is any question but that they would take care of their own conservation and probably do it well.

If they have to cut operating expenses this is one of the easiest things to do. You cannot get along without seed. You cannot get along without something to thrash with and seed with. But you can get along without adding grass seeds or fertilizer if you are out of money. If you cannot get a loan from FHA, you may have to operate without it.

These to me are real pertinent points. It is for that reason that I raise the question whether it is good policy to limit the areas of conservation in any or all of its forms at this point.

AIR AND WATER POLLUTION

Secretary HARDIN. Speaking to the broader picture and not just to the specific one there, with all of the emotion and interest that has developed in our newest crisis, pollution of both the air and the water and the desire to get something done about this, which we must, I think there is danger that such wonderful ongoing programs as some of our soil conservation ones may be forgotten in certain circles. This would simply reflect the fact that they have been here a long time and they have solved some of the most difficult situations that caused them to come into effect in the first place. People in communities and people in responsible positions are aware that the work is continuing, and in due course the next problem they know about will be taken care of. There is less emotion created.

Some people in positions like ours have a responsibility to be alert to this and make certain it is not lost in the shuffle.

Mr. LANGEN. Continuing just one step further with reference to the pollution that in our area has grown like it has everywhere else within just the last couple of years, particularly as related to the many lakes that we have and the many fine streams that feed those lakes. There is developing a great deal of concern as to what effect the use of fertilizers and pesticides has on the streams and eventually the lakes and the fish and plant life associated therewith. In view of that, the soils lab at Morris, Minn., which is slated for expansion as I understand, will direct substantial attention to the matter of the pollution problem as related to the streams and the lakes,

I just want to put a little emphasis on that fact. Here is an area in a section of the country that is fortunate in having a wealth of this kind of resource. Picking it up now at this time before they have reached the point of Lake Erie to me would seem to be real good business and probably cost way less in the long run if the proper approaches and the proper studies can be made. I do not know that we know enough about it. It has to have research.

RESEARCH ON POLLUTION UNDERWAY

Secretary HARDIN. Right on that point I spent time this morning with a Government-industry task force on beautification which has been in operation since 1967 dealing with some of these specific problems you are concerned with here.

In the group were scientific representatives of all the major firms that manufacture detergents, as well as people from the Corps of Engineers and the Department of Agriculture, the Department of the Interior, and two or three other agencies of the Federal Government, plus some other people that had a special knowledge in this area. They outlined for me the research they had undertaken in this area over the past 3 years, some of which is going to be of very good use now that we have new programs coming into being. I was pleased to find that someone had been alert before all this national publicity, and had seen the problem and had gotten the work on the way.

RURAL AFFAIRS COUNCIL

Mr. LANGEN. I am glad to hear that. I have just one further subject, Mr. Chairman. With the Rural Affairs Council, as I understand the objective and the purpose of that Council it is one of directing its attention to the overall well-being of rural America in all of its phases. What are the means whereby we can get to that Council the great variety of these concerns, whether it be pollution of lakes such as we have talked about, or whether it is the matter of providing credit, or housing or water and sewage, or even the foreign sales of commodities. All of them become a total package, all of them certainly are directly related to the growth pattern that becomes a prime objective. I am just hoping that each of these matters, and the studies and concerns they will make, will be inclusive enough to take in all of these.

Secretary HARDIN. That is the intent. To answer specifically as to how to get these under consideration as they come to your attention, I think it would be proper to get in touch with any member of the Council who could cause the subject to come up for review and staff work for the benefit of the entire Council. If any come to your attention, certainly I would be happy to try to get a study underway. We have established initially three subcommittees, and there will have to be more. As we attack one problem after the other, that is. We have been waiting these past few weeks for the release of the Presidential task force report which will identify some of the things that we will be concerned with. I have not yet seen the entire report. I have seen a summary of it. It will deal with many subjects that I know you are interested in, and so am I. Then we want to fill in any gaps that we see.

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

Mr. NATCHER. Mr. Michel.

(Discussion off the record.)

INTEREST RATES AND FINANCING FOR ELECTRIC AND TELEPHONE PROGRAM

Mr. MICHEL. Mr. Secretary, there seems to be a real awakening on the part of the Federal Government, and justifiably so, as to the antiquated and absurd interest rates being used by Federal agencies in administering some electric power and telephone programs. This is true of both direct construction programs and loan programs. At a time when costs of money to the Government exceed 8 percent and the need for Federal financial assistance to provide power or telephone facilities either rural or urban, with possibly some insignificant exceptions, has long since passed, there can be no justification for more than 80 percent of the taxpayers paying tremendous subsidies to help cover the power and telephone costs of the other 20 percent. This is true no matter whether the financing is direct or through a loan program. Among the actions recently taken to bring more realistic interest rates into these programs, as you know, there are the following:

1. Steps by the Water Resources Council to increase the discount rates used in the formulation and evaluation of Federal power projects.

2. The excellent report by the General Accounting Office, dated January 13, 1970, pointing out the failure of the Federal power programs to repay their costs to the Government.

3. The recommendations of the President in his 1971 budget message, wherein he—

(a) Proposes that authority be provided "to make interest rates for the Government's direct telephone loan program more comparable with the Government's costs";

(b) Refers to the private bank being established to provide financing for rural electrification borrowers; and

(c) States that interest rates to be used for determining repayment requirements for the Federal investment in new Federal power projects and system transmission facilities "will be raised in order to bring rates more nearly in line with current interest costs to the Treasury."

4. The order of the Secretary of the Interior establishing a new formula for computing the interest rates to be used in determining the repayment requirements of Federal power projects which will "more closely reflect the current interest costs of money borrowed by the Federal Government than the rates which have been utilized in recent years."

5. Your own recommendations, Mr. Secretary, in a letter to the chairman of the Senate Committee on Agriculture and Forestry, dated October 29, 1969, on the telephone bank bill wherein you submitted language which would establish interest rates for section 201 telephone loans which would more closely reflect their cost to the Federal Government.

The telephone bank bill, as reported out by the Senate Committee on Agriculture and Forestry (S. 3387) did not include your recommendation on section 201 telephone loans.

Mr. Secretary, in view of these developments and the crucial need for strong, prompt action in this area, I would like to ask you two questions:

1. What steps are you taking to bring the interest rates used on the REA rural electrification and telephone loan programs into conformity with the actions being taken on other programs and to implement the recommendations which both you and the President have made in this area?

2. To what extent, if any, do you think your Department should become involved and enmeshed in the operations of the newly established private rural electric bank, the CFC?

Secretary HARDIN. In connection with the telephone bank bill, we recommended a revision of the REA interest rate for telephone loans to the chairman of the Senate Committee on Agriculture and Forestry, and a similar recommendation was made in the budget. Legislative action on these recommendations is up to the Congress, and we would expect that revision of the interest rate on electric loans will be considered at the same time.

After discussions with officials of the Bureau of the Budget, and after notifying committee chairmen and the majority and minority leaders in both the House and the Senate, we have agreed to cooperate fully with the establishment and operation of CFC. Our work will include receiving applications, determining the extent to which supplemental financing may be appropriate, making feasibility studies for the REA portion of the loan, and other studies to determine, in each case, whether we can share the Government's security position with CFC. At the same time, we will offer the same cooperation to any other private credit institution which desires to make long-term loans to our electric borrowers on reasonable conditions.

FOOD AND NUTRITION PROGRAMS

Mr. MICHEL. Did you get any suggestions or ideas from the White House Conference on Food and Nutrition which you are implementing?

Secretary HARDIN. The suggestion for such a White House Conference was included in the President's message to Congress on May 6. At the same time, he suggested the establishment of a Food and Nutrition Service, to be exclusively concerned with the administration of the Federal food programs.

Our followup really began months before the Conference when we established a Food and Nutrition Service in the Department and brought in Edward J. Hekman to direct it.

As head of the agency of Government most directly concerned with the Conference, and in a position to benefit most from its recommendations, Mr. Hekman and his staff took an active part in the Conference when it was held here in December.

We were thus in close touch with the Conference, and we have put many of their recommendations into effect, even before they became recommendations. The concerns expressed in the White House Conference with regard to child nutrition included several suggestions for

improvements in operation of the school lunch programs and particularly in the effort to reach needy children. We have set ourselves a goal of getting free or reduced-price meals at schools by Thanksgiving time to 6.6 million children who come from poor homes. We are actively working with State authorities and local school boards in identifying the needy children.

We are, for example, also drawing on the know-how of the Nation's food management companies, to get lunches into schools we've never been able to reach. We are working with the special needs of Indians on reservations. We have reoriented dry milk purchases to get as much "instant" as possible. We're about to enunciate a new policy on "engineered foods." We're getting more nourishment into the foods distributed to needy families through our commodity distribution program. We're now carefully checking all the recommendations from the Conference to garner all the good we can from them.

But most important, we think, is the channel we've opened up to these people—and that we're going to keep open to them. I have already sent a letter to them and received a warm, enthusiastic response. We're going to keep their dialog going—perhaps through a newsletter, or some other system of regular communication.

Among the urgent recommendations from the White House Conference was the need to push out the existing food assistance programs to the areas not being reached. Actions are being taken to do this within appropriations and authorities currently available. Here is a report on this which we included in a recent letter to the White House Conference participants:

"On December 18, a new schedule of food stamp allotments and costs was put into effect. Under the new schedule, a family of four with a monthly income of \$90 will pay \$22 for a \$106 stamp allotment. Previously this family would have paid \$40 for a \$70 allotment. A substantial improvement.

"Fifteen million dollars in section 32 funds has been made available to help State and local governments improve their commodity distribution programs. The first priority for using these funds will be implementation of programs in the 272 counties and independent cities that are still without food assistance.

"On January 7, 211 additional counties and independent cities were designated to take part in the food stamp program. Thirty-one of these areas had previously had no food program. One hundred and eighty were changing over from commodities to stamps. * * *

"We are moving, but much remains to be done. There must be a food assistance program in every county by the end of June. And where programs are now operating, we must be sure that they are more effectively reaching the people who need them.

"You can help. Especially at the local level. If your county has no food program, please encourage local officials to initiate one. If your county has a program, please encourage those who are eligible to participate. Working together, we can and shall put an end to hunger and malnutrition in the United States."

Mr. MICHEL. What new programs on nutrition are you funding this year?

Secretary HARDIN. On February 2, we open the first pilot food certificate plan to provide supplementary nutritious foods to low-income mothers and infants through retail stores. The experimental program on the South Side of Chicago is the first of a series to be opened during the next several months to determine whether the food certificate method proves to be an effective way to improve the nutritional health of infants and expectant and nursing mothers. This experimental effort is one of several actions resulting from a directive from President Nixon which he spelled out in a message to Congress on May 6.

The pilot food certificate plan provides free books of 25-cent certificates to expectant mothers and mothers with children under a year old. They can use the certificates to buy fresh fluid milk, baby formula, and instant baby cereal at authorized local food and drug stores. Those taking part in USDA's food stamp program, getting public assistance, or are referred by local health clinics are automatically eligible. Others can apply directly to public assistance offices.

Mr. MICHEL. What is your feeling on expanding the food stamp program to include purchase of meals from nonprofit organizations for the elderly?

Secretary HARDIN. We would support an amendment to the Food Stamp Act that would permit otherwise eligible elderly persons to use their allotment of food coupons to both purchase food for home preparation and to purchase meals delivered to their homes by nonprofit organizations. This would enhance the value of the food coupons to the elderly, particularly to those that are infirm or handicapped. There are an increasing number of nonprofit private agencies operating such a "meals-on-wheels" service for the elderly. Under it, one or two prepared meals are delivered daily to the elderly in their homes, with the elderly supplementing these meals with meals they prepare themselves in their own homes.

Mr. MICHEL. Do you have any idea of what any additional costs would be?

Secretary HARDIN. We do not believe the additional cost to the Federal Government would be significant. To the extent that additional elderly people participated, because they could elect to use their coupon allotment to buy meals from nonprofit organizations, program costs would be increased. Also, there could be some small increase in Federal administrative costs because the participating nonprofit organizations would have to be authorized to accept the coupons and they would be subject to general supervision by USDA personnel in the same manner as retail food stores.

Mr. MICHEL. Could you give us a list of programs in the Department having to do with nutrition and feeding the hungry. I would also like to have the cost of each.

Secretary HARDIN. We will supply that.
(The information follows:)

U.S. DEPARTMENT OF AGRICULTURE—FOOD ASSISTANCE PROGRAMS

[Program level—dollars in thousands]

Program	1969 obligations actual	1970 obligations estimated	1971 budget estimate
A. Child feeding programs:			
1. Cash grants to States:			
(a) School lunch (sec. 4).....	\$162,034	\$168,041	\$169,721
(b) Special assistance (sec. 11).....	10,000	44,800	48,347
(c) School breakfast.....	3,500	10,000	12,000
(d) Nonfood assistance.....	748	10,000	12,500
(e) State administrative.....	153	750	750
(f) Nonschool food program.....	3,244	13,572	115,000
(g) Special milk.....	102,048	83,314	-----
(h) Special section 32.....	44,000	89,000	156,653
Total cash to States.....	325,727	419,477	414,971
2. Commodities to States:			
School lunch (sec. 6).....	63,899	64,325	64,325
Section 32 ²	122,687	130,486	76,699
Section 416 (ASCS).....	107,006	36,826	124,873
Total commodities.....	293,592	231,637	265,897
3. Federal operating expenses:			
Child nutrition.....	2,510	3,850	4,110
Special milk.....	629	686	-----
Total operating expenses.....	3,139	4,536	4,110
Total, child feeding.....	622,458	655,650	684,978
B. Family feeding programs:			
1. Food stamp program.....			
	250,981	610,000	1,250,000
2. Direct distribution to families (regular program):			
(a) Section 32 ²	198,122	210,333	180,000
(b) Section 416 (ASCS).....	79,278	51,942	92,745
Total direct distribution to families.....	277,400	262,275	272,745
3. Nutritional supplement (special packages):			
(a) Special section 32—Food stamp areas.....	1,000	11,000	30,000
(b) Section 32 ²	7,317	22,000	10,000
Total special packages.....	8,317	33,000	40,000
Total, family feeding.....	536,698	905,275	1,562,745
C. Direct distribution to institutions:			
1. Section 32 ²			
	11,869	3,800	1,500
2. Section 416 (ASCS) ³			
	20,358	9,089	24,916
Total direct distribution to institutions.....	32,227	12,889	26,416
D. Nutrition aide program⁴.....			
	9,948	30,000	50,000
Total, food assistance programs.....	1,201,331	1,603,814	2,324,139

¹ Obligation level of \$15,000,000 includes \$3,000,000 brought forward from fiscal year 1970.² Includes related administrative expense.³ Distribution to Armed Forces and penal institutions excluded.⁴ Funds were provided from section 32 in fiscal year 1969. In fiscal years 1970 and 1971 funds were obtained by direct appropriation.

MEAT AND POULTRY INSPECTION

Mr. MICHEL. What progress is the Department making on the solving of problems for the small locker and freezer provisioners in regard to clarification and/or modification to the Wholesome Meat Act?

Secretary HARDIN. The basic problem is that many small locker and freezer plants and provisioners engage in both custom slaughter and processing operations and the sale of meat. Section 23(a) of the Wholesome Meat Act contains a proviso that rules out this combination

of activity. These operators could qualify for exemption by giving up either meat sales or custom slaughter and processing operations. Some North Dakota plants appear to be taking this approach.

For operators electing to continue both slaughtering and meat sales, inspection is required. The Department has published a handbook outlining minimum construction and equipment standards for small existing plants. The standards were developed to minimize costs to plant operators consistent with the basic requirements for producing a clean, wholesome product.

Mr. MICHEL. How many inspectors will you be hiring this year? At what cost? How does this compare with last year?

Secretary HARDIN. During fiscal year 1969, there was a net increase of 230 inspection employees in Consumer Protection—41 veterinarians and 189 food inspectors. The additional cost in 1969 was \$1,406,000. During fiscal year 1970, we anticipate a net increase of 402 inspectors—35 veterinarians and 367 food inspectors. The additional cost in 1970 is estimated at \$2,399,000. In fiscal year 1969 there were net increases of 173 employees in meat inspection and 57 in poultry inspection. In 1970 we estimate an increase of 197 in meat and 205 in poultry inspection.

Mr. MICHEL. When do you expect the cost of running this program will level off?

Secretary HARDIN. Meat and poultry inspection are mandatory services provided under the provisions of the Federal Meat Inspection and Poultry Products Inspection Acts. The actual cost of such inspection depends on the number, type, and size of plants requiring inspection. It can be anticipated that the large annual cost increases will cease after fiscal year 1971 for meat plants and during fiscal year 1972 for poultry plants. This will be when State plants are fully staffed and "equal-to" programs are operational. After that, inspection costs will be related, essentially, to changes in size of the total industry.

CCC BORROWING AUTHORITY

Mr. MICHEL. Would you please give us a chart like that of last year on page 64 regarding CCC borrowing authority for December 31, 1969?

Secretary HARDING. We will be glad to do that.
(The information follows:)

Status of statutory borrowing authority as of December 31, 1969

[In millions of dollars]

	<i>Amount</i>
Statutory borrowing authority-----	14, 500. 0
Summary of borrowing authority in use:	
Borrowings from U.S. Treasury-----	12, 350. 2
Obligation to redeem certificates of interest in loan pools: Cer- tificates of interest (\$342.4) and accrued interest (\$9.9)-----	352. 3
Total borrowing authority in use-----	12, 702. 5
Net statutory borrowing authority available-----	1, 797. 5

Status of statutory borrowing authority as of December 31, 1969—Continued

[In millions of dollars]

ANALYSIS OF BORROWING AUTHORITY IN USE

	<i>Amount</i>
Investment in price support:	
Outstanding loans-----	3,628.2
Inventories-----	1,782.6
Total investment in price support-----	<u>5,410.8</u>
Unreimbursed realized losses:	
Fiscal year 1968-----	¹ 500.0
Fiscal year 1969-----	3,113.2
Subtotal, prior fiscal years-----	<u>3,613.2</u>
Fiscal year 1970 through Dec. 31, 1969-----	3,468.9
Total, unreimbursed realized losses-----	<u>7,082.1</u>
Investment in special activities (recoverable program costs not covered by appropriations to date):	
Public Law 480, title II-----	63.6
Military housing (Public Law 480)-----	42.3
Military housing (barter and exchange)-----	28.0
National Wool Act-----	1.7
Public Law 540, title II-----	1.1
Agricultural conservation program-----	14.4
Sugar Act program-----	5.8
Total investment in special activities-----	<u>156.9</u>
Investment in other activities:	
Cash-----	2.5
Accounts and notes receivable-----	513.0
Fixed assets (net)-----	15.2
Wheat marketing certificates-----	212.9
Storage facility and equipment loans-----	170.0
Other assets-----	82.0
Total investment in other activities-----	<u>995.6</u>
Total investment in price support, unreimbursed realized losses, special and other activities-----	<u>13,645.5</u>
Less financing other than by use of borrowing authority:	
Capital stock-----	100.0
Special activities:	
Advanced from funds appropriated for conservation programs, and other programs-----	35.2
Amounts for deposit to the U.S. Treasury-----	.1
Balance of appropriations to reimburse costs of special activities-----	<u>201.2</u>
Subtotal-----	236.5
Obligation to issue export wheat marketing certificates-----	4.2
Other trust and deposit liabilities-----	231.2
Other liabilities-----	<u>371.0</u>
Total financing other than by use of borrowing authority-----	<u>942.9</u>
Total borrowing authority in use-----	<u>12,702.5</u>

¹ After Dec. 31, 1969, \$250,000,000 was credited to the Corporation to complete the transfer of the remainder of the 1970 appropriation.

PAYMENTS TO FARMERS

Mr. MICHEL. Would you please bring up to date the table the Department put in the record showing the direct cash payments to farmers?

Secretary HARDIN. Yes, sir.
(The information follows:)

PAYMENTS TO FARMERS IN THE CONTINENTAL UNITED STATES 1950-69

[In millions of dollars]

Year	Conservation program	Sugar Act	Wool program	Soil bank program	Feed grain program	Wheat program	Cotton	Total ¹
1950	246	37						283
1951	246	40						286
1952	242	33						275
1953	181	32						213
1954	217	40						257
1955	188	41						229
1956	220	37	54	243				554
1957	230	32	53	700				1,016
1958	214	44	14	815				1,089
1959	228	44	82	323				682
1960	217	50	51	370				693
1961	230	45	56	334	772	42		1,484
1962	224	54	54	304	841	253		1,736
1963	222	57	37	² 304	843	215		1,686
1964	227	67	25	199	1,163	³ 438	39	2,169
1965	215	64	18	160	1,391	³ 525	70	2,452
1966	220	60	34	145	1,293	³ 679	773	⁴ 3,266
1967	226	62	29	129	865	³ 731	932	⁴ 3,071
1968	215	64	66	114	1,366	³ 747	787	⁴ 3,452
1969	190	67	61	46	1,643	³ 858	828	⁴ 3,782

¹ Includes Great Plains conservation payments since 1958: \$1,000,000 in 1958; \$5,000,000 in 1959; \$6,000,000 in 1960, 1961, 1962; \$8,000,000 in 1953; \$9,000,000 in 1954, 1955; \$11,000,000 in 1956; \$12,000,000 in 1967, 1968; and \$11,000,000 in 1969.

² Includes \$6,000,000 under land-use adjustment program. Later years include cropland conversion and Appalachia programs.

³ Includes mainly the value of marketing certificates.

⁴ Includes payments under cropland adjustment program: \$51,000,000 in 1966; \$85,000,000 in 1967; \$81,000,000 in 1968; and \$78,000,000 in 1969.

Note: Details may not add to totals due to rounding. Does not include payments to farmers in Alaska, Hawaii, Puerto Rico, and Virgin Islands. Wool program does not include deductions for wool promotion program.

CROP PRODUCTION BY TOP 5 STATES

Mr. MICHEL. Please update the chart appearing in last year's hearing record on pages 66 and 67 having to do with the five States which are the largest producers of wheat, feed grains, corn, rice, tobacco, peanuts, and soybeans giving total acreage, bushels, number of acres idle and number of payments and total of payments.

Secretary HARDIN. That will be done.
(The information follows:)

U.S. DEPARTMENT OF AGRICULTURE
CORN PRODUCTION IN TOP 5 STATES, 1969 CROP

State	Harvested acreage (for grains) (thousands)	Production (thousand bushels)	Acres under diversion (thousands)	1969 crop payments	
				Price support payments (thousands)	Diversion payments (thousands)
Iowa.....	9,416	922,768	3,810	\$141,777	\$104,408
Illinois.....	9,763	956,774	2,176	90,152	66,688
Indiana.....	4,646	446,016	1,687	40,291	63,759
Minnesota.....	4,184	355,640	2,668	67,009	68,041
Nebraska.....	4,663	433,659	2,097	66,618	49,111

GRAIN SORGHUM PRODUCTION IN TOP 5 STATES, 1969 CROP

Texas.....	6,196	309,800	2,999	\$53,268	\$57,463
Kansas.....	3,266	182,896	1,637	27,904	19,528
Nebraska.....	1,508	114,608	683	19,780	5,512
Oklahoma.....	542	25,474	587	3,366	8,333
California.....	421	29,049	41	1,006	1,655

TOTAL WHEAT PRODUCTION IN TOP 5 STATES, 1969 CROP

State	Harvested acreage (for grains) (thousands)	Production (thousand bushels)	Total wheat payments, 1969 crop (thousands)
Kansas.....	9,849	305,319	\$151,010
North Dakota.....	6,782	203,561	113,055
Montana.....	3,645	96,794	63,399
Oklahoma.....	4,150	118,275	68,854
Washington.....	2,462	95,242	47,941

SOYBEANS PRODUCTION IN TOP 5 STATES, 1969 CROP

State	Planted acreage (thousands)	Production (thousand bushels)
Illinois.....	6,710	220,966
Iowa.....	5,464	174,339
Missouri.....	3,252	81,900
Indiana.....	3,300	104,896
Arkansas.....	4,307	86,674

RICE PRODUCTION IN TOP 5 STATES, 1969 CROP

State	Planted acreage (thousands)	Production (thousand hundredweight)
Texas.....	550	21,646
Louisiana.....	613	20,774
Arkansas.....	520	24,720
California.....	391	21,395
Mississippi.....	61	2,520

PEANUT PRODUCTION IN TOP 5 STATES, 1969 CROP

State	Planted acreage (thousands)	Production (thousand bushels)
Georgia.....	518	953,800
Texas.....	304	408,375
North Carolina.....	170	342,350
Alabama.....	190	284,900
Virginia.....	103	234,600

TOBACCO PRODUCTION IN TOP 5 STATES, 1969 CROP

State	Harvested acreage (thousands)	Production (thousand pounds)
North Carolina.....	385.4	716,123
Kentucky.....	173.5	429,700
South Carolina.....	68.5	136,658
Tennessee.....	59.2	124,245
Virginia.....	72.9	132,835

EFFECT OF PAYMENT LIMITATION

Mr. MICHEL. Since it seems quite obvious that we are not going to put an agriculture bill through this Congress without some kind of limitation, and I recognize that in a controlled program you have to include the big operators with the small operators, what would be the consequences of a \$20,000-per-farm limitation?

Secretary HARDIN. I will be glad to insert a statement on this for the record.

(The information follows:)

The Department has made an analysis of the consequences of of flat cutoff of payments at \$20,000 per payee under each of the three major commodity programs -- cotton, feed grains and wheat. This analysis is as follows:

The analysis is based on the distribution of 1968 price support payments among program participants and the estimates of payments to farmers in a 1971 set-aside program. Payments per farmer in 1971 are assumed to be related to his 1968 price support payments in the same way as the total estimated payments in 1971 are related to the total price support payments in 1968. The distribution of payments among payment sizes were estimated on the basis of this assumption. From this distribution, estimates were developed of (1) the number of payees affected by the limit, (2) the value of Government payments above the limit, and (3) the decrease in acreage "set aside."

The production adjustment percentages are based on ERS cost of production data. They represent the highest proportion that net returns above variable cash costs represented of the total set-aside payment on any participants farm. Therefore, this set of percentages should represent the highest production adjustment proportions and the lowest income supplement proportions which any participants should have. The income supplement would be a larger proportion of the total

set-aside payment for most participants than those percentages assumed in this analysis.

The estimated impact on participants in the cotton, feed grain and wheat programs (shown on the attached table) assumes "100 percent effectiveness", and therefore represents potentials or upper limits. It does not take into account actions by farm operators to minimize the impact of payment limits through reorganization of their operations. Obviously this is not a realistic assumption.

In fact, due to actions such as the sale of cotton allotments, new arrangements with tenants and renters, the division of farms between members of a family, etc., the number of payees affected and the reduction in Government payments will be much less than the "potential" based on 1968 experience. There is not much data available, however, that can be used to make a realistic estimate of the extent to which farmers would reorganize to make payment limits ineffective. Moreover, the amount of such actions would be importantly affected by the way the program is administered. To provide an idea of the effect of these actions, the attached table shows three levels of effectiveness -- 75 percent, 50 percent, and 25 percent.

In addition to slippage due to farmers reorganizing to avoid payment limitations, potential Government savings would likely be further reduced due to other factors. To encourage program participation by larger farmers, the Department has proposed that if an individual's payments are reduced by a limitation formula, his performance requirement (set-aside) should be reduced proportionately. This reduction in set-aside could affect cost in two ways. (1) To maintain production and prices at a given level, set-aside payment rates could be increased to draw more farmers into the program or voluntary diversion payments could be used (or raised) to offset the released set-aside acreage. (2) If additional participation or voluntary diversion is not obtained, there would be increased production which could reduce farm prices, leading to increased outlays under the price support program and lower farm income.

Impact of a \$20,000 Payment Limitation Proposal
on Number of Payees Affected, Reduction in
Government Payments, and Reduction Achieved
in Acreage of Set-Aside, with a 1971
Set-Aside Program, United States

Program and Option	Number of payees affected (Number)	Reduced Government payment (Mil. \$)	Reduced Set-Aside Achieved (Thou. ac.)
<u>Low Option 1/</u>			
Potential affect			
Cotton program	3,113	63.8	741
Feed grain program ..	889	7.9	226
Wheat program	457	3.9	94
<hr/>			
Total 2/			
If 100% effective ...	4,459	75.6	1,061
If 75% effective ...	XX	56.7	796
If 50% effective ...	XX	37.8	530
If 25% effective ...	XX	18.9	265
<hr/>			
<u>High Option 1/</u>			
Potential affect			
Cotton program	5,800	126.1	1,035
Feed grain program ..	1,884	17.5	437
Wheat program	1,416	12.7	174
<hr/>			
Total 2/			
If 100% effective ...	9,100	156.3	1,646
If 75% effective ...	XX	117.2	1,234
If 50% effective ...	XX	78.2	823
If 25% effective ...	XX	39.1	412

1/ Refers to "high" and "low" payment options (assumptions) discussed with the House Committee on Agriculture in October 1969.

2/ Total impact with payment limitations applied separately to each program.

Mr. MICHEL. Mr. Secretary, it is my understanding that you have included in your draft farm bill a provision subjecting agricultural programs to the appropriations process, thereby terminating back-door spending. I am certainly happy to see this because I have been working on this approach for several years.

A long time ago, when farm programs depended largely on price support loans, it was impossible to anticipate the amount of loans and hence the costs. Discipline through the appropriations routes, exercised in advance of expenditures, was impossible. But now that payments are the major technique, proper procedures can be followed.

This proposal would simply have all agricultural programs follow the same process of legislation and appropriations as do almost all other Government operations.

Secretary HARDIN. Thank you, sir.

COST OF AGRICULTURE YEARBOOK

Mr. MICHEL. What was the cost of sending out the Agriculture yearbooks this past year?

Secretary HARDIN. The printing cost of the 1969 yearbook was \$263,000.

Mr. WHITTEN. We have with us the chairman of the full committee, the Honorable George Mahon of Texas. While he deals with all the activity of Government, his heart is with agriculture because that is the kind of district he has.

PROBLEMS RELATED TO REVISING PROJECTED YIELD OF COTTON

Mr. MAHON. I was pleased to be here yesterday and see the Secretary, the Under Secretary, and others. Of course, many of us are interested in agriculture and we recognize that the Secretary and Mr. Campbell and others are vitally interested and are looking for the right approach to the problems that confront us. They are many and they are complex.

I was talking again with one of your people yesterday, Mr. Secretary, about a problem which has arisen involving projected yields in cotton. We had an extensive meeting a short time ago with Kenneth Frick and others. We appealed for assistance. I realize it would be unreasonable to expect you and Mr. Campbell to be fully familiar with all of the details and ramifications of this subject.

Now, cotton production per acre has generally been going up but last year it fell back about 45 pounds per acre, or somewhere in that area, and this and other developments have created some situations that have proved most difficult.

Now, the law and the gospel insofar as the farm program is concerned in these farm counties is the county ASC office, the office manager, and the county committee. Normally when the ASC office tells a farmer what the story is, what the program is, he can rely upon it. Of course, we would lose credibility—to use a word that is a bit overworked these days—we would lose credibility if it developed what the ASC office told the farmer turns out not to be reliable. I know, of course, there has been no desire to mislead.

Along about Christmastime or before, the ASC offices, at least in certain areas—I know in Texas—notified the farmers what their projected yield would be and they made commitments based upon this. They conferred with their bankers. I know in one county perhaps 200 producers bought or leased additional cotton acreage or poundage based upon projected yield and their plans for the forthcoming year. Now it turns out that the State committee has said to the county committee, "Sorry but we have to revise this and the information you put out earlier is not accurate and you have to back up."

Some of these people have had their projected yields drastically reduced and it has created a bad situation. It has placed the office managers in rather untenable and embarrassing positions. And, the same also applies to the State committee. At least, this is my understanding.

I am deeply concerned about the situation, realizing of course, that it is very complex.

Last week there were some meetings at College Station, Tex., and some of these problems were dealt with in a limited way, but not adequately, in my judgment. ASC officials and farmers have had some other meetings. The problems have been further explained. The problems have been worked out in some counties to some degree but near-disaster is threatened in some areas. I was hoping that someone on your staff, Mr. Secretary, or Mr. Campbell, might have been in touch with you with regard to the situation and you might be able to tell me that you will have this thing looked at again and see if there is anything you can do about it.

Secretary HARDIN. I am aware there is a problem, Mr. Chairman. I discussed it last night with Mr. Palmby and he does have it under restudy. That is really all I can add at this moment. He does recognize this situation in certain counties.

Mr. MAHON. There may be a couple dozen counties in Texas that are involved and I don't know how many in the other States. The farmer realizes that certain adjustments must be made from time to time. But if the adjustments which are made are bordering on the edge of disaster for him, then that gets to be a serious question. It becomes even more serious when he had relied upon information from the county office and this information turned out to be in error, and if he has made commitments based upon this information it makes it much more difficult.

Mr. CAMPBELL. I don't know whether I can give you all of the answers but, if not, of course, we will bring you additional information.

Mr. MAHON. I am not so interested in information as I am in your finding a way to solve this.

REMEDIAL ACTION BEING TAKEN

Mr. CAMPBELL. I don't know how far I can go on that, but some work has been done in solving some of the things you are concerned with.

Mr. MAHON. Some work has been done, yes.

Mr. CAMPBELL. I talked to one of the gentlemen who has been working on it just before we came up here.

Mr. MAHON. Gene Jones in your Department is very well informed on this as is Mr. Frick.

Mr. CAMPBELL. This isn't an unusual thing for some counties at times to have to rework their figures because some counties do not do as good a job as they should. When counties run over their total county allotment, they have had to rework their allotments. This has had to be done in the past in other States and in other counties. It is not in itself unusual. The State committees in Texas and in other States asked these counties to rework their farm yields because they were too high.

The information that I have is that, where the yields are being reworked by the county committees, farmers are not signing up without being told that their yields might be adjusted. So up until this date, farmers who have signed up in the counties where the yields are being corrected are aware that this is being done.

Second, the yield revisions may adversely affect some farmers who have made allotment transfers under the lease or sale provisions. However, we expect to permit these transfers to stand wherever possible without adjustment. Thus, if he has made arrangements at the bank or taken other steps on the basis of the approved transfers and the transferred yield is permitted to stand, he will earn the same program benefits on the transferred acres as before the correction occurred.

Now, you know they did vote, but the vote was not on projected yields. The vote was on whether they would have strict acreage controls. The vote was on the question of marketing quotas and was not on yields.

Mr. MAHON. Friends from one county called me yesterday. They were talking about having an areawide meeting. I told them that I had been in touch with the officials in Texas at College Station and in the area, that I would take advantage of the opportunity today to discuss the matter with the Secretary, and that I was hopeful that something further could be worked out that would be reasonably satisfactory.

I think both of you realize that one of the problems here is not only the hardship being worked upon the farmer, but the fact that he was given his projected yield and now that is being modified after he had received official notice as to what the figure would be. This does, to some extent, relate to the integrity of the program. We know about the loyalty and efficiency of the office managers.

Mr. CAMPBELL. I think before these figures are released each county's figures must be checked more closely in order to make certain there is no release of figures that could be questioned later as these have been. This has been going on in past years but there is no reason why the system should not be changed so this cannot happen again in the future. The county figures should be checked before they are released to farmers instead of after the fact which is evidently the way they have been doing this through the years.

Mr. MAHON. I want to thank you and Mr. Campbell, Mr. Secretary. I would appreciate your pursuing this.

Mr. Chairman, thank you for letting me bring up this matter. This matter is not entirely local. I think it goes all the way across the Cotton Belt.

NEED FOR EFFECTIVE FARM PROGRAM

Our major interest, in addition to the local situation, is in perpetuating a farm program that will enable the farmer to survive. This is important from the standpoint of the farmer and it is important from the standpoint of the country. Messrs. Whitten, Langen, and Natcher and the other members of this subcommittee are vitally concerned and interested. We all want to work with you and we hope that you and Chairman Bob Poage will agree on a farm program that will be reasonably acceptable to all our people.

Secretary HARDIN. Mr. Chairman, we were working together until 9 last night.

Mr. MAHON. Mr. Secretary, we have been in close touch with our own farmers and the farm organizations and of course with you. You have invited us to participate in discussions and we appreciate your spirit of cooperation.

We have to pass a bill this year and the sooner the better. We vitally need a farm program for next year prior to the time we bring this agriculture appropriation bill on the floor. We will be confronted with limitation on payments and all manner of difficulty if we don't. You realize that, I am sure. Even so, we would still be confronted with difficulty on the floor.

Secretary HARDIN. We do understand this. I did talk with Chairman Poage last night about this and we are both doing everything we can to move forward.

Mr. WHITTEN. Gentlemen, may I say that I thank you for your appearance. You have made a very fine showing here. We have, in our questioning, tried to give you as much opportunity to answer for the record.

As I have pointed out in the past, once you leave and we take the hearings and write a bill and a report, all the information we will have when we go to the floor will be what you felt necessary to put in the record.

Secretary HARDIN. Let me say, Mr. Chairman, I appreciate very much the constructive manner in which the discussion has taken place. We will take the opportunity to review some of the programs and make sure we are together.

Mr. WHITTEN. Thank you, Mr. Secretary. I know I enjoy being with you folks and I think we have a big enough problem to force us to be together a little bit here.

TUESDAY, FEBRUARY 17, 1970.

GENERAL BUDGET STATEMENT

WITNESSES

JOSEPH M. ROBERTSON, ASSISTANT SECRETARY FOR ADMINISTRATION

CHARLES L. GRANT, DIRECTOR OF FINANCE, DEPARTMENT OF AGRICULTURE

JEROME A. MILES, DEPUTY DIRECTOR OF FINANCE, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. We now come to the general budget statement. I presume you will present the details of it. You may proceed in any way you like.

STATEMENT OF DIRECTOR OF FINANCE

Mr. GRANT. I have handed you a summary table which is similar to table 1 of our general budgetary tables. It pulls together the appropriation items showing the amounts for 1970, 1971 budget and the differences. The amounts for 1970, Mr. Chairman, have been adjusted to reflect the pending supplemental estimates for pay costs. Therefore, they differ from the amounts actually appropriated. We have in our regular book of tables the adjustments that we have made.

Mr. WHITTEN. Prior to your statement I will include the general budgetary tables 1 through 11, in the record.
(The documents follow:)

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 1 -- New Budget (Obligational) Authority -- Budget Estimates, 1971 Compared with 1970

(NOTE--Amounts in the "1970 Adjusted" column include supplemental appropriations and are adjusted for comparability with the appropriation structure proposed in the 1971 Budget Estimates. Amounts in parentheses are not included in totals)

Agency or Item	1970 Enacted to date	1970 Adjusted	Budget Estimates 1971	Budget Estimates Compared with 1970	
				1970 Enacted to date	Adjusted
GENERAL ACTIVITIES:					
Agricultural Research Service:					
Research.....	\$131,802,200	\$140,287,200	\$141,437,200	+\$9,635,000	+\$1,150,000
Transfer from Section 32.....	(15,000,000)	(15,000,000)	(15,000,000)	(-)	(-)
Special fund (resappropriation).....	2,000,000	2,000,000	(2,000,000)	-2,000,000	-2,000,000
Total.....	(146,802,200)	(155,287,200)	(156,437,200)	(-7,635,000)	(-850,000)
Plant and animal disease and pest control.....	90,809,750	95,909,750	98,763,750	+7,954,000	+2,854,000
Total, Salaries and expenses.....	224,611,950	238,196,950	240,200,950	+15,589,000	+2,004,000
Special foreign currency program.....	5,000,000	5,000,000	5,000,000	-	-
Total, Agricultural Research Service.....	229,611,950	243,196,950	245,200,950	+15,589,000	+2,004,000
Cooperative State Research Service.....	62,510,000	62,648,000	72,535,000	+10,025,000	+9,887,000
Extension Service.....	131,438,000	131,738,000	171,651,000	+40,167,000	+39,917,000
Farmer Cooperative Service.....	1,500,000	1,631,000	1,666,000	+166,000	+35,000
Soil Conservation Service:					
Conservation Operation.....	118,786,000	128,178,000	128,435,000	+9,649,000	+257,000
River basin surveys and investigations.....	8,187,000	8,215,000	9,013,000	+896,000	+228,000
Watershed planning.....	6,209,000	6,698,000	5,134,000	-775,000	-1,264,000
Watershed works of improvement.....	63,873,000	66,023,000	74,278,000	+10,405,000	+8,255,000
Flood prevention.....	23,923,000	24,737,000	21,037,000	-2,886,000	-3,700,000
Great Plains conservation program.....	15,000,000	15,346,000	15,355,000	+ 355,000	+13,000
Resource conservation and development.....	10,252,000	10,821,000	13,876,000	+3,624,000	+3,055,000
Total, Soil Conservation Service.....	246,230,000	260,614,000	267,458,000	+21,228,000	+3,804,000
Economic Research Service.....	13,450,000	14,592,000	16,228,000	+ 2,778,000	+1,636,000
Statistical Research Service.....	15,412,800	16,227,800	17,749,800	+ 2,337,000	+1,222,000
Consumer and Marketing Service:					
Consumer Protective, Marketing, and Regulatory Programs.....	133,595,500	139,841,500	149,247,500	+15,651,500	+9,405,500
Payments to States and possessions.....	1,600,000	1,600,000	1,600,000	-	-
Removal of Surplus Agricultural Commodities (Section 32) (Net after transfers).....	(478,443,200)	(478,443,200)	(463,781,000)	(-14,662,200)	(-14,662,200)
Total, consumer and Marketing Service.....	135,195,500	141,441,500	150,847,000	+15,651,500	+9,405,500
Food and Nutrition Service:					
Child nutrition programs (direct appropriation).....	122,500,000	122,500,000	89,395,000	-37,105,000	-37,105,000
Transfer from Section 32.....	(194,266,000)	(194,266,000)	(238,358,000)	(-44,092,000)	(-44,092,000)
Special milk program.....	84,000,000	84,000,000	-	-84,000,000	-84,000,000
Food stamp program.....	610,000,000	609,978,000	1,250,000,000	+640,000,000	+640,000,000
Total, Food and Nutrition Service.....	816,500,000	816,478,000	1,335,395,000	+518,895,000	+518,917,000

Agency or Item	1970 Enacted	1970	Budget	Budget Estimate Compared with	
	to date	Adjusted	Estimates 1971	1970 Enacted to date	1970 Adjusted
GENERAL ACTIVITIES: (Continued)					
Foreign Agricultural Service.....	\$ 23,437,000	\$23,773,000	\$24,773,000	+\$1,336,000	+\$1,000,000
Transfer from Section 35.....	(3,111,000)	(3,117,000)	(3,117,000)	-	-
Total, Foreign Agricultural Service.....	(28,558,000)	(28,590,000)	(27,890,000)	+\$736,000	+\$1,000,000
Commodity Exchange Authority.....	2,321,000	2,478,000	2,552,000	+231,000	+74,000
Agricultural Stabilization and Conservation Service.....					
Expenses, Agricultural Stabilization and Conservation Service.....	146,000,000	152,690,000	135,466,000	-10,534,000	-17,224,000
Transfer from Commodity Credit Corporation.....	(62,483,000)	(63,432,000)	(65,779,000)	(-6,296,000)	(-5,347,000)
Total.....	(208,183,000)	(216,122,000)	(204,245,000)	(-4,238,000)	(-11,877,000)
Sugar Act program.....	93,000,000	93,000,000	83,600,000	-9,400,000	-9,400,000
Agricultural conservation program - advance authorization	195,500,000	195,500,000	(185,000,000)	-10,500,000	-195,500,000
Liquidation of Contract Authority.....	(195,500,000)	(195,500,000)	(185,000,000)	(-10,500,000)	(-10,500,000)
Cropland adjustment program.....	78,600,000	78,600,000	77,800,000	-800,000	-800,000
Conservation reserve program.....	37,250,000	36,650,000	-	-37,250,000	-36,650,000
Emergency conservation measures.....	5,000,000	5,000,000	5,000,000	-	-
Indemnity payments to dairy farmers.....	200,000	200,000	-	-200,000	-200,000
Total, Agricultural Stabilization and Conservation Service.....	555,550,000	561,640,000	301,866,000	-253,684,000	-259,774,000
Export Marketing Service:					
Transfer from Commodity Credit Corporation.....	(2,872,000)	(3,149,000)	(3,719,000)	(+847,000)	(+570,000)
Appropriation (Foreign Agricultural Service, Salaries and expenses).....	-	-	-	-	-
Total, Export Marketing Service.....	(2,872,000)	(3,149,000)	(3,719,000)	(+847,000)	(+570,000)
Rural Community Development Service.....	450,000	484,000	15,846,000	+34,000	-
Office of Inspector General.....	13,557,000	14,728,000	15,846,000	+2,159,000	+1,118,000
Packers and Stockyards Administration.....	3,354,650	3,508,650	3,748,000	+393,350	+239,350
Office of General Counsel.....	5,229,500	5,657,000	5,657,000	+427,500	-
Office of Information.....	2,106,000	2,256,000	2,256,000	+150,000	-
National Agricultural Library.....	3,226,750	3,141,750	4,714,750	+1,488,000	+1,300,000
Office of Management Services.....	4,838,000	5,276,000	5,921,000	+493,000	+269,000
General Administration.....	5,025,000	5,276,000	3,518,000	+493,000	+629,000
Forest Service.....	429,156,000	439,427,000	380,346,000	+49,110,000	-59,081,000
Total, annual appropriation for General Activities.....	2,698,545,150	2,755,048,650	3,030,392,500	+331,847,350	+275,343,850
Deduct amount for Forest Service.....	429,156,000	439,427,000	380,346,000	-49,110,000	-59,081,000
TOTAL, ANNUAL APPROPRIATIONS FOR GENERAL ACTIVITIES.....	2,269,389,150	2,315,621,650	2,650,046,500	+386,297,350	+331,424,850

Agency or Item	1970 Enacted	1970	Budget	Budget Estimate	Compared with
	to date	Adjusted	Estimates	to date	1970
			1971		Adjusted
CREDIT AGENCIES:					
Rural Electrification Administration:					
Loan Authorization:					
Electrification:	\$340,000,000	\$340,000,000	\$322,000,000	-\$18,000,000	-\$18,000,000
Telephone:	123,300,000	123,300,000	123,800,000	+500,000	+500,000
Total, Loan Authorization:	463,300,000	463,300,000	445,800,000	-17,500,000	-17,500,000
Salaries and expenses:	13,429,000	14,504,000	14,579,000	+75,000	+75,000
Total, Rural Electrification Administration:	476,729,000	477,804,000	460,379,000	-16,350,000	-17,425,000
Farmers Home Administration:					
Direct loan account:					
Real estate loans:	(83,000,000)	(83,000,000)	(45,500,000)	(-37,500,000)	(-37,500,000)
Operating loans:	(275,000,000)	(275,000,000)	(275,000,000)	-	-
Soil Conservation Service loans:	(8,700,000)	(8,700,000)	(6,400,000)	(-2,300,000)	(-2,300,000)
Rural housing insurance fund (direct loans):	-	(30,000,000)	(19,000,000)	(-11,000,000)	(-11,000,000)
Reimbursement to fund for interest costs:	-	-	334,000	+334,000	+334,000
Rural water and waste disposal grants:	46,000,000	46,000,000	24,000,000	-22,000,000	-22,000,000
Rural housing for domestic farm labor:	2,500,000	2,500,000	2,500,000	-	-
Mutual and self-help housing:	2,125,000	2,125,000	1,250,000	-875,000	-875,000
Self-help housing land development fund:	1,000,000	1,000,000	1,250,000	+400,000	+400,000
Emergency Credit Revolving Fund:	31,918,000	31,918,000	600,000	-31,918,000	-31,918,000
Salaries and expenses:	66,250,000	71,560,000	85,000,000	+18,750,000	+18,750,000
Transfer from loan accounts:	(2,750,000)	(2,750,000)	(2,750,000)	-	-
Total, Salaries and expenses:	(69,000,000)	(74,310,000)	(87,750,000)	(-18,750,000)	(-18,750,000)
Total, Farmers Home Administration:	149,793,000	155,103,000	113,684,000	-36,109,000	-41,419,000
Total, Credit Agencies:	(396,700,000)	(396,700,000)	(345,900,000)	(-50,800,000)	(-50,800,000)
Loan authorizations:	626,222,000	632,907,000	574,053,000	-58,859,000	-58,859,000
New budget (obligational) authority:					
Corporations:					
Federal Crop Insurance Corporation:					
Administrative and operating expenses:	12,000,000	11,996,000	12,000,000	-	+4,000
Administrative and operating expenses paid from premium income:	(1,648,000)	(2,339,000)	(2,335,000)	(-687,000)	(-4,000)
Federal Crop Insurance Corporation Fund:	10,000,000	10,000,000	-	-10,000,000	-10,000,000
Total, Federal Crop Insurance Corporation:	(23,648,000)	(24,333,000)	(11,335,000)	(-9,313,000)	(-10,000,000)

Agency or Item	1970 Enacted to date	1970 Adjusted	Budget Estimates 1971	1970 Enacted to date	1970 Adjusted
Corporations: (Continued)					
Commodity Credit Corporation:					
Reimbursement for net realized losses:					
Appropriations.....	\$5,215,934,000	\$5,215,934,000	\$5,353,155,000	\$1,892,779,000	\$1,892,779,000
Contract Authority.....	-	-	440,756,000	440,756,000	440,756,000
Liquidation of contract authority.....	1,017,597,000	1,017,597,000	-	1,017,597,000	1,017,597,000
Budget Authority.....	4,198,237,000	4,198,237,000	3,803,911,000	394,326,000	394,326,000
Limitation on administrative expenses.....	(32,000,000)	(32,000,000)	(36,500,000)	(44,500,000)	(44,500,000)
Public Law 480:					
Program level:					
Sales for foreign currencies and long-term contracts.	804,508,017	804,508,017	782,200,000	-112,308,017	-112,308,017
Commodity disposition abroad (donations).....	327,112,216	327,112,216	351,030,000	-6,082,216	-6,082,216
Total, program level.....	1,251,620,233	1,251,620,233	1,133,230,000	-118,390,233	-118,390,233
Adjustment for prior year costs and receipts.....	-331,620,233	-331,620,233	-200,730,000	+130,890,233	+130,890,233
Net appropriation, Public Law 480.....	920,000,000	920,000,000	932,500,000	+12,500,000	+12,500,000
Bartered material for Supplemental Stockpile.....	1,250,000	1,250,000	25,000	-1,225,000	-1,225,000
Total, Corporations.....	5,141,487,000	5,141,483,000	4,748,436,000	-393,051,000	-393,047,000
Total, Above Items:	8,037,098,150	8,090,011,650	7,972,545,500	-64,592,650	-117,466,150
Direct Appropriation.....	(396,700,000)	(396,700,000)	(345,900,000)	(50,800,000)	(50,800,000)
Loan Authorization.....					
Permanent Appropriations:					
Removal of Surplus Agricultural Commodities (Section 32).....	690,826,200	690,826,200	720,256,000	+29,429,800	+29,429,800
National Wool Act.....	67,892,514	67,892,514	58,100,000	-9,792,514	-9,792,514
All other permanent appropriations.....	124,242,383	124,242,383	134,899,075	+9,656,692	+9,656,692
Total, Permanent Appropriations.....	883,661,097	883,661,097	913,255,075	+29,593,978	+29,593,978
Deduct permanent appropriation for Forest Service.....	123,039,793	123,039,793	133,849,075	+10,809,282	+10,809,282
Total, Permanent Appropriations.....	760,621,314	760,621,314	779,406,000	+18,784,686	+18,784,686
Proposed for Separate Transmittal:					
Under existing legislation:					
Forest Service: Fighting Forest fires.....	21,000,000	21,000,000	-	-21,000,000	-21,000,000
Under proposed legislation:					
Consumer and Marketing Service: (Principally user charges for inspection and grading activities).....	-	-	-4,577,000	-4,577,000	-4,577,000

UNITED STATES DEPARTMENT OF AGRICULTURE

Table Ia--Reconciliation between 1970 Appropriations as shown in Appropriation Act and 1970 Appropriations Adjusted to Reflect Transfers for Space Rental, Pay Costs and Transfers in Estimates

Agency or Item	1970		Adjustments		1970	
	Appropriations	Transfers to USA:	Pay	Costs	Transfers in	Appropriations
		for Space Rental:			1971 Estimates	Adjusted
GENERAL ACTIVITIES:						
AGRICULTURAL RESEARCH SERVICE:						
Research	\$131,862,200	-48,000	+48,542,000		-449,000	\$140,287,200
Transfer from Section 32	(15,000,000)	(-)	(-)		(-)	(15,000,000)
Special fund (reappropriation)	2,000,000					2,000,000
Total, Research	148,862,200	(-8,000)	(48,542,000)		(-49,000)	157,287,200
Plant and animal disease and pest control	90,869,750	-19,000	+5,119,000			95,909,750
Total, Salaries and expenses	228,611,950	-27,000	+13,661,000		-49,000	238,196,950
Special foreign currency program	5,000,000					5,000,000
Total, Agricultural Research Service	229,611,950	-27,000	+13,661,000		-49,000	243,196,950
COOPERATIVE STATE RESEARCH SERVICE	66,510,000		+138,000			62,648,000
EXTENSION SERVICE	131,488,000		+290,000			131,778,000
FARMER COOPERATIVE SERVICE	1,500,000		+131,000			1,631,000
SOIL CONSERVATION SERVICE:						
Conservation operations	118,786,000	-58,000	+9,450,000			128,178,000
River basin surveys and investigations	8,187,000	-28,000	+652,000			8,811,000
Waterbed planning	6,209,000		+491,000			6,698,000
Waterbed works of improvement	63,873,000	-9,000	+2,159,000			66,023,000
Flood prevention	23,293,000	-1,000	+615,000			24,137,000
Great Plains conservation program	15,000,000		+342,000			15,342,000
Resource conservation and development	10,252,000	-4,000	+71,000			10,821,000
Total, Soil Conservation Service	246,230,000	-98,000	+14,182,000			260,614,000
ECONOMIC RESEARCH SERVICE	13,450,000		+1,142,000			14,592,000
STATISTICAL REPORTING SERVICE	1,712,800	-1,000	+1,116,000			16,227,800
CONSUMER AND MARKETING SERVICE:						
Consumer protective, marketing and regulatory programs	133,595,500	-40,000	+6,286,000			139,841,500
Payments to States and possessions	1,600,000					1,600,000
Total, Consumer and Marketing Service	135,195,500	-40,000	+6,286,000			143,441,500
REMARKS OF SENATORS (AGRICULTURAL COMMODITIES (SECTION 32))	(476,443,200)					(476,443,200)
FOOD AND NUTRITION SERVICE:						
Special milk program	84,000,000					84,000,000
Child nutrition programs (direct appropriation)	122,500,000					122,500,000
Transfer from Section 32	(194,265,000)	(-)	(-)		(-)	(194,265,000)
Total, Child nutrition program	(316,765,000)					(316,765,000)
Food Stamp program (direct appropriation)	610,000,000	-22,000				609,978,000
Total, Food and Nutrition Service	816,500,000	-22,000				816,478,000

Agency or Item	1970 Appropriations	Transfers to GSA: for Space Rental	Adjustments		Transfers in 1971 Estimates	1970 Appropriations Adjusted
			Pay Costs			
GENERAL ACTIVITIES: (Continued)						
FOREIGN AGRICULTURAL SERVICE	23,437,000	-	+630,000	-	-294,000	23,773,000
Transfer from Section 32	(3,117,000)	-	-	-	-	(3,117,000)
Total, Foreign Agricultural Service	(26,524,000)	-	(+630,000)	-	(-294,000)	(26,188,000)
COMMODITY EXCHANGE AUTHORITY	2,321,000	-3,000	-	-	-	2,318,000
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:						
Expenses, Agricultural Stabilization and Conservation Service	146,000,000	-	5/ +6,690,000	-	-	152,690,000
Transfer from Commodity Credit Corporation	(52,403,000)	-	5/ (978,000)	-	(-25,000)	(53,312,000)
Total, Expenses, AISC	(283,403,000)	-	(+7,662,000)	-	(-25,000)	(216,122,000)
Sugar Act program	93,000,000	-	-	-	-	93,000,000
Agricultural conservation program	195,500,000	-	-	-	-	195,500,000
Appropriation to liquidate advance authorization for prior years	(195,500,000)	-	-	-	-	(195,500,000)
Cropland adjustment program	78,600,000	-	-	-	-	78,600,000
Conservation reserve program	37,250,000	-	-	-	-	37,250,000
Emergency conservation measures	5,000,000	-	-	-	-	5,000,000
Indemnity payments to dairy farmers	200,000	-	-	-	-	200,000
Total, Agricultural Stabilization and Conservation Service	555,550,000	-	+6,090,000	-	-	561,640,000
EXPORT MARKETING SERVICE:						
Appropriation (transfer from Foreign Agricultural Service)	-	-	-	-	+294,000	294,000
Transfer from Commodity Credit Corporation	(2,872,000)	-	(+145,000)	-	(-432,000)	(3,119,000)
Total, Export Marketing Service	(2,872,000)	-	(+145,000)	-	(-432,000)	(3,119,000)
RURAL COMMUNITY DEVELOPMENT SERVICE	450,000	-	+34,000	-	-	484,000
OFFICE OF THE INSPECTOR GENERAL	13,657,000	-	+1,022,000	-	+49,000	14,728,000
PACKERS AND STOCKRAIDS ADMINISTRATION	3,354,650	-	-	-	-	3,354,650
OFFICE OF THE GENERAL COUNSEL	5,229,500	-	+427,500	-	-	5,657,000
OFFICE OF INFORMATION	2,106,000	-	+150,000	-	-	2,256,000
NATIONAL AGRICULTURAL LIBRARY	3,226,750	-	+175,000	-	+13,000	3,414,750
OFFICE OF MANAGEMENT SERVICES	3,025,000	-	+237,000	-	-	3,262,000
GENERAL ADMINISTRATION	4,838,000	-	+436,000	-	-	5,274,000
FOREST SERVICE:						
Forest protection and utilization	257,676,000	-295,000	+10,266,000	-	-	267,647,000
Cooperative range improvements	700,000	-	-	-	-	700,000
Forest roads and trails--Contract authorization	170,000,000	-	-	-	-	170,000,000
Liquidation of contract authorization	(100,570,000)	-	-	-	-	(100,570,000)

a/ Includes transfer of \$600,000 from "Conservation reserve program, Agricultural Stabilization and Conservation Service" for pay costs.
b/ Composed of an increase for pay costs of \$1,299,000 in the administrative expense limitation and a transfer of \$325,000 to other agencies for pay costs.

c/ Transfer to "Expenses, Agricultural Stabilization and Conservation Service" for pay costs.

Agency or Item	1970		Adjustments		1970	
	Appropriations	Transfers to GSA: for Space Rental:	Pay Costs	Transfers In 1971 Estimates	Appropriations	Adjusted
GENERAL ACTIVITIES: (Continued)						
FOREST SERVICE: (Continued)						
Acquisition of lands for national forests:						
Special acts	80,000	--	--	--		80,000
Assistance to States for tree planting	1,000,000	--	--	--		1,000,000
Total, Forest Service	1,080,000	-255,000	+10,266,000	--		439,427,000
TOTAL, Annual Appropriations for General Activities	2,698,345,150	-496,000	+56,999,500	--		2,755,048,650
Deduct amount for Forest Service	429,456,000	-255,000	+10,266,000	--		439,427,000
TOTAL, Annual Appropriations for General Activities (As shown in Subcommittee print)	2,268,889,150	-201,000	+46,733,500	--		2,315,621,650
CREDIT AGENCIES:						
RURAL ELECTRIFICATION ADMINISTRATION:						
Loan Authorizations:						
Electrification	340,000,000	--	--	--		340,000,000
Telephone	123,300,000	--	--	--		123,300,000
Total, Loan Authorizations	463,300,000	--	--	--		463,300,000
Salaries and expenses	13,429,000	--	+1,075,000	--		34,504,000
Total, Rural Electrification Administration	476,729,000	--	+1,075,000	--		477,804,000
FARMERS HOME ADMINISTRATION:						
Rural water and waste disposal grants	46,000,000	--	--	--		46,000,000
Rural housing for domestic farm labor	2,500,000	--	--	--		2,500,000
Mutual and self-help housing	2,125,000	--	--	--		2,125,000
Salaries and expenses	66,250,000	-55,000	+5,365,000	--		71,560,000
Transfer from loan accounts	(2,750,000)	--	--	--		(2,750,000)
Total, Salaries and expenses	(69,000,000)	-55,000	+5,365,000	--		(74,310,000)
Direct loan account (loan level):						
Real estate loans	(83,000,000)	--	--	--		(83,000,000)
Operating loans	(275,000,000)	--	--	--		(275,000,000)
Soil Conservation Service loans	(8,700,000)	--	--	--		(8,700,000)
Self-help housing land development fund	1,000,000	--	--	--		1,000,000
Rural housing insurance fund (loan level-direct loans)	(30,000,000)	--	--	--		(30,000,000)
Emergency credit revolving fund	31,918,000	--	--	--		31,918,000
Total, Farmers Home Administration	149,773,000	-55,000	+5,365,000	--		155,103,000
TOTAL, Credit Agencies	656,522,000	-55,000	+6,440,000	--		632,907,000

Agency or Item	1970 Appropriations	Adjustments		1970 Appropriations Adjusted
		Transfers to GSA: Appropriations for Space Rental:	Pay Costs		Transfers in 1971 Estimates
CORPORATIONS:				
FEDERAL CROP INSURANCE CORPORATION:				
Administrative and operating expenses	12,000,000	-4,000	--	11,996,000
Administrative and operating expenses paid from premium income	(1,648,000)	--	(+691,000)	(2,339,000)
Federal Crop Insurance Corporation Fund	10,000,000	--	--	10,000,000
Total, Federal Crop Insurance Corporation	22,000,000	-4,000	--	21,996,000
COMMODITY CREDIT CORPORATION:				
Price support and related programs:				
Reimbursement for net realized losses (appropriation)	5,215,934,000	--	--	5,215,934,000
Liquidation of contract authorization	-1,017,697,000	--	--	-1,017,697,000
Limitation on administrative and operating expenses	(32,000,000)	--	(--)	(32,000,000)
Total, Budget Authority	4,198,237,000	--	--	4,198,237,000
PUBLIC LAW 480:				
Sales for foreign currency and long-term credit (Title I program level)	894,508,017	--	--	894,508,017
Donations of commodities (Title II program level)	357,112,216	--	--	357,112,216
Adjustment to reflect prior year costs and receipts	-331,620,233	--	--	-331,620,233
Total, Public Law 480	920,000,000	--	--	920,000,000
BARRIRED MATERIALS FOR SUPPLEMENTAL STOCKPILE				
	1,250,000	--	--	1,250,000
TOTAL, Corporations	5,141,487,000	-4,000	--	5,141,483,000
TOTAL, BUDGET AUTHORITY, ABOVE ITEMS (as shown in Subcommittee Print)				
	8,037,098,150	-560,000	+53,173,500	8,090,011,650
PERMANENT BUDGET AUTHORITY:				
Removal of surplus agricultural commodities (Section 32)	690,826,200	--	--	690,826,200
National Wool Act	67,892,514	--	--	67,892,514
All other permanent appropriations	124,942,383	--	--	124,942,383
Total, permanent appropriations	883,661,097	--	--	883,661,097
Deduct permanent appropriations for the Forest Service	123,039,783	--	--	123,039,783
TOTAL, Permanent Budget Authority	760,621,314	--	--	760,621,314
PROPOSED FOR SEPARATE TRANSMITTAL:				
Under existing legislation:				
Forest Service: Fighting forest fires	21,000,000	--	--	21,000,000
Total, supplementals under existing legislation	21,000,000	--	--	21,000,000
Deduct Forest Service supplemental	21,000,000	--	--	21,000,000
TOTAL, Proposed for Separate Transmittal	--	--	--	--

Office of Budget and Finance
BPO
February 10, 1970

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 2.--New Budget (Obligational) Authority by Subappropriation and Appropriation 1969, 1970 and Budget Estimates, 1971

(NOTE.--Amounts for 1969 and 1970 include all supplemental appropriations to date and are adjusted for comparability with the appropriation structure proposed in the 1970 Budget Estimates. Amounts in parentheses not included in totals.)

Agency or Item	1969	1970 Adjusted	Budget Estimates 1971	Change Budget Estimates 1970 Compared with 1971 Adjusted
GENERAL ACTIVITIES:				
AGRICULTURAL RESEARCH SERVICE:				
Research				
Transfer from Section 32	\$128,935,200	\$140,287,200	\$141,437,200	+\$1,150,000
Total	(15,000,000)	(15,000,000)	(15,000,000)	(-)
Plant and animal disease and pest control	(183,935,200)	(152,287,200)	(136,437,200)	(+1,150,000)
Special fund (reappropriation)	87,894,085	95,909,750	98,763,750	+2,854,000
Total, Salaries and expenses	2,000,000	2,000,000	(2,000,000)	-2,000,000
Special foreign currency program	218,889,285	232,196,950	240,200,950	+2,004,000
Total, Agricultural Research Service	4,500,000	5,000,000	5,000,000	-
Total, Agricultural Research Service	223,329,285	243,196,950	245,200,950	+2,004,000
COOPERATIVE STATE RESEARCH SERVICE:				
Payments to agricultural experiment stations	52,890,040	55,189,000	64,099,000	+8,910,000
Grants for cooperative forestry research	3,485,000	3,785,000	4,412,000	+627,000
Contracts and grants for scientific research	2,000,000	2,000,000	3,350,000	+1,350,000
Grants for facilities		1,000,000		
Penalty mail	160,000	160,000	160,000	-
Federal administration (direct appropriation)	379,960	514,000	514,000	-
Total, Cooperative State Research Service	\$3,911,000	62,642,000	72,535,000	+9,887,000
FEDERAL EXTENSION SERVICE:				
Payments to States and Puerto Rico :				
Formula distribution (Sections 3(b) and (c) of Smith-Lever Act).....	80,083,000	83,621,000	89,321,000	+5,700,000
Non-Formula:				
Nutrition education (Section 3(d) of Smith-Lever Act).....	-	28,560,000	48,560,000	+20,000,000
Rural community development	-	-	10,400,000	+10,400,000
Cooperative marketing extension work	1,450,000	1,450,000	1,450,000	-
Extension work in the District of Columbia	75,000	375,000	700,000	+325,000
Total, Payments to States and Puerto Rico	\$1,608,000	114,006,000	150,431,000	+36,425,000

Agency or Item	1969	1970 Adjusted	Budget Estimates 1971	Change Budget Estimates 1970 Compared with 1971 Adjusted
GENERAL ACTIVITIES - (continued)				
FEDERAL EXTENSION SERVICE - (continued)				
Retirement and compensation costs for extension agents	9,534,000	10,240,000	13,515,000	+3,275,000
Penalty mail	3,259,000	3,400,000	3,517,000	+217,000
Federal Extension Service	2,835,000	4,088,000	4,088,000	-
Total, Extension Service	97,279,000	131,734,000	171,651,000	+39,917,000
FARMER COOPERATIVE SERVICE				
	1,414,000	1,631,000	1,666,000	+35,000
SOIL CONSERVATION SERVICE:				
Conservation operations	118,766,399	128,178,000	128,435,000	+257,000
River basin surveys and investigations	9,063,917	8,815,000	9,043,000	+228,000
Watershed planning	6,413,944	6,698,000	5,434,000	-1,264,000
Flood prevention	57,873,351	66,023,000	74,278,000	+8,255,000
Great Plains conservation and development	24,222,961	24,737,000	21,037,000	-3,700,000
Resource conservation and development program	16,159,620	15,342,000	15,357,000	+13,000
Total, Soil Conservation Service	235,482,252	250,514,000	257,455,000	+6,944,000
ECONOMIC RESEARCH SERVICE				
	13,327,054	14,592,000	16,228,000	+1,636,000
STATISTICAL REPORTING SERVICE				
	14,843,036	16,527,800	17,749,800	+1,222,000
CONSUMER AND MARKETING SERVICES:				
Consumer protective, marketing, and regulatory programs	118,016,215	139,841,500	149,247,000	+9,405,500
Transfer from Commodity Credit Corporation	1,600,000	1,600,000	1,600,000	-
Payments to States and possessions	(2,404,720)	(4,093,350)	(4,316,350)	(223,000)
Total, Consumer and Marketing Service	119,516,215	137,448,150	150,841,000	+13,392,850
Removal of Surplus Agricultural Commodities (Net of transfers)	(402,790,833)	(478,443,200)	(463,781,000)	(-14,662,200)
FOOD AND NUTRITION SERVICE:				
Child nutrition program (direct appropriation)	188,451,681	122,500,000	85,395,000	-37,105,000
Transfer from Section 32	(64,325,000)	(194,266,000)	(238,358,000)	(444,037,000)
Total	(292,776,681)	(316,766,000)	(323,753,000)	(-46,987,000)
Special Milk Program (direct appropriation)	-	84,000,000	-	84,000,000
Transfer Section 32	(104,000,000)	(-)	(-)	(-)

Agency or Item	1969	1970 Adjusted	Budget Estimates 1971	Change Budgets Estimates 1970 Compared with 1971 Adjusted
GENERAL ACTIVITIES - (continued)				
FOOD AND NUTRITION SERVICE - (continued)				
Food Stamp Program	279,908,047	609,978,000	1,250,000,000	+640,022,000
Total, Food and Nutrition Service	468,358,728	819,478,000	1,735,395,000	+416,917,000
FOREIGN AGRICULTURAL SERVICE:				
Transfer from Section 32	21,175,993	23,773,000	24,773,000	+1,000,000
Total	(3,117,000)	(3,117,000)	(3,117,000)	(-)
	(24,292,993)	(26,890,000)	(27,990,000)	(+1,000,000)
COMMODITY EXCHANGE AUTHORITY				
	1,881,230	2,478,000	2,532,000	51,000
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:				
Expenses, Agricultural Stabilization and Conservation Service (direct appropriation):	142,857,000	152,690,000	135,466,000	-17,224,000
Transfer from the Commodity Credit Corporation	(62,423,000)	(63,432,000)	(60,779,000)	(+5,347,000)
Total, Expenses	(205,280,000)	(215,122,000)	(204,245,000)	(+11,977,000)
Sugar Act program	89,500,000	93,000,000	83,600,000	-9,400,000
Agricultural conservation program--Advance authorization	195,500,000	195,500,000	--	-195,500,000
Liquidation of contract authorization	(190,000,000)	(195,500,000)	(185,000,000)	(+10,500,000)
Cropland adjustment program	81,900,000	78,690,000	77,800,000	(-1,100,000)
Conservation reserve program	109,000,000	36,650,000	--	-36,650,000
Emergency payments to dairy farmers	5,000,000	5,000,000	5,000,000	--
Indemnity payments	300,000	200,000	--	-200,000
Total, Agricultural Stabilization and Conservation Service	624,057,000	561,940,000	301,866,000	-259,774,000
EXPORT MARKETING SERVICE:				
Appropriation (Transfers from Expenses, ASCS and FAS)	746,000	294,000	--	-294,000
Transfer from CCC	(2,448,000)	(3,149,000)	(3,719,000)	(+570,000)
Total, Export Marketing Service	(3,208,000)	(3,144,300)	(3,719,000)	(+276,000)

Agency or Item	1969	1970 Adjusted	Budget Estimates 1971	Change Budget Estimates 1970 Compared with 1971 Adjusted
GENERAL ACTIVITIES - (continued)				
RURAL COMMUNITY DEVELOPMENT SERVICE	481,000	484,000	484,000	--
OFFICE OF INSPECTOR GENERAL	13,037,824	14,728,000	15,846,000	+1,118,000
PACKERS AND STOCKYARDS ADMINISTRATION	2,859,281	3,508,650	3,748,000	+289,350
OFFICE OF THE GENERAL COUNSEL	4,850,000	5,657,000	5,657,000	--
OFFICE OF INFORMATION	2,055,000	2,256,000	2,256,000	--
NATIONAL AGRICULTURAL LIBRARY	3,335,412	3,414,750	3,914,750	+500,000
Library Facilities	--	--	800,000	+800,000
Total	3,335,412	3,414,750	4,714,750	+1,300,000
OFFICE OF MANAGEMENT SERVICES	2,945,600	3,249,000	3,518,000	+269,000
GENERAL ADMINISTRATION	4,838,000	5,276,000	5,901,000	+625,000
FOREST SERVICE:				
Forest protection and utilization:				
Forest land management	208,653,937	200,788,000	211,561,000	+10,773,000
Forest research	40,075,798	43,920,000	45,066,000	+1,146,000
State and private forestry cooperation	19,529,000	22,559,000	21,939,000	-620,000
Total, forest protection and utilization	268,258,735	267,267,000	278,566,000	+10,919,000
Cooperative range improvements	700,000	700,000	700,000	--
Forest roads and trails - Contract Authorization	170,000,000	170,000,000	100,000,000	-70,000,000
Liquidation of contract authorization	(91,000,000)	(100,570,000)	(115,000,000)	(+14,430,000)
Acquisition of lands for national forests under special acts	80,000	80,000	80,000	--
Assistance to States for tree planting	1,000,000	1,000,000	1,000,000	--
Total, Forest Service	440,438,735	439,427,000	360,346,000	-59,081,000
TOTAL, General Activities	12,368,703,248	2,755,048,650	3,030,392,500	+275,343,850
Reduct amount for Forest Service	440,438,735	439,427,000	360,346,000	-59,081,000
TOTAL, ANNUAL APPROPRIATIONS FOR GENERAL ACTIVITIES IN AGRICULTURAL APPROPRIATION BILL	11,918,264,513	2,315,621,650	2,650,046,500	+334,424,850

Agency or Item	1969		1970		1971		Change Budget	
		Adjusted		Adjusted	Estimates	Estimates	Estimates 1970	Compared with 1971 Adjusted
CREDIT AGENCIES:								
RURAL ELECTRIFICATION ADMINISTRATION:								
Loan Authorization								
Telephone	329,000,000		340,000,000		322,000,000		-18,000,000	
	120,000,000		123,300,000		123,800,000		+500,000	
Total, Loan Authorizations	449,000,000		463,300,000		445,800,000		-17,500,000	
Salaries and expenses	13,422,000		14,504,000		14,579,000		+75,000	
Total, Rural Electrification Administration	462,422,000		477,804,000		460,379,000		-17,425,000	
FARMERS HOME ADMINISTRATION:								
Direct loan account:								
Soil and water loans	(78,000,000)		(78,000,000)		(40,500,000)		(-37,500,000)	
Farm ownership loans	(5,000,000)		(5,000,000)		(5,000,000)			
Total loans	(83,000,000)		(83,000,000)		(45,500,000)		(-37,500,000)	
Operating loans	(275,000,000)		(275,000,000)		(275,000,000)			
Soil Conservation Service loans	(4,900,000)		(8,700,000)		(6,400,000)		(-2,300,000)	
Total, Direct Loan account	(352,900,000)		(366,700,000)		(326,900,000)		(-39,800,000)	
Rural Housing Insurance Fund (direct housing loans)			(30,000,000)		(19,000,000)		(-11,000,000)	
Reimbursement to fund for interest costs					334,000		+334,000	
Rural water and waste disposal grants	28,000,000		46,000,000		24,000,000		-22,000,000	
Rural renewal	1,600,000							
Rural housing for domestic farm labor	4,250,000		2,500,000		2,500,000			
Mutual and self-help housing			2,125,000		1,250,000		-875,000	
Self-help housing land development fund	600,000		1,000,000		600,000			
Emergency Credit Revolving Fund			31,918,000					
Salaries and expenses	60,271,337		71,560,000		65,000,000		+13,440,000	
Transfer from loan accounts	(2,750,000)		(2,750,000)		(2,750,000)			
Total, Salaries and expenses	(53,021,337)		(74,330,000)		(48,750,000)		(-25,580,000)	
Total, Farmers Home Administration	94,721,337		155,103,000		113,684,000		-41,419,000	
TOTAL, Credit Agencies:								
Loan Authorizations (FHA revolving funds)	(392,900,000)		(396,700,000)		(344,900,000)		(-51,800,000)	
New budget (obligational) authority	557,150,337		632,907,000		574,063,000		-58,844,000	
CORPORATIONS:								
FEDERAL CROP INSURANCE CORPORATION:								
Administrative and operating expenses:								
Appropriation	11,507,544		11,996,000		12,000,000		44,000	

Agency or Item	1969	1970 Adjusted	Budget Estimates 1971	Change Budget Estimates 1970 Compared with 1971 Adjusted
CORPORATIONS - (continued)				
FEDERAL CROP INSURANCE CORPORATION - (continued)				
Subscription to Capital Stock Federal Crop Insurance Corporation				
Premium income	(2,140,000)	10,000,000	--	-10,000,000
Total, Federal Crop Insurance Corporation	(13,587,544)	(24,335,000)	(2,335,000)	(4,000)
			(14,335,000)	(-10,000,000)
COMMODITY CREDIT CORPORATION:				
Appropriation	4,188,112,000	5,215,934,000	3,363,155,000	-1,892,779,000
Contract authorization	2,633,814,000	--	440,756,000	440,756,000
Liquidating contract authorization	--	--	--	--
Total, Budget Authority	5,471,459,000	4,196,597,000	3,803,911,000	-1,671,697,000
Limitation on administrative and operating expenses	(31,500,000)	(31,500,000)	(36,500,000)	(44,106,000)
FOREIGN ASSISTANCE PROGRAMS:				
Food for peace (P.L. 480):				
Sales for foreign currencies and long-term dollar credit (Title I)	868,409,110	894,508,017	782,200,000	-112,308,017
Less receipts and changes in prior year balances and costs	(768,409,110)	(474,508,017)	(555,100,000)	(426,409,017)
Title I, Appropriation	100,000,000	420,000,000	526,100,000	426,100,000
Disposition of commodities abroad (Title II)	36,295,298	37,112,216	351,030,000	-6,082,216
Less changes in prior year balances and costs	(164,205,298)	414,287,784	452,370,000	87,517,784
Title II, Appropriation	200,000,000	500,000,000	406,400,000	-93,600,000
Total, P.L. 480	300,000,000	920,000,000	932,500,000	12,500,000
Bartered materials for supplemental stock-pile	--	1,250,000	25,000	-1,225,000
Total, Foreign Assistance Programs	300,000,000	921,250,000	932,225,000	11,275,000
Total, Corporations	5,782,956,544	5,141,483,000	4,748,436,000	-393,047,000
TOTAL, ABOVE ITEMS:				
Direct Appropriations	8,258,381,394	8,090,011,650	7,972,945,500	-117,466,150
Loan Authorizations	(392,900,000)	(395,700,000)	(345,900,000)	(-50,800,000)
PERMANENT APPROPRIATIONS:				
Removal of surplus agricultural commodities (Section 32)	589,232,883	690,826,200	720,256,000	+99,429,800
National Wool Act	72,451,002	67,892,514	58,100,000	-9,792,514
Perishable Agricultural Commodities Act Fund	930,000	980,000	1,050,000	+70,000
Rural Housing Insurance Fund, Appropriation	893,000	496,000	--	-496,000
Net borrowings in excess of repayments	104,465,000	--	--	--
Agricultural Credit Insurance Fund (Net borrowings in excess of repayments)	235,644,000	--	--	--

Agency or Item	1969	1970 Adjusted	Budget Estimates 1971	Change Budget Estimates 1970 Compared with 1971 Adjusted	
				1971	1971 Adjusted
PERMANENT APPROPRIATIONS - (continued)					
Payment to school funds, Arizona and New Mexico	90,193	124,709	125,000		+981
Roads and trails for States, National forests receipts	20,931,905	31,206,198	34,292,200		+3,086,002
Expenses, brush disposal	11,504,351	12,800,000	12,800,000		--
Forest fire prevention	100,461	125,000	133,000		+8,000
Restoration of forest lands and improvements	11,319	25,000	25,000		--
Payments to Minnesota: (Cook, Lake, and Saint Louis Counties) from National Forests Fund	146,232	257,955	258,000		+45
Payments to counties, national grasslands	538,155	488,000	488,000		--
Payments to States, National Forests Fund	52,325,638	78,012,921	85,727,875		+7,714,954
Animal Quarantine Station	--	426,600	--		-426,600
TOTAL, Permanent Appropriations	1,089,663,239	883,661,097	913,255,075		+59,593,978
Deduct permanent appropriations for Forest Service	86,047,354	123,939,783	133,849,075		-10,809,292
TOTAL, Permanent Appropriations excluding Forest Service	1,003,615,885	760,621,314	779,406,000		+18,784,686
PROPOSED FOR SEPARATE TRANSMITTAL:					
Consumer and Marketing Service:					
Proposed legislation (principally user fee)	--	--	4,577,000		+4,577,000
Forest Service:					
Fighting forest fires	--	21,000,000	--		-21,000,000
TOTAL, Proposed for Separate Transmittal	--	21,000,000	4,577,000		-16,423,000

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 3--Statement of Increases and Decreases, Budget Estimates, 1971
Compared with Estimates, 1970

GENERAL ACTIVITIES:	1970 Estimate	Increase or decrease	1971 Estimate
<u>Agricultural Research Service:</u>			
<u>Research:</u>			
Beef quality and production	\$1,028,800	+\$300,000	\$1,328,800
Dairy cattle mastitis control	593,300	+300,000	893,300
Bluetongue diagnosis	393,100	+75,000	468,100
Potato golden nematode control	3,500	+237,000	240,500
Remote sensing applications	287,800	+495,000	782,800
Animal waste management for pollution control	774,200	+678,000	1,452,200
Research facilities planning and construction (non-re- curring costs)	935,000	-935,000	- -
All other research	151,271,500	- -	151,271,500
Total, Research	155,287,200	+1,150,000	156,437,200
Less transfer from Section 32	-15,000,000	- -	-15,000,000
Total, Direct appropria- tion for research	140,287,200	+1,150,000	141,437,200
Plant and animal disease and pest control:			
Imported fire ant program..	5,643,200	+2,000,000	7,643,200
Plant quarantine inspection activities	13,740,700	+210,000	13,950,700
Hog cholera eradication indemnities and serum and vaccine reserves	5,450,000	+1,000,000	6,450,000
Pesticides registration and enforcement	4,268,100	+2,400,000	6,668,100
Elimination of plant pest control programs:			
European chafer	172,000	-172,000	- -
Sweetpotato weevil	335,000	-335,000	- -
Soybean cyst nematode ...	538,000	-538,000	- -
Phony peach and peach mosaic	211,000	-211,000	- -
Animal quarantine facilities construction (non-recurring cost)	1,500,000	-1,500,000	- -
All other	64,051,750	- -	64,051,750
Total, Plant and animal disease and pest control	95,909,750	+2,854,000	98,763,750
Special fund reappropriation	2,000,000	-2,000,000	(2,000,000)
Special foreign currency program	5,000,000	- -	5,000,000
Total, Agricultural Research Service	243,196,950	+2,004,000	245,200,950

	1970 <u>Estimate</u>	Increase or <u>decrease</u>	1971 <u>Estimate</u>
GENERAL ACTIVITIES: (Cont'd)			
<u>Cooperative State Research</u>			
Service:			
Payments to agricultural experiment stations under the Hatch Act:			
Community improvement and human resource development research	\$1,690,000	+\$5,000,000	\$6,690,000
Animal waste pollution control research	1,357,000	+344,000	1,701,000
Agricultural marketing research	7,793,000	+193,730	7,986,730
Increased costs of ongoing research	-	+3,104,970	3,104,970
All other, research program	42,916,941	-	42,916,941
Total, Research program ...	<u>53,756,941</u>	<u>+8,642,700</u>	<u>62,399,641</u>
Set-aside for Federal Administration (3% of increase)	1,432,059	+267,300	1,699,359
Total under Hatch Act	<u>55,189,000</u>	<u>+8,910,000</u>	<u>64,099,000</u>
Grants for cooperative forestry research:			
Timber production management	1,977,000	+300,000	2,277,000
Bark beetle control	501,000	+100,000	601,000
Increased costs of ongoing research	-	+227,000	227,000
All other	<u>1,307,000</u>	<u>-</u>	<u>1,307,000</u>
Total, Grants for cooperative Forestry research	3,785,000	+627,000	4,412,000
Contracts and grants for scientific research:			
Community improvement and human resource development	185,000	+1,350,000	1,535,000
All other	<u>1,815,000</u>	<u>-</u>	<u>1,815,000</u>
Total, Contracts and grants for scientific research ...	2,000,000	+1,350,000	3,350,000
Grants for facilities	1,000,000	-1,000,000	-
All other	<u>674,000</u>	<u>-</u>	<u>674,000</u>
Total, Cooperative State Research Service	<u>62,648,000</u>	<u>+9,887,000</u>	<u>72,535,000</u>
Extension Service:			
Payments to States and Puerto Rico for cooperative extension program:			
Nutrition education program .	28,560,000	+20,000,000	48,560,000
Community development in rural areas	-	+10,400,000	10,400,000
Increased costs of ongoing programs	82,708,960	+5,472,000	88,180,960
Set-aside for Federal administration	912,040	+228,000	1,140,040
Total, above.....	<u>112,181,000</u>	<u>+36,100,000</u>	<u>148,281,000</u>
Extension work in the District of Columbia.....	375,000	+325,000	700,000
Retirement and employee compensation fund costs	10,240,000	+3,275,000	13,515,000
Penalty mail	3,400,000	+217,000	3,617,000

	1970 <u>Estimate</u>	Increase or <u>decrease</u>	1971 <u>Estimate</u>
GENERAL ACTIVITIES - Cont'd			
Extension Service: Cont'd			
All other	\$5,538,000	-	\$5,538,000
Total, Extension Service ..	<u>131,734,000</u>	<u>+39,917,000</u>	<u>171,651,000</u>
Farmer Cooperative Service:			
Technical assistance to cooperatives	666,000	+35,000	701,000
All other	<u>965,000</u>	-	<u>965,000</u>
Total, Farmer Cooperative Service	<u>1,631,000</u>	<u>+35,000</u>	<u>1,666,000</u>
Soil Conservation Service:			
Conservation operations:			
Soil surveys - publication of soil survey reports	21,000,000	+60,000	21,060,000
Plant materials centers - equipment replacement and repairs	1,130,000	+197,000	1,327,000
All other	<u>106,048,000</u>	-	<u>106,048,000</u>
Total, Conservation operations	128,178,000	+257,000	128,435,000
River basin surveys and investigations	8,815,000	+228,000	9,043,000
Watershed planning	6,698,000	-1,264,000	5,434,000
Watershed works of improvement: Completion of work on pilot watersheds	110,000	-110,000	-
Construction on P.L. 566 watersheds	65,613,000	+8,315,000	73,928,000
Loan servicing expenses	<u>300,000</u>	<u>+50,000</u>	<u>350,000</u>
Total, Watershed works of improvement	66,023,000	+8,255,000	74,278,000
Flood prevention:			
Works of improvement in P.L. 566 watersheds	20,628,000	-74,000	20,554,000
Emergency measures	4,000,000	-3,700,000	300,000
Loan servicing expenses	<u>109,000</u>	<u>+74,000</u>	<u>183,000</u>
Total, Flood prevention ...	<u>24,737,000</u>	<u>-3,700,000</u>	<u>21,037,000</u>
Great Plains conservation program:			
Technical assistance	4,542,000	+13,000	4,555,000
All other	<u>10,800,000</u>	-	<u>10,800,000</u>
Total, Great Plains conservation program	15,342,000	+13,000	15,355,000
Resource conservation and development:			
Project planning	1,300,000	-900,000	400,000
Technical services and financial assistance	9,196,000	+3,980,000	13,176,000
Loan servicing expenses ...	<u>325,000</u>	<u>-25,000</u>	<u>300,000</u>
Total, Resource conservation and development	<u>10,821,000</u>	<u>+3,055,000</u>	<u>13,876,000</u>
Total, Soil Conservation Service	<u>260,614,000</u>	<u>+6,844,000</u>	<u>267,458,000</u>

	1970 <u>Estimate</u>	Increase or <u>decrease</u>	1971 <u>Estimate</u>
GENERAL ACTIVITIES - Cont'd			
Economic Research Service:			
Farm income measurement and farm price and income forecasting	\$3,959,000	+\$207,000	\$4,166,000
Application of remote sensing to land use inventories	- -	+52,000	52,000
Impact of world agricultural development on U.S. foreign trade	1,489,000	+865,000	2,354,000
Develop data on rural economic conditions for rural development.....	1,881,000	+512,000	2,393,000
All other	<u>7,263,000</u>	- -	<u>7,263,000</u>
Total, Economic Research Service	<u>14,592,000</u>	<u>+1,636,000</u>	<u>16,228,000</u>
Statistical Reporting Service:			
Livestock statistics improvement	250,000	+1,050,000	1,300,000
Farm grain stocks estimates	103,500	+39,000	142,500
Farm operators' expenditures survey	- -	+80,000	80,000
Improvement of statistical methods	383,000	+17,000	400,000
Remote sensing research	25,000	+36,000	61,000
All other	<u>15,766,300</u>	- -	<u>15,766,300</u>
Total, Statistical Reporting Service	<u>16,527,800</u>	<u>+1,222,000</u>	<u>17,749,800</u>
Consumer and Marketing Service:			
Consumer protective, marketing, and regulatory programs:			
Meat inspection:			
Grants to States	21,617,000	+982,000	22,599,000
Federal inspection	63,270,000	+4,931,000	68,201,000
Poultry inspection:			
Grants to States	1,665,000	+150,000	1,815,000
Federal inspection	29,042,500	+3,142,500	32,185,000
Cotton classing - increased postage costs	6,194,000	+200,000	6,394,000
All other, CPM&RP	18,053,000	- -	18,053,000
Transfer from Commodity Credit Corporation	(4,093,350)	(+223,000)	(4,316,350)
Total, CPM&RP.....	<u>139,841,500</u>	<u>+9,405,500</u>	<u>149,247,000</u>
Payments to States and possessions.....	<u>1,600,000</u>	- -	<u>1,600,000</u>
Total, Consumer and Marketing Service	<u>141,441,500</u>	<u>+9,405,500</u>	<u>150,847,000</u>
Food and Nutrition Service:			
Special milk program	84,000,000	-84,000,000	- -
Child nutrition programs:			
Cash payments to States:			
School lunch program	168,041,000	+1,680,000	169,721,000
Removal of Surplus Agricultural Commodities (Section 32)(net of transfers).....	(478,443,200)	(-14,662,200)	(463,781,000)

GENERAL ACTIVITIES - Cont'd	1970	Increase or	1971
Food and Nutrition Service	Estimate	decrease	Estimate
Cont'd			
Free and reduced price lunches	\$44,800,000	+\$3,547,000	\$48,347,000
School breakfast program ..	10,000,000	+2,000,000	12,000,000
Nonfood assistance program	10,000,000	+2,500,000	12,500,000
State administrative expenses	750,000	- -	750,000
Nonschool food program	<u>15,000,000</u>	<u>-3,000,000</u>	<u>12,000,000</u>
Total, Cash payments to States	248,591,000	+6,727,000	255,318,000
Commodity procurement	64,325,000	- -	64,325,000
Federal operating expenses	<u>3,850,000</u>	<u>+260,000</u>	<u>4,110,000</u>
Total, Child nutrition programs	316,766,000	+6,987,000	323,753,000
Less transfer from Section 32	<u>-194,266,000</u>	<u>-44,092,000</u>	<u>-238,358,000</u>
Total, Direct appropriation	122,500,000	-37,105,000	85,395,000
Food stamp program:			
Program costs	569,150,000	+635,850,000	1,232,000,000
Operating expenses	<u>13,828,000</u>	<u>+4,172,000</u>	<u>18,000,000</u>
Total, Food stamp program	609,978,000	+640,022,000	1,250,000,000
Total, Food and Nutrition Service	<u>816,478,000</u>	<u>+518,917,000</u>	<u>1,335,395,000</u>
Foreign Agricultural Service:			
Export market development program	18,177,000	+1,000,000	19,177,000
All other	<u>8,713,000</u>	- -	<u>8,713,000</u>
Subtotal	26,890,000	+1,000,000	27,890,000
Less transfer from Section 32	<u>-3,117,000</u>	- -	<u>-3,117,000</u>
Total, Direct appropriation	<u>23,773,000</u>	<u>+1,000,000</u>	<u>24,773,000</u>
Commodity Exchange Authority:			
Supervision of futures trading	1,160,000	+74,000	1,234,000
All other	<u>1,318,000</u>	- -	<u>-1,318,000</u>
Total, Commodity Exchange Authority	<u>2,478,000</u>	<u>+74,000</u>	<u>2,552,000</u>
Agricultural Stabilization and Conservation Service:			
Expenses, ASCS:			
Direct appropriation - (decrease reflects primarily, termination of ACP in 1971)	152,690,000	-17,224,000	135,466,000
Transfer from CCC	<u>(63,432,000)</u>	<u>(+5,347,000)</u>	<u>(68,779,000)</u>
Total, Expenses for increased workload, ASCS..	(216,122,000)	(-11,877,000)	(204,245,000)
Sugar Act program - estimated net decrease in production..	93,000,000	-9,400,000	83,600,000
Agricultural conservation program authorization.....	195,500,000	-195,500,000	- -
Liquidation of prior contracts	<u>(195,500,000)</u>	<u>(-10,500,000)</u>	<u>(185,000,000)</u>
Cropland adjustment program - payments under 1966 and 1967 programs (Change reflects terminations and modifications of existing contracts).....	78,600,000	-800,000	77,800,000

GENERAL ACTIVITIES-- Cont'd	1970 <u>Estimate</u>	Increase or <u>decrease</u>	1971 <u>Estimate</u>
<u>Agricultural Stabilization and Conservation Service: (Cont'd)</u>			
Conservation reserve program (1970 Act provides funds for balance of contracts).....	\$36,650,000	-\$36,650,000	- -
Emergency conservation measures.....	5,000,000	- -	\$5,000,000
Indemnity payments to dairy farmers.....	<u>200,000</u>	<u>-200,000</u>	<u>- -</u>
Total, Agricultural Stabilization and Conservation Service.....	<u>561,640,000</u>	<u>-259,774,000</u>	<u>301,866,000</u>
<u>Export Marketing Service:</u>			
Transfer in 1971 estimates from Foreign Agricultural Service..	294,000	-294,000	- -
Allotment from Administrative Expense Limitation, Commodity Credit Corporation.....	<u>(3,149,000)</u>	<u>(+570,000)</u>	<u>(3,719,000)</u>
Total, Budget authority.....	294,000	-294,000	- -
Total, available, Export Marketing Service (increase for expansion of export programs).....	<u>(3,443,000)</u>	<u>(+276,000)</u>	<u>(3,719,000)</u>
<u>Rural Community Development Service.....</u>	484,000	- -	484,000
<u>Office of the Inspector General - Increase for program audits and investigations.....</u>	14,728,000	+1,118,000	15,846,000
<u>Packers and Stockyards Administration - Increase for supervision of livestock and poultry markets..</u>	3,508,650	+239,350	3,748,000
Office of the General Counsel....	5,657,000	- -	5,657,000
Office of Information.....	2,256,000	- -	2,256,000
<u>National Agricultural Library:</u>			
Library operations - acquisition of books and periodicals.....	3,414,750	+500,000	3,914,750
Library facilities - construction of cafeteria.....	- -	+800,000	800,000
Total, National Agricultural Library.....	<u>3,414,750</u>	<u>+1,300,000</u>	<u>4,714,750</u>
<u>Office of Management Services:</u>			
Management support activities.	3,249,000	+130,000	3,379,000
Accounting equipment.....	- -	+79,000	79,000
Development of automatic accrual accounting systems.....	- -	+47,000	47,000
Training costs.....	- -	+13,000	13,000
Total, Office of Management Services.....	<u>3,249,000</u>	<u>+269,000</u>	<u>3,518,000</u>

GENERAL ACTIVITIES - Cont'd	1970 Estimate	Increase or decrease	1971 Estimate
<u>General Administration:</u>			
Management improvement activities	\$230,575	+\$246,000	\$376,575
Contract compliance	342,800	+210,000	552,800
Civil rights activities (\$250,000 funds available in Working Capital Fund in 1970)	- -	+269,000	269,000
All other	4,702,625	- -	4,702,625
Total, General Administration	<u>5,276,000</u>	<u>+625,000</u>	<u>5,901,000</u>
<u>Forest Service:</u>			
<u>Forest Land management:</u>			
Sales administration and management	47,050,000	+5,260,000	52,310,000
Reforestation and timber stand improvement	16,535,000	+2,877,000	19,412,000
Recreation area construction, supervision and maintenance	39,093,000	+3,132,000	42,225,000
Range improvements	3,028,000	+650,000	3,678,000
Construction and maintenance for fire and general purposes - Increase for pollution control	9,517,000	+539,000	10,056,000
Reimbursements to employees' compensation fund	1,100,000	+356,000	1,456,000
Insect and disease control - conversion to non-persistent pesticides	9,846,000	+1,500,000	11,346,000
Land classification, adjustments, and surveys	6,919,000	-150,000	6,769,000
Water resource development	7,500,000	-3,391,000	4,109,000
All other	<u>60,200,000</u>	- -	<u>60,200,000</u>
Total, Forest Land Management	200,788,000	+10,773,000	211,561,000
<u>Forest research:</u>			
Timber management	10,125,000	+194,000	10,319,000
Watershed management -- sedimentation control	4,341,000	+75,000	4,416,000
Forest products utilization	8,057,000	+170,000	8,227,000
Forest engineering	909,000	+171,000	1,080,000
Forest surveys	2,680,000	+435,000	3,115,000
Forest economics research...	1,097,000	+172,000	1,269,000
Forest research construction	71,000	-71,000	- -
All other	<u>16,640,000</u>	- -	<u>16,640,000</u>
Total, Forest research ...	43,920,000	+1,146,000	45,066,000
<u>State and private forestry cooperation:</u>			
Technical assistance to producers and processors	4,130,000	+820,000	4,950,000
General forestry assistance - Increase to expand softwood timber supplies	2,027,000	+180,000	2,207,000
Cooperative forest fire control	16,469,000	-2,000,000	14,469,000

	1970 <u>Estimate</u>	Increase or <u>decrease</u>	1971 <u>Estimate</u>
GENERAL ACTIVITIES - Cont'd			
Forest Service: Cont'd			
Cooperative forestation.....	\$313,000	- -	\$313,000
Total, State and private forestry cooperation.....	<u>22,939,000</u>	<u>-1,000,000</u>	<u>21,939,000</u>
Total, Forest protection and utilization.....	267,647,000	+10,919,000	278,566,000
Forest roads and trails:			
Contract authority shown is provided in Highway Act (program level is \$10,980,000 greater in 1971 than 1970)...	170,000,000	-70,000,000	100,000,000
Liquidation of contract authority.....	(100,570,000)	(+14,430,000)	(115,000,000)
All other.....	<u>1,780,000</u>	- -	<u>1,780,000</u>
Total, Forest Service.....	<u>439,427,000</u>	<u>-59,081,000</u>	<u>380,346,000</u>
TOTAL, GENERAL ACTIVITIES (including Forest Service).....	2,755,048,650	+275,343,850	3,030,392,500
Less Forest Service.....	<u>-439,427,000</u>	<u>+59,081,000</u>	<u>380,346,000</u>
TOTAL, GENERAL ACTIVITIES (as shown in Subcommittee print).....	<u>2,315,621,650</u>	<u>+334,424,850</u>	<u>2,650,046,500</u>
CREDIT AGENCIES:			
Rural Electrification Adminis- tration:			
Loans (authorizations to borrow from Treasury):			
Electrification loan authori- zation.....	340,000,000	-18,000,000	322,000,000
(program level is \$345 million in 1970 and 1971)			
Telephone loans authorization	123,300,000	+500,000	123,800,800
(program level is \$125 million in 1970 and 1971)			
Total, Loan authorization..	<u>463,300,000</u>	<u>-17,500,000</u>	<u>445,800,000</u>
Salaries and expenses - increase to provide ADP services.....	14,504,000	+75,000	14,579,000
Total, Rural Electrification Administration.....	<u>477,804,000</u>	<u>-17,425,000</u>	<u>460,379,000</u>
Farmers Home Administration:			
Direct loan account (direct loan authorizations):			
Real estate loans:			
Farm ownership loans.....	(5,000,000)	- -	(5,000,000)
Soil and water loans.....	(78,000,000)	(-37,500,000)	(40,500,000)
Total, Real estate loans....	<u>(83,000,000)</u>	<u>(-37,500,000)</u>	<u>(45,500,000)</u>

	1970 Estimate	Increase or decrease	1971 Estimate
CREDIT AGENCIES: Cont'd			
<u>Farmers Home Administration</u>			
Cont'd			
Operating loans	(\$275,000,000)	- -	(\$275,000,000)
Soil Conservation Service loans:			
Watershed works of improve- ment	(5,000,000)	(-41,000,000)	(4,000,000)
Flood prevention	(400,000)	- -	(400,000)
Resource conservation and development	(3,300,000)	(-1,300,000)	(2,000,000)
Total, Direct loan account	(366,700,000)	(-39,800,000)	(326,900,000)
Rural housing insurance fund			
Direct loan authorization ..	(30,000,000)	(-11,000,000)	(19,000,000)
Appropriation for interest insufficiencies under Section 521 (c), Housing Act of 1949	- -	+334,000	334,000
Rural water and waste disposal grants	46,000,000	-22,000,000	24,000,000
Rural housing for domestic farm labor	2,500,000	- -	2,500,000
Mutual and self-help housing Self-help housing land development fund	2,125,000	-875,000	1,250,000
Emergency credit revolving fund (decrease represents non-recurring appropriation to repay CCC for funds trans- ferred from CCC in 1969)....	31,918,000	-31,918,000	- -
Salaries and expenses	71,560,000	+13,440,000	85,000,000
Transfer from loan accounts	(2,750,000)	- -	(2,750,000)
Total, Farmers Home Adminis- tration:			
Direct loan authorizations	(396,700,000)	(-50,800,000)	(345,900,000)
Appropriation	<u>155,103,000</u>	<u>-41,419,000</u>	<u>113,684,000</u>
TOTAL, CREDIT AGENCIES - Direct Appropriations	<u>632,907,000</u>	<u>-58,844,000</u>	<u>574,063,000</u>
CORPORATIONS:			
<u>Federal Crop Insurance Corpora- tion:</u>			
Administrative and Operating Expenses	14,335,000	- -	14,335,000
Less obligations payable from premium income	<u>-2,339,000</u>	<u>-4,000</u>	<u>-2,335,000</u>
Total, Direct appropriation, Administrative and Operating expenses	11,996,000	+4,000	12,000,000
Subscription to capital stock	<u>10,000,000</u>	<u>-10,000,000</u>	<u>- -</u>
Total, Federal Crop Insurance Corporation	<u>21,996,000</u>	<u>-9,996,000</u>	<u>12,000,000</u>

CORPORATIONS: Cont'd	1970 Estimate	Increase or decrease	1971 Estimate
<u>Commodity Credit Corporation:</u>			
Appropriation.....	\$5,215,934,000	-\$1,852,779,000	\$3,363,155,000
Contract authority.....	-	+440,756,000	440,756,000
Liquidation of contract authority.....	-1,017,697,000	+1,017,697,000	-
Total, Budget Authority.....	4,198,237,000	-394,326,000	3,803,911,000
Limitation on administration expenses.....	(32,394,000)	(+4,106,000)	(36,500,000)
<u>Foreign Assistance Programs:</u>			
<u>Public Law 480:</u>			
Title I - sale of commodities for foreign currencies and for dollars for credit:			
Shipments of commodities.....	801,720,000	-84,520,000	717,200,000
Ocean transportation.....	92,788,017	-27,788,017	65,000,000
Total, Title I.....	894,508,017	-112,308,017	782,200,000
Title II - Disposition of commodities abroad:			
Shipments of commodities.....	277,100,000	-2,100,000	275,000,000
Ocean transportation.....	74,012,216	-3,982,216	70,030,000
Total, shipments expense....	351,112,216	-6,082,216	345,030,000
Purchase of foreign currencies.....	6,000,000	-	6,000,000
Total, Title II.....	357,112,216	-6,082,216	351,030,000
Total, P.L. 480 program.....	1,251,620,233	-118,390,233	1,133,230,000
Less receipts and unobligated balances.....	-331,620,233	+130,890,233	-200,730,000
Total, P.L. 480 appropriation	920,000,000	+12,500,000	932,500,000
Bartered materials for supple- mental stockpile.....	1,250,000	-1,225,000	25,000
Total, Foreign Assistance Programs.....	921,250,000	+11,275,000	932,525,000
TOTAL CORPORATIONS.....	5,141,483,000	-393,047,000	4,748,436,000
TOTAL, ABOVE ITEMS:			
Direct appropriations.....	8,090,011,650	-117,466,150	7,972,545,500
Loan authorizations.....	(396,700,000)	(-50,800,000)	(345,900,000)
<u>PERMANENT BUDGET AUTHORITY:</u>			
<u>Agricultural Research Service:</u>			
Sale of animal quarantine station.....	426,600	-426,600	-
<u>Consumer and Marketing Service:</u>			
Removal of surplus agricultural commodities (Section 32) 30% of calendar year customs receipts:			
Commodity program payments (primarily direct purchases).	367,738,969	9,164,969	268,574,000
Special feeding program (free or reduced price lunches, school breakfasts, and special food packages).....	100,000,000	+86,058,000	186,058,000

PERMANENT BUDGET AUTHORITY: (Cont'd)	1970	Increase or	1971
<u>Consumer and Marketing Service:</u>	<u>Estimate</u>	<u>decrease</u>	<u>Estimate</u>
<u>Cont'd</u>			
Surplus removal operating expenses	\$7,725,400	-\$1,660,400	\$6,065,000
Marketing agreements and orders	2,900,000	+184,000	3,084,000
Transfers to:			
Child nutrition program ..	194,266,000	+44,092,000	238,358,000
Foreign Agricultural Service	3,117,000	-	3,117,000
Agricultural Research Service	15,000,000	-	15,000,000
Unobligated balance available, start of year	-299,921,169	-78,831	-300,000,000
Unobligated balance, end of year	300,000,000	-	300,000,000
Total available, USDA	690,826,200	+29,429,800	720,256,000
Transfer to Department of Interior	(7,636,414)	(+107,586)	(7,744,000)
Total, Section 32 appropriation	(698,462,614)	(+29,537,386)	(728,000,000)
Perishable Agricultural Commodities Act Fund - increased costs of administration	980,000	+70,000	1,050,000
Total, Consumer and Marketing Service permanent appropriations	<u>691,806,200</u>	<u>+29,499,800</u>	<u>721,306,000</u>
<u>Agricultural Stabilization and Conservation Service:</u>			
National Wool Act (reimbursement to Commodity Credit Corporation for costs incurred under the Act) ...	67,892,514	-9,792,514	58,100,000
<u>Farmers Home Administration - Rural Housing Insurance Fund interest insufficiencies ...</u>	496,000	-496,000	-
<u>Forest Service:</u>			
Roads and trails for States, National Forests Fund (based on 10% of National Forests receipts)	31,206,198	+3,086,002	34,292,200
Forest fire prevention (Smokey Bear campaign)	125,000	+8,000	133,000
Payments to States, National Forests Fund (based on 25% of National Forests receipts) .	78,012,921	+7,714,954	85,727,875

	1970 <u>Estimate</u>	Increase or <u>decrease</u>	1971 <u>Estimate</u>
PERMANENT BUDGET AUTHORITY: (Cont'd)			
<u>Forest Service: Cont'd</u>			
All other Forest Service permanent appropriations ...	\$13,695,664	+\$336	\$13,696,000
Total, Forest Service permanent appropriations	<u>123,039,783</u>	<u>+10,809,292</u>	<u>133,849,075</u>
Total, Permanent appropriations	883,661,097	+29,593,978	913,255,075
Less Forest Service permanent appropriations	<u>123,039,783</u>	<u>-10,809,292</u>	<u>-133,849,075</u>
TOTAL, PERMANENT APPROPRIATIONS (as shown in Subcommittee print)	<u>760,621,314</u>	<u>+18,784,686</u>	<u>779,406,000</u>
PROPOSED FOR SEPARATE TRANSMITTAL:			
<u>Consumer and Marketing Service:</u>			
User charges under the Cotton Statistics and Estimates Act, Tobacco Inspection Act, and U.S. Grain Standards Act; and repeal of Tobacco Seed and Plant Exportation Act of 1940, and the Naval Stores Act of 1923	- -	-4,577,000	-4,577,000
<u>Forest Service:</u>			
Fighting Forest Fires	<u>21,000,000</u>	-21,000,000	- -
Total, Proposed for separate transmittal	21,000,000	-25,577,000	-4,577,000
Less Forest Service	<u>-21,000,000</u>	<u>+21,000,000</u>	- -
TOTAL, PROPOSED FOR SEPARATE TRANSMITTAL	<u>- -</u>	<u>-4,577,000</u>	<u>-4,577,000</u>

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UNITED STATES DEPARTMENT OF AGRICULTURE

Table 4.--New Budget (Obligational) Authority by Subappropriation, Appropriations and FHA Loan Authorizations, Fiscal Years 1962 Through 1970 and Budget Estimates, 1971

(Note.--Amounts for 1962 through 1970 are adjusted for comparability with the appropriation structure proposed in the 1971 Budget estimates. Amounts in parentheses are not included in totals.)

(Millions of Dollars)

	1962	1963	1964	1965	1966	1967	1968	1969	1970	Budget Estimates 1971
GENERAL ACTIVITIES										
AGRICULTURAL RESEARCH SERVICE:										
Salaries and expenses:										
Research:										
Direct appropriation	81.4	92.9	96.3	122.6	125.9	126.0	129.3	128.9	140.3	141.4
Transfer from Section 32	--	--	(14.5)	(11.8)	(18.1)	(25.0)	(15.0)	(15.0)	(15.0)	(15.0)
Transfer from Commodity Credit Corporation	--	--	(15.0)	--	--	--	--	--	--	--
Plant and animal disease and pest control	58.0	59.5	64.4	71.2	75.5	82.7	87.6	87.9	95.9	98.8
Special fund (Reappropriation) ..	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	(2.0)
Total, Salaries and expenses ..	140.4	153.4	161.6	194.8	203.4	210.7	218.9	218.8	238.2	240.2
Salaries and expenses (Special foreign currency program)	5.3	5.3	1.3	2.0	3.0	4.5	8.5	4.5	5.0	5.0
Construction of facilities	0.8	--	--	--	--	--	--	--	--	--
COOPERATIVE STATE RESEARCH SERVICE:										
Payments and expenses:										
Direct appropriation:										
Payments to agricultural experiment stations	34.7	36.7	38.9	44.0	46.9	49.9	49.8	51.6	53.8	62.4
Other (Grants for cooperative forestry research, contracts and grants for scientific research, facilities, penalty mail, and Federal Administration transfer from Section 32 for contracts and grants for scientific research	1.3	1.4	2.5	6.3	7.9	9.0	9.2	7.3	8.8	10.1
EXTENSION SERVICE:	--	--	(1.5)	(0.4)	(0.4)	--	--	--	--	--
Cooperative extension work, payments and expenses:										
Payments to States and Puerto Rico	59.6	63.1	67.1	72.2	75.1	78.0	77.8	80.8	113.1	149.3

	1962	1963	1964	1965	1966	1967	1968	1969	1970	Budget Estimates 1971
EXTENSION SERVICE: (Cont.)										
Other (retirement and employee compensation fund costs for extension agents, penalty mail, and Federal Extension Service)	11.1	12.1	13.0	13.6	14.0	14.8	15.7	16.4	18.6	22.4
FARMER COOPERATIVE SERVICE	1.0	1.0	1.1	1.1	1.2	1.2	1.3	1.4	1.6	1.7
SOIL CONSERVATION SERVICE:										
Conservation operations	89.5	93.9	97.7	105.8	108.8	112.3	114.9	118.8	128.2	128.4
River basin surveys and investigations	1.2	2.0	3.1	4.0	5.9	7.9	8.5 b/	9.1 b/	8.8 b/	9.0
Watershed planning	5.4	5.6	5.2	6.3	5.9	6.3	6.2 b/	6.4 b/	6.7 b/	5.4
Reappropriation	47.1	53.8	55.1	67.3	60.4	62.1	61.9 b/	57.9 b/	66.0 b/	74.3
Watershed works of improvement	25.0	25.3	25.4	26.3	25.6	25.7	25.8 b/	24.2 b/	24.7 b/	21.0
Flood prevention	10.2	12.3	13.6	14.9	16.1	18.5	16.3 b/	16.2 b/	15.3 b/	15.4
Great Plains conservation program										
Resource conservation and development			1.5	1.8	4.3	4.7	6.2 b/	6.4 b/	10.8 b/	13.9
ECONOMIC RESEARCH SERVICE	8.5	8.9	9.2	11.2	11.8	12.4	12.8	13.4	14.6	16.2
STATISTICAL REPORTING SERVICE	8.3	9.4	10.6	11.9	14.1	13.8	14.2	14.8	16.5	17.7
CONSUMER AND MARKETING SERVICE:										
Consumer Protective, Marketing and Regulatory Programs:										
Direct appropriation	56.6	59.7	63.0	71.4	77.6	85.8	92.6	118.0	139.8	149.2
Transfer from Section 32	(0.3)									
Corporation				(2.5)	(2.3)	(2.2)	(2.4)	(2.5)	(2.8)	(2.8)
Transfer from Commodity Credit Corporation	1.3	1.4	1.5	1.5	1.8	1.8	1.8	1.6	1.6	1.6
Payments to States and Possessions										
FOOD AND NUTRITION SERVICE:										
Special milk program:										
Direct appropriation		99.9	99.8	51.5	103.0	51.0	(104.0)	(104.0)	84.0	
Transfer from Section 32				(51.5)		(53.0)				
Child nutrition programs:										
Direct appropriation	124.7	124.7	136.6	146.4	157.0	168.6	177.9	188.5	122.5	85.4
Transfer from Section 32	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)	(64.3)	(194.3)	(238.3)
Food stamp program:										
Direct appropriation				25.0	80.0	110.0	161.7	279.9	610.0	1,250.0
Transfer from Section 32				(30.7)						
Reappropriation					20.0	29.5 d/	23.2			

	1962	1963	1964	1965	1966	1967	1968	1969	1970	Budget Estimates 1971
FOREIGN AGRICULTURAL SERVICE:										
Salaries and expenses:										
Direct appropriation	12.9 (3.1)	16.9 (3.1)	18.4 (3.1)	20.7 (3.1)	20.6 (3.1)	21.2 (3.1)	20.9 (3.1)	21.2 (3.1)	23.8 (3.1)	24.8 (3.1)
Transfer from Section 32										
Salaries and expenses (Special foreign currency program)	2.8	4.0	--	--	--	--	--	--	--	--
EXPORT MARKETING SERVICE:										
Appropriation	0.1	0.2	0.2	0.1	0.2	0.2	0.3	0.7	0.3	--
Transfer from Commodity Credit Corporation	(1.0)	(1.2)	(1.5)	(1.6)	(1.7)	(1.8)	(1.8)	(2.1)	(3.1)	(3.7)
COMMODITY EXCHANGE AUTHORITY	1.0	1.0	1.1	1.2	1.2	1.4	1.6	1.9	2.5	2.6
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:										
Expenses, Agricultural Stabili- zation and Conservation Service:										
Direct appropriation	104.2	94.2	118.0	108.6	126.3	130.0	137.9	142.9	152.7	135.5
Transfer from Commodity Credit Corporation	(74.3)	(78.4)	(91.7)	(90.2)	(80.6)	(76.4)	(58.6)	(62.4)	(63.4)	(68.8)
Sugar Act program	75.8	77.6	78.0	96.0	95.0	80.0	80.0	89.5	93.0	83.6
Agricultural conservation program (advance authorization)	250.0	250.0	250.0	220.0	220.0	220.0	220.0	195.5	195.5	--
Liquidation fo contract authorization	(208.0)	(212.0)	(215.0)	(225.0)	(220.0)	(220.0)	(220.0)	(190.0)	(195.5)	(185.0)
Cropland adjustment program	--	--	--	--	--	62.0	84.5	81.9	78.6	77.8
Conservation reserve program	300.7	304.0	294.0	194.0	146.0	140.7	123.0	109.0	36.6	--
Emergency conservation measures	5.0	--	4.0	14.0	24.0	5.0	5.0	5.0	5.0	5.0
Indemnity payments to dairy farmers	--	--	--	1.0	0.3	0.4	0.3	0.3	0.2	--
Cropland conservation program	--	2.0	11.4	15.0	7.3	7.5	--	--	--	--
RURAL COMMUNITY DEVELOPMENT SERVICE:										
Office of the Inspector General	8.0	8.9	9.6	10.1	10.7	11.7	12.2	13.0	14.7	15.8
Packers and Stockyards Administration	1.8	2.0	2.1	2.3	2.4	2.6	2.6	2.9	3.5	3.7
Office of the General Counsel	3.4	3.6	3.7	4.0	4.3	4.3	4.5	4.9	5.7	5.7
Office of Information	1.5	1.6	1.6	1.7	1.9	1.9	2.0	2.1	2.3	2.3
CENTENNIAL OBSERVANCE OF AGRICULTURE	0.1	--	--	--	--	--	--	--	--	--
NATIONAL AGRICULTURAL LIBRARY:										
Salaries and expenses	1.0	1.1	1.3	1.6	1.7	2.5	2.6	3.3	3.4	3.9
Library facilities	--	--	0.5	--	7.0	--	--	--	--	0.8
OFFICE OF MANAGEMENT SERVICES	2.1	2.4	2.5	2.5	2.5	2.7	2.8	2.9	3.2	3.5
General Administration	2.8	3.1	3.2	3.6	3.9	4.1	4.6	4.8	5.3	5.9

	1962	1963	1964	1965	1966	1967	1968	1969	1970	Budget Estimates 1971
FOREST SERVICE:										
Forest protection and utilization	204.0	198.0	202.0	226.6	226.6	260.0	285.0	268.7	267.6	278.6
Cooperative range improvements	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Forest roads and trails	40.0	80.0	85.0	123.0	85.0	170.0	170.0	170.0	170.0	100.0
Liquidation of contract authorization	(35.0)	(44.5)	(63.2)	(76.0)	(102.1)	(101.2)	(110.0)	(91.0)	(100.6)	(115.0)
Access roads	2.0	2.0	--	--	--	--	--	--	--	--
Acquisition of lands for national forests-Special acts ...	0.3	2.0	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Acquisition of lands for Uinta National Forest	--	--	--	--	--	0.3	--	--	--	--
Assistance to States for tree planting	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total, General Activities b/	1,653.4	1,826.2	1,896.6	1,927.5	2,033.7	2,209.2	2,267.2	2,358.8	2,755.0	3,030.4

CREDIT AGENCIES

RURAL ELECTRIFICATION ADMINISTRATION:

Loan authorizations:	245.0	400.0	425.0	365.0	365.0	375.0	314.0	329.0	340.0	322.0
Rural electrification 1/	162.5	80.0	70.0	70.0	97.0	117.0	120.6	120.0	123.0	123.8
Rural telephone	407.5	480.0	495.0	435.0	462.0	492.0	434.6	449.0	463.3	445.8
Total, Loan Authorizations	10.0	10.4	11.1	11.9	12.2	12.4	12.5	13.4	14.5	14.6
Salaries and expenses										
Total, Rural Electrification Administration	417.4	490.4	506.1	446.9	474.2	504.4	447.1	462.4	477.8	460.4

FARMERS HOME ADMINISTRATION:

Direct loan account:										
Real estate loans and operating loans 1/	(336.0)	(340.0)	(360.0)	(360.0)	(375.0)	(440.0)	(410.0)	(358.0)	(358.0)	(320.5)
Soil Conservation Service loans	--	--	--	--	--	--	(7.5)	(4.9)	(8.7)	(6.4)
Total, Direct loan account	(336.0)	(340.0)	(360.0)	(360.0)	(375.0)	(440.0)	(417.5)	(362.9)	(366.7)	(326.9)
Rural housing insurance fund:										
Direct loan level	--	--	--	--	--	(15.0)	(15.0)	(30.0)	(30.0)	(19.0)
Appropriation	1.0	28.5	28.5	5.0	2.5	600.0	750.0	--	--	0.3
Participation sales authorizations	--	--	--	--	--	--	13.3	--	--	--
Payments of sales insufficiencies	--	--	--	--	--	--	--	--	--	--
Rural water and waste disposal grants	--	--	1.2	--	20.0	26.0	28.0	28.0	46.0	24.0
Rural renewal	--	--	--	--	1.2	1.2	1.6	1.6	--	--
Rural housing for domestic farm labor	--	--	--	--	3.0	3.0	3.5	4.2	2.5	2.5
Rural housing grants	10.0	--	--	--	--	--	--	--	--	--
Mutual and self-help housing	--	--	--	--	--	--	--	--	2.1	1.2

	1962	1963	1964	1965	1966	1967	1968	1969	1970	Budget Estimates 1971
FARMERS HOME ADMINISTRATION: (cont.)										
Self-help housing land develop- ment fund	--	--	--	--	--	--	--	0.6	1.0	0.6
Emergency credit revolving fund	--	--	--	--	30.0	--	--	--	31.9	--
Salaries and expenses	33.7	35.0	38.1	41.6	49.7	52.4	55.9	60.3	71.6	85.0
Transfer from loan accounts	--	--	--	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)
Total, Farmers Home Administration	43.7	36.0	67.8	47.8	106.4	682.6	852.3	94.7	155.1	113.6
Total Credit Agencies:										
Loan Authorizations (FHA Revolving Funds)	(336.0)	(340.0)	(360.0)	(360.0)	(375.0)	(455.0)	(432.5)	(392.9)	(396.7)	(345.9)
New budget (obligational) authority	461.1	526.4	573.9	494.7	580.6	1,187.0	1,299.4	557.1	632.9	574.1
CORPORATIONS										
FEDERAL CROP INSURANCE CORPORATION:										
Administrative and operating expenses:										
Appropriation	6.5	6.7	6.9	7.5	8.2	8.7	10.2	11.5	12.0	12.0
Premium income	(2.8)	(3.3)	(3.5)	(3.6)	(4.0)	(4.1)	(2.9)	(2.1)	(2.3)	(2.3)
Subscription to Capital Stock	--	--	--	--	--	--	--	--	10.0	--
Total, Federal Crop Insurance Corporation	(9.3)	(10.0)	(10.4)	(11.1)	(12.2)	(12.8)	(13.1)	(13.6)	(24.3)	(14.3)
Contract authorization	251.7	740.5	469.0	--	--	--	1,006.2	1,633.8	--	440.8
Liquidating contract authori- zation	--	--	--	(841.9)	(219.4)	(809.6)	--	(350.5)	(1,017.7)	--
Reimbursement for net realized losses (appropriations)	1,017.6	2,278.5	2,699.4	1,832.1	2,580.6	2,746.3	1,399.7	3,837.6	4,198.2	3,363.2
Limitation on administrative and operating expenses ^{1/}	(47.9)	(43.2)	(41.7)	(37.4)	(36.7)	(34.3)	(31.5)	(31.5)	(32.4)	(36.5)
Total, Appropriations	(1,017.6)	(2,278.5)	(2,699.4)	(2,674.0)	(2,800.0)	(3,555.9)	(1,399.7)	(4,188.1)	(5,215.9)	(3,363.2)
Total, Budget authority	1,269.3	3,019.0	3,168.4	1,832.1	2,550.6	2,746.3	2,405.9	5,471.4	4,198.2	3,804.0
FOREIGN ASSISTANCE PROGRAMS:										
Public Law 480 (As amended):										
Sales for foreign currency and long-term credit (Title I)	2,616.5	1,628.8	1,504.5	2,097.0	1,359.5	1,417.0	1,305.5	100.0	420.0	526.1
Donations of commodities (Title II)	396.6	250.0	215.5	220.5	298.5	200.0	300.0	200.0	500.0	406.4
Total, Public Law 480	3,013.0	1,878.8	1,720.0	2,317.5	1,658.0	1,617.0	1,605.5	300.0	920.0	932.5
International Wheat Agreement ...	159.5	81.2	86.2	81.8	27.5	--	--	--	--	--
Bartered materials for supplemental stockpile	288.2	125.0	82.9	92.9	--	--	23.0	--	1.2	0/

	1962	1963	1964	1965	1966	1967	1968	1969	1970	Budget Estimates 1971
FOREIGN ASSISTANCE PROGRAMS (Cont.)										
Total, Foreign Assistance Programs	3,460.6	2,085.0	1,889.0	2,492.2	1,685.5	1,617.0	1,628.5	300.0	921.2	932.5
Total, Corporations	4,736.4	5,110.7	5,064.4	4,331.8	4,274.3	4,372.0	4,004.6	5,782.9	5,141.5	4,748.4
PERMANENT APPROPRIATIONS										
Removal of surplus agricultural commodities (30% of customs receipts) (Section 32) b/	320.1	311.8	362.6	373.6	398.9	487.2	571.5	589.2	690.8	720.3
National Wool Act, Agriculture	75.3	69.2	90.2	87.8	22.6	38.3	34.8	72.5	67.9	58.1
Payments to school funds, Arizona and New Mexico, national forests receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Perishable Agricultural Commodities Act Fund (special receipt fund) ...	0.7	0.7	0.8	0.9	0.9	0.9	0.9	0.9	1.0	1.0
Rural housing insurance fund:										
Net borrowings from Treasury	--	--	--	100.0 g/	--	--	72.6	104.5	--	--
Direct loan insufficiencies	--	--	--	--	--	--	0.8	0.9	0.5	--
Agricultural Credit Insurance Fund ..	--	--	--	--	--	--	--	235.6	--	--
Roads and trails for States, national forest receipts	10.0	10.9	12.0	13.1	14.2	16.8	17.6	20.9	31.2	34.3
Expenses, brush disposal, Forest Service (special receipt fund)	7.7	8.8	9.5	9.6	10.2	9.9	10.3	11.9	12.8	12.8
Forest fire prevention	--	--	0.1	g/	g/	g/	g/ b/	0.1 b/	0.1	0.1
Restoration of forest lands and improvements	--	--	--	g/	g/	g/	g/	g/	g/	g/
Payments to counties, national grasslands	0.4	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Payments to States, National Forests Fund including payments to Minnesota, (Cook, Lake, and St. Louis Counties)	25.2	27.4	30.1	33.0	35.6	42.1	44.1	52.5	78.3	86.0
Animal Quarantine Station	--	--	--	--	--	--	0.1	--	0.4	--
Total, Permanent Appropriations ...	439.5	429.3	505.9	518.6	582.9	595.7	753.2	1,089.6	883.6	913.3
RECAPITULATION										
General activities, exclusive of Forest Service appropriations	1,405.1	1,542.5	1,607.5	1,576.0	1,720.3	1,777.1	1,810.4	1,918.3	2,315.6	2,650.0
Credit Agencies:										
Loan authorizations (FHA revolving funds)	(336.0)	(340.0)	(360.0)	(360.0)	(375.0)	(455.0)	(432.5)	(392.9)	(396.7)	(345.9)

	1962	1963	1964	1965	1966	1967	1968	1969	1970	Budget Estimates 1971
RECAPITULATION (Cont.)										
New budget (obligational) authority	461.1	526.4	573.9	494.7	580.6	1,187.0	1,299.4	557.1	632.9	574.1
Corporations (including Foreign Assistance Programs)	4,736.4	5,110.7	5,064.4	4,331.8	4,274.3	4,372.0	4,044.6	5,782.9	5,141.5	4,748.5
Permanent appropriations, exclusive of Forest Service	396.3	381.7	453.6	462.4	522.3	526.3	680.6	1,003.6	760.6	779.4
Total, above items	6,998.9	7,561.3	7,699.4	6,864.9	7,097.5	7,862.4	7,835.0	9,261.9	8,850.6	8,752.0
Forest Service, annual and permanent appropriations	291.5	331.3	341.4	407.7	374.0	501.5	529.4	526.5	562.5	514.2
GRAND TOTAL	7,290.4	7,892.6	8,040.8	7,272.6	7,471.5	8,363.9	8,364.4	9,788.6	9,413.2	9,266.2

Note - Detail may not add to totals shown due to rounding.

- a/ Includes contingency funds of \$1,500,000 for use to the extent necessary to meet emergency outbreaks of insects and plant diseases.
- b/ In addition, prior year balances are available.
- c/ This activity was financed by advances from the Commodity Credit Corporation in fiscal year 1962.
- d/ The 1967 Appropriation Act authorized a reappropriation of \$30,000,000 from prior year funds, however, only \$29,524,587 was available.
- e/ Excludes transfer of \$3,079,433 to Office of the Inspector General and \$98,000 to Foreign Agricultural Service.
- f/ Represents, in fiscal years 1962 through 1964, amounts transferred from other agencies of the Department. 1963 amount includes transfer of \$225,000 specifically authorized by 1963 Appropriation Act.
- g/ Represents, in fiscal years 1962 through 1964, amounts transferred from other agencies of the Department.
- h/ Includes transfers from corporate funds to Office of the Inspector General and Office of Management Services, which represents a part of the funds shown for these agencies.
- i/ The amounts shown include both the regular authorization to borrow from the Secretary of the Treasury and the reserve authorizations as set forth in the annual appropriation acts. The figures shown do not necessarily represent the amount of loans actually approved in each fiscal year, since loan funds carried over from prior years, together with rescissions from previously approved loans, were also available.
- j/ The amounts shown include both the regular authorization to borrow from the Secretary of the Treasury and the reserve authorizations as set forth in the annual appropriation acts.
- k/ In addition to the appropriation of \$5,000,000 in 1965 and \$2,500,000 in 1966 for rental housing for the elderly, an authorization of \$150,000,000 was provided for rural housing loans in 1965.
- l/ Current appropriation to reimburse the Rural Housing Insurance Fund for the difference between interest received from borrowers and interest paid to holders of insured loans.
- m/ In addition, authority was provided to borrow on a temporary basis, not to exceed \$250,000 in 1966 and \$500,000 in 1967, from the Commodity Credit Corporation for indemnity payments under special circumstances.
- n/ Appropriation acts and budget estimates provide that not less than 7% of the limitation shall be placed in reserve for use only as necessary to carry out program operations.
- o/ Less than \$50,000.
- p/ Includes transfers to other appropriation items as shown above, but excludes transfers to Department of Interior.
- q/ Represents initial capitalization of fund.

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 5 -- Outlays 1969, 1970 and Budget Estimates, 1971
(In thousands)

Appropriation and Subappropriation	1969 Actual	1970 Estimated	1971 Budget Estimate	Change 1971 Compared with 1970
Agricultural Research Service:				
Research	\$159,252	\$158,022	\$160,741	+\$2,719
Plant and Animal Diseases	84,487	88,618	92,010	+3,392
Special Foreign Currency Program	7,810	7,810	7,577	-233
Other Agricultural Research Service	157	100	327	+227
Total, Agricultural Research Service	250,835	254,550	260,655	+6,105
Cooperative State Research Service	59,808	62,115	73,154	+11,039
Federal Extension Service	97,215	129,949	170,717	+40,768
Farmer Cooperative Service	1,395	1,615	1,634	+19
Soil Conservation Service:				
Conservation Operations	117,340	126,783	129,972	+3,179
River Basin Surveys and Investigations	8,770	9,121	9,031	-90
Watershed Planning	6,162	6,170	5,484	-1,186
Watershed Works of Improvement	60,300	76,765	78,876	+2,061
Flood Prevention	24,642	29,048	28,242	-806
Great Plains Conservation Program	15,852	16,800	16,850	+50
Resource Conservation and Development	8,437	10,157	10,316	+159
Total, Soil Conservation Service	241,903	275,354	278,721	+3,367
Economic Research Service	13,023	14,472	16,425	+1,953
Statistical Reporting Service	14,900	16,425	17,668	+1,243
Consumer and Marketing Service:				
Consumer Protective Marketing and Regulatory Programs	112,343	139,258	148,490	+9,232
Payments to States and Possessions	1,600	1,600	1,600	-
Perishable Agricultural Commodities Act Fund	1,911	1,657	1,140	-483
Total, Consumer and Marketing Service	114,854	141,915	151,230	+9,315
Removal of Surplus Agricultural Commodities (Section 32) (Net of transfers to other appropriations)	414,901	471,410	463,781	-7,629

Appropriation and Subappropriation		1969 Actual	1970 Estimated	1971 Budget Estimate	Change 1971 Compared with 1970
Food and Nutrition Services:					
Child Nutrition Program	237,007	301,700	313,687	+11,987	
Special Milk Program	101,925	81,200	17,378	-63,822	
Food Stamp Program	247,766	575,000	1,269,305	+674,305	
Total, Food and Nutrition Service	586,698	957,900	1,580,370	+622,470	
Foreign Agricultural Service:					
Salaries and Expenses	23,018	24,655	27,385	+2,730	
Special Foreign Currency Program	23,686	750	750	--	
Total, Foreign Agricultural Service	-209	25,405	28,135	+2,730	
Foreign Economic Development Service					
Commodity Exchange Authority	1,732	2,432	2,506	+74	
Agricultural Stabilization and Conservation Service:					
Expenses, Agricultural Stabilization and Conservation Service	147,175	151,958	132,430	-19,528	
Sugar Act Program	87,139	93,100	88,000	-5,100	
Agricultural Conservation Program	199,406	185,800	178,800	-7,000	
Cropland Adjustment Program	78,145	78,145	78,650	+505	
Conservation Reserve Program	106,733	39,545	851	-38,694	
Emergency Conservation Measures	7,144	7,300	7,500	+200	
Indemnity Payments to Dairy Farmers	137	150	91	-59	
Cropland Conversion Program	2,952	2,320	200	-2,120	
Total, Agricultural Stabilization and Conservation Service	630,216	558,318	486,522	-71,796	
Federal Crop Insurance Corporation:					
Administrative and Operating Expenses	11,768	11,920	11,972	+52	
Federal Crop Insurance Corporation Fund	7,143	4,031	-234	-4,265	
Total, Federal Crop Insurance Corporation	18,911	15,951	11,738	-4,213	
Rural Electrification Administration:					
Electric Loan Advances	367,080	394,100	365,000	-29,100	
Telephone Loan Advances	105,879	117,000	127,000	+10,000	
Total, Loan Advances	472,960	511,100	492,000	-19,100	
Deduct Principal Repayments	-172,193	-156,600	-167,300	-10,700	
Net Loan Advances	300,766	354,500	324,700	-29,800	
Salaries and Expenses	13,333	14,444	14,519	+75	
Total, Rural Electrification Administration	314,100	368,944	339,219	-29,725	

Appropriation and Subappropriation				1971	Change 1971
1969	1970	1971	Change 1971	Budget	compared
Actual	Estimated	Estimates	with 1970	Estimates	with 1970
Farmers Home Administration:					
Rural Water and Waste Disposal Grants	27,946	34,000	30,800	30,800	-3,200
Rural Renewal	1,399	743	-	-	-743
Rural Housing for Domestic Farm Labor	2,752	5,700	6,000	6,000	+300
Mutual and Self-help Housing	-	1,250	2,125	2,125	+875
Self-help Housing Land Development Fund	-	1,200	1,000	1,000	-200
Salaries and Expenses	60,423	71,250	85,000	85,000	+13,750
Direct Loan Account	46,862	42,118	-1,988	-1,988	-44,106
Emergency Credit Revolving Fund	13,960	-45,238	-2,952	-2,952	-42,286
Agricultural Credit Insurance Fund	196,601	-12,794	-108,580	-108,580	-95,786
Rural Housing Insurance Fund	10,270	332,688	-636,106	-636,106	-968,794
Total, Farmers Home Administration	360,213	430,917	-624,701	-624,701	-1,055,618
Rural Community Development Service					
	426	488	478	478	-10
Office of the Inspector General					
	12,957	14,569	15,777	15,777	+1,208
Packers and Stockyards Administration					
	2,744	3,405	3,649	3,649	+244
Office of the General Counsel					
	4,788	5,618	5,618	5,618	-
Office of Information					
	2,054	2,615	2,367	2,367	-248
National Agricultural Library:					
Salaries and Expenses	2,931	3,239	3,888	3,888	+649
Library Facilities	1,498	600	700	700	+100
Total, National Agricultural Library	4,429	3,839	4,588	4,588	+749
Office of Management Services					
	2,939	3,207	3,492	3,492	+285
General Administration:					
Salaries and Expenses	4,509	5,257	5,755	5,755	+498
Working Capital Fund	-	-	551	551	-
Total, General Administration	5,060	5,257	5,755	5,755	+498

Appropriation and Subappropriation		1969	1970	1971	Change
		Actual	Estimated	Budget Estimate	compared with 1970
Commodity Credit Corporation:					
Commodity Credit Corporation Price Support and Related Activities	.....	4,113,913	3,540,709	3,703,686	+162,977
National Wool Act	.....	67,893	58,100	65,300	+7,200
Loans in connection with Agricultural Conservation Program	.....	-5,000	-2,800	-27,200	-24,400
Export Credit Sales Program	.....	6,600	39,000	37,000	-2,000
All other special activities (purchases under section 709, transfers for research, etc.)	.....	-655	11,228	-	-11,228
Total, Commodity Credit Corporation	.....	4,182,751	3,646,237	3,778,786	+132,549
Public Law 480:					
Title I	.....	610,325	613,588	501,200	-112,388
Title II	.....	364,206	357,112	351,030	-6,082
Bartered Materials for Supplemental Stockpile	.....	1,702	155	67	-88
Total, Public Law 480 and Barter	.....	976,233	970,855	852,297	-118,538
Total, above items	.....	8,338,565	8,383,761	7,930,581	-453,180
Deduct net receipts (principally interest on REA loans)	.....	-112,423	-120,313	-121,454	-1,141
Total, Agencies included in Subcommittee print	.....	8,226,142	8,263,448	7,809,127	-454,321
Proposed Legislation:					
Consumer and Marketing Service - principally user charges	.....	-	-	-6,089	-6,089
Total, including proposed legislation	.....	8,226,142	8,263,448	7,803,038	-460,410
Forest Service:					
Forest Protection and Utilization	.....	263,670	285,582	283,031	-2,551
Cooperative Range Improvements	.....	700	700	700	-
Forest Roads and Trails (Liquidation of contract authority)	.....	95,309	102,459	122,323	+19,864
Assistance to States for Tree Planting	.....	896	1,000	1,000	-
Other Forest Service, Principally Permanent Appropriations	.....	83,778	126,186	137,645	+11,459
Subtotal, Forest Service	.....	444,354	515,927	544,659	+28,732
Less net receipts	.....	-340,178	-371,968	-395,053	-23,085
Total, Forest Service	.....	104,176	143,959	149,606	+5,647
Total, USDA	.....	8,330,318	8,407,407	7,952,684	-454,723

NOTE: Totals may not add due to rounding.

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 6 -- Budget Outlays (Expenditures) from Appropriations, REA and FHA Loan Authorizations, and Corporation and other Revolving Funds, Fiscal Years 1962 Through 1969, and Estimated 1970 and 1971

(Note--Amounts reported are based on outlays for the Department of Agriculture as shown in the Budget. Figures are adjusted for comparability with the appropriation structure in the 1971 Budget.)

(Millions of Dollars)

	1962	1963	1964	1965	1966	1967	1968	1969	Estimated 1970	Estimated 1971
General Activities										
Agricultural Research Service:										
Salaries and expenses	135.9	150.1	164.3	174.7	200.8	218.3	243.9	243.9	246.6	252.8
Salaries and expenses (special foreign currency program)	3.1	4.2	4.8	6.6	6.5	7.2	7.0	7.1	7.8	7.6
Cooperative State Research Service (principally payments to States)	36.0	38.0	41.7	46.9	52.4	56.4	59.0	59.8	62.1	73.2
Extension Service (principally payments to States)	70.2	74.6	79.3	84.8	89.7	92.5	90.0	97.3	129.9	170.7
Farmer Cooperative Service	1.0	1.0	1.1	1.1	1.1	1.2	1.4	1.4	1.6	1.6
Soil Conservation Service:										
Conservation operations	88.9	92.9	95.9	104.5	108.7	110.5	114.2	117.3	126.8	130.0
River basin surveys and investigations	1.0	1.7	2.7	3.8	5.1	7.0	8.1	8.8	9.1	9.0
Watershed planning	5.4	5.6	5.1	5.0	6.3	6.3	6.4	6.5	6.7	5.5
Watershed works of improvement	33.2	45.7	54.9	57.5	62.5	66.9	64.0	60.3	76.8	78.8
Flood prevention	19.4	26.5	22.4	25.0	28.4	27.4	23.0	24.6	29.0	28.2
Great Plains conservation program ..	9.0	9.7	11.9	12.5	13.6	15.9	15.8	16.0	16.8	16.9
Resource conservation and development	--	--	0.3	1.0	2.1	4.1	6.8	8.4	10.2	10.3
Economic Research Service	8.3	8.8	9.4	10.1	11.0	12.1	13.2	13.0	14.5	16.4
Statistical Reporting Service	8.7	9.4	10.5	11.7	14.1	13.3	14.7	14.9	16.4	17.7
Consumer and Marketing Service:										
Consumer protective, marketing, and regulatory programs	53.4	59.3	64.1	71.0	74.5	82.9	93.0	112.3	139.3	148.5
Payments to States and possessions ..	1.3	1.4	1.5	1.5	1.8	1.8	1.8	1.6	1.6	1.6
Food and Nutrition Service:										
Special milk program (financed by CCC prior to fiscal year 1963)	--	95.3	97.3	86.6	97.0	96.1	103.7	101.9	81.2	17.4
Child nutrition programs	168.8	169.3	180.3	178.6	196.7	208.3	216.9	216.9	301.7	313.7
Food stamp program	--	--	--	34.4	69.5	114.1	184.7	247.8	575.0	1,249.3
Foreign Agricultural Service:										
Salaries and expenses	8.2	11.8	16.7	17.1	18.6	20.3	24.1	23.0	24.7	27.4
Salaries and expenses (special foreign currency program)	6.7	4.6	3.1	1.4	1.5	0.8	0.7	0.7	0.8	0.8
Commodity Exchange Authority	1.0	1.0	1.1	1.1	1.2	1.3	1.5	1.7	2.4	2.5

	1962	1963	1964	1965	1966	1967	1968	1969	Estimated 1970	Estimated 1971
General Activities (cont.)										
Agricultural Stabilization and Conservation Service:										
Expenses, Agricultural Stabilization and Conservation Service	95.6	98.4	114.5	107.9	126.5	131.7	139.8	147.2	152.0	132.4
Sugar Act program	78.0	76.9	87.1	92.1	87.7	87.7	83.8	87.1	93.1	88.0
Agricultural conservation program	218.2	209.9	213.6	216.3	210.2	218.4	219.4	199.4	185.8	178.8
Cropland adjustment program	332.7	305.4	289.9	193.7	5.6	53.6	83.7	79.5	78.1	78.7
Conservation reserve program	8.8	2.7	3.4	10.0	13.2	140.7	121.8	106.7	39.5	0.9
Emergency conservation measures	--	--	--	0.3	0.2	5.7	5.4	7.1	7.3	7.5
Indemnity payments to dairy producers	--	--	--	0.1	0.2	0.2	0.3	0.1	0.2	0.1
Cropland conversion program	--	4.0	7.1	9.7	1.9	1.7	3.1	3.0	2.3	0.2
Rural Community Development Service	--	0.1	0.1	0.1	0.6	0.7	0.4	0.4	0.5	0.5
Office of the Inspector General	8.0	8.9	9.5	9.7	10.2	11.4	12.1	13.0	14.6	15.8
Packers and Stockyards Administration	1.8	2.0	2.1	2.3	2.4	2.6	2.6	2.7	3.4	3.6
Office of the General Counsel	3.3	3.5	3.8	4.0	4.1	4.2	4.4	4.8	5.6	5.6
Office of Information	1.5	1.6	1.4	1.7	1.7	2.0	1.6	2.1	2.6	2.4
National Agricultural Library	0.9	1.1	1.4	1.6	1.8	2.6	6.8	4.4	3.8	4.6
Office of Management Services	2.1	2.4	2.5	2.4	2.5	2.6	2.6	2.9	3.2	3.5
General Administration	2.7	3.0	3.4	3.5	3.6	3.7	4.3	4.5	5.3	5.8
Forest Service:										
Forest protection and utilization	190.0	198.6	206.0	217.4	227.7	262.7	280.5	264.4	286.3	283.7
Forest roads and trails	32.3	39.4	58.9	80.5	101.0	102.5	105.3	95.3	102.5	122.3
Acquisition of lands for national forests	0.3	0.8	1.0	0.5	0.6	0.1	0.1	--	0.5	0.1
Assistance to States for tree planting Other (principally interfund transactions)	0.5	1.2	1.0	1.1	0.9	1.1	1.0	0.9	1.0	1.0
	-2.9	-2.7	-4.7	-1.7	-3.6	-0.8	-2.3	0.9	1.2	2.0
Total, General Activities	1,633.3	1,768.1	1,870.4	1,890.0	2,012.9	2,193.6	2,370.6	2,431.9	2,869.7	3,517.2
Credit Agencies										
Rural Electrification Administration:										
Electrification and telephone loans ..	293.0	331.7	330.2	380.6	361.0	412.0	495.0	473.0	511.1	492.0
Salaries and expenses	9.8	10.3	11.2	11.8	11.9	12.2	12.7	13.3	14.4	14.5
Farmers Home Administration:										
Rural water and waste disposal grants ..	--	--	--	--	0.1	11.1	29.4	27.9	34.0	30.8
Rural housing grants	0.1	1.0	4.5	2.3	--	--	--	--	--	--
Rural renewal	--	--	0.1	0.9	1.1	1.1	2.2	1.4	0.7	--
Rural housing for domestic farm labor ..	--	--	--	--	0.2	0.2	1.1	2.8	5.7	6.0
Mutual and self-help housing	--	--	--	--	--	--	--	--	1.3	2.1
Salaries and expenses	33.4	34.9	38.3	41.3	47.8	52.2	57.8	60.4	71.3	85.0
Real estate and operating loans (net) ..	71.6	55.0	56.1	68.0	-31.4	3.5	67.6	46.9	42.1	-2.0
Self-help housing land development fund	--	--	--	--	--	--	--	--	1.2	1.0

	1962	1963	1964	1965	1966	1967	1968	1969	Estimated 1970	Estimated 1971
Credit Agencies (Cont.)										
Farmers Home Administration (Cont.)										
Rural housing insurance fund	106.1	183.2	126.2	133.4	63.7	-3.4	10.3	10.3	332.7	-636.1
Emergency credit revolving fund	35.4	7.4	9.1	30.3	18.7	8.6	21.6	14.0	-45.2	4.0
Agricultural credit insurance fund ...	-7.2	13.5	42.5	9.0	87.5	-26.5	9.0	196.6	-12.8	-108.6
Total, Credit Agencies	542.2	637.0	599.9	677.6	540.4	471.1	706.8	846.6	956.5	-118.2
Corporations (net)										
Federal Crop Insurance Corporation:										
Operating and administrative expenses.	6.0	6.7	7.0	7.5	8.2	8.6	10.3	11.8	11.9	12.0
Federal Crop Insurance Corporation fund	1.1	7.7	-0.8	0.9	10.5	-6.3	15.3	7.1	4.0	-0.2
Total, Federal Crop Insurance Corporation	7.1	14.4	6.2	8.4	18.7	2.3	25.6	18.9	16.0	11.7
Commodity Credit Corporation:										
Price-support and related programs ...	1,829.7	2,856.5	2,830.0	2,434.9	1,345.2	1,652.3	3,166.9	4,113.9	3,540.7	3,703.7
Special milk program	91.7	-1.6	-0.4	-0.1	--	--	--	--	--	--
Special activities financed from CCC funds:										
National Wool Act	65.3	63.2	72.9	22.7	38.2	35.1	72.5	67.9	58.1	65.3
Loans to Secretary of Agriculture for conservation purposes	11.9	7.9	-0.6	-3.0	-1.5	0.1	-10.0	-5.0	-2.8	-27.2
Export credit sales program	--	--	--	--	--	261.3	35.7	6.6	39.0	37.0
Other	0.4	-1.4	-14.8	11.3	-3.5	-1.6	0.4	-0.7	11.2	--
Total, Commodity Credit Corporation ..	1,999.0	2,924.5	2,887.1	2,465.7	1,378.4	1,947.2	3,265.5	4,182.8	3,646.2	3,778.8
Foreign Assistance Programs:										
Public Law 480 (as amended):										
Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I).	1,483.8	1,563.2	1,475.8	1,493.6	1,371.3	1,070.3	859.7	610.3	613.6	501.2
Commodities disposed of and other costs incurred for assistance to needy people abroad (Title II) ...	463.7	476.5	573.5	358.2	413.2	381.4	344.6	364.2	357.1	351.0
International Wheat Agreement	90.1	74.2	125.8	34.8	10.2	-7.5	--	--	--	--
Bartered materials for supplemental stockpile	193.3	99.7	37.7	40.6	25.8	32.5	25.9	1.7	0.2	0.1
Total, Foreign Assistance Programs ...	2,230.8	2,213.6	2,212.7	1,927.3	1,820.5	1,476.7	1,230.2	976.2	970.9	852.3
Total, Corporations	4,236.9	5,152.5	5,106.0	4,401.4	3,217.6	3,426.1	4,521.2	5,177.9	4,633.0	4,642.8

	1962	1963	1964	1965	1966	1967	1968	1969	Estimated 1970	Estimated 1971
Permanent Appropriations										
General fund appropriations:										
Removal of surplus agricultural commodities (30% of customs receipts)	213.8	130.6	268.7	272.9	117.7	145.4	174.7	414.9	471.4	463.8
Payments to school funds, Arizona and New Mexico	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Appropriations from special sources:										
Animal quarantine station	--	--	--	--	--	--	--	--	0.1	0.3
Perishable Agricultural Commodities Act fund	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.9	1.1	1.1
Roads and trails for States, national forests fund	10.0	10.9	12.0	13.1	14.2	16.8	17.6	20.9	31.2	34.3
Expenses, brush disposal	6.1	7.6	8.3	8.5	8.9	8.9	8.9	9.0	14.1	14.5
Payments to counties, national grasslands	0.4	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Payments to States and territories from the national forests fund	25.2	27.4	30.1	33.0	35.4	42.3	44.0	52.3	78.5	86.0
Forest fire prevention	--	--	--	--	--	--	--	0.1	0.1	0.1
Total, Permanent Appropriations	256.3	177.7	320.5	329.0	177.7	214.9	246.6	498.7	597.0	600.7
Effects of Proposed New Legislation										
Fees for administration of the marketing agreements and orders program; and repeal of the Naval Stores Act, and Tobacco Plant Exportation Act (CGMS) .	--	--	--	--	--	--	--	--	--	-6.1
Total, Effects of Proposed New Legislation	--	--	--	--	--	--	--	--	--	-6.1
TOTAL, above items	6,668.7	7,735.3	7,896.9	7,298.1	5,948.6	6,305.7	7,845.2	8,955.1	9,056.2	8,636.5
ADD:										
TRUST FUNDS (principally fees for inspection and grading and cooperative forestry work)	76.7	45.3	51.6	52.0	56.7	59.0	62.5	63.1	72.2	87.8
DEDUCT:										
Receipts from the public (principally timber sales, interest payments to Treasury, and user fees)	306.5	301.5	336.7	382.1	337.5	356.5	395.4	515.7	564.4	604.3
Repayment of REA loans	135.6	162.4	155.2	177.3	159.4	180.2	204.3	172.2	156.6	167.3
TOTAL, USDA	6,303.3	7,316.7	7,456.6	6,790.7	5,508.4	5,827.9	7,308.0	8,330.3	8,407.4	7,952.7

Note - Details may not add to totals shown due to roundings. Minus figures indicate excess of collections over outlays.

Table 7--Statement of Increases and Decreases in
Outlays, 1971 Budget Estimate Compared with 1970 Estimate
(In thousands)

Agency and Item	1970 Estimate	Increase or Decrease	1971 Estimate
FEDERAL FUNDS:			
GENERAL ACTIVITIES:			
<u>Agricultural Research Service:</u>			
<u>Research:</u>			
Beef quality and production	\$875:	+\$75:	\$950
Dairy cattle mastitis control	504:	+75:	579
Bluetongue diagnosis	334:	+19:	353
Potato golden nematode control	3:	+59:	62
Remote sensing applications	289:	+120:	409
Animal waste management pollution control ..	658:	+170:	828
All other (outlays from prior year balances):	155,359:	+1,201:	156,560
Total, Research	158,022:	+1,719:	159,741
Plant and animal disease and pest control:			
Imported fire ant program.....	4,797:	+1,600:	6,397
Plant quarantine inspection activities ..	13,054:	+168:	13,222
Hog Cholera eradication indemnities and serum and vaccine reserves	5,450:	+800:	6,250
Pesticides registration and enforcement	3,841:	+1,819:	5,660
Elimination of plant pest control programs:			
European chafer	145:	-145:	-
Sweetpotato weevil	281:	-281:	-
Soybean cyst nematode	452:	-452:	-
Phony peach and peach mosaic	177:	-177:	-
All other outlays from prior year balances:	60,421:	+1,060:	61,481
Total, Plant and animal disease and pest control	88,618:	+4,392:	93,010
Total, Salaries and Expenses, Agricultural: Research Service	246,640:	+6,111:	252,751
Special foreign currency program	7,810:	-233:	7,577
Total, Agricultural Research Service	254,450:	+5,878:	260,328
Cooperative State Research Service:			
<u>Payments and expenses:</u>			
Community improvement and human develop- ment research	1,690:	+5,000:	6,690
Animal waste pollution	1,357:	+344:	1,701
Marketing efficiency	7,793:	+194:	7,987
Increased costs of ongoing research	-	+3,105:	3,105
All other	42,649:	-	42,649
Total, Payments and expenses	53,489:	+8,643:	62,132
Grants for cooperative forestry research:			
Timber production management	1,977:	+300:	2,277

Agency and Item	Increase		
	1970 Estimate	or Decrease	1971 Estimate
FEDERAL FUNDS:	:	:	:
GENERAL ACTIVITIES: (Cont'd)	:	:	:
<u>Cooperative State Research Service: (Cont'd)</u>	:	:	:
Forest insect and disease	\$501:	+\$100:	+\$601
Increased costs of ongoing research	- - :	+227:	227
All other	1,307:	- - :	1,307
Total, Grants for cooperative forestry research	3,785:	+627:	4,412
Contracts and grants for scientific research:	174:	+496:	670
Penalty mail	120:	- - :	120
Federal administration	1,691:	+245:	1,936
Outlays from prior year funds	2,856:	+1,028:	3,884
Total, Cooperative State Research Service	62,115:	+11,039:	73,154
<u>Extension Service:</u>	:	:	:
<u>Payments to States and Puerto Rico:</u>	:	:	:
Community development.....	- - :	+9,984:	9,984
Extension work in the District of Columbia: under Section 3(d) of the Smith-Lever Act.:	345:	+306:	651
Nutrition education program.....	28,560:	+18,058:	46,618
Set-aside for Federal administration.....	869:	+219:	1,088
All other.....	79,109:	+6,974:	86,083
Total, Payments to States and Puerto Rico:	108,883:	+35,541:	144,424
Retirement costs and employees' compensation: fund costs.....	10,037:	+3,209:	13,246
Penalty mail.....	2,550:	+163:	2,713
Federal Extension Service.....	3,910:	+70:	3,980
Outlays from prior year funds.....	4,569:	+1,785:	6,354
Total, Extension Service.....	129,949:	+40,768:	170,717
<u>Farmer Cooperative Service:</u>	:	:	:
<u>Salaries and expenses:</u>	:	:	:
Technical assistance to cooperatives.....	626:	+30:	656
All other.....	903:	-27:	876
Outlays due to prior year funds.....	86:	+16:	102
Total, Farmer Cooperative Service.....	1,615:	+19:	1,634
<u>Soil Conservation Service:</u>	:	:	:
<u>Conservation operations:</u>	:	:	:
Soil surveys - accelerated publication of: soil survey reports.....	19,850:	+57:	19,907
Conservation technical assistance.....	100,068:	- - :	100,068

	1970	Increase or Decrease	1971
	Estimate		Estimate
FEDERAL FUNDS:			
GENERAL ACTIVITIES: (Cont'd)			
Soil Conservation Service: (Cont'd)			
Plant materials centers - equipment			
replacement and repair	\$1,075:	+\$193:	\$1,268
Outlays from prior year balances	5,800:	+2,926:	8,726
Total, Conservation operations	126,793:	+3,179:	129,972
River basin surveys and investigations	7,408:	+219:	7,627
Outlays from prior year balances	1,713:	-309:	1,404
Total, River basin surveys and investiga-			
tions	9,121:	-90:	9,031
Watershed planning	6,080:	-1,201:	4,879
Outlays from prior year balances	590:	+15:	605
Total, Watershed planning	6,670:	-1,186:	5,484
Watershed works of improvement:			
Pilot watershed projects	110:	-110:	- -
Works of improvement installation	36,876:	+4,450:	41,326
Loan servicing expenses	290:	+48:	338
Outlays from prior year funds	39,489:	-2,327:	37,162
Total, Watershed works of improvement	76,765:	+2,061:	78,826
Flood prevention:			
Works of improvement	15,204:	-2,028:	13,176
Loan servicing expenses	104:	+70:	174
Outlays from prior year funds	13,740:	+1,152:	14,892
Total, Flood prevention	29,048:	-806:	28,242
Great plains conservation program:			
Cost-sharing assistance	2,114:	- - :	2,114
Technical services and related expense ..	4,315:	+12:	4,327
Outlays from prior year funds	10,371:	+38:	10,409
Total, Great Plains conservation			
program	16,800:	+50:	16,850
Resource conservation and development:			
Project investigations and planning	1,235:	-855:	380
Resource development and technical			
service	6,659:	+587:	7,246
Loan servicing expenses	325:	-25:	300
Outlays from prior year funds	1,938:	+452:	2,390
Total, Resource conservation and			
development	10,157:	+159:	10,316
Total, Soil Conservation Service	275,354:	+3,367:	278,721
Economic Research Service:			
Salaries and expenses:			
Farm income distribution and measurement			
research	3,460:	+201:	3,661
Remote sensing research	- - :	+51:	51
Foreign market development research	1,288:	+832:	2,120
Community improvement research	1,693:	+486:	2,179

Agency or Item	1970 Estimate	Increase or Decrease	1971 Estimate
FEDERAL FUNDS:			
GENERAL ACTIVITIES: (Cont'd)			
<u>Economic Research Service: (Cont'd)</u>			
Outlays due to timing of expenditures and prior year funds.....	8,031:	+383:	8,414
Total, Economic Research Service.....	14,472:	+1,953:	16,425
<u>Statistical Reporting Service:</u>			
Salaries and expenses:			
Livestock statistics improvement.....	238:	+998:	1,236
Probability surveys of farm grain stocks...	102:	+37:	139
Farm operators' expenditures survey.....	-- :	+76:	76
Research to improve agricultural statistical methods.....	358:	+16:	374
Remote sensing research.....	24:	+34:	58
All other.....	14,958:	-21:	14,937
Outlays due to prior year funds.....	745:	+103:	848
Total, Statistical Reporting Service.....	16,425:	+1,243:	17,668
<u>Consumer and Marketing Service:</u>			
Consumer protective, marketing, and regulatory programs:			
Meat inspection:			
Grants to States.....	21,617:	+982:	22,599
Federal inspection at interstate and intrastate plants.....	60,079:	+4,452:	64,531
Poultry inspection:			
Grants to States.....	1,665:	+150:	1,815
Federal inspection at interstate and intrastate plants.....	27,801:	+2,959:	30,760
Cotton classing.....	5,929:	+200:	6,129
All other.....	17,222:	-95:	17,127
Outlays from prior year funds.....	4,945:	+584:	5,529
Total, Consumer protective, marketing and regulatory programs	139,258:	+9,232:	148,490
Payments to States and possessions.....	1,600:	- - :	1,600
Total, Consumer and Marketing Service.....	140,858:	+9,232:	150,090
<u>Food and Nutrition Service:</u>			
Special milk program.....	66,622:	-66,622:	- -
Outlays from prior year funds.....	14,578:	+2,800:	17,378
Total, Special milk program.....	81,200:	-63,822:	17,378
Child nutrition programs:			
Cash payments to States:			
School lunch program.....	133,000:	-1,300:	131,700
Special cash assistance.....	42,700:	-500:	42,200
School breakfast program.....	8,000:	-75:	7,925
Nonfood assistance program.....	8,000:	-76:	7,924
State administrative expenses.....	680:	- - :	680
Nonschool food program.....	6,490:	-1,428:	5,062
Total, Cash payments to States.....	198,870:	-3,379:	195,491
Commodity procurement.....	64,000:	- - :	64,000
Federal operating expenses.....	3,500:	+300:	3,800
Outlays from prior year funds.....	35,330:	+15,066:	50,396

Agency or Item	1970 Estimate	Increase or Decrease	1971 Estimate
FEDERAL FUNDS:			
GENERAL ACTIVITIES: (Cont'd)			
Food and Nutrition Service: (Cont'd)			
Total, Child nutrition programs.....	301,700:	+11,987:	313,687
Food stamp program:			
Program costs.....	556,000:	+635,500:	1,191,500
Operating expenses.....	12,676:	+3,827:	16,503
Outlays from prior year funds.....	6,324:	+34,978:	41,302
Total, Food stamp program.....	575,000:	+674,305:	1,249,305
Total, Food and Nutrition Service.....	957,900:	622,470:	1,580,370
Foreign Agricultural Service:			
Salaries and expenses:			
Export market development program.....	5,830:	+600:	6,430
All other.....	8,231:	-268:	7,963
Outlays from prior year balances.....	10,594:	+2,398:	12,992
Total, Salaries and expenses.....	24,655:	+2,730:	27,385
Salaries and expenses (special foreign currency program).....	750:	- - :	750
Total, Foreign Agricultural Service.....	25,405:	+2,730:	28,135
Commodity Exchange Authority:			
Automated supervision of futures trading....	- - :	+74:	74
All other.....	2,208:	-46:	2,162
Outlays due to prior year funds.....	224:	+46:	270
Total, Commodity Exchange Authority.....	2,432:	+74:	2,506
Agricultural Stabilization and Conservation Service:			
Expenses, ASCS.....	148,579:	-20,209:	128,370
Outlays from prior year funds.....	3,379:	+681:	4,060
Total, Expenses, ASCS.....	151,958:	-19,528:	132,431
Sugar Act program.....	84,511:	-5,000:	79,511
Outlays from prior year funds.....	8,589:	-100:	8,489
Total, Sugar Act program.....	93,100:	-5,100:	88,000
Agricultural conservation program - Outlays :			
from prior year funds.....	185,800:	-7,000:	178,800
Cropland adjustment program.....	77,795:	+5:	77,800
Outlays from prior year funds.....	350:	+500:	850
Total, Cropland adjustment program.....	78,145:	+505:	78,650
Conservation reserve program.....	35,660:	-35,660:	- -
Outlays from prior year funds.....	3,885:	-3,034:	85
Total, Conservation reserve program.....	39,545:	-38,694:	85
Emergency conservation measures - Outlays :			
from prior year funds.....	7,300:	+200:	7,500
Indemnity payments to dairy farmers.....	109:	-109:	- -
Outlays from prior year funds.....	41:	+50:	91
Total, Indemnity payments to dairy farmers:	150:	-59:	91
Cropland conversion program - Outlays from prior year funds.....	2,320:	-2,120:	200
Total, Agricultural Stabilization and Conservation Service.....	558,318:	-71,796:	486,522

Agency or Item	1970 Estimate	Increase or Decrease	1971 Estimate
FEDERAL FUNDS:			
GENERAL ACTIVITIES: (Cont'd)			
<u>Rural Community Development Service:</u>			
Salaries and expenses.....	478:	- -	478
Advances and reimbursements.....	10:	-10:	- -
<u>Total, Rural Community Development Service:</u>	<u>488:</u>	<u>-10:</u>	<u>478</u>
Service			
<u>Office of the Inspector General:</u>			
Program audits and investigations.....	14,227:	+1,098:	15,325
Outlays due to prior year funds.....	342:	+110:	452
<u>Total, Office of the Inspector General...</u>	<u>14,569:</u>	<u>+1,208:</u>	<u>15,777</u>
<u>Packers and Stockyards Administration:</u>			
Supervision of marketing practices.....	3,214:	+140:	3,354
Outlays due to prior year funds.....	191:	+104:	295
<u>Total, Packers and Stockyards Administra-</u>	<u>3,405:</u>	<u>+244:</u>	<u>3,649</u>
<u>tion.....</u>			
<u>Office of the General Counsel.....</u>	<u>5,618:</u>	<u>- -</u>	<u>5,618</u>
<u>Office of Information:</u>			
Salaries and expenses.....	1,874:	+111:	1,985
Outlays due to prior year funds.....	741:	-359:	382
<u>Total, Office of Information.....</u>	<u>2,615:</u>	<u>-248:</u>	<u>2,367</u>
<u>National Agricultural Library:</u>			
Library operations:			
Develop, expand, and maintain agricultural			
data.....	1,199:	+400:	1,599
All other.....	976:	+86:	1,062
<u>Total, Library operations.....</u>	<u>2,175:</u>	<u>+486:</u>	<u>2,661</u>
Library facilities - construction of			
cafeteria.....	- -:	+700:	700
Outlays due to prior year funds.....	1,664:	-437:	1,227
<u>Total, National Agricultural Library.....</u>	<u>3,839:</u>	<u>+749:</u>	<u>4,588</u>
<u>Office of Management Services:</u>			
Management support of agencies serviced....	2,984:	+115:	3,099
Mail file activities transferred to the			
National Agricultural Library.....	12:	-12:	- -
Accounting equipment.....	- -:	+72:	72
Development of automatic accrual accounting			
systems.....	- -:	+43:	43
Training costs.....	- -:	+12:	12
Outlays due to changes in obligated			
balances.....	211:	+55:	266
<u>Total, Office of Management Services.....</u>	<u>3,207:</u>	<u>+285:</u>	<u>3,492</u>

Agency or Item	1970 Estimate	Increase or Decrease	1971 Estimate
FEDERAL FUNDS:			
GENERAL ACTIVITIES: (Cont'd)			
General Administration:			
Management improvement activities.....	228:	+100:	328
Contract compliance.....	280:	+210:	490
Civil rights activities (previously financed: from Working Capital Fund).....	61:	+188:	249
All other.....	4,350:	-19:	4,331
Outlays due to prior year funds.....	338:	+19:	357
Total, General Administration.....	5,257:	+498:	5,755
Forest Service:			
Forest land management:			
Sales administration and management	46,228:	+5,280:	51,508
Reforestation and timber stand improve- ment	16,338:	+2,214:	18,552
Recreation area construction, supervision and maintenance	38,069:	+6,398:	44,467
Wildlife habitat management	4,533:	+94:	4,627
Range management	6,597:	-48:	6,549
Range revegetation	2,931:	+587:	3,518
Range improvements	\$3,720:	+\$1,173:	\$4,893
Soil and water management	6,598:	-394:	6,204
Mineral claims, leases and special uses	4,599:	+18:	4,617
Land classification, adjustments, and surveys	6,725:	+171:	6,896
Forest fire protection	28,471:	+1,144:	29,615
Construction and maintenance of improve- ments	9,503:	+417:	9,920
Payments to employees' compensation fund	1,100:	+356:	1,456
Water resource development	7,293:	-2,020:	5,273
Fighting forest fires	4,288:	+262:	4,550
Insect and disease control	10,262:	+782:	11,044
Acquisition of lands, Weeks Act	1,670:	-370:	1,300
Total, Forest land management	198,925:	+16,064:	214,989
Forest Research:			
Timber management research - intensive timber culture, forest regeneration and growth and yield prediction	9,901:	+734:	10,635
Watershed management research - sedimen- tation control	4,219:	+356:	4,575
Range management research	1,391:	+110:	1,501
Wildlife habitat research	1,058:	+391:	1,449
Forest recreation research	890:	+41:	931
Forest fire research	3,703:	+229:	3,932
Forest insect research	4,609:	+343:	4,952
Forest disease research	2,712:	+228:	2,940
Forest engineering research	895:	+204:	1,099
Forest production marketing	1,613:	+105:	1,718
Forest products utilization research - wood pulping and wood waste utilization research	7,885:	+582:	8,467

Agency or Item	Increase		
	1971 Estimate	or Decrease	1971 Estimate
FEDERAL FUNDS:			
GENERAL ACTIVITIES: (Cont'd)			
Forest Service: (Cont'd)			
Forest resources surveys	2,602:	+571:	3,173
Forest multiple use economics research ..	1,079:	+260:	1,339
Forest research construction	1,014:	-978:	36
Total, Forest Research	43,571:	+3,176:	46,747
State and private forestry cooperation:			
General forestry assistance	1,996:	+198:	2,194
Cooperation in forest fire control	16,407:	-1,739:	14,668
Cooperation in forest tree planting	314:	-1:	313
Cooperation in forest management and processing	4,069:	+751:	4,820
Total, State and private forestry cooperation	22,786:	-791:	21,995
Total, Forest protection and utiliza- tion	265,282:	+18,449:	283,731
Forest roads and trails	\$102,459:	+\$19,864:	\$122,323
All other	2,688:	+439:	3,127
Total, Forest Service	370,429:	+38,752:	409,181:
TOTAL, GENERAL ACTIVITIES (including Forest Service)	2,848,720:	+668,455:	3,517,175
Less Forest Service	-370,429:	-38,752:	-409,181
TOTAL, GENERAL ACTIVITIES	2,478,291:	+629,703:	3,107,994
CREDIT AGENCIES:			
Rural Electrification Administration:			
Electric loan advances	394,100:	-29,100:	365,000
Telephone loan advances	117,000:	+10,000:	127,000
Total, Loan advances	511,100:	-19,100:	492,000
Deduct principal repayments:			
Electric program	124,600:	+8,000:	132,600
Telephone program	32,000:	+2,700:	34,700
Total, Principal Repayments	156,600:	+10,700:	167,300
Net Loan Advances	354,500:	-29,800:	324,700
Salaries and expenses:			
Computer - based data processing	42:	+71:	113
All other	14,402:	+4:	14,406
Total, Salaries and expenses	14,444:	+75:	14,519
Total, Rural Electrification Administra- tion	368,944:	-29,725:	339,219
Farmers Home Administration:			
Direct loan account:			
Real estate loans	77,450:	-18,350:	59,100
Operating loans	275,000:	-	275,000
Soil Conservation Service loans	7,700:	-1,300:	6,400
Adjustments for other costs and receipts	-318,032:	-24,456:	-342,488
Total, Direct loan account	42,118:	-44,106:	-1,988

Agency or Item	1970 Estimate	Increase or Decrease	1971 Estimate
CREDIT AGENCIES: (Cont'd)			
Farmers Home Administration: (Cont'd)			
Rural housing insurance fund:			
Loans made	837,700:	+596,434:	1,434,134
Sale of loans	-824,600:	-1,410,024:	-2,234,624
Adjustments for other costs and receipts	319,588:	-155,204:	164,354
Total, Rural housing insurance fund ...	332,688:	-968,794:	-636,106
Agricultural Credit Insurance Fund:			
Loans made	313,350:	+10,650:	324,000
Sale of loans	-773,294:	+94,294:	-679,000
Adjustments for other costs and receipts	447,150:	-200,730:	246,420
Total, Agricultural Credit Insurance Fund	-12,794:	-95,786:	-108,580
Rural water and waste disposal grants	\$34,000:	-\$3,200:	\$30,800
Rural renewal	743:	-743:	-
Rural housing for domestic farm labor	5,700:	+300:	6,000
Mutual and self-help housing	1,250:	+875:	2,125
Self-help housing land development fund ...	1,200:	-200:	1,000
Emergency credit revolving fund	-45,238:	+42,286:	-2,952
Salaries and expenses	71,250:	+13,750:	85,000
Total, Farmers Home Administration	430,917:	-1,055,618:	-624,701
TOTAL, CREDIT AGENCIES	799,861:	-1,085,343:	-285,482
CORPORATIONS:			
Federal Crop Insurance Corporation:			
Administrative and operating expenses	11,920:	+52:	11,972
Federal Crop Insurance Corporation Fund ...	4,031:	-4,265:	-234
Total, Federal Crop Insurance Corporation	15,951:	-4,213:	11,738
Commodity Credit Corporation and Foreign Assistance Program:			
Commodity Credit Corporation price support: and related activities	3,540,709:	+162,977:	3,703,686
Loans in connection with the Agricultural Conservation Program	-2,800:	-24,400:	-27,200
Export credit sales program	39,000:	-2,000:	37,000
All other special activities	11,228:	-11,228:	-
Total, Commodity Credit Corporation ...	3,588,137:	+125,349:	3,713,486
Foreign Assistance Programs and Special Export Programs:			
Public Law 480:			
Title I - Sale of commodities for foreign currencies and for dollars for credit	420,000:	+81,200:	501,200
Outlays from prior year funds	193,588:	-193,588:	-
Total, Title I	613,588:	-112,388:	501,200

Agency or Item	Increase		
	1970 Estimate	or Decrease	1971 Estimate
CORPORATIONS: (Cont'd)			
<u>Foreign Assistance Programs and Special Export Programs: (Cont'd)</u>			
Title II - disposition of commodities			
abroad.....	357,112:	-6,082:	351,030
Total, Public Law 480.....	970,700:	-118,470:	852,230
Bartered materials for supplemental			
stockpile.....	155:	-130:	25
Outlays from prior year funds.....	- - :	+42:	42
Total bartered materials for supplemental:			
stockpile.....	155:	-88:	67
Total, Foreign Assistance and Special Export Programs.....	970,855:	-118,558:	852,297
Total, Commodity Credit Corporation			
Foreign Assistance Programs and Special Export Programs.....	4,558,992:	+6,791:	4,565,785
TOTAL, CORPORATIONS.....	4,574,943:	+2,578:	4,577,521
TOTAL, Above Items, Federal Funds (excluding Forest Service).....	7,853,095:	-453,062:	7,400,033
PERMANENT BUDGET AUTHORITY:			
<u>Agricultural Research Service:</u>			
Animal quarantine station.....	6:	+221:	227
Outlays from prior year funds.....	94:	+6:	100
Total, Animal quarantine station.....	100:	+227:	327
<u>Consumer and Marketing Service:</u>			
Perishable Agricultural Commodities Act Fund:	625:	+160:	785
Outlays from prior year funds.....	432:	-77:	355
Total, Perishable Agricultural Commodities: Act Fund.....	1,057:	+83	1,140
<u>Removal of surplus agricultural commodities (Section 32):</u>			
Commodity program payments (primarily direct purchases)	324,535:	-96,360:	228,175
Special feeding program:			
Special feeding	85,780:	+67,653:	153,433
Special packages - Food Stamp areas ...	11,000:	+18,405:	29,405
Export payments	5,966:	-3,000:	2,966
Surplus removal expenses	7,330:	-1,565:	5,765
Marketing agreements and orders	2,700:	+284:	2,984
Outlays from prior year balances.....	34,099:	+6,954:	41,053
Total, Removal of surplus agricultural commodities (Section 32).....	471,410:	-7,629:	463,781

Agency or Item	Increase		
	1970 Estimate	or Decrease	1971 Estimate
PERMANENT BUDGET AUTHORITY:			
Commodity Credit Corporation:			
National Wool Act.....	58,100:	+7,200:	65,300
Forest Service:			
Roads and trails for States, National			
Forests Fund (based on 10% of National			
Forest receipts	31,206:	+3,086:	34,292
Forest fire prevention (Smokey Bear			
campaign)	92:	+35:	127
Payments to States, National Forests Fund			
(based on 25% of National Forests receipts):	78,204:	+7,524:	85,728
All other Forest Service permanent			
appropriations	14,996:	+375:	15,371
Total, Forest Service permanent			
appropriations' outlays	124,498:	+11,020:	135,518
Total, Permanent appropriations out-			
lays	655,165:	10,901:	666,066
Less Forest Service permanent			
appropriations' outlays	-124,498:	-11,020:	-135,518
TOTAL PERMANENT BUDGET AUTHORITY OUTLAYS	530,667:	-119:	530,548
PROPOSED LEGISLATION:			
Consumer and Marketing Service:			
Consumer protective, marketing, and			
regulatory programs - principally user			
fees	- -	-4,547:	-4,547
Removal of Surplus Agricultural Commodities			
(Section 32) - producers and handlers fees	- -	-\$1,542:	-\$1,542
Forest Service:			
Forest protection and utilization	\$21,000:	-21,000:	- -
Total, Proposed legislation	21,000:	-27,089:	-6,089
Less Forest Service	-21,000:	+21,000:	- -
TOTAL, FEDERAL FUNDS (excluding Forest			
Service).....	8,383,762:	-459,270:	7,924,492
RECEIPTS:			
Forest Service	360,557:	+35,328:	395,885
Interest repayments on REA loans	116,100:	+3,200:	119,300
All other	4,293:	-1,883:	2,410
Total, Receipts	480,950:	+36,645:	517,595
Less Forest Service receipts	-360,557:	-35,328:	-395,885
Total, Receipts (excluding Forest Service)	120,393:	+1,317:	121,710
NET FEDERAL FUNDS	8,263,369:	-460,587:	7,802,782

Agency or Item	1970 Estimate	Increase or Decrease	1971 Estimate
TRUST FUNDS:			
Agricultural Research Service	1,370:	-225:	1,145
Consumer and Marketing Service.....	35,858:	+2,008:	37,866
Soil Conservation Service.....	1,200:	+1,520:	2,720
Forest Service.....	33,339:	+12,243:	45,582
All other	399:	+70:	469
Total, Trust funds	72,166:	+15,616:	87,782
Less Forest Service trust funds.....	-33,339:	-12,243:	-45,582
Total, trust funds (excluding Forest Service).....	38,827:	+3,373:	42,200
Less trust fund receipts (excluding Forest Service).....	-38,748:	-3,196:	-41,944
Net trust funds (excluding Forest Service).....	79:	+177:	256
<u>TOTAL, UNITED STATES DEPARTMENT OF AGRICULTURE..</u>	<u>8,263,448:</u>	<u>-460,410:</u>	<u>7,803,038</u>

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UNITED STATES DEPARTMENT OF AGRICULTURE

Table 8.--Receipts to U. S. Treasury Related to Department of Agriculture Activities,
Fiscal Year 1969 and Estimated Fiscal Years 1970 and 1971

(Thousands)

Classification and Source	FISCAL YEAR 1969--ACTUAL			FISCAL YEAR 1970--ESTIMATED			FISCAL YEAR 1971--ESTIMATED		
	General a/	Special b/	Total	General a/	Special b/	Total	General a/	Special b/	Total
Loan programs:									
Farmers Home Administration:									
Interest Payments to Treasury:									
On borrowings for rural housing loans	\$ 12,186		\$ 12,186	\$ 11,200		\$ 11,200	\$ 16,500		\$ 16,500
On borrowings for farm ownership, soil and water, and farm operating loans	--	--	--	7,000		7,000	16,750		16,750
On borrowings for loans under Agricultural Credit Insurance Fund	12,931		12,931	18,000		18,000	15,200		15,200
Interest on investment, Economic Opportunity Loan Fund	3,658		3,658	3,850		3,850	4,500		4,500
Total, Farmers Home Administration	28,775		28,775	40,050		40,050	52,950		52,950
Rural Electrification Administration:									
Collections of principal:									
Electrification loans	142,131		142,131	124,600		124,600	132,600		132,600
Telephone loans	29,886		29,886	32,000		32,000	34,700		34,700
Total, collections of principal	172,017		172,017	156,600		156,600	167,300		167,300
Collections of interest:									
Electrification loans	81,394		81,394	89,000		89,000	92,000		92,000
Telephone loans	22,108		22,108	27,100		27,100	27,300		27,300
Total, collections of interest	103,502		103,502	116,100		116,100	119,300		119,300
Total, Rural Electrification Administration	275,519		275,519	272,700		272,700	286,600		286,600
Total, loan programs	304,294		304,294	312,750		312,750	339,550		339,550
Receipts from operations, and miscellaneous reimbursements and collections:									
Business on the national forests--primarily timber sales, grazing fees, and land recreational uses	235,990	76,558 $\frac{1}{2}$	312,548	230,475	113,087 $\frac{1}{2}$	343,562	254,757	124,093 $\frac{1}{2}$	378,850
Deposits by timber purchasers for brush disposal	11,904		11,904	12,800		12,800	12,800		12,800
Receipts from Tongass National Forest held pending determination of land ownership d/ Receipts from Oregon and California contro- verted lands, held pending determination of land ownership	1,435		1,435	1,560		1,560	1,690		1,690
Total, receipts from operations, and miscellaneous reimbursements and collections	248,829	76,558 $\frac{1}{2}$	324,387	243,835	114,647	358,482	269,247	136,783	393,330

Classification and Source	FISCAL YEAR 1969--ACTUAL			FISCAL YEAR 1970--ESTIMATED			FISCAL YEAR 1971--ESTIMATED		
	General : a/	Special : b/	Total	General : a/	Special : b/	Total	General : a/	Special : b/	Total
Receipts from operations, and miscellaneous reimbursements and collections: (Cont.)									
Use of lands held under Title III of the Bankhead-Jones Farm Tenant Act	1,565	522g/	2,087	1,598	532g/	2,130	1,624	541g/	2,165
Fees for licenses under the Perishable Agricultural Commodities, Produce Agency, and Export Apple and Pear Acts		930	930		980	980		1,050	1,050
Charge for testing, inspection, and grading services, principally collections under the Cotton Standards, Cotton Futures, and Grain Standards Acts	1,502		1,502	1,076		1,076	1,256		1,256
Sales of products not required in connection with the work of the Department, primarily loose cotton samples, long-staple cotton from national stockpile, livestock and livestock products	6,823		6,823	2,719		2,719	972		972
Fines, penalties, and forfeitures, chiefly marketing quota penalties	804		804	679		679	664		664
Miscellaneous, chiefly recoveries and refunds	3,979	111	4,090	3,802	577	4,379	3,818	160	3,978
Total	250,663	98,396	349,059	240,349	136,536	376,885	263,091	147,334	410,425
Trust fund receipts: f/									
Contributions from private cooperators for various activities on national and private forest lands			40,349			44,750			44,750
Fees received for inspection and grading of farm products upon application of interested parties			31,703			35,729			38,061
Receipts for miscellaneous special services			2,975			3,019			3,883
Total			75,027			83,498			86,634
Other receipts:									
Interest paid to Treasury on CCC borrowings ..	206,508		206,508	332,067		332,067	488,345		488,345
Interest paid to Treasury on CCC capital stock	4,750		4,750	4,750		4,750	4,750		4,750
Sugar tax collections	106,395		108,395	109,323		109,323	110,300		110,300
Collections for mineral leases, licenses, and permits on public domain national forest lands	2,979	25,775g/	28,754	3,278	28,427g/	31,705	3,584	31,131g/	34,715
Total	322,632	25,775	348,407	449,418	28,427	477,845	606,979	31,131	638,110
GRAND TOTAL	877,589	124,171	1,001,760	1,002,517	164,963	1,250,978h/	1,209,620	178,465	1,474,779h/

Classification and Source	FISCAL YEAR 1969--ACTUAL		FISCAL YEAR 1970--ESTIMATED		FISCAL YEAR 1971--ESTIMATED	
	General	Special	General	Special	General	Special
	a/	b/	a/	b/	a/	b/
	Total	Total	Total	Total	Total	Total
Recapitulation:						
Receipts that are offsets to budget authority and outlays	687,852		721,048		771,589	
All other receipts	388,935		529,930		703,190	
GRAND TOTAL	1,076,787		1,250,978		1,474,779	

a/ Receipts available to the Treasury for general expenditures of the Government.

b/ Receipts deposited in the Treasury for specific purposes, pursuant to various legislative authorizations.

c/ Represents the portion of the total receipts from national forests available for (1) 25% fund for payments to States for benefit of roads and schools, (2) 10% fund for construction and maintenance of roads and trails in States from which proceeds are derived, (3) appropriations from forest receipts for acquisition of lands, cooperative range improvements, and special payments to Minnesota counties in which Superior National Forest lands are located, and (4) appropriations for Land and Water Conservation Fund activities.

d/ Amounts shown represent 65% of the receipts from the Tongass National Forest. The remaining 35% of these receipts are distributed to Alaska (25%) and to the fund for construction and maintenance of roads and trails (10% in accordance with Public Law 758, 84th Congress.

e/ For payment to counties in which such lands are located.

f/ Receipts deposited in trust in the Treasury for expenditure by the Department, as trustee, for specified purposes.

g/ Distributed to the reclamation fund and to States in which the lands are located.

h/ Includes trust fund receipts as well as general and special fund receipts.

UNITED STATES DEPARTMENT OF AGRICULTURE

Table G.--Man-Years, Fiscal Years 1969, 1970, and 1971

(This table reflects man-years for Federal employees under appropriations, transfers, reimbursements and all other funds available or estimated to become available to the respective agencies of the Department. It excludes man-years in County Agricultural Stabilization and Conservation offices, State and County Extension offices, and other non-Federal agencies receiving funds from the Department.)

	1969	1970 Estimated	1971 Estimated	Increase(+) or Decrease (-), 1971 Compared with 1970
<u>ITEMS IN AGRICULTURAL APPROPRIATION BILL</u>				
AGRICULTURAL RESEARCH SERVICE:				
Research a/	9,429	9,371	9,337	-34
Plant and animal disease and pest control	5,953	5,864	5,879	+15
Total, Salaries and expenses	15,382	15,235	15,216	-19
Salaries and expenses (Special Foreign Currency Program)	18	16	16	- -
Working Capital Fund	359	359	358	-1
Other USDA appropriations	29	30	30	- -
Total, Agricultural Research Service	15,788	15,640	15,620	-20
COOPERATIVE STATE RESEARCH SERVICE:				
Payments and expenses	90	92	92	- -
EXTENSION SERVICE:				
Payments and expenses	197	222	222	- -
FARMER COOPERATIVE SERVICE:				
Salaries and expenses	90	92	94	+2
Other USDA appropriations	- -	1	1	- -
Total, Farmer Cooperative Service ..	90	93	95	+2
SOIL CONSERVATION SERVICE:				
Conservation operations	10,424	10,459	10,430	-29
Watershed planning	462	458	353	-105
River basin surveys and investigations ..	425	481	407	-74
Watershed works of improvement	2,316	2,330	2,540	+210
Flood prevention	833	813	727	-86
Great Plains conservation program	412	424	423	-1
Resource conservation and development ...	498	534	501	-33
Other USDA appropriations	1,006	1,020	608	-412
Total, Soil Conservation Service	16,336	16,519	15,989	-530
ECONOMIC RESEARCH SERVICE:				
Salaries and expenses	867	882	956	+74
Other USDA appropriations	143	136	139	+3
Total, Economic Research Service	1,010	1,018	1,095	+77
STATISTICAL REPORTING SERVICE:				
Salaries and expenses	1,275	1,321	1,411	+90
Other USDA appropriations	131	143	143	- -
Total, Statistical Reporting Service	1,406	1,464	1,554	+90
CONSUMER AND MARKETING SERVICE:				
Consumer protective, marketing and regulatory programs	9,250	9,474	10,205	+731
Other USDA appropriations	269	468	486	+18
Total, Consumer and Marketing Service	9,519	9,942	10,691	+749
FOOD AND NUTRITION SERVICE:				
Special milk program	59	65	- -	-65
Child nutrition programs	167	178	248	+70
Food stamp program	1,001	1,200	1,600	+400
Total, Food and Nutrition Service ...	1,227	1,443	1,848	+405
FOREIGN AGRICULTURAL SERVICE:				
Salaries and expenses	683	699	756	+57
Salaries and expenses (Special foreign currency program)	23	19	19	- -
Total, Foreign Agricultural Service	706	718	775	+57
EXPORT MARKETING SERVICE:				
Other USDA appropriations	182	190	205	+15
COMMODITY EXCHANGE AUTHORITY:				
Salaries and expenses	150	170	170	- -
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:				
Expenses, Agricultural Stabilization and Conservation Service	2,717	2,819	2,039	-780
Transfers from Commodity Credit Corporation	1,508	1,524	2,175	+651
Total, Expenses, Agricultural Stabili- zation and Conservation Service	4,225	4,343	4,214	-129

	1969	1970	1971	Increase (+) or Decrease (-), 1971 Compared with 1970
		Estimated	Estimated	
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE: (Cont.)				
Other USDA appropriations	216	259	261	+2
Total, Agricultural Stabilization and Conservation Service	4,441	4,602	4,475	-127
FEDERAL CROP INSURANCE CORPORATION:				
Administrative and operating expenses ...	1,047	934	906	-28
Federal Crop Insurance Corporation fund	31	89	85	-4
Total, Federal Crop Insurance Corporation	1,078	1,023	991	-32
RURAL ELECTRIFICATION ADMINISTRATION:				
Salaries and expenses	884	876	857	-19
FARMERS HOME ADMINISTRATION:				
Salaries and expenses	6,277	7,028	8,125	+1,097
Rural renewal	28	-	-	-
Other USDA appropriations	44	63	63	-
Total, Farmers Home Administration ..	6,349	7,091	8,188	+1,097
RURAL COMMUNITY DEVELOPMENT SERVICE:				
Salaries and expenses	22	20	20	-
OFFICE OF THE INSPECTOR GENERAL:				
Salaries and expenses	844	865	907	+42
Other USDA appropriations	24	21	21	-
Total, Office of the Inspector General	868	886	928	+42
PACKERS AND STOCKYARDS ADMINISTRATION:				
Salaries and expenses	183	207	225	+18
OFFICE OF THE GENERAL COUNSEL:				
Salaries and expenses	352	377	377	-
Other USDA appropriations	2	6	6	-
Total, Office of the General Counsel	354	383	383	-
OFFICE OF INFORMATION:				
Salaries and expenses	115	113	113	-
Working Capital Fund	105	95	95	-
Other USDA appropriations	3	5	5	-
Total, Office of Information	223	213	213	-
NATIONAL AGRICULTURAL LIBRARY:				
Salaries and expenses	170	186	186	-
Working Capital Fund	4	5	5	-
Other USDA appropriations	1	1	1	-
Total, National Agricultural Library	175	192	192	-
OFFICE OF MANAGEMENT SERVICES:				
Salaries and expenses	273	281	296	+15
Other USDA appropriations	52	54	56	+2
Total, Office of Management Services	325	335	352	+17
GENERAL ADMINISTRATION:				
Salaries and expenses	280	300	334	+34
Working Capital Fund	500	502	508	+6
Other USDA appropriations	4	4	4	-
Total, General Administration	784	806	846	+40
TOTAL, Agricultural Appropriation Bill	62,387	64,145	66,026	+1,881
FOREST SERVICE:				
Forest protection and utilization:				
Forest land management	14,542	14,604	15,155	+551
Forest research	2,869	2,981	3,069	+88
State and private forestry cooperation	177	177	177	-
Total, Forest protection and utilization	17,588	17,762	18,401	+639
Forest roads and trails	6,896	7,022	7,199	+177
Assistance to States for tree planting ..	14	17	17	-
Other USDA appropriations	466	423	435	+12
Total, Forest Service	24,964	25,224	26,052	+828
TOTAL, USDA Annual Appropriations ...	87,351	89,369	92,078	+2,709

	1969	1970	1971	Increase (↓) or Decrease (-), 1971 Compared with 1970
		Estimated	Estimated	
<u>PERMANENT APPROPRIATIONS</u>				
Removal of surplus agricultural commodities (Sec. 32):				
Consumer and Marketing Service	285	285	285	- -
Food and Nutrition Service	341	365	215	-150
Extension Service	3	- -	- -	- -
Total, Sec. 32	629	650	500	-150
Perishable Agricultural Commodities Act fund	80	85	91	↓6
Forest Service	862	885	1,091	↓206
TOTAL, Permanent Appropriations	1,571	1,620	1,682	↓62
TOTAL, Under Appropriations to USDA	88,922	90,989	93,760	↓2,771
<u>OTHER FUNDS (Trust funds, allocations and reimbursements)</u>				
Agricultural Research Service	254	231	212	-19
Cooperative State Research Service	5	3	2	-1
Extension Service	58	72	72	- -
Farmer Cooperative Service	8	8	8	- -
Soil Conservation Service	423	472	539	↓67
Economic Research Service	99	67	41	-26
Statistical Reporting Service	65	74	71	-3
Consumer and Marketing Service	3,048	3,182	3,319	↓137
Foreign Agricultural Service	27	11	2	-9
Foreign Economic Development Service	97	100	104	↓4
Agricultural Stabilization and Conservation Service	6	7	7	- -
Federal Crop Insurance Corporation	231	255	255	- -
Rural Electrification Administration	1	2	1	-1
Farmers Home Administration	923	1,027	946	-81
Rural Community Development Service	1	1	1	- -
Office of the Inspector General	4	4	4	- -
Office of the General Counsel	9	9	9	- -
National Agricultural Library	1	1	1	- -
Office of Management Services	6	15	25	↓10
General Administration	11	11	11	- -
Forest Service	7,013	6,175	6,399	↓224
Total, Other Funds	12,290	11,727	12,029	↓302
TOTAL, Man-Years for USDA Personnel	101,212	102,716	105,789	↓3,073

a/ Includes man-years under the reappropriation for temporary labor in the field.

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 10.--Increases and Decreases in Man-Years
Budget Estimates 1971 Compared with 1970

(This table reflects man-years for Federal employees under appropriations, transfers, reimbursements and all other funds available or estimated to become available to the respective agencies of the Department. It excludes man-years in County Agricultural Stabilization and Conservation offices, State and County Extension offices, and other non-Federal agencies receiving funds from the Department.)

Increase (+) or
Decrease (-)

ITEMS IN AGRICULTURAL APPROPRIATION BILL

AGRICULTURAL RESEARCH SERVICE:

Research:

Increased use of contracting for research programs where practicable .	-34
Total, Research	-34
Plant and animal disease and pest control:	
Imported fire ant eradication	+7
Plant quarantine inspection	+17
Pesticides registration and enforcement	+138
Elimination of plant pest control programs:	
European chafer	-12
Sweetpotato weevil	-30
Soybean cyst nematode	-37
Phony peach and peach mosaic	-19
Decrease reflects adjustments in use of direct personnel in control programs and decreases in staff to help meet increased costs	-49
Total, Plant and animal disease and pest control	+15
Working Capital Fund	-1
Total, Agricultural Research Service	-20

FARMER COOPERATIVE SERVICE:

Technical assistance for cooperatives	+2
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SOIL CONSERVATION SERVICE:

Conservation operations:

Soil surveys	-4
Technical programming and installation services and snow surveys	-25
Total, Conservation operations	-29
River basin surveys and investigations	-74
Watershed planning	-105
Watershed works of improvement:	
Completion of work on pilot watersheds	-10
Construction on P.L. 566 watersheds	+214
Loan servicing expenses	+6
Total, Watershed works of improvement	+210
Flood prevention:	
Works of improvement on P.L. 566 watersheds	-86
Great Plains conservation program:	
Technical assistance	-1
Resource conservation and development:	
Project planning	-61
Technical service and financial assistance	+28
Total, Resource conservation and development	-33
Reimbursable services performed for other USDA agencies	-412
Total, Soil Conservation Service	-530

ECONOMIC RESEARCH SERVICE:

Farm income measurement and farm price and income forecasting ...	#6
Adapting and testing remote sensing techniques	#2
Foreign market development research	#56
Develop data on rural economic conditions for rural development	#10
Reimbursable services performed for other USDA agencies	#3
Total, Economic Research Service	<u>#77</u>

STATISTICAL REPORTING SERVICE:

Livestock statistics improvement	#78
Farm grain stock estimates	#4
Farm operators expenditure survey	#6
Improvement of statistical methods	#1
Remote sensing research	#1
Total, Statistical Research Service	<u>#90</u>

CONSUMER AND MARKETING SERVICE:

Consumer protective, marketing and regulatory programs:	
Federal meat inspection	#445
Federal poultry inspection	#303
Cotton classing	-17
Total, Consumer protective, marketing and regulatory programs	<u>#731</u>
Reimbursable services performed for other USDA agencies	#18
Total, Consumer and Marketing Service	<u>#749</u>

FOOD AND NUTRITION SERVICE:

Food stamp program	#400
Elimination of special milk program	-65
Child nutrition programs	#70
Total, Food and Nutrition Service	<u>#405</u>

FOREIGN AGRICULTURAL SERVICE:

Export market development program	<u>#57</u>
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AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:

Expenses, ASCS	-129
Reimbursable services for other USDA agencies	#2
Total, Agricultural Stabilization and Conservation Service	<u>-127</u>

EXPORT MARKETING SERVICE:

Allotment from CCC Administrative Expense Limitation	<u>#15</u>
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FEDERAL CROP INSURANCE CORPORATION:

Administrative and operating expenses	-28
Federal Crop Insurance Corporation Fund	-4
Total, Federal Crop Insurance Corporation	<u>-32</u>

RURAL ELECTRIFICATION ADMINISTRATION:

Salaries and expenses	-19
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FARMERS HOME ADMINISTRATION:

Loan making and servicing activities	#1,097
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OFFICE OF THE INSPECTOR GENERAL:

Program audits and investigations	<u>#42</u>
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PACKERS AND STOCKYARDS ADMINISTRATION:

Supervision of livestock and poultry marketing	<u>#18</u>
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OFFICE OF MANAGEMENT SERVICES:

Management support of agencies served	#14
Mail and file activities transferred	-1
Accounting equipment	#2
Reimbursable services performed for other USDA agencies	#2
Total, Office of Management Services	<u>#17</u>

GENERAL ADMINISTRATION:

Management improvement activities	\$10
Contract compliance activities	<u>\$30</u>
Total, General Administration	<u>\$40</u>

Total, Items in Agricultural Appropriations Bill \$1,881

FOREST SERVICE:

Forest protection and utilization:

Forest land management:

Sales administration and management	\$348
Reforestation and timber stand improvement	\$93
Recreation area construction, supervision and maintenance ...	\$151
Range improvement	\$33
Land classification, adjustment and surveys	-13
Construction and maintenance of improvements for fire and general purposes	\$16
Water resource development	-143
Insect and disease control	<u>\$66</u>
Total, Forest land management	<u>\$551</u>

Forest research

Total, Forest protection and utilization

Forest roads and trails

Reimbursable services performed for other USDA agencies

Total, Forest Service (excluding permanent appropriations)

Total, USDA Annual Appropriations \$2,709

PERMANENT APPROPRIATIONS

Removal of surplus agricultural commodities (Section 32)	-150
Perishable Agricultural Commodities Act Fund	\$6
Forest Service	<u>\$206</u>
Total, Permanent appropriations	<u>\$62</u>

Total, under appropriations to USDA \$2,771

OTHER FUNDS (Trust funds, allocations and reimbursements)

Agricultural Research Service	-19
Cooperative State Research Service	-1
Soil Conservation Service	\$67
Economic Research Service	-26
Statistical Reporting Service	-3
Foreign Economic Development Service	\$4
Consumer and Marketing Service	<u>\$137</u>
Foreign Agricultural Service	-9
Rural Electrification Administration	-1
Farmers Home Administration	-81
Office of Management Services	\$10
Forest Service	<u>\$224</u>
Total, Other Funds	<u>\$302</u>

TOTAL, Net Increase Under All Funds Available to the

U. S. Department of Agriculture \$3,073

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 11.--Appropriations for Research and Education, Fiscal Years 1962 through 1970 and Budget Estimates, 1971

(Amounts adjusted for comparability with the appropriation structure in the 1971 Budget)

(Thousands of Dollars)

Agency or Activity	1962	1963	1964	1965	1966	1967	1968	1969	1970	Budget Estimate 1971	Increase (+) or Decrease (-), 1971 Compared with 1970
Research:											
Agricultural Research Service ^{a/}	\$82,246	\$92,944	\$125,778	\$134,370	\$144,015	\$150,981	\$144,321	\$143,935	\$155,287	\$156,437	\$+1,150
Special foreign currency program	5,265	5,265	1,250	2,000	3,000	4,500	8,500	4,500	5,000	5,000	--
Cooperative State Research Service: Payments to agricultural experiment stations for research under the Hatch Act, as amended	34,725	36,723	38,906	43,983	46,893	49,893	49,803	51,634	53,757	62,400	+8,643
Grants for cooperative forestry research	--	--	1,000	1,000	2,500	3,000	3,370	3,485	3,785	4,412	+627
Contracts and grants for scientific research	--	--	\$1,500	d/ 700	d/2,000	2,000	1,800	2,000	2,000	3,350	+1,350
Grants for facilities	--	--	--	3,242	2,000	2,000	2,000	--	1,000	--	-1,000
Penalty mail	250	250	310	310	310	310	310	160	160	160	--
Federal administration	1,094	1,148	1,214	1,461	1,524	1,573	1,675	1,632	1,946	2,213	+267
Farmer Cooperative Service	8,532	8,901	9,242	11,222	11,782	12,421	12,789	13,387	14,592	16,228	+1,636
Economic Research Service	449	447	550	655	560	577	595	614	675	728	+53
Statistical Reporting Service	765	877	1,062	1,319	1,388	1,966	2,110	2,658	2,722	3,132	+410
National Agricultural Library: Library facilities	26,335	25,518	25,888	35,461	37,372	38,459	41,243	40,046	43,920	45,066	+1,146
Forest Service	160,424	172,837	207,857	236,522	259,693	268,463	269,344	264,924	285,787	300,709	+14,922
Total, Research											
Education:											
Extension Service: Cooperative Extension Work, Payments and Expenses: Payments to States and Puerto Rico	59,590	63,119	67,120	72,220	75,120	77,991	77,751	80,942	113,094	149,291	+36,197
Retirement and employee compensation fund costs for extension agents ...	6,260	6,765	7,273	7,543	7,857	8,306	8,819	9,481	10,240	13,515	+3,275
Penalty mail	2,490	2,801	3,113	3,113	3,113	3,113	3,299	3,299	3,400	3,617	+217

Agency or Activity	1962	1963	1964	1965	1966	1967	1968	1969	1970	Budget Estimate 1971	Increase (+) or Decrease (-), 1971 Compared with 1970
Education: (cont.)											
Federal Extension Service ..	2,383	2,573	2,578	2,981	3,048	3,403	3,619	3,557	5,000	5,228	+228
Total, Education	70,723	75,258	80,084	85,857	89,137	92,813	93,488	97,279	131,734	171,651	+39,917
TOTAL, Research and Education	231,147	248,095	287,941	322,379	348,830	361,276	362,832	362,203	417,521	472,360	+54,839

NOTE: Details may not add to totals shown due to rounding.

- a/ Includes transfers from Section 32 funds, as follows: 1965, \$11,775,000; 1966, \$18,100,000; 1967, \$25,000,000; 1968, \$15,000,000; 1969, \$15,000,000; 1970, \$15,000,000; and 1971 budget estimate, \$15,000,000.
- b/ Includes transfer of \$14,500,000 from Section 32 funds and \$15,000,000 from Commodity Credit Corporation funds as authorized by the 1964 appropriation act.
- c/ Transfer from Section 32 funds as authorized by the 1964 appropriation act.
- d/ Includes transfers of \$400,000 from Section 32 funds as authorized by the 1965 and 1966 appropriation acts.
- e/ Represents 80% of funds appropriated for planning and construction of new library building. It is estimated that 80% of library services is for research purposes.

Mr. WHITTEN. For the record explain what you mean by adjustment.

Mr. GRANT. We have included in the 1970 column the pending supplemental estimates for increased pay costs so as to make them comparable with 1971. We have taken out the transfers to General Services Administration for rental of space. This also is to make the amount for these 2 years comparable. In two or three instances we have made adjustments for proposed transfers in the estimates.

AGRICULTURE RESEARCH SERVICE

The first item is the Agricultural Research Service; a net increase of \$1,150,000 for research. Actually that is an increase in programs of \$2,085,000 because there is an offsetting, nonrecurring decrease for construction of \$935,000.

The second item is plant and animal disease and pest control, an increase of \$2,854,000. Actually, when you adjust for the nonrecurring appropriation for construction of the quarantine facility of \$1.5 million, which was provided last year, this is an increase in program of over \$4 million.

In that connection that \$1.5 million appropriated last year for an animal quarantine facility in the vicinity of New York was originally planned for Fort Tilden. The exact location has not yet been determined, but we will be back in touch with the Committee before we make a final decision on its location.

COOPERATIVE STATE RESEARCH SERVICE

The next item is the Cooperative State Research Service. There is an increase of \$9,887,000. This consists of several items. The major ones are \$5 million for research in rural community improvement; \$3,104,970 to help the experiment stations to meet the increasing costs of conducting research. This is for the increasing costs of salaries and other things they have to buy.

There is an increase of \$627,000 included for grants for forestry research and \$1,350,000 for contracts and grants for scientific research. This does not include any funds for construction of facilities at experiment stations. Last year an item of \$1 million was included for construction of research facilities and this has been deleted this year because \$1 million is just too small to enable the States to carry out an effective program, and at the same time we are not able under the tight budget to provide for a larger program.

EXTENSION SERVICE

In the Extension Service there is an increase of \$39,917,000. Of this \$20 million is for the nutrition education program, \$10,400,000 for community development work in rural areas, \$5,472,000 to help meet the increasing cost of conducting the work. Again, this is the increased cost of the things that have to be purchased and acquired for the extension program. There is also an increase of \$3,275,000 for retirement costs of extension agents. There have been several things happening here. One is that Congress enacted legislation last year to increase the retirement deductions from the employees' salaries by one-half of 1 percent. In the case of extension agents, the employer's matching share is paid from this separate appropriation to the Federal Extension Service. Then there has been an increase in the number of professional people in the States brought about in part by increased State and local funds for extension work. In addition, the increased appropriations requested for 1971 requires additional funds for retirement costs.

SOIL CONSERVATION SERVICE

The next item is in the Soil Conservation Service, conservation operations, an increase of \$257,000 for publishing soil surveys and for equipment at plant and materials centers.

BUDGETARY RESERVES

Mr. WHITTEN. Earlier I asked about this 1970 adjusted figure. Have you made allowances for the freezing of funds? Are those funds that remain unallocated or will not be expended or lapse or be carried over included in the figures you have here?

Mr. GRANT. No. This is on an appropriation basis.

Mr. WHITTEN. For the record, could you insert a table summarizing 1970 and 1971 such as we are now discussing and add a column showing for 1970 the amount of funds withheld by the Bureau of the Budget or unallocated by the Secretary.

Mr. GRANT. Yes, sir.

UNITED STATES DEPARTMENT OF AGRICULTURE

New Budget (Obligational) Authority -- Budget Estimates, 1971 Compared with 1970

(NOTE--Amounts in the "1970 Adjusted" column include supplemental appropriations and are adjusted for comparability with the appropriation structure proposed in the 1971 Budget Estimates. Amounts in parentheses are not included in totals)

Agency or Item	Funds reserved or unallocated	1970 Adjusted	Budget Estimates 1971	1971 Compared with 1970	
				Adjusted	Adjusted
GENERAL ACTIVITIES:					
Agricultural Research Service:					
Research.....	2,639,000 ^a	\$140,287,200	\$141,437,200	+\$1,150,000	
Transfer from Section 32.....	--	(15,000,000)	(15,000,000)	(--)	
Special fund (reappropriation).....	--	(2,000,000)	(2,000,000)	--	
Total.....	2,639,000	(155,287,200)	(156,437,200)	(-850,000)	
Plant and animal disease and pest control.....	--	95,909,750	98,763,750	+2,854,000	
Total, Salaries and expenses.....	2,639,000	238,156,950	240,200,950	+2,004,000	
Special foreign currency program.....	--	5,000,000	5,000,000	--	
Total, Agricultural Research Service.....	2,639,000	243,156,950	245,200,950	+2,004,000	
Cooperative State Research Service.....					
Extension Service.....	--	62,648,000	72,535,000	+9,887,000	
Farmer Cooperative Service.....	--	131,734,000	171,651,000	+39,917,000	
Soil Conservation Service:	--	1,631,000	1,666,000	+35,000	
Conservation Operation.....	--	128,178,000	128,435,000	+257,000	
Watershed planning.....	--	8,815,000	9,043,000	+228,000	
River basin surveys and investigations.....	--	6,698,000	5,434,000	-1,264,000	
Watershed works of improvement.....	--	66,023,000	74,278,000	+8,255,000	
Flood prevention.....	--	24,737,000	21,037,000	-3,700,000	
Great Plains conservation program.....	--	15,342,000	15,355,000	+13,000	
Resource conservation and development.....	--	10,821,000	13,876,000	+3,055,000	
Total, Soil Conservation Service.....	--	260,614,000	267,458,000	+6,844,000	
Economic Research Service.....	--	14,592,000	16,228,000	+1,636,000	
Statistical Research Service.....	--	16,527,800	17,749,800	+1,222,000	
Consumer and Marketing Service:					
Consumer Protective, Marketing, and Regulatory Programs.....	--	139,841,500	149,247,000	+9,405,500	
Payments to States and possessions.....	--	1,600,000	1,600,000	--	
Removal of Surplus Agricultural Commodities (Section 32) (Net after transfers).....	--	(478,443,200)	(463,781,000)	(-14,662,200)	
Total, Consumer and Marketing Service.....	--	141,441,500	150,847,000	+9,405,500	

Agency or Item	Funds reserved or unallocated	1970		1971		1971 Compared with 1970	
		Adjusted	Budget Estimates	Adjusted	Budget Estimates	Adjusted	Adjusted
Food and Nutrition Service:							
Child nutrition programs (direct appropriation)	-	122,500,000	85,395,000	-	85,395,000	-37,105,000	
Transfer from Section 32	-	(194,266,000)	(238,358,000)	-	(238,358,000)	(44,092,000)	
Special milk program	-	84,000,000	-	-	-	84,000,000	
Food stamp program	-	609,978,000	1,250,000,000	-	1,250,000,000	+640,022,000	
Total, Food and Nutrition Service	-	816,478,000	1,335,395,000	-	1,335,395,000	+518,917,000	
Foreign Agricultural Service:							
Transfer from Section 32	-	\$23,773,000	\$24,773,000	-	\$24,773,000	+\$1,000,000	
Total, Foreign Agricultural Service	-	(3,117,000)	(3,117,000)	-	(3,117,000)	(-)	
Commodity Exchange Authority:							
Agricultural Stabilization and Conservation Service: Expenses, Agricultural Stabilization and Conservation Service	-	(26,890,000)	(27,890,000)	-	(27,890,000)	(+1,000,000)	
Transfer from Commodity Credit Corporation	-	2,478,000	2,552,000	-	2,552,000	+74,000	
Total	-	152,690,000	135,466,000	-	135,466,000	-17,224,000	
Sugar Act program	-	(63,432,000)	(68,779,000)	-	(68,779,000)	(+5,347,000)	
Agricultural conservation program - advance authorization	-	(216,122,000)	(204,245,000)	-	(204,245,000)	(-11,877,000)	
Liquidation of Contract Authority	-	93,000,000	83,600,000	-	83,600,000	-9,400,000	
Cropland adjustment program	10,500,000	(195,500,000)	(185,000,000)	-	(185,000,000)	-195,500,000	
Conservation reserve program	-	78,600,000	77,800,000	-	77,800,000	-800,000	
Emergency Conservation measures	-	36,650,000	5,000,000	-	5,000,000	-36,650,000	
Indemnity payments to dairy farmers	-	5,000,000	-	-	-	-	
Total, Agricultural Stabilization and Conservation Service	-	200,000	-	-	-	-200,000	
Export Marketing Service:							
Transfer from Commodity Credit Corporation	10,500,000	561,640,000	301,866,000	-	301,866,000	-259,774,000	
Appropriation (Foreign Agricultural Service, Salaries and expenses)	-	(3,149,000)	(3,719,000)	-	(3,719,000)	(+570,000)	
Total, Export Marketing Service	-	294,000	-	-	-	-294,000	
Rural Community Development Service:							
Office of Inspector General	-	(3,443,000)	(3,719,000)	-	(3,719,000)	(+276,000)	
Packers and Stockyards Administration	-	484,000	484,000	-	484,000	-	
Office of General Counsel	-	14,728,000	15,816,000	-	15,816,000	+1,118,000	
Office of Information	-	3,508,650	3,748,000	-	3,748,000	+239,350	
National Agricultural Library	-	2,256,000	2,256,000	-	2,256,000	-	
Office of Management Services	-	3,414,750	4,714,750	-	4,714,750	+1,300,000	
Forest Administration	-	3,219,000	3,518,000	-	3,518,000	+269,000	
Total, annual appropriation for General Activities	-	5,276,000	5,901,000	-	5,901,000	+625,000	
Product amount for Forest Service	2,203,000	439,427,000	380,346,000	-	380,346,000	-59,081,000	
Total, ANNUAL APPROPRIATIONS FOR GENERAL ACTIVITIES	15,342,000	2,755,048,650	3,030,392,500	-	3,030,392,500	+275,343,850	
	2,203,000	439,427,000	380,346,000	-	380,346,000	-59,081,000	
TOTAL, ANNUAL APPROPRIATIONS FOR GENERAL ACTIVITIES	13,139,000	2,315,621,650	2,650,646,500		2,650,646,500	+334,424,850	

Agency or Item	Funds reserved or unallocated	1970 Adjusted	Budget Estimates 1971	1971 Compared with	
				1970 Adjusted	1970 Adjusted
CREDIT AGENCIES:					
Rural Electrification Administration:					
Loan Authorization:					
Electrification.....	20,000,000	\$340,000,000	\$322,000,000		-\$18,000,000
Telephone.....	-	123,300,000	123,800,000		+500,000
Total, Loan Authorization.....	20,000,000	463,300,000	445,800,000		-17,500,000
Salaries and expenses.....	-	14,504,000	14,579,000		+75,000
Total, Rural Electrification Administration.....	20,000,000	477,804,000	460,379,000		-17,425,000
Farmers Home Administration:					
Direct loan account:					
Real estate loans.....	(13,400,000)	(83,000,000)	(45,500,000)		(-37,500,000)
Operating loans.....	-	(275,000,000)	(275,000,000)		(-)
Soil Conservation Service loans.....	(4,000,000)	(8,700,000)	(6,400,000)		(-2,300,000)
Rural housing insurance fund (direct loans).....	(12,000,000)	(30,000,000)	(19,000,000)		(-11,000,000)
Reimbursement to fund for interest costs.....	-	-	334,000		+334,000
Rural water and waste disposal grants.....	18,000,000	46,000,000	24,000,000		-22,000,000
Rural housing for domestic farm labor.....	50,000	2,500,000	2,500,000		-
Mutual and self-help housing.....	875,000	2,125,000	1,250,000		-875,000
Self-help housing land development fund.....	-	1,000,000	600,000		-400,000
Emergency Credit Revolving Fund.....	-	31,918,000	-		-31,918,000
Salaries and expenses.....	-	71,560,000	85,000,000		+13,440,000
Transfer from loan accounts.....	-	(2,750,000)	(2,750,000)		(-)
Total, Salaries and expenses.....	-	(74,310,000)	(87,750,000)		(+13,440,000)
Total, Farmers Home Administration.....	18,925,000 ^b	155,103,000	113,684,000		-41,419,000
Total, Credit Agencies:					
Loan authorizations.....	(29,400,000)	(396,700,000)	(345,900,000)		(-50,800,000)
New budget (obligational) authority.....	38,925,000 ^b	632,907,000	574,063,000		-58,844,000

Agency or Item	Funds reserved or unallocated	1970 Adjusted	Budget Estimates 1971	1971 Compared with 1970 Adjusted
Corporations:				
Federal Crop Insurance Corporation:				
Administrative and operating expenses.....	- -	11,996,000	12,000,000	+4,000
Administrative and operating expenses paid from premium income.....	- -	(2,339,000)	(2,335,000)	(-4,000)
Federal Crop Insurance Corporation Fund.....	- -	10,000,000	-	-10,000,000
Total, Federal Crop Insurance Corporation.....	- -	(24,335,000)	(14,335,000)	(-10,000,000)
Commodity Credit Corporation:				
Reimbursement for net realized losses:				
Appropriations.....	- -	\$5,215,934,000	\$3,363,155,000	\$1,852,779,000
Contract Authority.....	- -	-	+440,796,000	+440,796,000
Liquidation of contract authority.....	- -	-1,017,697,000	-	+1,017,697,000
Budget Authority.....	- -	4,198,237,000	3,803,911,000	-394,326,000
Limitation on administrative expenses.....	- -	(32,000,000)	(36,500,000)	(+4,500,000)
Public Law 480:				
Program level:				
Sales for foreign currencies and long-term contracts.....	- -	894,508,017	782,200,000	-112,308,017
Commodity disposition abroad (donations).....	- -	357,112,216	351,030,000	-6,082,216
Total, program level.....	- -	1,251,620,233	1,133,230,000	-118,390,233
Adjustment for prior year costs and receipts.....	- -	-331,620,233	-200,730,000	+130,890,233
Net appropriation, Public Law 480.....	- -	920,000,000	932,500,000	+12,500,000
Bartered material for Supplemental Stockpile.....	- -	1,250,000	25,000	-1,225,000
Total, Corporations.....	- -	5,141,483,000	4,748,436,000	-393,047,000
Total, Above Items:				
Direct Appropriation.....	52,064,000	8,090,011,650	7,972,545,500	-117,466,150
Loan Authorization.....	(29,400,000)	(396,700,000)	(345,900,000)	(-50,800,000)

Agency or Item	Funds reserved or Unallocated	1970 Adjusted	Budget Estimates 1971	1971 Compared with 1970	
				Adjusted	Adjusted
Permanent Appropriations:					
Removal of Surplus Agricultural Commodities (Section 32).....	- -	690,826,200	720,256,000	+29,429,800	
National Wood Act.....	- -	67,892,514	58,100,000	-9,792,514	
All other permanent appropriations.....	- -	124,942,383	134,899,075	+9,956,692	
Total, Permanent Appropriations.....	- -	883,661,097	913,255,075	+29,593,978	
Deduct permanent appropriation for Forest Service.....	- -	123,039,783	133,849,075	+10,809,292	
Total, Permanent Appropriations.....	- -	760,621,314	779,406,000	+18,784,686	
Proposed for Separate transmittal:					
Under existing legislation:					
Forest Service: Fighting Forest fires.....	- -	21,000,000	- -	-21,000,000	
Under proposed legislation:					
Consumer and Marketing Service: (Principally user charges for inspection and grading activities).....	- -	- -	-4,577,000	-4,577,000	
Deduct Forest Service.....	- -	-21,000,000	- -	+21,000,000	
Total, Proposed for Separate Transmittal.....	- -	- -	-4,577,000	-4,577,000	

a/ Construction funds deferred until next year.

b/ Excludes reductions in insured loans as shown below.

Mr. GRANT. For watershed planning there is a decrease of \$1,264,000. As was discussed yesterday, this is to bring watershed planning work more nearly in line with works of improvement. For watershed works of improvement, there is an increase of \$8,255,000. This will enable us to step up significantly construction work in the small watershed program. For flood prevention there is a decrease of \$3,700,000. This is the amount of the 1970 supplemental appropriation that was approved by the Congress for emergency flood restoration work in Virginia. For the resource conservation and development program there is an increase of \$3,055,000 for technical assistance to the existing RC & D projects.

ECONOMIC RESEARCH SERVICE AND STATISTICAL REPORTING SERVICE

For the Economic Research Service there is an increase of \$1,636,000. Of this, \$865,000 is for studies on world agricultural development and the effect on U.S. trade exports; \$512,000 is for developing data on rural economic conditions in connection with the rural development program. The increase of \$1,222,000 for Statistical Reporting Service for the most part is for the livestock statistics improvement effort.

CONSUMER AND MARKETING SERVICE

For the Consumer Marketing Service there is an increase of \$9,405,500. Of this, \$9,205,500 is for meat and poultry inspection. This reflects our best estimate now of the needs in 1971 to provide for inspection where the Department of Agriculture will be carrying on the inspection as well as for grants to States to enable them to upgrade and improve their inspection activities.

Mr. WHITTEN. Am I right about the law saying that we can put up to half of the cost of inspection?

Mr. GRANT. That is right. We are making 50 percent grants. For removal of surplus agricultural commodities, section 32, the Budget proposes to use section 32 for the same general purposes as last year, except the amounts have changed. This reduction reflects the net result after transfers to the child nutrition program and to other authorized uses.

FOOD ASSISTANCE PROGRAMS

Mr. WHITTEN. Mr. Grant, how many different food programs do we have? Will you enumerate those at this point?

Mr. GRANT. Yes, sir; I have a table here which is a little more detailed than we had in past years, but it is for the purpose of showing you exactly where the money comes from and what it is going for.

Mr. WHITTEN. I think it is appropriate in the record.

(The chart follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE
Food Assistance Programs, Fiscal Years 1969-1971

Program	1969 Actual	1970 Estimated (in thousands of dollars)	1971 Budget Estimate	1971 Budget Compared with 1970
A. CHILD NUTRITION PROGRAMS:				
1. Cash Grants to States:				
(a) School Lunch (Section) - Direct Appropriation	\$162,034	\$168,041	\$169,721	+\$1,680
(b) Free and Reduced Price Lunches:				
Child Nutrition Program	10,000	44,800	48,347	+3,547
Special Feeding Program (Section 32)	32,039	61,000	151,653	+80,653
Subtotal	42,039	105,800	200,000	+84,200
(c) School Breakfast:				
Child Nutrition Programs	3,500	10,000	12,000	+2,000
Special Feeding Program (Section 32)	2,071	1,000	3,000	+2,000
Subtotal	5,571	11,000	15,000	+4,000
(d) Nonfood Assistance:				
Child Nutrition Programs	748	10,000	12,500	+2,500
Special Feeding Programs (Section 32)	9,533	5,000	-	-5,000
Subtotal	10,281	15,000	12,500	-2,500
(e) State Administrative Expenses:				
Child Nutrition Programs	153	750	750	-
Special Feeding Programs (Section 32)	391	2,000	2,000	-
Subtotal	544	2,750	2,750	-
(f) Nonschool Food Programs	3,244	13,572	15,000	+1,428
Total, Cash Grants to States	223,679	316,163	414,971	+98,808
2. Commodities to States:				
(a) School Lunch (Section 6)	63,899	64,325	64,325	-
(b) Section 32	121,202	129,094	75,267	-53,787
(c) Section 416 (COC stocks)	107,006	36,836	124,873	+88,047
Total, Commodities	292,107	230,205	264,465	+34,260
3. Federal Operating Expenses:				
(a) Child Nutrition Programs	2,510	3,850	4,110	+260
(b) Section 32 (expenses for commodity donations)	1,485	1,432	1,432	-
Total, Operating Expenses	3,995	5,282	5,542	+260
TOTAL, Child Nutrition Programs	519,781	551,650	684,978	+133,328
B. SPECIAL MILK PROGRAM:				
1. Special Milk Program	102,048	83,314	-	-83,314
2. Special Feeding Programs (Section 32)	-	20,000	-	-20,000
3. Operating Expenses	629	686	-	-686
TOTAL, Special Milk	102,677	104,000	-	-104,000
C. FOOD STAMP PROGRAM:				
1. Food Stamp	240,587	596,190	1,232,000	+635,850
2. Operating Expenses	10,395	13,850	18,000	+4,150
TOTAL, Food Stamp Program	250,982	610,000	1,250,000	+640,000

Program	1969 Actual	1970 Estimated	1971 Budget Estimate	1971 Budget Compared with 1970
D. DIRECT DISTRIBUTION TO FAMILIES:				
1. Section 32 commodities	190,282	189,304	157,475	-31,829
2. Section 416 commodities (CCC stocks)	79,276	51,942	92,745	+40,803
3. Financial Assistance to States (Section 32)	4,154	16,000	19,700	+3,700
4. Nutrition Supplement (Special Packages):				
(a) Special Feeding Program (Section 32)	1,000	11,000	29,405	+18,405
(b) Section 32 commodities	7,067	21,655	9,700	-11,955
(c) Section 416 commodities	(500)	(3,855)	(7,393)	(4,538)
Total, Nutrition Supplement	8,067	32,655	39,105	+6,450
5. Operating Expenses (Section 32)	3,936	5,374	3,720	-1,654
TOTAL, Direct Distribution to Families	289,717	299,275	312,745	+17,470
E. DIRECT DISTRIBUTION TO INSTITUTIONS:				
1. Section 32 commodities	11,747	3,760	1,466	-2,294
2. Section 416 commodities (CCC stocks)	20,358	9,089	24,916	+15,827
3. Operating Expenses	122	40	34	-6
TOTAL, Direct Distribution to Institutions	32,227	12,889	26,416	+13,527
F. NUTRITION EDUCATION (Extension Service including administrative expenses)				
	9,948	30,000	50,000	+20,000
TOTAL, FOOD ASSISTANCE	1,201,332	1,603,814	2,324,139	+720,325
RECAPITULATION:				
Direct Appropriations (including transfers authorized in annual Appropriation Acts)	609,695 ^{a/}	1,039,338	1,626,753	+543,323
Special Feeding Programs (Section 32)	45,000	100,000	186,058	+66,058
Section 32 (Commodities and related expenses)	339,995	366,619	268,794	-53,733
Section 416 Commodities	206,642	97,857	242,534	+144,677
TOTAL	1,201,332	1,603,814	2,324,139	+720,325

^{a/} Includes \$9,948,000 allotted from Section 32 to Extension Service for the Nutrition Education Program.

CASH ASSISTANCE

Mr. GRANT. For the regular school lunch program we are requesting \$169,721,000. While this table indicates all of this is a direct appropriation, actually all of this is by transfer from section 32 in lieu of a direct appropriation. For free and reduced price lunches, the budget proposed a total of \$200 million. That would be distributed between direct appropriation and the special authorization under section 32 which this committee initiated 2 years ago, and for which the \$100 million was authorized in 1970. For the school breakfast program \$15 million.

(Discussion off the record.)

Mr. GRANT. For the nonfood assistance program, we are requesting \$12,590,000 next year. For the State administrative expenses, we are requesting \$2,750,000—\$750,000 of that by appropriation and \$2 million under the special feeding program under section 32.

Then there is an item of \$15 million requested for the nonschool food programs. This is the assistance for feeding children outside of schools. Much of this is in settlement houses, day camps, and a good part is used during the summer months. Part of this appropriation carries over and is available until September 30 of each year. It does not expire on June 30. That makes a total appropriation for cash grants of \$414,971,000.

COMMODITY DONATION

In addition we estimate that commodities under section 6 of the School Lunch Act, and from section 32 and section 416, valued at a total of \$264,465,000 will be made available for the child nutrition programs. Federal operating expenses are \$5,542,000, making a total of \$684,978,000 for the child nutrition programs. For the special milk program we are not requesting an appropriation next year in view of the expanded food programs which will include milk.

For the food stamp program we are proposing \$1,250 million. This is an increase of \$640 million above the authorization for this year. I should point out this is dependent upon the enactment of legislation. The legislation is now pending in the Congress.

DISTRIBUTION TO FAMILIES

Then for direct distribution to families we are proposing commodity distributions of \$312,745,000. This includes \$19,700,000 for financial assistance to States. This is an item to help the States and counties carry out this program at the local level.

DISTRIBUTION TO INSTITUTIONS

For distribution to institutions, these are various kinds of non-profit organizations, there is an item of \$26,416,000. Again this is both section 32 and 416 commodities. In order that you have the whole picture, we have included the nutrition education funds which are appropriated to the Extension Service of \$50 million which make a total available proposed for food assistance of \$2,324,139,000, an increase of \$720,325,000 above 1970.

We have put a recapitulation at the bottom so you can see how the total is distributed by appropriation—\$1,626 million is by appropriation; \$186,058,000 would be provided by the special authorization

under section 32; \$268,794,000 from regular commodities distributed under section 32; and \$242,534,000 for commodities distributed under section 416—Commodity Credit Corporation. These are commodities we have acquired. Dairy products and cereal products primarily.

That, Mr. Chairman, pulls together in one table the total funding for all of the food programs proposed for 1971 and also as it is planned for 1970.

ADMINISTRATION OF FOOD ASSISTANCE PROGRAMS

Mr. WHITTEN. Mr. Grant, at this point I thank you for a very informative statement, as well as the table, which makes it as clear as it possibly can be. But you have so many programs, under so many different titles, and so many sources of funds. In addition you have just as many ways of administering the operation down to the States, counties, and school districts. How do you go about handling all these funds? Do you put them in a common pool or are they kept separate from the beginning to end?

Mr. GRANT. They are kept separate, Mr. Chairman. We cannot pool them. On the cash grants to States, we operate under what is called a letter-of-credit procedure. The State is given an advice that they can use so much for the regular school programs, so much for the breakfast programs, and specific amounts for the other programs. They cannot merge them. Then as they need the money, they can take their letter of credit to the bank and draw down against this authorization. This has the effect of not pulling the money out of the Federal Treasury any sooner than the States need it, but they have to account for it separately by each one of these categories.

Now, the only places where they might be able to pool or bring any of these items together is for commodities. When the State receives commodities under section 32, it may also receive some under 416. My understanding is that the States have to account for the total quantities—commodity by commodity—but not separately in the few instances when the same commodity is available from more than one source.

We don't usually acquire the same type of commodity under both funds. Section 32 funds are used primarily for the perishable commodities and the 416 donations are the commodities which CCC owns.

Of course, dairy products are generally distributed under section 416 and they are perishable. That is one exception.

Mr. WHITTEN. You see little chance of saving any money administratively by trying to consolidate the counties handling of these programs?

Mr. GRANT. Yes, I think it would be a saving not only at the Federal level but at the State level too in the operation of these programs if they could be merged. At the present time they are authorized separately by basic law and appropriated separately. I think there would be a possibility of real savings.

Mr. Whitten. It would take legislation.

Mr. GRANT. Yes.

Mr. WHITTEN. How is that handled differently from your food stamps which are still another source of aid?

ADMINISTRATION OF FOOD STAMP PROGRAM

Mr. GRANT. In the case of the food stamps we issue stamps to issuing offices under the control of the local welfare offices generally. The stamps are then issued to the recipient. The recipient pays a part of the cost, a part of the value of the stamps. These funds are deposited by the local office into the Federal Treasury, through a local bank to the credit of the Treasury of the United States, and put into a special deposit account. Then, as we get a report from the welfare office that the stamps have been issued, we take the difference between the face value of the stamps and the amount paid by the recipient, and transfer from the food stamp appropriation that amount to the deposit account. Then when the recipient uses the stamps to buy food, the grocer deposits the stamps in his bank as if they were cash and they come back to the Federal Reserve bank. When it reaches the Federal Reserve bank, the coupon is paid for by a charge against the special deposit account.

STATE RESPONSIBILITY FOR FOOD STAMP LOSSES

Mr. WHITTEN. With regard to the States, how do you hold them responsible? Do they pay for the stamps?

Mr. GRANT. They do not pay for them. We issue the stamps to them. In recent months there has been an increase in the number of thefts. We are urging the States to put the stamps in banks or other places where they can be safeguarded. The States are responsible for losses after they receive the stamps.

Mr. WHITTEN. When you say they are responsible, do you mean you charge that up to any future stamps or do they make a surety bond or do they put their employees under any kind of protection?

Do you get any monetary return for a shortage on the part of the State or a State official?

Mr. GRANT. I am not well informed on that at the moment. I would like to include a complete statement in the record.

(The information requested follows:)

STATE RESPONSIBILITY FOR COUPON LOSSES

The Department holds the States financially liable for all food coupons shipped to them. Accordingly, the Food and Nutrition Service bills the States for any losses of coupons or of cash collected from households as payments for coupon allotments. Records of day-to-day shortages of cash and/or coupons are kept, and settlement is made for each 6-month accounting period. For unusual losses, such as thefts, the States are billed separately.

The State may choose either to remit the amount of the loss directly or to have it deducted from Federal matching payments which are made to States to cover part of the cost of certifying nonpublic assistance households.

Federal regulations require every State or local employee responsible for handling coupons and cash to be covered by an appropriate form of surety bond.

Some States carry theft insurance; others operate on a "self-insurance" principle. These insurance arrangements are made by States and localities within the framework of State and local laws and the knowledge of their financial responsibility to the Federal Government.

Mr. WHITTEN. With your experience and knowledge of the financial records and recordkeeping of the Department, I am addressing these questions to you. In case you don't know, I will thoroughly understand.

In your allocation of food stamps to the States, has that built up a growing public welfare figure in the States or do you put an annual or quarterly ceiling on how much you allocate. Or, in fact, do they have an open account with you where they can draw against it as circumstances require?

Mr. GRANT. They request the issuance of stamps on the basis of what they expect their volume of business will be and then they revise their request as they get more experience.

Mr. WHITTEN. Do you handle this through 50 welfare offices in the various States plus the District of Columbia, Puerto Rico, and so forth?

Mr. GRANT. Yes.

Mr. WHITTEN. Do you deal with the individual local offices, or do you deal directly with the State?

Mr. GRANT. Both. We deal directly with the State, but the requests come through the State and the stamps are sent either directly to the issuing office at the county level or to a central State storage facility as the case may be.

AUDIT OF FOOD STAMP PROGRAM

Mr. WHITTEN. How many auditors does it take? You have been in the food stamp business long enough now to know how many auditors it will take and whether you are adequately doing the job. What is the outlook for the future?

Mr. GRANT. We have in the 1971 budget an increase for the Inspector General's office for the food stamp program. I haven't the number of people at the moment, but we are spending at the present time \$2,937,000 just for the audit and investigation work on the food stamp program. We ask an increase of \$497,000 for an additional 28 man-years. I estimate we have about 170 or a little more on it now. In addition to that, the Food and Nutrition Service has a staff of field people who work with the local area and county offices.

Mr. WHITTEN. You might move on to the other items.

FOREIGN AGRICULTURAL SERVICE

Mr. GRANT. For the Foreign Agricultural Service, there is an increase of \$1 million for expanding export markets, primarily to enable us to enter into longer term agreements, 5-year agreements in most cases, to enable the cooperators to do a better job.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

For the Agricultural Stabilization and Conservation Service under an item called "Expenses" there is a reduction in the appropriation of \$17,224,000. This is associated with the elimination of the agricultural conservation program.

Mr. WHITTEN. Dependent upon that?

Mr. GRANT. Yes.

Mr. EDWARDS. Is that the only reason for that decrease?

Mr. GRANT. Yes. Now, there is an increase of \$5,347,000 in the transfer from Commodity Credit Corporation and that relates to the increased activities there in CCC and the fact we are financing Export

Marketing Service completely from Commodity Credit Corporation funds.

For the Sugar Act program there is a decrease of \$9,400,000. That is not a reduction in the program level because the carryover funds that we have will enable us to meet all the mandatory payments and still carry over the same unpaid commitments that we normally have.

I have already mentioned the agricultural conservation program. We are requesting \$185 million to complete the payments on the 1970 program.

For the conservation reserve program, we are requesting no funds. There will be sufficient funds available in the 1970 appropriation to complete all of the payments under the outstanding contracts. There will be a few payments that will continue on until 1973, but a relatively small amount, \$71,000, and these funds will carry forward.

I want to mention the item for indemnity payments to dairy producers. We had an appropriation of \$200,000 this year. No funds are requested for that program. This law expires on June 30, 1970. With the controls that are being exercised on the use of pesticides, we do not now see the need for this program next year.

OFFICE OF THE INSPECTOR GENERAL

Moving on down to the Office of Inspector General, there is an increase of \$1,118,000 primarily for meat and poultry inspection work and for the food stamp program.

NATIONAL AGRICULTURAL LIBRARY

For the library, we are requesting an increase of \$1.3 million. Of that, \$500,000 is to improve our library facilities primarily in the acquisition and cataloging of publications and \$800,000 is for a cafeteria at Beltsville. While it is included in this appropriation item, it is really for all of the employees at Beltsville, mostly Agricultural Research Service.

We will be discussing that in more detail in a couple of days.

RURAL ELECTRIFICATION ADMINISTRATION

For the Rural Electrification Administration there is a reduction in the new authorization requested of \$17,425,000. However, this will enable us to carry out the same level of program that we have for this year, \$345 million for electric loans, \$125 million for telephone loans. It is because of the carryover balances that we are able to make this reduction.

FARMERS HOME ADMINISTRATION

For the Farmers Home Administration, we have a total program projected for both direct and insured loans of \$2,237,086,000 compared with \$1,619 million for this year. This is primarily for low- to moderate-income housing loans, but associated with this is the decrease in direct loans to associations for water and sewer systems from \$64 million down to \$40 million. Operating loans are continued at \$275 million. Farm ownership loans are estimated at the \$200 million level.

FEDERAL CROP INSURANCE CORPORATION

For the Federal Crop Insurance Corporation there is a decrease of \$10 million. That is to eliminate the nonrecurring item which was added to the 1970 appropriation to cover subscriptions to capital stock of the corporation.

COMMODITY CREDIT CORPORATION

For the Commodity Credit Corporation, we are requesting an appropriation of \$3,363,155,000. That covers all of the losses through the fiscal year 1969 and will provide full reimbursement to the Corporation. It includes \$250 million applicable to losses for the fiscal year 1968.

For Public Law 480, there is an increase in the appropriation of \$12.5 million. However, there is a decrease in program level of \$118 million. The program decrease primarily is on title I relating to the sales for foreign currencies. Because we have certain costs that were not met in prior years, the appropriation shows a proposed increase of \$12.5 million.

Mr. Chairman, that summarizes very quickly the main items in this budget. I have not mentioned Forest Service items because they appear before a certain other committee.

Mr. WHITTEN. Mr. Grant, I thank you for your statement.

You know for years research was the "open sesame" to public funds but now it appears to have been replaced by pollution. We recognize that pollution is a problem that significantly affects the public. There are so many agencies, departments, and private groups who are beating the drum for it, that it is pretty hard to keep straight just what we are doing.

Provide for the record the amount we have spent from 1963 to the present date or some recent date, in terms of the total funds for pollution, pesticide regulation and research, meat and poultry inspection and nutrition, including research and education.

Mr. GRANT. Yes, sir.

(The information requested follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE
Estimated Obligations for Pollution Research, Abatement, and Control Programs, 1963-1971
(In Thousands of Dollars)

Item	1963	1964	1965	1966	1967	1968	1969	1970	1971
Agricultural Research Service:									
Salaries and expenses:									
Research	30,262	35,739	52,124	54,982	58,043	59,432	59,646	65,203	66,230
Plant and animal disease and pest control	1,561	1,749	3,046	3,144	3,737	4,117	10,359	11,514	13,424
Total, Salaries and expenses	31,803	37,482	55,170	58,126	61,780	63,549	70,005	76,717	79,654
Cooperative State Research Service:									
Payments and expenses	5,155	6,315	9,487	11,177	11,405	11,070	12,400	12,800	14,000
Extension Service:									
Payments and expenses:									
to States and Puerto Rico	4,252	4,725	5,675	6,615	7,573	8,525	9,000	9,243	9,656
Federal Extension Service	268	273	385	385	425	475	500	557	644
Total, Extension Service	4,500	5,000	6,000	7,000	8,000	9,000	9,500	9,800	10,300
Soil Conservation Service:									
Conservation operations	33,600	34,800	37,100	39,100	40,100	41,800	48,700	51,900	51,900
Great Plains conservation program	9,500	10,700	11,700	12,600	14,800	13,200	13,400	13,400	13,400
Watershed works of improvement	10,600	11,700	12,100	12,700	13,600	13,300	13,600	13,600	13,600
Flood prevention	7,200	7,500	7,900	7,600	7,500	7,200	6,900	6,200	7,200
Resource conservation and development	-	-	150	360	500	2,200	2,200	3,600	5,900
Total, Soil Conservation Service	60,900	64,700	68,950	72,340	76,900	76,800	85,600	94,100	96,900
Economic Research Service	-	-	20	20	50	90	200	200	200
Consumer and Marketing Service	40	42	43	45	46	48	50	60	60
Agricultural Stabilization and Conservation Service:									
Agricultural conservation program	182,100	182,800	184,600	179,500	188,800	170,200	159,400	156,100	-
Advisory conservation program	3,700	5,800	12,100	5,700	3,600	7,900	11,100	12,000	13,600
Administrative expenses for ACP and ECP	28,225	27,354	29,301	29,482	32,298	37,596	33,000	32,900	15,000
Cropland education program	2,000	-	1,900	-	1,100	600	-	-	-
Cropland conversion program	-	-	-	200	-	-	-	-	-
Appalachian land stabilization and conservation program	-	-	-	6,500	-	-	3,000	-	-
Total, Agricultural Stabilization and Conservation Service	216,025	215,954	227,901	221,982	231,998	216,296	206,500	204,300	28,600
Farmers Home Administration: 1/									
Water and sewer system loans:									
Direct	8,400	11,300	13,100	27,500	82,900	79,400	74,600	64,000	40,000
Insured	5,500	22,100	37,000	84,700	92,000	83,100	90,000	80,000	86,000
Subtotal, Water and sewer system loans	13,900	33,400	50,100	112,200	174,900	162,500	164,600	144,000	126,000
Rural water and waste disposal grants	-	-	-	18,600	22,500	23,000	25,000	24,000	20,000
Administrative expenses	209	501	752	1,962	2,361	2,783	2,500	2,800	3,100
Total, Farmers Home Administration	14,109	33,901	50,852	132,762	200,361	188,283	192,100	170,800	149,100
Forest Service:									
Forest protection and utilization	30,500	31,600	34,000	36,500	41,300	48,000	54,700	57,200	62,900
TOTAL, POLLUTION RESEARCH, ABATEMENT, AND CONTROL	363,032	394,996	452,423	539,952	631,136	631,035	625,077	625,077	423,704

1/ Excludes loan repayments

UNITED STATES DEPARTMENT OF AGRICULTURE

Estimated Obligation for Pesticides Research and Regulation, 1963-1971 ^{1/}
(in thousands of dollars)

Item	1963	1964	1965	1966	1967	1968	1969	1970	1971
Agricultural Research Service:									
Salaries and expenses:									
Research	19,198:	23,942:	38,812:	40,206:	41,640:	41,865:	43,176:	45,549:	45,549
Plant and animal disease and pest control	28,289:	28,646:	33,769:	35,994:	40,621:	40,833:	41,710:	45,297:	46,098
Total, Salaries and expenses	47,487:	52,588:	72,581:	76,200:	82,261:	82,698:	84,886:	90,846:	91,647
Cooperative State Research Service:									
Payments and expenses	4,621:	4,768:	11,010:	9,330:	9,409:	8,977:	9,417:	9,420:	9,975
Extension Service:									
Payments to States and Puerto Rico	1,803:	1,900:	3,895:	3,890:	4,142:	4,180:	4,180:	4,270:	4,750
Federal Extension Service	1,900:	2,000:	4,109:	4,201:	4,306:	4,400:	4,400:	4,600:	5,000
Total, Extension Service	-:	-:	500:	500:	500:	512:	528:	460:	460
Economic Research Service:									
Forest protection and utilization	1,800:	2,000:	3,400:	3,500:	3,700:	3,900:	4,100:	4,100:	4,100
TOTAL, PESTICIDES RESEARCH AND REGULATION	55,808:	61,356:	91,591:	93,730:	100,230:	100,487:	103,331:	109,426:	111,182

^{1/} Includes obligations for pesticides research and regulation which relate to pollution and which are included in the table on pollution research, abatement, and control.

UNITED STATES DEPARTMENT OF AGRICULTURE
 Estimated Obligations for Meat and Poultry Inspection, 1963 - 1971
 (in Thousands of Dollars)

Item	1963	1964	1965	1956	1967	1968	1969	1970	1971
Consumer and Marketing Service:									
Direct appropriation	39,832	42,361	49,166	53,237	60,938	70,273	90,598	115,595	124,800
Reimbursable activities	9,463	10,416	10,846	12,171	14,741	15,512	18,485	20,549	20,519
Trust fund activities	1,362	1,293	1,259	85	666	403	403	430	454
TOTAL, MEAT AND POULTRY INSPECTION	50,657	54,070	61,271	65,493	76,145	86,188	109,486	136,574	145,803

UNITED STATES DEPARTMENT OF AGRICULTURE
 Estimated Obligations for Human Nutrition Programs, Including Food Assistance Research, and Education, 1963-1971
 (in Thousands of Dollars)

Item	1963	1964	1965	1966	1967	1968	1969	1970	1971
Agricultural Research Service:									
Salaries and expenses, Research	2,053	2,055	3,981	3,943	3,786	3,654	3,734	4,097	4,097
Cooperative State Research Service:									
Payments and expenses	852	874	957	1,092	1,151	1,188	1,232	1,677	1,792
Extension Service:									
Payments and expenses:									
Payments to States and Puerto Rico	2,305	2,350	2,448	2,495	2,571	2,646	11,702	31,788	52,112
Federal Extension Service	95	100	102	105	109	114	406	1,395	1,410
Total, Federal Extension Service	2,400	2,450	2,550	2,600	2,680	2,760	12,108	33,113	53,522
Removal of Surplus Agricultural Commodities-Section 32:									
Salaries and administrative expenses	93,380	258,503	229,222	119,095	176,985	164,390	339,995	268,794	268,794
Special milk program	93,380	258,503	229,222	119,095	176,985	164,390	339,995	268,794	268,794
Total, Section 32	93,380	258,503	229,222	119,095	176,985	164,390	339,995	268,794	268,794
Food and Nutrition Service:									
Special milk program	94,036	99,721	97,759	96,532	99,289	102,574	102,677	84,000	--
Child nutrition programs	169,167	181,133	191,141	201,114	211,846	220,205	246,088	315,338	326,793
Food stamp program	20,415	30,479	35,135	40,440	45,215	50,284	55,982	61,000	1,250,000
Total, Food and Nutrition Service	283,618	311,333	324,035	338,106	356,350	373,063	394,747	460,338	1,576,793
Commodity Credit Corporation - domestic commodity donations and administrative expenses	294,223	293,425	163,578	126,182	138,898	237,442	236,413	112,969	267,809
Office of Information	153	148	177	159	203	192	200	197	192
TOTAL, HUMAN NUTRITION	676,979	869,788	724,240	621,177	750,659	919,659	1,238,429	1,628,010	2,359,047

USDA EMPLOYMENT

Mr. EDWARDS. What is the total employment proposed for this year compared to last year?

Mr. GRANT. For the entire department under all sources of funds in 1971, total man-years is 105,789 compared with 102,716 in 1970, an increase of 3,073. A large portion of these—I should say 12,000 of these are not paid from USDA funds. They are paid from funds provided by non-Federal organizations and individuals who ask us to perform services for them, such as inspecting commodities. It is work done on a fee basis, or work for other agencies.

In addition, 26,000 of these are applicable to the Forest Service, which is not in this bill.

Mr. EDWARDS. Both of those groups were in the same situation last year, were they not?

Mr. GRANT. Yes.

Mr. EDWARDS. That is not a change?

Mr. GRANT. That is right. If you look at the total, it is 105,000 compared with 102,000.

1971 BUDGET AUTHORITY AND OUTLAYS

Mr. EDWARDS. Out of the \$200 billion Federal Budget, what portion of that is attributed to the Department of Agriculture?

Mr. GRANT. In terms of budget outlays, the Department of Agriculture's budget for 1971 is 4 percent of the total for the entire Government.

Mr. EDWARDS. Do you have a dollar figure?

Mr. GRANT. The amount in outlays for 1971 is \$7,953 million for the Department. That is 4 percent of the overall total.

Mr. EDWARDS. Where is that figure on this large chart?

Mr. GRANT. It is not on there. We are talking about appropriations, or budget authority here.

In terms of appropriations, the total budget authority in the Federal Budget is \$218 billion. The amount for the Department of Agriculture is \$8,577 million and that is 3.9 percent. The problem is—and it is a common problem—is that the budget is presented primarily in terms of "outlays." The Appropriations Committees usually deal in terms of "budget authority." We have to make the translation when we come up here and present our figures in terms of things the way the Appropriations Committee looks at them.

Mr. WHITTEN. Thank you, Mr. Grant.

(The questions follow:)

Mr. WHITTEN. What is the employment ceiling for Agriculture for June 1970?

Mr. GRANT. The Department's employment ceiling for June 1970 is 116,645. This consists of 83,000 for full-time employees in permanent positions and 33,645 for other employment such as temporary, part time, and intermittent. There are two types of employment that are not charged against the June 1970 ceiling. These are the disadvantaged youth who are employed as summer aides, and the disadvantaged youth who are employed under a special "stay in school" campaign. These total about 2,500.

Mr. WHITTEN. How does the June 1970 ceiling compare with your actual employment for the past 4 years?

Mr. GRANT. Mr. Chairman, this year's ceiling is lower than yearend employment over the past 4 years. The yearend figures for those years were as follows:

Year	Full-time employees in permanent positions	All other	Total employment
1966.....	84,070	34,515	118,585
1967.....	85,723	36,148	121,871
1968.....	85,397	37,318	122,715
1969.....	83,425	39,435	122,860

Mr. WHITTEN. In what areas have the major changes occurred?

Mr. GRANT. The largest increases have been in the Consumer and Marketing Service for meat and poultry inspection and in the Food and Nutrition Service for the food stamp and child nutrition programs. There has also been a substantial increase in the Farmers Home Administration for handling the expanded loan programs. During this period, we have also had reductions in some areas of the Department. The Soil Conservation Service has had some reduction in employment primarily in the areas of conservation operations and watershed protection. Forest Service has had a decrease in forest land management during this period. The Agricultural Stabilization and Conservation Service has had some employment decreases due to reductions in commodity storage.

Mr. WHITTEN. What do you see for your June 1971 employment? Do you expect an increase?

Mr. GRANT. We do expect some increase in fiscal year 1971 to continue our programs. We have received a tentative yearend employment ceiling of 118,945. This includes 85,300 for full-time employees in permanent positions and 34,545 for temporary, part-time, and intermittent employment. This is an increase of 2,300 over our June 1970 ceiling for full-time employment and an increase of 900 for all other employment.

Mr. WHITTEN. In what areas do you anticipate these increases?

Mr. GRANT. For full-time employment the increases would be about 750 for the Forest Service, 775 for the Consumer and Marketing Service—mainly for meat and poultry inspection, 890 for the Farmers Home Administration for meeting increased loan servicing workload, and 200 for the Food and Nutrition Service for the expanded feeding programs. Other small changes result in a net decrease of about 300.

Nearly all of the increase for temporary and part-time employment is for the Forest Service for the timber sales, brush disposal, and forest roads and trails programs.

Mr. WHITTEN. Do all employees count against your employment ceiling regardless of whether they are paid from tax money or other sources?

Mr. GRANT. All of our employees, except the disadvantaged youth employment mentioned earlier, are counted against the ceiling regardless of the type of fund from which they are paid. Employment paid from non-Federal funds—such as brush disposal in the Forest Service and agricultural commodity inspection and grading services provided by the Consumer and Marketing Service—totaled about 6,000 man-years in fiscal year 1969. This is about 6 percent of the total man-years of employment for the Department.

Mr. WHITTEN. For the record, what are the outlays classified as “uncontrollable” in the agriculture budget and what is the current estimate for 1970 compared to the level budgeted? Also, what has been the effect on the other programs in the Department not classified as “uncontrollable”?

Mr. GRANT. Mr. Chairman, the Second Supplemental Appropriation Act, 1969, which contains our current outlay ceiling, specifies the uncontrollable outlays as shown in the 1970 budget. The items covered by that category are as follows:

[In thousands of dollars]

	Budget estimate ^a	Current estimate	Change
CCC farm price supports.....	\$3,550,012	\$3,540,709	-\$9,303
Sugar Act program.....	96,300	93,100	-3,200
National Wool Act.....	58,803	58,100	-703

^a As estimated April 1969.

In addition, the Department reported outlays of approximately \$1 billion from prior-year contracts and obligations, mainly from the agricultural conservation program and loan authorizations under the Rural Electrification Administration. These outlays are considered to be uncontrollable under Public Law 91-47 and a small portion of the outlay changes shown below relate to outlays from these balances.

The Congress further exempted within the same limitation the possible effect of the inability to sell Farmers Home Administration paper. The budget and current estimates for that contingency are as follows:

Sales of FHA financial assets (offsets) :

Budget estimate (estimated April 1969).....	-\$1,967,500,000
Current estimate.....	-1,597,894,000
Change.....	+369,606,000

In addition, the outlays for certain programs by the nature are strongly dependent on uncontrollable factors. They are:

[In thousands of dollars]

	Budget estimate ^a	Current estimate	Change
Federal crop insurance fund.....	\$165	\$4,031	+\$3,866
FHA repurchase of insured loans made in prior years.....	197,500	830,280	+632,780
REA advances under prior year loans and principal repayments.....	365,700	354,500	-11,200
CCC Short-term export credit sales and receipts.....	13,050	39,000	+25,950
Forest Service Receipts.....	-381,819	-405,307	-23,488
Emergency Loans and grants program.....	-38,811	-37,938	+873

^a As estimated April 1969.

For the following agencies and accounts, while certain aspects of the financing may be difficult to control, in total, they are considered to be relatively controllable outlays:

1970 OUTLAYS

[In thousands of dollars]

	Budget estimate	Current estimate	Change
Agricultural Research Service.....	\$244,949	\$254,332	+\$9,383
Cooperative State Research Service.....	62,834	62,113	-721
Federal Extension Service.....	130,725	129,949	-776
Farmer Cooperative Service.....	1,602	1,622	+20
Soil Conservation Service.....	254,260	274,726	+20,466
Economic Research Service.....	13,430	14,539	+1,109
Statistical Reporting Service.....	15,030	16,425	+1,395
Consumer and Marketing Service.....	135,701	140,148	+4,447
Removal of surplus agricultural commodities (sec. 32).....	435,314	471,410	+36,096
Food and Nutrition Service.....	926,695	957,858	+31,163
Foreign Agricultural Service.....	30,166	25,405	-4,761
Commodity Exchange Authority.....	2,282	2,432	+150
Agricultural Stabilization and Conservation Service (excluding Sugar Act program emergency conservation measures).....	428,684	457,863	+29,179
Commodity Credit Corporation special activities (excluding National Wool Act and Export Credit sales).....	-37,419	6,750	+44,169
Public Law 480 and bartered materials for supplemental stockpile.....	894,861	970,855	+75,994
Federal Crop Insurance Corporation.....	11,919	11,919	-----
Rural Electrification Administration, salaries and expenses (net of receipts).....	-102,707	101,656	+1,051
Farmers Home Administration:			
Direct loan account.....	-270,796	42,118	+312,914
All other.....	-86,705	-396,123	-309,418
Total, Farmers Home Administration.....	-357,501	354,005	+3,496
Rural Community Development Service.....	460	488	+28
Office of the Inspector General.....	14,115	14,564	+449
Packers and Stockyards Administration.....	3,437	3,404	-33
Office of the General Counsel.....	5,522	5,618	+96
Office of Information.....	2,530	2,615	+85
National Agricultural Library.....	2,922	3,839	+917
Office of Management Services.....	3,059	3,207	+148
General Administration (including working capital fund).....	5,106	5,246	+140
Total.....	3,127,976	3,381,666	+253,690
Relatively uncontrollable items.....	3,860,900	4,476,475	+615,575
Forest Service (including receipts).....	497,081	549,266	+52,185
Total, USDA.....	7,485,957	8,407,407	+921,450

¹ Other than FHA increases include \$170,000,000 due to Congressional action on the 1970 Agriculture Appropriation Act, \$80,000,000 required for increased pay costs which went into effect in July of 1969, \$76,000,000 due to revised shipment under Public Law 480, \$21,000,000 for the supplemental for fighting forest fires.

Mr. WHITTEN. What are the total pay cost increases for 1970 resulting from the increase in July 1969?

Mr. GRANT. The total amount of these increased 1970 pay costs for the agencies in this bill is \$71,803,668. In addition, the increased costs for the Forest Service are \$19,736,800, making a total for the Department of \$91,540,468.

Mr. WHITTEN. How much of this will the Department absorb and how much of the absorption will be financed by transfers between accounts?

Mr. GRANT. We will absorb a total of \$28,100,968. For the agencies in this bill we are absorbing \$18,630,168. This represents about 30 percent of the increased costs. Of this amount, \$2,590,000 will be transferred between accounts.

Mr. WHITTEN. Will you be requesting a supplemental for the rest?

Mr. GRANT. Yes. We expect to request a supplemental appropriation of \$53,173,500 for the balance of the 1970 increased pay costs. There will also be a pay cost supplemental appropriation request for the Forest Service of \$10,266,000. I have a table which shows in greater detail the supplemental needs and absorptions to be made.

(The information follows:)

U.S. DEPARTMENT OF AGRICULTURE—ANALYSIS OF 1970 PAY COSTS

Account	Total costs	Absorption		Appropriation required
		Within the account	By transfer from other accounts	
Agricultural Research Service:				
Salaries and expenses.....	\$12,550,900	\$9,900		\$12,541,000
Working capital fund.....	43,800	43,800		
Trust funds.....	17,300	17,300		
Wage board.....	1,255,100	135,100		1,120,000
Total, Agricultural Research Service.....	13,867,100	206,100		13,661,000
Cooperative State Research Service: Payments and expenses.....	149,000	11,000		138,000
Federal Extension Service: Salaries and expenses.....	312,468	62,468		250,000
Farmer Cooperative Service: Salaries and expenses.....	145,000	14,000		131,000
Soil Conservation Service:				
Conservation operations.....	9,812,126	362,216		9,450,000
River basin surveys and investigations.....	701,400	49,400		652,000
Watershed planning.....	571,525	80,525		491,000
Watershed works of improvement.....	2,159,000			2,159,000
Flood prevention.....	815,000			815,000
Great Plains conservation program.....	342,000			342,000
Resource conservation and development.....	579,000	6,000		573,000
Trust funds.....	50,000	50,000		
Wage board.....	73,163	73,163		
Total, Soil Conservation Service.....	15,103,214	621,214		14,482,000
Economic Research Service:				
Salaries and expenses.....	1,210,896	68,896		1,142,000
Trust funds.....	2,052	2,052		
Total, Economic Research Service.....	1,212,948	70,948		1,142,000
Statistical Reporting Service:				
Salaries and expenses.....	1,249,000	133,000		1,116,000
Consumer and Marketing Service:				
Consumer protective, marketing, and regulatory programs.....	9,319,000	3,033,000		6,286,000
Removal of surplus agricultural commodities.....	700,000	700,000		
Perishable Agricultural Commodities Act fund.....	83,000	83,000		
Trust funds.....	2,400,000	2,400,000		
Total, Consumer and Marketing Service.....	12,502,000	6,216,000		6,286,000
Food and Nutrition Service:				
Child nutrition programs.....	260,000	260,000		
Food stamp program.....	1,030,000	1,030,000		
Special milk program.....	55,000	55,000		
Total, Food and Nutrition Service.....	1,345,000	1,345,000		
Foreign Agricultural Service:				
Salaries and expenses.....	794,000	164,000		630,000
Consolidated working fund, 1970.....	127,000	127,000		
Total, Foreign Agricultural Service.....	921,000	291,000		630,000
Commodity Exchange Authority: Salaries and expenses.....	170,000			170,000
Agricultural Stabilization and Conservation Service:				
Expenses, ASCS.....	9,683,730	3,000,000	\$600,000	6,083,730
CCC administrative expense limitation.....	2,304,840	2,304,840		
CCC fund.....	1,299,000		1,299,000	
Advances and reimbursements.....	379,000	379,000		
Wage board.....	13,430	7,160		6,270
Total, Agricultural Stabilization and Conservation Service.....	13,680,000	5,691,000	1,899,000	6,090,000
Federal Crop Insurance Corporation: Administrative and operating expenses:				
Appropriated.....				
FCIC fund.....	897,000	206,000	691,000	
Total, Federal Crop Insurance Corporation.....	897,000	206,000	691,000	
Rural Electrification Administration: Salaries and expenses.....	1,075,000			1,075,000

U.S. DEPARTMENT OF AGRICULTURE—ANALYSIS OF 1970 PAY COSTS—Continued

Account	Total costs	Absorption		Appropriation required
		Within the account	By transfer from other accounts	
Farmers Home Administration:				
Salaries and expenses.....	\$5,365,000			\$5,365,000
Emergency credit revolving fund.....	503,200	\$503,200		
Advances and reimbursements.....	68,720	68,720		
Total, Farmers Home Administration.....	5,936,920	571,920		5,365,000
Rural Community Development Service: Salaries and expenses.....				
	34,000			34,000
Office of the Inspector General: Salaries and expenses.....	1,041,510	19,510		1,022,000
Packers and Stockyards Administration: Salaries and expenses.....	239,000	85,000		154,000
Offices of the General Counsel: Salaries and expenses.....	441,200	13,700		427,000
Office of Information: Salaries and expenses.....	150,382	382		150,000
National Agricultural Library: Salaries and expenses.....	177,000	2,000		175,000
Office of Management Services: Salaries and expenses.....	270,500	33,500		237,000
General administration:				
Salaries and expenses.....	464,000	26,000		438,000
Working capital fund.....	416,396	416,396		
Wage board.....	4,030	4,030		
Total, general administration.....	884,426	446,426		438,000
Forest Service:				
Forest protection and utilization:				
Forest land management.....	9,188,000	917,000		8,271,000
Forest research.....	2,645,000	860,000		1,785,000
State and private forestry cooperation.....	210,000			210,000
Total, forest protection and utilization.....	12,043,000	1,777,000		10,266,000
Forest roads and trails (liquidation of contract authorization).....	3,971,000	3,971,000		
Assistance to States for tree planting.....	14,300	14,300		
Expenses, brush disposal.....	485,000	485,000		
Forest fire prevention.....	1,800	1,800		
Restoration of forest lands and improvements.....	700	700		
Working capital fund.....	246,000	246,000		
Advances and reimbursements.....	283,000	283,000		
Cooperative work (trust fund).....	1,192,000	1,192,000		
Wage board.....	1,500,000	1,500,000		
Total, Forest Service.....	19,736,800	9,470,800		10,266,000
Total, U.S. Department of Agriculture.....	91,540,468	25,510,968	\$2,590,000	63,439,500

Mr. WHITTEN. Mr. Grant, last year the Congress raised the per diem ceiling to \$25. What steps has the Department taken as a result of this?

Mr. GRANT. All Department employees are now reimbursed for their travel on the basis of average lodging costs plus \$8 per day for meals, except a few special instances such as where subsistence is partially furnished by the Government or where an employee may be reimbursed for his actual expenses where costs are greater than \$25 per day, up to a maximum of \$40 per day.

Mr. WHITTEN. What is the total cost of these new rates?

Mr. GRANT. We expect the increased costs will be \$3,499,806 in 1970. Because the new rates went into effect on December 1, 1969, this figure only represents the increased costs for 7 months. In 1971, the increased costs for the full year are estimated to be \$6,493,357.

Mr. WHITTEN. How much of that will the Department absorb?

Mr. GRANT. We are absorbing the full amount for both years.

Mr. WHITTEN. You mentioned several research and extension programs for which increases are requested solely on the basis of increased costs. I expect other costs in the Department have also been rising. Can you give other examples?

Mr. GRANT. Yes, sir. Nearly all costs are rising. The increases you indicated in the cooperative research and extension programs are due primarily to salary increases in those programs for which no Federal appropriations have been provided. For direct Federal programs, these increased salary costs have for the most part been covered by supplemental funds.

There are, however, many other examples of rising costs. Equipment, office supplies, printing, all of these costs, as you well know, are rising for all agencies. The recent increase in contributions to the employees' retirement fund is another example. The Department's matching share will amount to \$2,912,000 in 1970 and \$4,468,000 in 1971. All of these additional costs are being absorbed. In another area, our telephone service costs under the Federal telecommunications system will be \$1,017,000 higher in 1971 than 1970. We are absorbing all of these increased costs.

The budget requests an increase of \$217,000 for the Extension Service to meet their increased postage costs. Postage costs for the other agencies should also increase as a result of a triennial determination of postage costs survey currently in progress.

Mr. WHITTEN. The fact is that by appropriating no increases, we reduce program levels.

Mr. GRANT. That is correct.

WEDNESDAY, FEBRUARY 18, 1970.

GENERAL AGRICULTURAL OUTLOOK

WITNESSES

DR. DON PAARLBERG, DIRECTOR OF AGRICULTURAL ECONOMICS
MARDY MYERS, ACTING CHIEF, FARM INCOME BRANCH, ECONOMIC
RESEARCH SERVICE

CHARLES L. GRANT, DIRECTOR OF FINANCE, DEPARTMENT OF
AGRICULTURE

Mr. WHITTEN. The committee will come to order.

We have with us again Dr. Paarlberg. We welcome you back to the committee. We also have Mr. Myers and the Finance Director, Mr. Grant.

We always look forward to going over the agricultural outlook. We know of the outstanding stature you have in these fields, Dr. Paarlberg, and it will be of interest to the committee in hearing what you have to say to us. We in turn will have some questions.

With that statement I believe I shall let you proceed in your own way.

Dr. PAARLBERG. Thank you very much, Mr. Whitten.

First of all, may I offer the apologies of Mr. Upchurch who could not be with us this afternoon. He is chairing an outlook session of the Department, so he is not here.

However, Mr. Myers, from ERS will have at his fingertips all of the facts that will be needed.

Mr. WHITTEN. Prior to your statement, then, it would be well to have Mr. Myers' biographical sketch in the record at this point, this being his first appearance before the committee.

(Biographical sketch of Mr. Myers follows:)

BIOGRAPHICAL SKETCH OF MARDY MYERS

Mardy Myers is Acting Chief of the Farm Income Branch, Economic Research Service, USDA. He has been in charge of the farm income estimates work for the past 10 years, and prior to that served another 10 years in other research capacities in USDA, particularly in marketing research. He is a native of Connecticut, was educated in the public schools of that State, and majored in agricultural economics at the University of Connecticut. His schooling was interrupted by 3½ years of service in the U.S. Army during World War II; he was separated from the service as a captain, infantry.

Dr. PAARLBERG. I may say, also, that I have been scheduled for some time to introduce the Secretary of Agriculture to a talk at the Outlook conference at 3 o'clock this afternoon, Mr. Chairman. I hope this does not interfere with the session.

Mr. WHITTEN. I think in 2 hours you can tell us all we need to know.

Dr. PAARLBERG. I have a statement which perhaps you will want for the record. Rather than reading it I shall brief it.

Mr. WHITTEN. It will appear in its entirety in the record.

(Statement referred to follows:)

STATEMENT BY DON PAARLBERG, DIRECTOR, AGRICULTURAL ECONOMICS

Mr. Chairman, we have prepared some materials on the agricultural situation and outlook similar to materials presented to this committee in recent years.

I will summarize briefly the 1969 farm output, farm prices, and farm income picture, and comment on our current appraisal of the outlook for 1970. Some of this material was touched on very briefly by Secretary Hardin in his earlier statement to the committee. Although my statement might repeat a bit, I believe you will find it useful to get the outlook picture in mind again. We have also a few charts and descriptive legends that portray basic trends and forces shaping U.S. Agriculture.

REVIEW OF 1969

Supplies of farm products rose to record levels in 1969, but a strong advance in domestic demand coupled with an improvement in foreign demand in late 1969 led to a 6-percent increase in average prices for farm products over the 1968 level. Overall, food supplies per person in 1969, were stable. We had a small cut in per capita supplies of meat late in the year. The price rise for livestock products at the farm was unusually large last year, 12 percent higher than in 1968. In terms of total farm income, this more than offset a slightly lower average price for crops.

Production of livestock and livestock products was record large in 1969. But for the first time in several years, output of livestock and products failed to keep pace with the increase in population. Per capita use of pork, veal, lamb, eggs, and dairy products declined.

Crop output also was at record levels in 1969. Higher yields per acre tended to offset lower acreages for many crops. We had record production of oilseeds, hay, peanuts, potatoes, and sugarbeets. And, production was higher than in 1968 for feed grains, rye, dry beans and peas, sweetpotatoes, tobacco, and several seed crops. The record total crop output, up 1 percent from 1968, came from about 3 percent (9 million) fewer acres.

Large carrying stocks from the previous year also contributed to the plentiful supplies of crops last year. As a result of the supply situation (and a drop in

the loan rate for soybeans) average crop prices for 1969 shaded lower than a year earlier.

Consumers spent a little more money for food last year, almost \$104 billion, up 4½ percent from 1968. The increase in money spent for food was much less than the 6½ percent advance in consumers' after-tax incomes, and also much less than the increase in spending for foods in 1968. Apparently, the public held down the total grocery bill to some extent by switching to less expensive foods.

Exports of farm products improved in late 1969. The July-December 1969 export value rose 7 percent from a year earlier. Gains were widespread with oilseeds, tobacco, feed grains, vegetables, and most animal products leading the list. Some offset to the general increase came from a decline in the value of exports of dairy and poultry products, cotton, and wheat. In total, exports usually account for around 15 percent of U.S. farm output.

In 1969, the Nation's farmers took in a record amount of money, but they also paid out more than ever before. Their gross income rose some \$3.5 billion to \$54.6 billion, mainly due to a \$3 billion increase in marketing receipts. Most of the gain came from livestock and products. Crop producers participating in Government programs also received about \$350 million more in payments than in 1968; this gain was mostly under the feed grain and wheat programs.

Inflationary pressures last year helped boost production expenses some \$2.3 billion, to \$38.6 billion. Prices paid for production goods and services averaged 6 percent higher than in 1968, the largest year-to-year gain since 1951. All items and services were higher in price except for fertilizer.

As a result of gross income rising faster than expenses in 1969, net farm income realized by farm operators rose \$1.2 billion to a level of \$16 billion. This level for 1969 was the third highest on record; only 1947 and 1966 exceeded the past year. Net farm income realized per farm was record high in 1969 at \$5,401. And, the total income of farm people from all sources, farm and nonfarm, reached \$27.1 billion, also a record level.

OUTLOOK FOR 1970

Prospects for this year promise a continued high level of income for farmers as a whole. Reduced supplies of pork, lamb, veal, and vegetables in the first half coupled with strong demand will likely hold farm product prices above a year earlier well into 1970. However, we expect supplies to become more plentiful during the summer and fall. And, if general price pressures ease some as expected, prices for farm products will likely move close to year-earlier levels later this year.

Cash receipts from farm marketings will likely continue to rise in 1970, but perhaps only about half as much as the \$3 billion advance in 1969. The volume of livestock marketings this year will likely run only slightly larger than 1969, at least until late in year. However, continued expansion of demand may result in slightly higher average prices in 1970 for livestock and products. As a result, cash receipts to livestock growers may total 3 to 5 percent larger than the \$28½ billion in 1969. Some increase in the volume of crop marketings may more than offset the impact of slightly lower average prices in prospect for crops this year. Thus, receipts for crop marketings may run a little above the \$18.9 billion in 1969.

With little overall change likely for Government payments and nonmoney incomes, we expect gross farm income this year to total somewhere around \$1½ billion larger than last year. But production expenses continue to surge, and for the year will likely offset the gain in gross income. Thus, it now appears that realized net income for this year will come about close to matching 1969.

Despite pressure from large foreign supplies, the value of farm exports for the rest of 1969-70 will likely continue above a year earlier. For the 1969-70 exports may increase at least 5 percent over the \$5.7 billion in 1968-69. Most of the increase likely will come from larger shipments of grains, soybeans, fruits, vegetables, and animal products.

Despite some moderation in general economic activity, we expect higher wage rates, tax reductions, and increased social security payments to boost disposable incomes. This will help maintain demand for food and other goods and services. Consumer expenditures for food will expand moderately in 1970. However, the rise will probably be relatively smaller than the advance in disposable personal incomes, again slightly reducing the percentage of after-tax incomes spent for food below 1969's 16½ percent.

Responding to strong demand pressures and stable per capita food supplies, retail food prices advanced in 1969 slightly more than 5 percent above 1968. Despite the recent sharp advance in food prices, slower increases are indicated for 1970. However, even if general inflationary pressures ease as expected and supplies of livestock products pick up later this year, retail food prices may average about 3½ to 4 percent higher than in 1969.

1969 REVIEW

Dr. PAARLBERG. The major points in this paper are a rather favorable report, Mr. Chairman, on agriculture for the year 1969.

We had, on the whole, a rather good crop year. There were some places where yields were down. In your State cotton was hard hit, as you know.

The corn crop, however, was good. Wheat, in general, was good. Our total crop production was up about 1 percent despite having in use somewhat fewer acres.

Prices received by farmers rose during the year. Livestock prices were particularly strong. They rose about 12 percent, which is a striking increase. This chiefly was the result of strength for the price of cattle and of hogs and eggs.

Grain prices were, on the whole, relatively steady.

Gross receipts were up as the result of these higher prices and a small increase in volume. Gross receipts were up about \$3½ billion. Expenses were up as a result largely of inflation. However, gross receipts were up more than expenses and we had an increase in net realized farm income of \$1.2 billion, to a level of \$16 billion.

Net farm income per farm was at a record high.

Our exports were disappointing the first part of the year, in part because of a dock strike. They have picked up in the more recent months. Soybeans have moved out well. Corn has been moving rather well. Wheat earlier was disappointing but is now showing some recovery. Cotton exports have been disappointing.

On the whole, exports fell short of what they had been the previous years.

1970 OUTLOOK

We are now holding our outlook meetings for the year 1970. The anticipation is for continued strength and perhaps some increase in the prices of livestock products and some improvement in exports.

Prices will probably be steady for most of the crops. We cannot at this stage predict, of course, what the yields will be. We expect gross income to be up. We expect expenses also to be up. Our present anticipation is that net realized income for 1970 will be rather close to the 1969 figure.

Those, I think, are the main points.

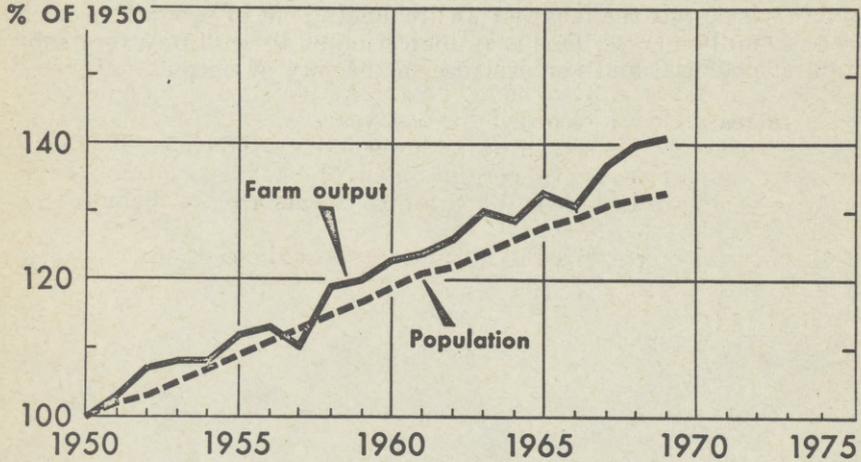
I might add one thing more. We expect retail food prices to move up again in 1970, albeit by somewhat less than the 5-percent increase that we experienced in 1969.

Mr. WHITTEN. I note that you have the usual set of tables which we have included in the record. I would like you to take these up in detail or have your associate do so and have the record carry a set of these tables at appropriate points.

Dr. PAARLBERG. It was intended they be ready for the record.
(Discussion held off the record.)

Dr. PAARLBERG. Here is farm output and U.S. population chart on page 3. We see we had in 1969 a large output, an all-time record a little above the previous year. The trend has been steadily upward, with a few notches for some poor yields. On the whole the level of farm output moving ahead more rapidly than the population is shown here, and this is despite the fact that we are holding out of production some 50 to 60 million acres. This is an indication of agriculture's very substantial potential and performance in the way of output.

FARM OUTPUT AND U.S. POPULATION



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1373-69 (9) ECONOMIC RESEARCH SERVI

Farm Output and U.S. Population

U.S. farm output established another record high in 1969. At 141 percent of 1950, 1969 output was nearly 1 percent higher than in 1968. Except for small declines in 1957, 1964, and 1966, farm output has been trending steadily upward since 1950. The increase in 1969 from 1968 was mainly the result of larger output of poultry and eggs, feed grains, sugar crops, and oil crops. Output of meat animals, food grains, and cotton declined.

Since 1950, the increase of 176 percent in output of oil crops has been by far the largest for any group. Poultry and eggs were up 78 percent, with the increase mainly in broilers and turkeys. Output of food grains and feed grains were each up over 1/2, and meat animals over 1/3. Output of cotton was the same and dairy products were less than 10 percent higher than in 1950. Output of tobacco was down 11 percent.

The record crop output in 1969 resulted from record-high yields on 1 percent fewer acres in harvested crops than in 1968.

U.S. population in 1969 was 33 percent higher than in 1950. In the last few years, the annual rate of increase in population has been a little slower than in the 1950's.

Despite efforts to constrain output, the rate of increase in farm production has been greater in the past few years than the rate of increase in population. Growing exports have helped absorb the excess.

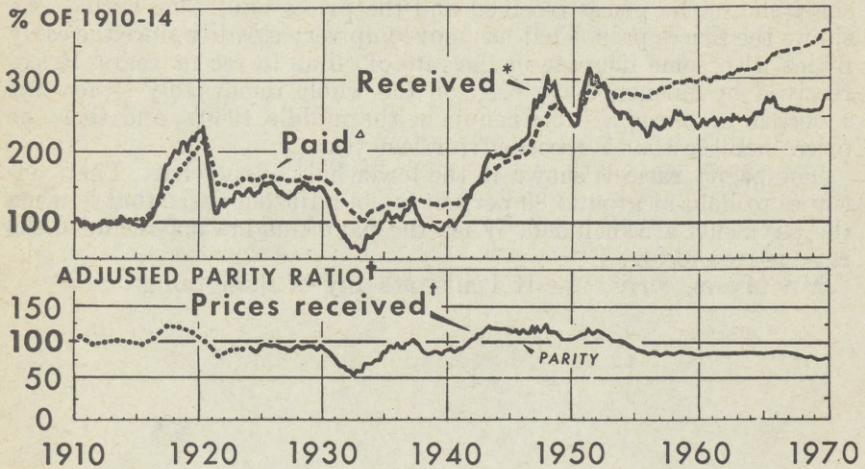
FARM PRICES AND PARITY RATIO

Dr. PAARLBERG. Next is the chart on page 5. Farmers' prices and adjusted parity ratio from 1910 to the present. The top half of the chart shows the prices received and the prices paid. The dotted line shows the prices paid. That has moved up very steadily since the early fifties with some increase in the rate of climb in recent years. Prices received by farmers have been on the whole remarkably steady for a decade or more, a little runup in the middle 1960's, and then the price increase that I recorded for last year.

The parity ratio is shown in the lower half of the chart. That continues to hold at around 80 percent on an adjusted basis, that is when the payments are included. When the payments are not included the ratio is around 74.

Mr. Myers, correct me if I misstate any of these things.

FARMERS' PRICES AND ADJUSTED PARITY RATIO



* MONTHLY DATA. Δ INCLUDES INTEREST, TAXES, AND WAGE RATES. ANNUAL AV. DATA, 1910-23; BY QUARTERS 1924-36, BY MONTHS, 1937 TO DATE. \dagger INDEX OF PRICES RECEIVED ADJUSTED TO INCLUDE GOVERNMENT PAYMENTS AS A PERCENTAGE OF PRICES PAID.

Farmers' Prices

In 1969, the index of prices received by farmers averaged 277 (1910-14=100), up 6 percent from 1968 and the highest since 1952.

Prices for crops, at 224, were down nearly 2 percent, but livestock prices were up nearly 12 percent to 322. Prices of meat animals rose 15 percent. Poultry and egg group prices averaged nearly 13 percent higher. Dairy product prices climbed 4 percent.

Prices of vegetables were up sharply, and there were moderate increases for feed grains, tobacco, and the potato, sweetpotato, and dry bean group. These increases were more than offset by declines in prices of fruit, cotton, oilseeds, and food grains.

The parity index (prices paid by farmers including interest, taxes, and farm wage rates) increased 5 percent to a record high annual average of 373. This was the 14th successive annual increase. The largest percentage increases were recorded for feeder livestock (12 percent), interest (11 percent), farm wage rates (10 percent), and taxes (7 percent). Prices paid for family maintenance rose nearly 5 percent. The increase for farm production items was 4 percent.

The parity ratio adjusted to take account of direct payments averaged 80 in 1969, compared with 79 in 1967 and 1968. Excluding the adjustment, the parity ratio averaged 74, the same as in 1967 and 1968.

In January 1970, the index of prices received stood at 287, up 9 percent from a year earlier. For the 1970 calendar year, the index is expected to average higher than in 1969.

The parity index is likely to continue the persistent upward trend that has been underway for several years. However, the increase is not expected to be as large as the rise in 1969.

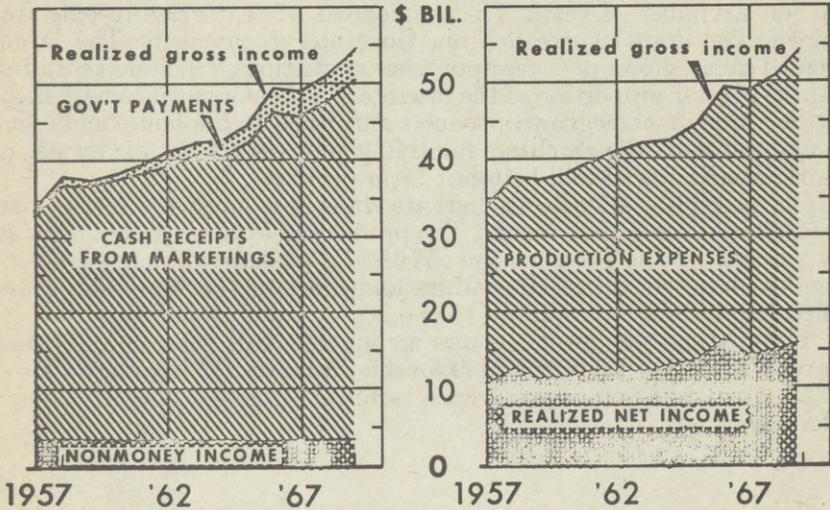
FARM INCOME COMPONENTS

Dr. PAARLBERG. On page 7 we have the components of farm income. Gross income is shown in the chart at the left. That has been moving up for a number of years. The components of that gross income are shown. The dotted space is from Government payments. The large shaded areas shows cash receipts from marketings which make up by far the greater proportion of the receipts. The nonmoney income, which is the value of homegrown products furnished to the households, the rental value of the dwelling for living purposes, fuel, and so on, is fairly steady down at the bottom.

On the right half of this chart we show how much the farmer has left after he pays his expenses. The production expenses take up about 71 percent of the gross income. With the passage of time that percentage has been increasing. More and more of the inputs are purchased.

The realized net income shows an increase this year, as indicated earlier, largely because of the favorable situation for livestock.

FARM INCOME COMPONENTS



50 STATES STARTING IN 1960.

Farm Income

Realized gross farm income was a record high \$54.6 billion in 1969, up about \$3.5 billion from the previous high in 1968. Most of the gain came from a surge of \$3 billion in receipts from marketings of livestock and products. Crop marketing receipts were about the same in 1969 as in 1968. The \$47.4 billion in marketing receipts in 1969 came mainly from a 6-percent increase in the average level of prices received as farmers marketed a slightly larger volume of products.

Direct Government payments to farmers, at \$3.8 billion, were about \$350 million higher in 1969 than in 1968. A substantial increase in payments under the Feed Grain Program contributed most to the overall increase in payments.

Farm production expenses continued their persistent rise last year. The increase from 1968 was larger than usual, \$2.3 billion, lifting the total to a record \$38.6 billion. Inflationary pressures throughout the economy pushed the index of prices paid by farmers for production items, interest, taxes, and wage rates 6 percent above the 1968 average. Except for fertilizer, almost all production items were higher in price in 1969. Feeder and replacement livestock prices paid by farmers led with a 12-percent increase. Overhead costs again increased substantially.

Because gross farm income exceeded the rise in farm production expenses, 1969 realized net farm income was estimated at \$16 billion, up more than 8 percent from 1968.

In 1970, realized gross farm income will probably be record high again--perhaps close to \$56 billion. A little larger volume of marketings and a moderate increase in the average of farm prices received are in prospect. But, in contrast to the substantial gains in direct Government payments to farmers in 1968 and 1969, a small decrease is expected in 1970.

Another advance in production expenses is likely this year. The increase may even exceed the expected gain in realized gross farm income. Accordingly, realized net farm income may be just below the \$16 billion of 1969, which was one of the best years on record.

INCOME OF FARM POPULATION

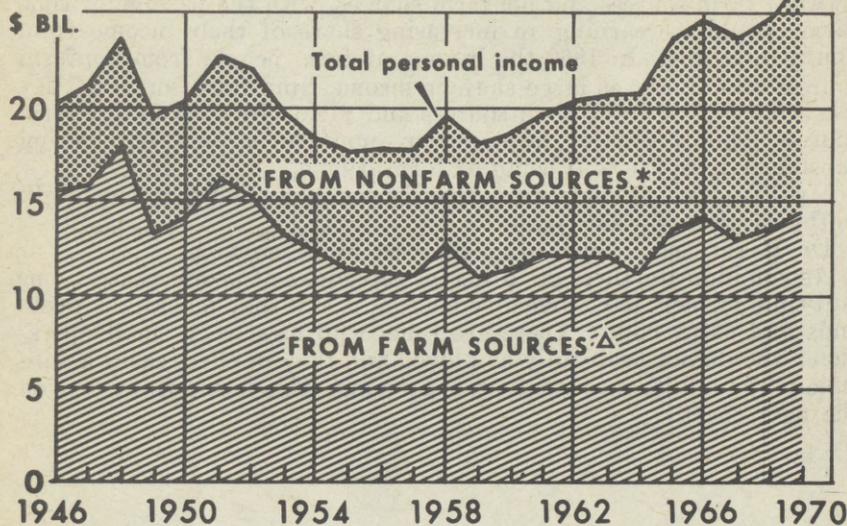
Dr. PAARLBERG. Now we will look at the next chart, page 9, the income of the farm population from 1946 to 1970. Breaking it down as between farm sources and nonfarm sources, with the passage of time farm people are earning an increasing share of their income from nonfarm sources. In 1969 the income of farm people from nonfarm sources was almost as large as their income from farm sources. They got \$14.5 billion from farm sources and \$12.6 billion from nonfarm sources. This is a major development—nonfarm income contributing substantially to the well-being of farm people.

Mr. WHITTEN. It could mean that farmers are having to moonlight in the daytime. Is that right?

Dr. PAARLBERG. That is often the case, Mr. Chairman.

As you indicate, there are different categories of people there. Some full-time farmers have difficulty making it and they moonlight weekends and extra hours. There are some who have very small operations who do not keep fully employed and they in effect carry a full-time job in addition to small-scale farming. This is shown in part on the next chart.

INCOME OF FARM POPULATION



*NONFARM WAGES AND SALARIES, NONFARM BUSINESS INCOME, DIVIDENDS, ETC.

△TOTAL NET FARM INCOME OF RESIDENT OPERATORS AND WAGES OF FARM RESIDENT HIRED HANDS.

Total personal income from all sources for farm people in 1969 was \$27.1 billion. Of this total, about \$14.5 billion came from farm sources, while the remaining \$12.6 billion was earned from nonfarm sources.

Twenty years ago, farm people received \$20.4 billion from all sources, 70 percent from their farms and 30 percent from nonfarm sources.

In 1970, the income of farm people is likely to increase, but not as much as the \$2.1 billion gain last year. A further rise in income from nonfarm sources seems very likely.

INCOME BY SALES CLASS OF FARM

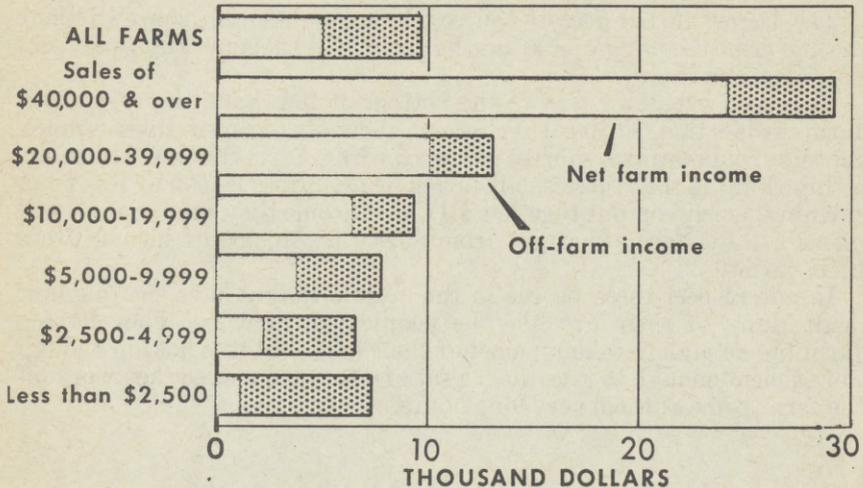
Dr. PAARLBERG. This chart on page 11 shows a breakdown per farm by income size of farm. At the very top we show that for all farms put together a little more than half the income is from farming and a little less than half from off-farm sources.

The larger farms get, of course, the overwhelming share of their income from farming operations but they add substantially to it from nonfarm sources.

Then you get down way to the bottom of the chart, the very small farms of less than \$2,500. They receive about six or seven times as much income from nonfarm sources as they do from farm sources. The interesting thing is that these small farms, which gross \$2,500 or less from farming, when you put together all their income they are about as well off as are the farms that get from \$5,000 to \$10,000 of income from their farms.

In one respect these people in the middle ranges have the toughest deal. Many of them are like the people you describe. They have a farm big enough to take up most of their labor but it is not big enough nor efficient enough to give them a satisfactory income, so they work off the farm, some of them very long hours.

INCOME PER FARM BY SOURCE AND SALES CLASS, 1968



AVERAGE REALIZED NET FARM INCOME AND OFF-FARM INCOME PER FARM OPERATOR FAMILY.

Average Income Per Farm Operator Family By Economic Class of Farm, 1968

Farm operator families on all sizes of farms receive substantial amounts of income from off-farm sources. In terms of averages for all farm operators combined, realized net farm income was \$4,841 per farm in 1968, an increase of 63 percent from 1960. Income from off-farm sources averaged \$4,786. In 1968, income from off-farm sources accounted for almost half of the average income per farm operator family.

Operator families on the largest farms--those with value of sales of \$40,000 or more--averaged \$24,083 in realized net farm income and \$5,108 in off-farm income in 1968. Off-farm income supplied 17 percent of the income from all sources.

Realized net farm income averaged \$10,003 per operator family in 1968 for operator families on farms with value of sales of \$20,000 to \$39,999. These families averaged \$3,006 in off-farm income.

Operator families on farms with value of sales of \$10,000-\$19,999 averaged \$6,454 in net farm income and \$2,877 in off-farm income in 1968.

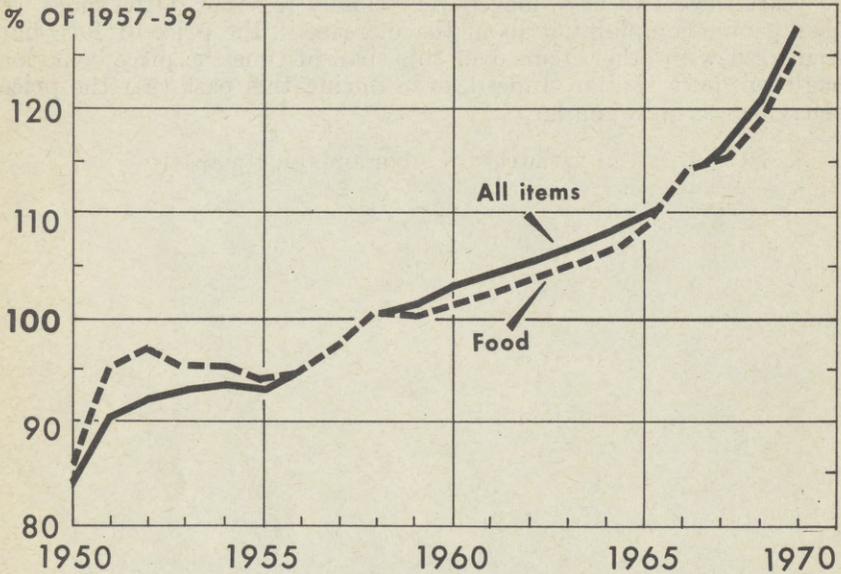
Operator families on farms with value of sales of \$5,000 to \$9,999 averaged \$3,695 in farm income and \$4,100 from off-farm sources. Thus, of the total income of these families, a little more than \$1 of every \$2 came from off-farm sources.

Income from off-farm sources completely overshadows farm income on farms with sales of less than \$5,000. In 1968, operator families on farms with value of sales of \$2,500-\$4,999 received over \$2 in off-farm income for each \$1 in farm income. Operator families on farms with value of sales less than \$2,500--including part-time and part-retirement farms--averaged nearly \$6 in off-farm income for each \$1 of farm income.

CONSUMER PRICES

Mr. PAARLBERG. On page 13, consumer price indexes. We have all items compared with food items. The remarkable fact is that for 20 years these two have moved very closely together. Oftentimes we hear people complaining about the increase in the price of food but compared with other items over this span of time the price behavior has been quite similar. Indeed, even during this past year the price behavior was quite similar.

CONSUMER PRICE INDEXES



BLS DATA, CITY WAGE EARNERS AND CLERICAL WORKERS.

Consumer Price Indexes

The Consumer Price Index and retail food prices have increased steadily since the base period 1957-59. In 1969, the CPI averaged 28 percent above the base period. Retail food prices were 26 percent higher. Annual increases in retail food prices have been close to or less than rises in the CPI in the last decade, except in 1966 when a 5-percent increase in retail food prices accompanied an increase of 3 percent in the CPI.

In 1969, the CPI averaged 5.4 percent higher than in 1968. Retail food prices averaged 5.2 percent higher over the same period. Prices of food away from home have increased much more than prices of food at home. In 1969, away-from-home food prices were up 45 percent from 1957-59. The increase in prices of food at home was less than half as much--22 percent. Food away from home accounts for about a fifth of total consumer expenditures for food.

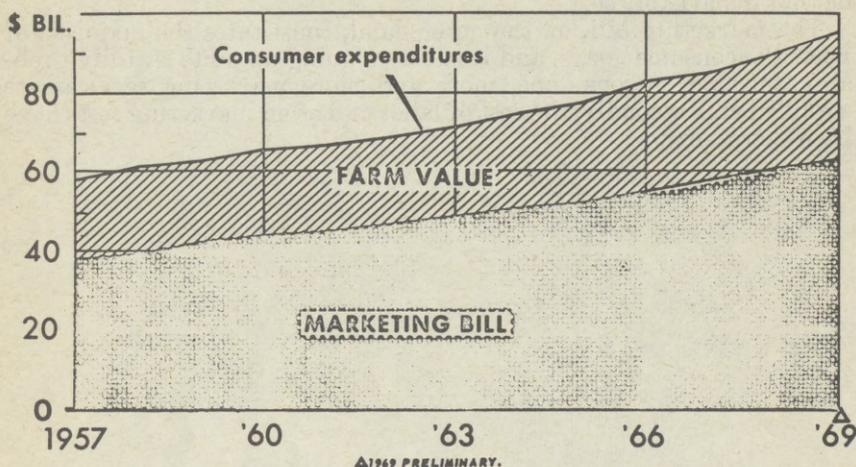
In 1970, retail food prices are expected to average 3.5 to 4 percent above those in 1969. Prices for food in grocery stores may average 3 to 4 percent higher. Restaurant food prices may again increase by about 5 percent.

FARM FOOD MARKETING BILL AND FOOD EXPENDITURES

Dr. PAARLBERG. On page 15 we have a chart which shows the farm-food marketing bill and consumer food expenditures. The top line shows the total expenditures which run up close to \$100 billion. The farm value of those expenditures has increased gradually over the time but not remarkably so.

The marketing bill, on the other hand, constitutes the majority of what the consumer pays, and it has been going up quite steadily probably for two reasons—one, more and more marketing services are supplied and, secondly, the cost of labor and other marketing costs have been increasing.

FARM-FOOD MARKETING BILL AND CONSUMER FOOD EXPENDITURES



FOR ALL DOMESTIC FARM FOODS PURCHASED BY U.S. CIVILIANS FOR CONSUMPTION, BOTH AT HOME AND AWAY FROM HOME.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 5664-70 (2) ECONOMIC RESEARCH SERVICE

Farm Food Marketing Bill and Consumer Food Expenditures

U.S. civilian consumers spent \$96 billion for domestically produced farm foods in 1969, up \$6 billion, or 7 percent, from 1968. The farm value of these foods was \$32 billion, up 10 percent from a year earlier. The marketing bill, at \$64 billion, was up \$3 billion.

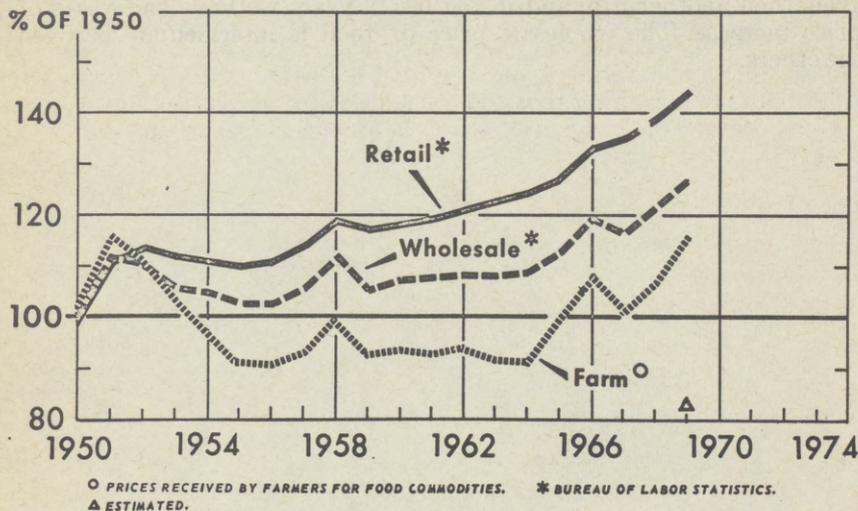
Compared with 1960, consumer expenditures were up 46 percent, the farm value 47 percent, and the marketing bill 45 percent.

The larger quantity of food marketed accounts for about two-fifths of the increase in consumer food expenditures since 1960.

FOOD PRICES

Dr. PAARLBERG. Page 17 is a chart showing food prices at retail, wholesale, and farm levels. These are in terms of index numbers. The price at retail has gone up rather steeply and steadily. The price at the farm level kind of scraped along and had a runup in about 1966, then another dip, and in the last 2 years we have had years of price increase. The wholesale price of food is intermediate between the others.

FOOD PRICES: RETAIL, WHOLESALE, AND FARM LEVELS



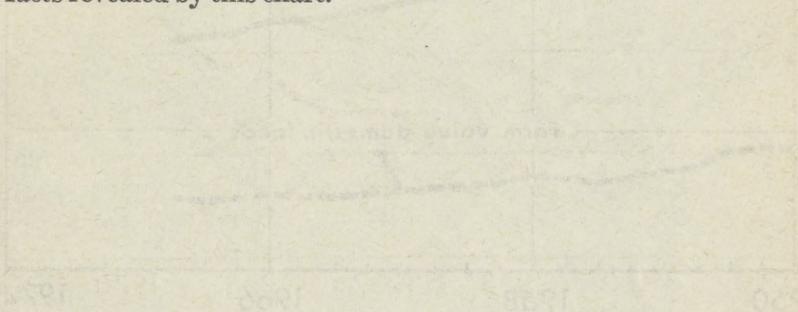
Prices Received by Farmers and Retail Food Prices

Prices received by farmers for food commodities in 1969 increased 10 percent from 1968, and were about 17 percent above the 1950 level.

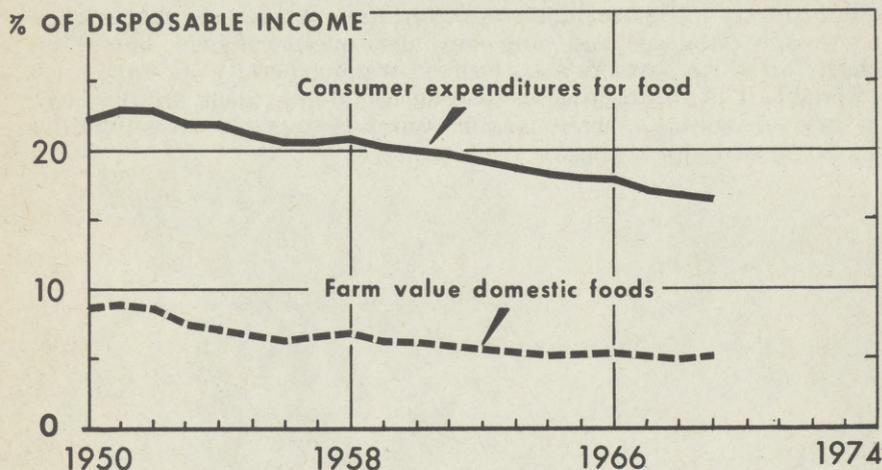
Retail food prices averaged 5.5 percent higher in 1969 than a year earlier. Compared with 1950, retail food prices were up 46 percent. Retail food prices have climbed steadily since 1959, with especially sharp gains in 1966, 1968, and 1969.

The farmer's share of the retail food dollar was 41 cents in 1969. This was 2 cents higher than in 1968 but well below 1950, when his share averaged 47 cents.

Dr. PAARLBERG. On page 19 we have perhaps one of the most important charts in this series. It shows consumer expenditures for food relative to income. The remarkable thing here, and a great tribute to our farmers, and for that matter to the whole food industry, is the fact that consumers now pay a smaller share of their after-tax income to supply themselves with food than ever before, smaller than in any other country in the world, and a better, more wholesome, more nutritious, more palatable, and more convenient quality of food. This is the chart for which farmers and the food trade generally can take a lot of credit. It is a thing that the consumers do not realize and we have a very substantial educational job before us to get to the public the facts revealed by this chart.



CONSUMER EXPENDITURES FOR FOOD RELATIVE TO INCOME



Consumer Expenditures for Food

Consumer expenditures for all food (domestic and imported) totaled \$103.8 billion in 1969. The 4.5-percent gain in consumer spending for food fell considerably short of the 7-percent increase in disposable personal income, so the percentage of disposable income spent for food in 1968 dropped slightly to 16.5 percent. About 13 percent of disposable income went for food consumed at home. Expenditures for food away from home accounted for about 3.5 percent of disposable income.

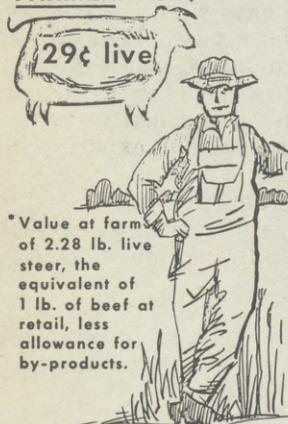
The farm value of food originating on U.S. farms was about 5 percent of disposable income in 1969. The marketing bill for farm foods was equivalent to about 10 percent of disposable income. Fish and imported foods accounted for the balance of consumer spending on food.

In 1960, consumers spent a fifth of their disposable income for food.

Dr. PAARLBERG. This next chart is on page 21. This may be a bit more difficult than some of the others but I think it is not too hard. It is the retail price of choice beef per pound, and the effort is made here to break down the price that the consumer pays at retail for beef into its various components. It takes about 2.28 pounds of live steer to produce a pound of beef. That is, after you have taken account of byproducts and the like. So if you take the price of a little over two and a quarter pounds of live steer you have what the farmer receives for the pound of beef that the consumer buys. That turns out to be 62 cents—29 cents live, 62 cents equivalent, 34 cents for marketing, and the buyer pays 96 cents—so that the farmers' share of the retail dollar for beef is about 65 percent.

RETAIL PRICE OF CHOICE BEEF PER POUND

FARMER 62c*



* Value at farm of 2.28 lb. live steer, the equivalent of 1 lb. of beef at retail, less allowance for by-products.

MARKETING 34c



-1969 DATA-

BUYER 96c**



** Average retail price of beef

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1423-70 (2) ECONOMIC RESEARCH SERVICE

Retail Prices of Choice Beef

Retail prices for major cuts of choice beef averaged 96 cents a pound in 1969--up 9 cents a pound from 1968.

The price of a live steer averaged 29 cents a pound. In terms of the yield of retail cuts from a 1,000-pound steer, the average return to the farmer was 62 cents a pound, up 5 cents from a year earlier.

The difference between the farm return and average retail price, or marketing margin, was 34 cents a pound--up 4 cents from 1968. The farmer's share of the retail price was 65 percent.

Prices of the various cuts making up the average retail price of 96 cents a pound ranged from 62 cents a pound for hamburger to \$1.54 a pound for porterhouse steak.

EXPORTS OF FARM PRODUCTS

Dr. PAARLBERG. On page 23 we have exports of farm products. These rose irregularly from the time at the beginning of the chart, 1955, until 2 years ago, a runup there in 1967. In the last 2 years they have somewhat diminished. This is, in part, the reflection of improved crop yields in the world outside the United States.

We show three components of these charts. The commercial exports, dollar sales without assistance; this shows the bulk of the sales. That has grown throughout the period and has been fairly steady in the last 2 years.

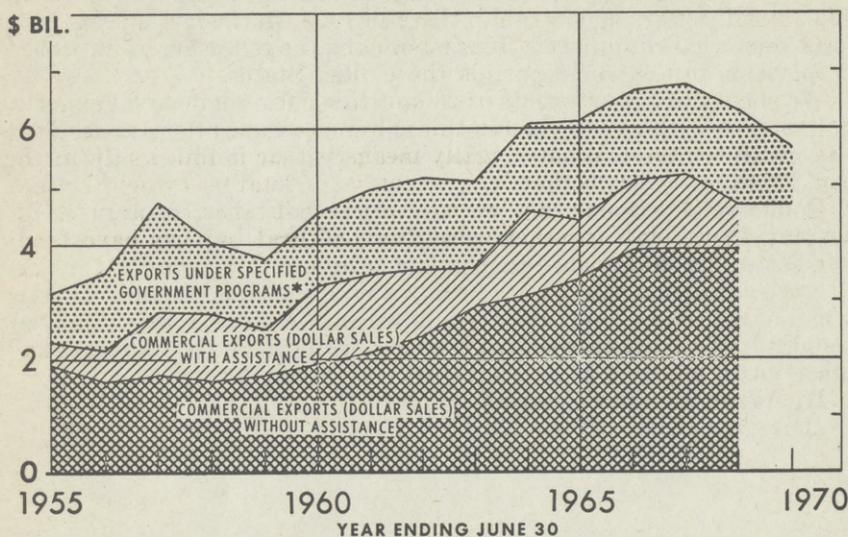
Commercial exports, dollar sales with assistance, usually credit assistance; this has provided a substantial share of our exports. It has somewhat diminished in the last year.

Exports under specified Government programs include mostly Public Law 480. They have come down in the last 2 years, chiefly as the result of better weather and better varieties in India, Pakistan, and other parts of the world.

Mr. WHITTEN. Off the record.

(Discussion held off the record.)

U.S. EXPORTS OF FARM PRODUCTS



*TRADE ASSISTANCE AND DEVELOPMENT ACT, P.L. 480, AND MUTUAL SECURITY ACTS

Exports of Farm Products

The value of U.S. exports of farm products was \$5.7 billion in fiscal 1969. This was about \$1/2 billion less than in fiscal 1968 and the second annual decline from 1967's record high. However, the 1969 value was still higher than the 1961-65 average.

The decline was in commercial exports and exports under Government-financed programs. The value of commercial exports, including barter for overprocurement, declined to \$4.7 billion from \$5 billion a year earlier. The value of exports under specified Government programs was \$1 billion, \$300 million below each of the two preceding fiscal years.

To enable such products as wheat, wheat flour, and tobacco to compete in the world market, the Commodity Credit Corporation made payments to exporters in cash and sold limited quantities of a few commodities from stocks at less than domestic market prices. In fiscal 1968, an estimated \$1.4 billion of exports moved with such assistance--\$0.8 billion as commercial sales and \$0.6 billion under Government-financed programs. Export payments and differentials are estimated to total over \$100 million. This is not included in the value of exports. The decline from the previous year's \$289 million export payment total was primarily due to the elimination of the export payment programs for rice, flaxseed, and linseed oil and lower average export payments on wheat.

Japan continued to be the leading commercial foreign market for U.S. farm products. The value of U.S. exports to Japan was about \$839 million. Other important foreign commercial markets include Canada, Netherlands, West Germany, United Kingdom, and the Republic of Korea. India received the largest value of U.S. farm products under Government-financed programs. South Korea, Indonesia, South Vietnam, and Brazil also received sizable quantities.

The export value of oilseeds and products exceeded \$1 billion in fiscal 1969. Following closely were wheat and flour at \$893 million, and feed grains at \$774 million. Forty-five percent of the value of exports of wheat and flour moved under Government-financed programs. The value of program exports of oilseeds and products and feed grains was a little more than \$120 million, combined.

U.S. IMPORTS OF FARM PRODUCTS

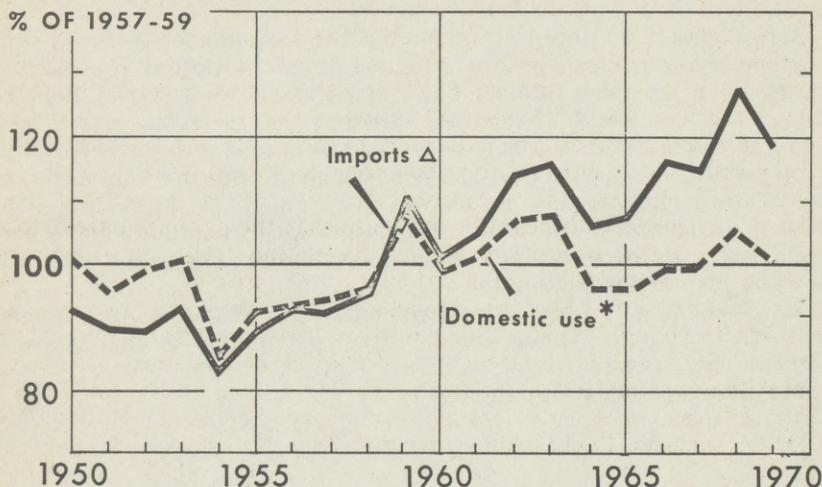
Dr. PAARLBERG. This chart on page 25 is on an index number basis. Mr. Myers, I am not clear on the imports and imports for domestic use.

Mr. MYERS. The imports include both the supplementary and complementary imports. The domestic use line, the dotted line on this chart, is on an index number basis and this shows how the domestic use, as the percentage of the total imports, changes from year to year along with the total. What it really means is that it follows the total pretty well. This means that the percentage of total use which the imports are each year has not varied very much. It stays around 10 percent of the total. In other words, agricultural imports have been remarkably stable as percentage of domestic use. They stay within 10 percent year in and year out.

Mr. WHITTEN. If I understand you correctly, while the imports seem to increase they are increasing in direct proportion to the increased consumption we have in the country?

Mr. MYERS. Very well put, sir.

U.S. IMPORTS OF FARM PRODUCTS



Δ AGRICULTURAL IMPORTS VALUED AT 1957-59 PRICES. * IMPORTS AS A PERCENTAGE OF DOMESTIC UTILIZATION

Imports of Farm Products

U.S. imports of agricultural products totaled \$4,931 million in fiscal 1969, nearly 6 percent higher than a year earlier. The value of supplementary imports (products produced commercially in the United States) was \$3,073 million, an increase of about 8 percent from a year earlier. The value of complementary imports (products not grown commercially in the United States) was \$1,859 million, up 5.5 percent from fiscal 1968.

Meat and meat products valued at \$813 million and sugar valued at \$639 million were the leading supplementary imports. Other important supplementary imports included vegetables and preparations, oilbearing materials, fruits and preparations, unmanufactured tobacco, edible nuts, wines, dairy products, and apparel wool.

Coffee, with imports valued at a little more than \$1 billion in fiscal 1969, was by far the leading complementary import. Bananas, crude rubber, and cocoa beans also ranked high on the list of complementary imports.

The United States imported \$526 million of agricultural products from Brazil in fiscal 1969. Other large suppliers were Mexico, \$435 million; Australia, \$307 million; Philippines, \$294 million; and Canada, \$236 million. Coffee from Brazil; fruits, vegetables, sugar, cattle, and beef from Mexico; meat from Australia; and sugar and coconut products from the Philippines were the leading import items.

The quantity and value of U.S. agricultural imports have trended upward since the mid-1950's. In 1969, the quantity was up 2 percent from a year earlier and 21 percent higher than the 1957-59 average.

However, agricultural imports are remarkably stable as a percentage of domestic use. In calendar 1969, imports were 9.8 percent of domestic use; the 1957-59 average was 10.1 percent. In only one year since 1950 have imports as a percentage of domestic use fallen outside the range of 9 to 11 percent. That was in 1954, when imports were 8.6 percent. The highest, 10.9 percent, occurred in 1963 and 1968.

LIVESTOCK AND FEED PRICES

Dr. PAARLBERG. On page 27 we show livestock price and feed prices. As you can see from the chart these gyrate around with respect to one another. In the last couple years livestock prices have been very strong. Feed prices have been steady showing very slight increase this past year. This has meant very favorable feeding ratios and, on the whole, a favorable situation for the livestock industry. We anticipate that this is likely to continue for a large part of 1970.

Mr. EVANS. How do you consider, or do you consider, the grain that is raised by a farmer and then consumed by his own cattle? Is this an item reflected in these figures?

Dr. PAARLBERG. It appears in the sense that the grain is part of our index numbers on production but as far as the farmer is concerned it is the growing cost for him rather than the market price.

Mr. EVANS. You take this bushelage and crank the retail price into it even though his stock consumed it on his own farm?

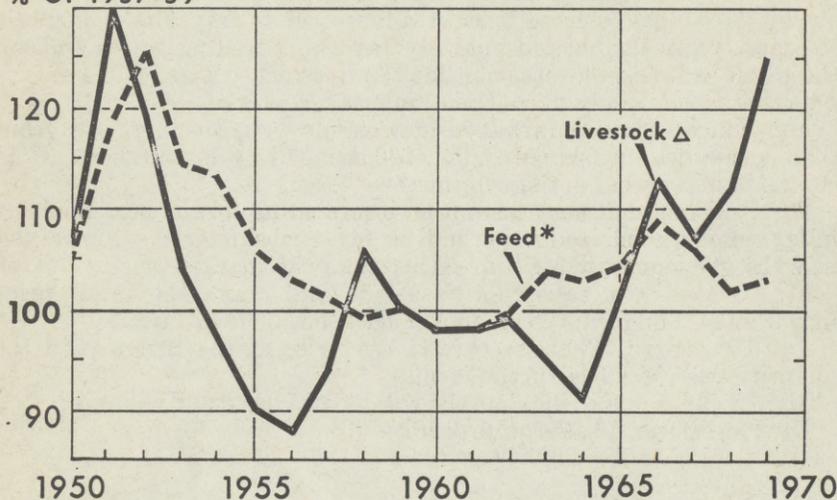
Dr. PAARLBERG. That is correct. We price at the prices paid the quantities used for feed on the farm.

Mr. EVANS. You do calculate the volume produced and count it?

Dr. PAARLBERG. That is quite correct.

LIVESTOCK AND FEED PRICES

% OF 1957-59



▲ PRICES RECEIVED BY FARMERS FOR LIVESTOCK AND LIVESTOCK PRODUCTS. * PRICES PAID BY FARMERS FOR FEED

Livestock and Feed Prices

Changes in prices received by farmers for livestock relative to prices paid by farmers for feed provide a general indication of the incentive to increase or decrease production of livestock products. In the early 1960's, prices received for livestock products were low relative to prices paid for feed. In 1964, the index of prices received for livestock products was 88 percent of the index of prices paid for feed.

Livestock product prices increased sharply from 1964 to 1969, except for a slight dip in 1967. Prices paid for feed also increased from 1964 to 1966, but then declined through 1968. Feed prices in 1969 were only slightly higher than a year earlier. As a result, the index of livestock prices was 121 percent of prices paid for feed in 1969.

In the past, this kind of relationship has been a strong incentive for increasing the output of livestock products.

NUMBERS OF FARMS

Dr. PAARLBERG. Page 29 shows number of farms by sales classes, 1960 and 1968. The shaded bars are for 1960 and the black bars for 1968. This chart is a very important one and it shows a very major change that is underway in the structure of our agriculture. We talk continually about the declining number of farms, and the number of farms is declining. The interesting thing about this chart is that the farms that are big enough to be reasonably healthy and return a satisfactory income, these farms have been increasing in number. They have increased quite sharply from 1960 through 1968.

On the other hand, those farms with very low income, and they are quite numerous, they have been diminishing in number. The people on these farms have, by and large, been shifting to alternative sources of income that are more attractive than farming to them.

AGE OF FARMERS

Now there is another interesting thing that does not appear on the chart but I might report it. If you take the average age of farmers in these different categories you find that the average age of farmers on these large farms tends to be young. The average age for these small farms tends to be older.

Mr. WHITTEN. Doctor, you can never know it all by knowing conditions around you, but I come from a small city area. My own observations would lead me to believe that that comes about because many of these old and large farms are inherited or taken over by sons or sons-in-law of the prior owner. Is that a major factor in this?

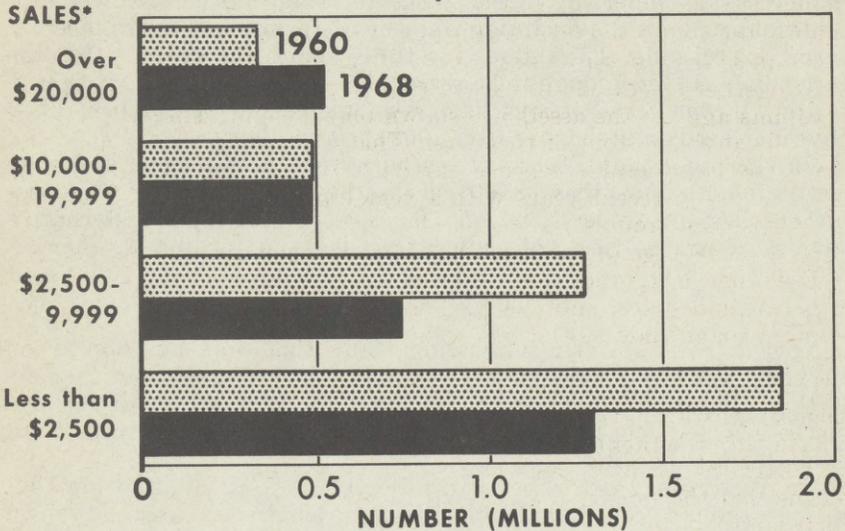
Dr. PAARLBERG. I think that is a major factor.

I think there is another factor. These youngsters now are kind of smart. They do not want to take over a farm that is too small to give them a good income. If the young fellow, say in his twenties, is thinking about farming, if he can get the operation of a farm big enough to give him some promise he will take it on. However, if he is from a family situation that does not make that possible, if his dad is on one of these small farms, he does not take it on. What this really says, therefore, it seems to me, is that these young people are making wise decisions and that adjustment is underway here on the part of the decisions made by these young people that should provide for more adequate incomes in the years ahead. They no longer commit their lives to a farm that is going to be too small to earn them a satisfactory income.

Mr. WHITTEN. Off the record.

(Discussion held off the record.)

NUMBER OF FARMS BY SALES CLASSES, 1960 AND 1968



*BASED ON ANNUAL SALES OF FARM PRODUCTS.

Changes in Farm Numbers

The Nation's farms have been declining in number since the mid-1930's, when there were almost 7 million farms. Currently, there are almost 3 million farms. Along with the general decline in number have been pronounced shifts in the structure of agriculture. Bigger, more viable, more efficient farms are increasing in number while farms in other groups are gradually decreasing in number.

Farms with sales over \$20,000 annually have increased more than 50 percent since 1960. They totaled 526,000 in 1968, accounting for about 17 percent of all farms.

The group of farms with sales between \$10,000-\$20,000 have changed little in number in recent years. Like the larger economic class farms, they totaled about a half million in 1968, and accounted for about a sixth of all farms.

Farms with sales of \$2,500-\$9,999 dropped about half a million in number from 1960 to 1968. They totaled about 750,000 in 1968, and made up about a fourth of the farm universe.

The remaining group of farms, with sales less than \$2,500 a year, has shown a large decline--to just under 1.3 million in 1968 from over 1.8 million in 1960. This group, mainly part-time and part-retirement farms, accounted for some 42 percent of all farms in 1968. Their economic position as a group is relatively unimportant because they receive only 3 percent of the total cash receipts from farming.

FARM DEBTS AND ASSETS

Dr. PAARLBERG. The chart on page 31 shows the balance sheet of the farming sector. The assets are on the left and the claims are on the right. The big share of the agricultural assets is in real estate, \$200 billion. Other physical assets consist of machinery, feed, livestock chiefly, and that has been growing very rapidly.

Financial assets consist of ready cash and investments.

Altogether somewhat in excess of \$300 billion is shown here.

Claims against the assets are shown on the right. The debt on real estate is at the bottom of the chart. That has been growing at a rate that gives considerable concern particularly for some younger people who started in recent years with a very high level of debt. They are in considerable trouble.

As a percentage of the total, however, it is not very great.

The other debt, other than real estate debt, which is debt on machinery, personal notes, and the like, these debts are approximately the same in magnitude as the real estate debts, and they also have been growing.

The greater share of the claims on these assets is that the owners themselves who have on the whole a very large amount of equity. I am not sure whether this shows the percentage of equity.

It says the ratio of debts to assets is now around 19 percent. That means that the farmers have about 81 percent equity on the whole in their land.

Mr. EDWARDS. Do you have any comparison with the nonfarm sector as to claims?

Dr. PAARLBERG. Yes, we do.

Mr. EDWARDS. How would it generally stack up?

Dr. PAARLBERG. In terms of totals the nonfarm sector has much greater indebtedness. I cannot give you numbers. They probably also have much greater equity than the nonfarmers, but I doubt whether data are available to substantiate this latter point. The per capita figures, of course, would be quite different from the totals.

Mr. MYERS may have those numbers in his head.

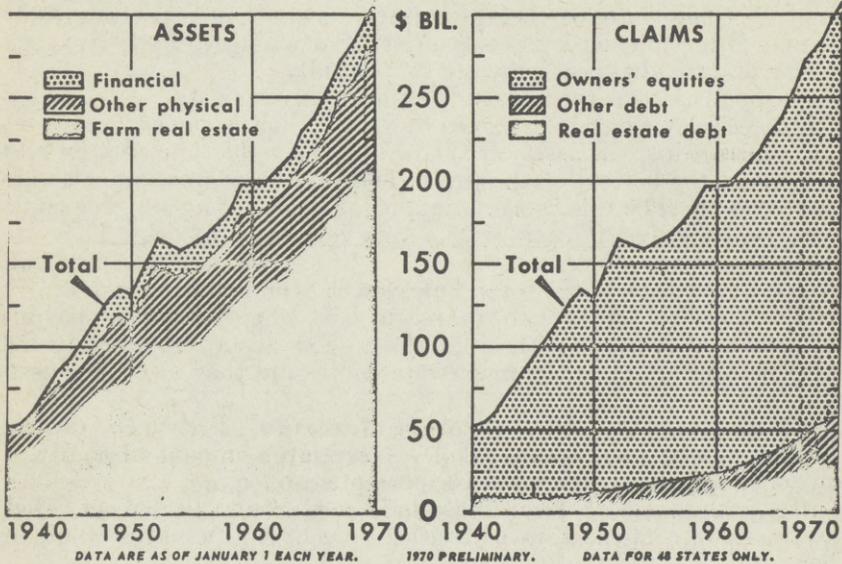
Mr. MYERS. I do not.

Dr. PAARLBERG. We can supply them for the record because they are interesting.

Mr. EDWARDS. I think a comparison would be helpful.

Mr. WHITTEN. I think so, too.

BALANCE SHEET OF THE FARMING SECTOR



Farm Assets and Debts

On January 1, 1970, all assets in farming were \$307 billion. This was about \$10 billion, or 3.5 percent, higher than on January 1, 1969, and some \$175 billion more than on January 1, 1950.

The farm debt has also been rising. Liabilities of the farm sector totaled \$58 billion on January 1, 1970, up about \$3.5 billion, or 6 percent, from a year earlier. Compared with 20 years earlier, the farm debt was some \$46 billion higher.

Debts have risen at a more rapid rate than assets since World War II. The ratio of debts to assets is now around 19 percent, compared with about 9.5 percent in 1950. The rise in indebtedness of farmers reflects an increasing dependence on purchased inputs and capital necessary in modern farming.

(Information requested follows:)

NET PRIVATE DEBT, 1950 AND 1968

Nonfarm ¹

	Total	Mortgage	Commercial and financial	Consumer
Billion dollars:				
1950.....	92	54.8	15.8	21.5
1968.....	472	285.5	73.2	113.2
Percent change: 1950 to 1968.....	413	421	363	427

¹ Individual and noncorporate.

FARM

	Total	Real estate	Other
Billion dollars:			
1950.....	12.4	5.6	6.8
1968.....	50.4	25.5	24.9
Percent change: 1950 to 1968.....	306	355	266

Mr. EDWARDS. You show, as you said, the real estate debt increasing over the last few years. I wonder, for example, whether that is true generally or whether there is something unique about this as far as the farm is concerned. If you can you might show that in something you can submit for the record.

Dr. PAARLBERG. We will be able to look that up. I do not have it in my mind.

(Information requested follows:)

MORTGAGE DEBT OUTSTANDING

[In billions of dollars]

Year	Farm properties	Nonfarm properties
1960.....	12.8	194.0
1961.....	13.9	212.3
1962.....	15.2	233.4
1963.....	16.8	257.4
1964.....	18.9	281.2

MORTGAGE DEBT OUTSTANDING—Continued

[In billions of dollars]

Year	Farm properties	Nonfarm properties
1965.....	21.2	304.6
1966.....	23.3	324.1
1967.....	25.5	344.8
1968.....	27.5	370.0
1969.....	29.6	395.0

Mr. WHITTEN. Doctor, I am glad to see you show this to the committee. Your interpretation of these charts before us is very helpful.

FARM INVESTMENT

I am glad to see you point out this matter of investment. Having the assignment on this subcommittee, we have the job of trying to explain that agriculture is not something apart from everything else. What we run into from time to time is that the farmers will be held out by the news media as being in very, very fine shape because the media look at the value of their assets. They overlook the fact that he may have it mortgaged up to the hilt. Second, they offer the fact that each year as the spring season begins he perhaps is investing \$150 an acre. But they overlook the fact that if he has a short crop he can lose a tremendous investment in less than 18 months.

Another way of expressing the same thing, is to look at how much the farmer has to invest in order to farm.

Dr. PAARLBERG. That is right.

Mr. WHITTEN. I recently stopped in South Carolina on my way back from Mississippi. This man had had 2,000 acres in peaches, beautiful peach trees. He had had two crops but could not get anyone to gather them. He destroyed all but 200 acres of his trees.

It is one thing in the spring of the year to know you will not have labor and act accordingly, but if you go through the season and at the end of the year find out you cannot get labor to harvest your crop you have lost not only the crop but this tremendous investment.

However, it is difficult for us to get those who deal more closely with the mass media to understand and carry this message.

I am glad to have you put it in our record so folks can see it if they wish to.

Dr. PAARLBERG. What you say is important. With the passage of time the farmer has to spend more and more money in the way of cash outlay to get that peach crop ready to harvest or get the cotton ready to harvest. Cash expenditures as a share of total cost have been rising. An economist would say that his overhead costs have not risen as rapidly as his direct costs or his variable costs. It makes him more vulnerable to price decline or bad weather. It puts him in a very risky position.

FARM COSTS

Dr. PAARLBERG. On page 33 are shown the components of the farmers' costs. As can readily be seen, fertilizer and lime have been increasing very rapidly relative to other things. Power and machinery has been increasing. Real estate as a percentage of total outlay has been fairly constant. Labor, in spite of the fact that the per hour rate has gone up very rapidly, the total use has declined. This is largely the result of the mechanization of agriculture. The labor forces engaged in agriculture has diminished very rapidly, and I will quantify that in the record.

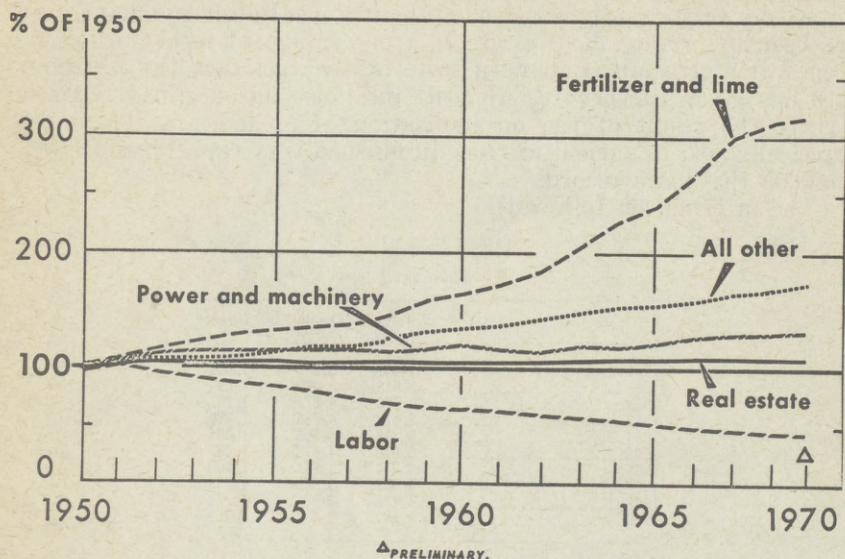
(The information follows:)

FARM EMPLOYMENT

[In thousands]

Year	Total	Family	Hired
1960.....	7,057	5,172	1,885
1961.....	6,919	5,029	1,890
1962.....	6,700	4,873	1,827
1963.....	6,518	4,738	1,780
1964.....	6,110	4,506	1,604
1965.....	5,610	4,128	1,482
1966.....	5,214	3,854	1,360
1967.....	4,903	3,650	1,253
1968.....	4,746	3,532	1,213
1969.....	4,582	3,429	1,153

QUANTITIES OF SELECTED FARM INPUTS



Changes in Farm Inputs

A dramatic change has occurred in the input structure of agriculture since World War II. The highlight of this change has been a sharp downturn in the use of farm labor, down more than 50 percent over the past two decades.

The quantity of real estate used in the farm sector has changed little since 1950. Total land in farms has remained about constant, despite the decline in number of farms.

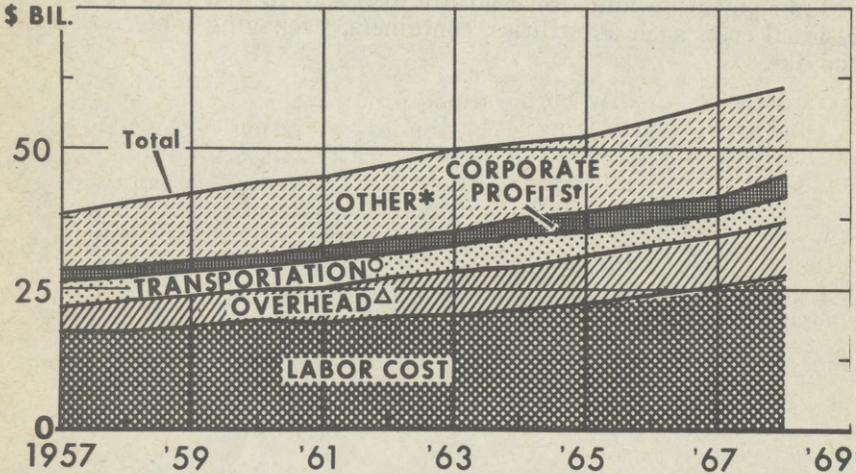
Quantities of most farm inputs other than labor and real estate have gone up significantly in the past 20 years. The most noticeable increase has been a twofold jump in the use of fertilizer and liming materials since 1950.

Grouped together, there has been a 75-percent increase in such inputs as pesticides, capital, interest, taxes, and many other miscellaneous items. The decreasing use of labor has brought about an increase of about a third in the use of mechanical power and machinery in the 1950's and 1960's.

Dr. PAARLBERG. On page 35 are shown the components of the bill for marketing farm foods to the U.S. consumers. That bill has been rising. It is presently around \$70 billion. The largest component of it is labor, and that share has been steady. Corporate profits are fairly steady. They constitute about 5 percent of the total marketing bill before taxes.

Transportation and overhead are also shown, and then there are residual costs such as utilities, containers, packaging materials, and the like.

COMPONENTS OF BILL FOR MARKETING FARM FOODS TO U.S. CONSUMERS



*RESIDUAL: INCLUDES SUCH COSTS AS UTILITIES, CONTAINERS, PACKAGING MATERIALS, AND AIR AND WATER TRANSPORTATION. †BEFORE TAXES. ○INTERCITY RAIL AND TRUCK.
 ▲DEPRECIATION, BUSINESS TAXES, ADVERTISING, RENT, INTEREST.

Changes in the Farm Marketing Bill

Since the late 1950's, all components of the bill for marketing farm foods have risen. The total in 1968 was almost \$61 billion, compared with \$38 billion in 1957--an increase of 60 percent.

The major component of the marketing bill continues to be the labor cost, which makes up close to half the total. Labor cost rose from 1957 to 1968 at about the same rate as the overall cost of farm food marketing.

Overhead costs, which make up about a sixth of all costs, showed the largest increase since 1957, almost 90 percent. This component includes things such as depreciation, business taxes, rent, advertising, interest, and contributions.

Corporate profits, before income taxes, of firms engaged in food marketing rose about 50 percent from 1957 to 1968. These profits were around 5 percent of the total marketing bill.

Rail and truck transportation costs rose least--only 15 percent over the decade ending with 1968--including charges for heating and cooling foods on the way to market.

Other costs, which make up about 25 percent of the marketing bill, have shown a somewhat smaller increase than the total. This is a residual component which includes costs such as containers, packaging materials, air and water transportation, and noncorporate profits.

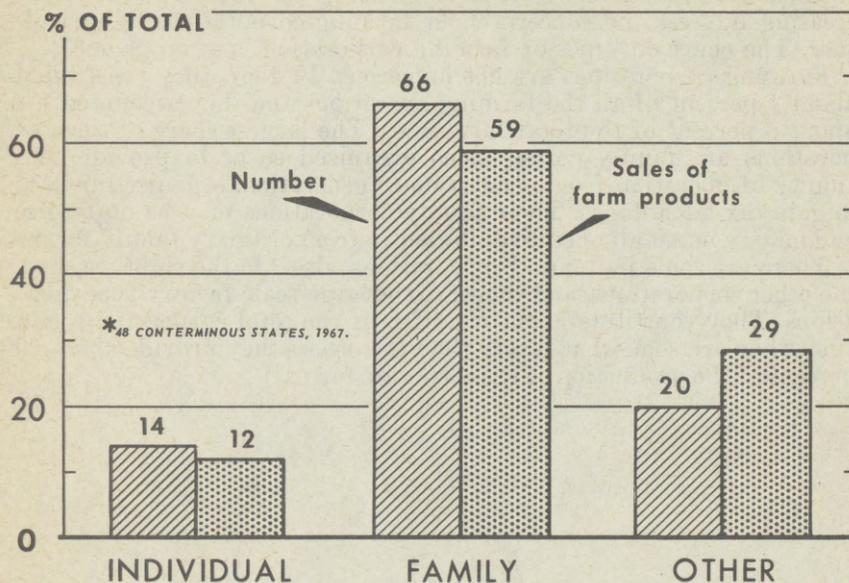
CORPORATION FARMING

Dr. PAARLBERG. Now, Mr. Chairman, we are aware of the interest of this committee, and indeed many people in these structural changes in agriculture, different ways of organizing the farm operation, increasing interest and concern about farming corporations in agriculture. The chart on types of farming corporation is in on page 37.

Farming corporations are not numerous. In 1967, they constituted about 1 percent of all the farming operations and they accounted for about 8 percent of the total farm sales. The largest share of the corporations are family corporations organized so as to provide continuity of operation from generation to generation, organized in part to gain tax advantages. These family corporations may be no larger, and may be not at all operated differently from ordinary family farms.

There are some individual corporations, also. On the right we show the other corporations, and these are the large-scale factory-type operations. They constitute about one-fifth of the total corporations, and since they are somewhat larger than the others they provide about 29 percent of the production of the corporate farms.

TYPES OF FARMING CORPORATIONS*



Ownership and Control of Farming Corporations

Family ownership and control of farming corporations is the most common type. Typically, such businesses are larger-than-average family farms and ranches that have incorporated. Such firms continue to operate much the same as before incorporation.

Family corporations also account for most of the sales of farm products by corporations. However, with larger sales per unit, the 20 percent of corporations other than individual or family accounted for 29 percent of the total farm product sales by corporations in 1967.

Sales of farm products by farm corporations in the 48 contiguous States were estimated at \$3.3 billion in 1967, or 8 percent of the total for all farms. Corporate farming operations in California were particularly large. Thirty-one percent of the farming corporations in California had sales of farm products of \$500,000 or more, compared with 10 percent for the 48 States. Over half of these California farm corporations were family owned and controlled.

TYPES OF FARMING CORPORATIONS

Dr. PAARLBERG. The last chart in the book shows where these farming corporations are located. They are concentrated in California in the Central Valley, in the Imperial Valley, a large number in Florida, a number in this part of the country, some along the Mississippi River, and a concentration in Utah around Salt Lake City. The interesting thing is that they are scattered in a remarkably general fashion among the other States.

I think that is as much as I want to say at the present time. Mr. Myers and I will be glad to respond to questions arising from these charts, from the statement, or other things that you may wish to inquire about.

FARM INVESTMENT

Mr. WHITTEN. Thank you very much, Doctor. We recognize, as I said earlier, your wealth of experience and your standing in your profession. For that reason your answers have considerable value to us and to the record.

There are several things here I wish to express first and then ask for some specific responses.

A few years ago I spoke to a bankers association at which time I pointed out the average amount required per farm was an investment of around \$74,000, as I recall it. That was the average. It took about as much money, or nearly as much money to start a farm as to start a bank.

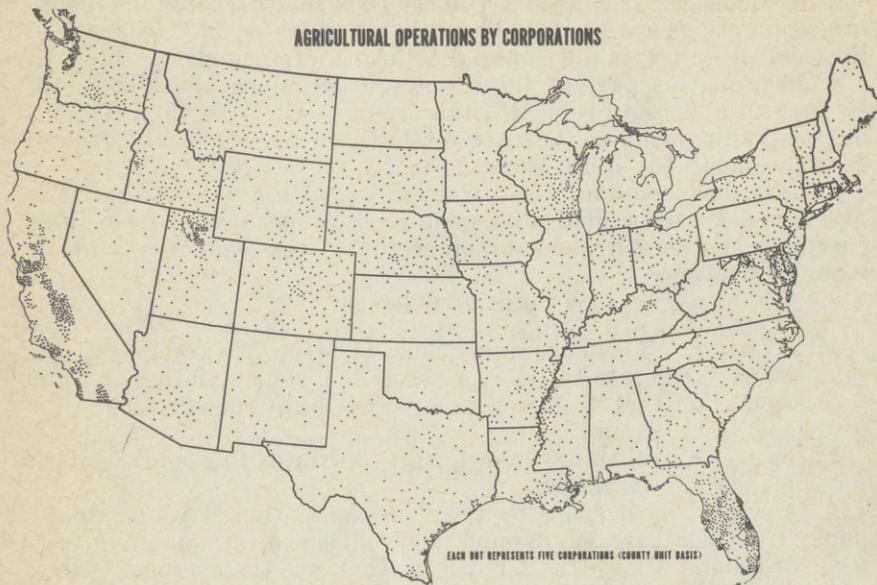
Regarding the matter of corporations, I have tried to make myself get into the habit of referring to agricultural producers. We still have many small farmers, but nearly all of the so-called small farmers who are still in business today, according to my studies and observations, consist of those who, as you said earlier, have regular jobs in the cities and a small operation which they can carry on before and after work hours and on weekends. These are older people who may be merely waiting until they can qualify for social security or those who have small holdings of land which their children wish to hold on to and farm because it does not cost them much.

Dr. PAARLBERG. That is right, sir.

Mr. WHITTEN. When we see that in 18 months you can lose the value of the land, any business that requires that high an investment and runs that high a risk, is not going to be very appealing to new farmers. Also, if you have to have this huge investment and hope to come out moneywise you have to limit your potential loss. The news media seems to think it is a dirty word to say "corporate farming." They do not have the same feeling toward other corporations, as they do to farms. However, if the investment to produce per year runs as high, as it does, about the only way that the average fellow can limit his risk is to form a corporation.

There, at least, you are putting up the assets of the corporation but you are not losing body and soul and you are not mortgaging the hereafter. If this cost will constantly rise and if the size of farms must constantly increase I do not see how these folks can stay in business unless they did so incorporate. Do you think that is a factor?

AGRICULTURAL OPERATIONS BY CORPORATIONS



Location of Farming Corporations

The corporate form of organization in agricultural production was in all States, with concentrations in California valleys and Florida, in 1967. Other concentrations were in the Mississippi River Delta, around the Great Salt Lake, around Lake Michigan, and along the east coast north of North Carolina. Some of the largest farming operations by corporations were conducted in these locations.

In 1967, the number of corporations having agricultural operations totaled 13,256, excluding grazing associations or institutions. This was about 1 percent of commercial farms. The farming corporations operated 60 million acres, or 7 percent of the estimated land in commercial farms in 1967. In the Pacific and Mountain regions, corporations accounted for 3 percent of commercial farms. In Florida, 9 percent of commercial farms were incorporated and 31 percent of land was operated by corporations.

SOME ALTERNATIVES TO "CORPORATION FARMING"

Dr. PAARLBERG. I think some people are turning to that answer. I do not think it is the only answer.

Mr. WHITTEN. Certainly there are other factors.

Dr. PAARLBERG. Another thing that could be done would be for people to rent their farms, let somebody else provide the capital for the land, work out some good long term satisfactory lease, give the operator a chance to regain any investment that he makes in the property that would not be fully utilized at the time the tenure contract would be terminated, and give the man managerial responsibility. He could be a farm operator, a decisionmaking farm operator under a good leasing arrangement. Some of the rental arrangements that we have had have been bad, but this is one possibility.

Another possibility—and none of these things are very attractive—is for a farmer not really to anticipate ever becoming a full owner free of debt. He would rent his capital in the same way General Motors rents its capital, or in a similar fashion. Perhaps he can borrow money from the Federal Land Bank or somewhere else which would not involve amortizing that debt during his lifetime. It might continue and pay interest on it.

All of these different things are being tried and experimented with by farmers. We are studying them in ERS because we see exactly the problem you put your finger on—the rising capital needs. We have to make some institutional adjustments here so that this farmer can continue to be an operator rather than a pieceworker. He can be a decisionmaker and continue to be the enterprising farmer in this new setting that he was in the past. I think we are in for some major changes in the way we organize the capital needed for modern agriculture.

AGRICULTURE'S IMPORTANCE TO THE NATION'S ECONOMY

Mr. WHITTEN. As you know, I have served as chairman of this subcommittee for quite a long time. In the process I have learned many things secondhand from others outside of my own experience. I got off a farm when I was old enough to do so and have not participated in farming since.

In the years on this committee one of the things that has disturbed me is that the American people frequently think of agriculture apart. However, in the last 2 years I have worked pretty hard with the help of the folks in the Department. I presented my views to the National Association of County Agents in Louisville, Ky., and this year to the National Limestone Association.

In speaking to the county agents I pointed out several things here that may already be in the record. These are things that should be remembered.

It is my own opinion that if you study history you find that after the great depression the primary driving force for the first farm programs was not to relieve farmers but from the economy standpoint, and actually from the Government standpoint, it was to restore purchasing power in the ground, that it is at the raw material level where the greatest influence is felt on dollar volume income.

Dr. PAARLBERG. That is right.

Mr. WHITTEN. When you look at it in that way then you can see that if we let the farm income go down and the biggest market that industry and labor has reaches doldrums, it will pull the rest of it down.

With that background I would like to read these figures that were worked up and presented in Louisville, Ky.

After the First World War ended the Government announced that it would no longer support the price of wheat. Wheat which had brought \$2.94 a bushel in Minneapolis in July of 1920 brought \$1.72 in December of 1920. It brought 92 cents a year later. Agricultural prices in general collapsed. Cotton fell to a third of its July 1920 price and corn by 62 percent. The Yearbook of Agriculture in 1922 shows that the total value of agricultural products dropped from \$18,328 million in 1920 to \$12,402 million in 1921. As a result of the agricultural crash of 1920-21, 453,000 farmers lost their farms. Many others remained in serious financial trouble which in turn was reflected by the failures of thousands of local banks.

Average wheat prices for the years 1924 through 1927 stayed pretty much in the range, between \$1.19 and \$1.44 a bushel as compared to a parity price of approximately \$1.40 for the period.

Corn prices in these same years varied from 70 cents a bushel to \$1.06 a bushel versus a parity price of \$1. Cotton prices were 12½ cents a pound in 1926 but averaged 20.7 cents for other years compared to a parity price of 19.1 cents. In 1928 these prices were: wheat \$1, cotton 18 cents, corn 84 cents. By 1931 wheat was only 38 cents a bushel, cotton 5.5 cents, and corn 32 cents—roughly one-third of the pre-1928 price levels. Starting in August of 1929 wheat prices for the dominant futures in the Chicago Board of Trade fell from \$1.43 average price to 76 cents in November of 1930, a drop of over 50 percent in 15 months.

The Dow Jones stock price averages followed by declining from a high of 381.2 in September to a low of 41.2 in July of 1932. The decline in the price of wheat on the commodity exchanges was particularly significant since they were nearly \$250 million of open contracts in October of 1929, almost 2½ times the number of contracts in normal years. A great many of these speculators were ruined. It has been said there were more suicides during this period among those that didn't know what a farm was as a result of the breakdown in farm or commodity prices, which in turn had led to the fall of prices throughout the country, than in any other period of our history.

I read that into the record because everybody does not study this and very few folks remember it. I remember the aftermath of it.

Dr. PAARLBERG. I remember it. I was farming during those years. I remember it very vividly.

Mr. WHITTEN. If the farm economy goes down, it brings all the rest of it down. That is what so many people overlook.

I am glad that you have that knowledge. I was putting it in the record for those who might have occasion to turn to it and find out about it.

I did a good deal of work in trying to bring together the situation that faces us and brings us here today. I said this at the National Limestone Association. I said then that any future farm program would have to be approved by an urban society because in Congress we have 47 out of 435 Members who have as many as 20 percent of their people engaged in agriculture.

I further said that we must get the people to understand in the Congress, the urban people, that it is their livelihood and their markets we are dealing with and their supply of food and fiber.

What leaves me with the greatest fear is that while the farmer may quit it is those of us who are consumers who cannot afford to have him quit. We just can't do it.

Our standard of living is built on the fact that so few are engaged in agriculture that many others are free to do other things.

Having started off with that background I wish, if you do not have it here, that you would show in the record the average investment in a farm and the average age of those engaged in agriculture.

(Discussion held off the record.)

(Information follows:)

The average value of production assets per farm in 1960 was \$42,214; the comparable figure for 1969 was \$85,402.

The average age of farm operators from the 1964 Census of Agriculture was 51.3 years. This was up slightly from the average age of 50.5 years reported in the 1959 Census of Agriculture.

In 1964, the average age of operators for the larger sales class farms—over \$20,000—was estimated close to 47 years. This is about 4½ years less than the average for all operators.

For commercial sales classes below \$5,000, the average age of operator in 1964 was about 52 years.

By definition, part-retirement operators are over 65 years of age. Part-time operators, on the other hand, are under 65 by definition and their average age was about 46 years in 1964.

MR. WHITTEN. Then we would like a breakdown as to the exports we have had over the last 7 or 8 years, or whatever period can be easily broken down into dollars in Public Law 480 and other credits.

(Information requested follows:)

U.S. AGRICULTURAL EXPORTS: TOTAL, DOLLAR SALES, AND GOVERNMENT PROGRAMS, FISCAL YEARS

[In millions of dollars]

Year ending June 30	Total agricultural exports	Dollar sales ¹	Government programs ²
1960.....	4,517	3,234	1,283
1961.....	4,946	3,443	1,503
1962.....	5,142	3,572	1,570
1963.....	5,078	3,598	1,480
1964.....	6,068	4,550	1,518
1965.....	6,097	4,400	1,697
1966.....	6,676	5,060	1,616
1967.....	6,771	5,196	1,575
1968.....	6,313	4,711	1,602
1969 preliminary.....	5,740	4,720	1,020

¹ Dollar sales include, in addition to unassisted commercial transactions, shipments of some commodities with governmental assistance in the form of (1) extensions of credit for relatively short periods, (2) sales of Government-owned commodities at less than domestic market prices, and (3) export payments in cash or in kind.

² Programs included as follows: Economic aid 1949-68; sales for foreign currency 1954-62; and development loans, 1964-68 under Mutual Security (AID) programs; sales for foreign currency under title I, Public Law 480, 1954-68; long-term dollar credit sales under title IV, Public Law 480, 1962-66, effective Jan. 1, 1967, under title I, Public Law 480, as amended by Public Law 89-808; Government-to-government donations under title II, Public Law 480, 1955-68; donations through voluntary relief agencies under sec. 416, Agricultural Act of 1949 and title III, Public Law 480, 1950-66, effective Jan. 1, 1967, under title II, Public Law 480, as amended by Public Law 89-808; barter under Charter Act of CCC, title III, Public Law 480, and other legislation, 1950-68.

MR. WHITTEN. Then show the percentage of the average consumer income which goes for food.

(Information requested follows:)

Year:	Percentage of disposable income spent for food
1960.....	20.0
1961.....	19.8
1962.....	19.3
1963.....	18.9
1964.....	18.4
1965.....	18.1
1966.....	18.0
1967.....	17.1
1968.....	16.8
1969 (preliminary).....	16.5

FARM WAGES

Mr. WHITTEN. What disturbs me perhaps more than anything else is that with all of our experimentation we do not seem to have come up with any proper answer. In a nutshell, as we discussed it many times before, income is volume times price less cost. Congress has continuously increased wages through minimum wage laws and the rights of labor to organize, and this has increased the average wage to the latest figure I have of \$2.96.

I would like the record to show what has happened in the field of minimum wage over the last 8 years and the average wage for labor. (The information referred to follows:)

There has been a minimum wage outside of agriculture for many years. The hourly rate has increased from 25 cents in 1938 to \$1 in 1961 and the present rate of \$1.60 per hour.

Agriculture was first covered by a 1966 amendment to the Fair Labor Standards Act. At that time, an effective rate of \$1 per hour effective February 1, 1967, was extended to some of the workers on larger farms. Effective February 1, 1969, the hourly rate for covered employment in agriculture was raised to \$1.30; this is 30 cents per hour less than most of the rest of the economy.

Actual rates per hour for farm workers and for workers in manufacturing from 1961 through 1969 follows:

	Composite farm wage rate per hour	Average hourly earnings in manufacturing
1961.....	\$0.83	\$2.32
1962.....	.86	2.39
1963.....	.88	2.46
1964.....	.90	2.53
1965.....	.95	2.61
1966.....	1.03	2.72
1967.....	1.12	2.83
1968.....	1.21	3.01
1969 preliminary.....	1.33	3.19

Mr. WHITTEN. There is a limit to how many consumer dollars the public has. If we by law are going to see to it that a bigger and bigger share goes to the industrial worker, and an urban society is likely to do that, if industry has to put its margin above that, and if it is to stay in business it has to do that, then, in the absence of price supports, the raw material will have to take what is left.

By taking what is left, it would mean that the producer would have to bleed the land, and that has been done in other places.

I do not know of any easy solution to a hard problem, and this is a hard problem. I do not know where we are headed.

We should have a list of the subsidies paid by Government, and that would include shipbuilding and the maritime operations, it would include mailing, and various other things. This should be included in the record and I will ask our clerk to insert that.

(Information referred to follows:)

COMPARISON OF CUMULATIVE COSTS FOR SELECTED FEDERAL SUBSIDY PROGRAMS

<i>Losses under price-support programs</i>		<i>In millions</i>
Basics -----		\$25, 145
Nonbasics -----		7, 472
Total -----		¹ 32, 617
 <i>Other Federal subsidy programs</i> 		
Mail subsidies -----		² 15, 326
Subsidies to maritime organizations -----		³ 9, 861
Subsidies to airlines -----		⁴ 1, 457
Business reconversion payments (including tax amortization) -----		⁵ 47, 698
Mineral depletion allowances -----		⁶ 66, 413

Federal investment in Stockpile materials (as of July 1969)

Agricultural commodities -----	1, 268
National stockpile of material -----	7, 177

¹ From beginning of program through June 30, 1969.² From 1946 to 1969, subsidies to 2d-, 3d-, and 4th-class mail.³ From 1938 to 1970, construction and operation subsidies.⁴ From 1938 to 1970. Amounts include estimates for 1969 and 1970.⁵ Status as of 1967.⁶ From 1925 to 1968.

Mr. WHITTEN. Doctor, I enjoy talking to you.

We shall have a chance to visit at other times.

PARITY RATIO

Mr. NATCHER. I have enjoyed your statement, Dr. Paarlberg. Of course, it is a pleasure having you appear before our committee.

I want to direct your attention back to chart No. 5 which I think, Dr. Paarlberg, is the most important chart you have discussed with the committee today.

Just by way of review, what do you mean by a parity index? We know that as far as the parity index is concerned we keep using the years 1910 to 1914.

Dr. PAARLBERG. That is correct.

Mr. NATCHER. Explain in the record how you arrived in those days at parity of 100, in 1910 to 1914.

Dr. PAARLBERG. Well, if a bushel of wheat in 1910-14 averaged \$1, and if it now averages \$1.25 the index would have moved from 100, the base period, up to 125. It would have increased 25 percent.

If we put together and average all the different farm products, wheat and corn and cotton and cattle, and weighed these according to their importance and come out with a certain number, that indicates how much the average of the whole has changed during the period.

Presently prices received are at the index of about 287.

Mr. NATCHER. Percentagewise what do we have now as far as parity at the present time?

Dr. PAARLBERG. Seventy-five. Let me follow through.

Mr. NATCHER. Go ahead, Dr. Paarlberg.

Dr. PAARLBERG. You average up prices farmers receive for these products, weight them, and you come out with 287. That means prices have not quite trebled. If it were at 300 it would have trebled.

Now, during that time the prices of the articles that farmers buy have also increased—machinery, fertilizer, seed, all these things. You average all those together and they have increased even more rapidly than the prices that the farmers receive. They have gone up to an index of 383.

Now, if you take the prices that farmers receive, 287, and divide that by the index of prices they pay, the parity index, you come out with a ratio of 75.

Mr. NATCHER. Seventy-five percent?

Dr. PAARLBERG. That is right.

Mr. NATCHER. Dr. Paarlberg, as you and I know, every day we hear complaints concerning the price of food in the food market. The housewives are complaining and in many instances their complaints may be justified. However, you and I know that the American farmer is not receiving the increase that we have in the food market.

Dr. PAARLBERG. That is correct.

Mr. NATCHER. I think this is a serious matter because here is where the farmer has his trouble.

From time to time we hear before this committee that a study is underway or will be underway concerning price indexing and parity, and whether or not we should continue with the 1910-14 formula. What are we doing along that line or what should we do? What should happen from the standpoint of agriculture generally to make a bushel of corn bring more money today than it did when I was 10 years old?

I know that we are producing a lot more corn per acre.

FARM EFFICIENCY

Dr. PAARLBERG. There have been changes in the efficiency with which this corn is produced. It used to be a mule and a walking plow. Now it is a tractor and a four-row planter, so the whole cost pattern has changed. We would hardly expect, Congressman Natcher, the price relationships that were appropriate the year I was born to be fully appropriate to the year 1970 because there have been changes in the style of production, in the cost of input items, in the quality of the product, and all these things.

I think myself that the period 1910-14 is now too remote in time to be a good reference point.

Mr. NATCHER. And I agree with you.

Dr. PAARLBERG. I think we should change, and this is a matter of law, to a more recent reference date that would give us a better basis of comparison. It would pick up some of the great changes that have occurred since that time.

Mr. NATCHER. I think you are 100 percent correct. The Agriculture Act of 1965 expires this year.

Dr. PAARLBERG. Yes.

Mr. NATCHER. Why is this not a matter that should be considered by the Congress during the calendar year of 1970?

PARITY INDEX

Dr. PAARLBERG. It could be. Our experience is that changing the base for the parity index is a very deep and troublesome thing. It has been tried several times in the past and we have not always improved our

measuring standard as a consequence and we have thought it such a thorny problem that we ourselves have not suggested that it be opened up.

Mr. NATCHER. We will have to open it up sometime. You agree on that.

Dr. PAARLBERG. What is happening is that instead of revising and updating the parity index and giving it a more recent base we have said that we are not going to shoot at 100 percent of parity. We are going to aim at some different percentage of parity, which different percentage will reflect the changes which have occurred since the base period.

Mr. NATCHER. Then you are using a very unfair method as far as the American farmer is concerned. Do you agree with that?

Dr. PAARLBERG. I agree that it is distressing and often misleading. However, in the absence of a total revision of the index itself it may be the only feasible alternative.

You really mentioned two things. You mentioned, one, the standard which long has been parity and the need for revising that. Then you mentioned the devices by which you would achieve the desired level. These are two different things and I am sure you recognize that.

Mr. NATCHER. Right.

Dr. PAARLBERG. The chairman expresses concern about the use of the payment technique as a means of achieving the desired goals. I share with him that concern.

The alternatives, loans which we have used, these also have gotten us into deep difficulty. Choices are not easy here and I know you are quite aware of that.

Mr. NATCHER. I understand. This to me is the most serious problem that you have discussed before the committee today.

Dr. Paarlberg, do you agree with me that when they bring down the price of food in the food markets to satisfy the consumer, and maybe some of it should be done, that in turn will seriously affect the American farmer as far as the parity index is concerned and as far as parity generally is concerned? Am I right about that?

Dr. PAARLBERG. Yes.

Mr. NATCHER. Does it follow automatically that the American farmer has to pay the piper when that takes place?

Dr. PAARLBERG. It can sometimes come out of an excessive margin.

MARKETING MARGINS

Mr. NATCHER. You know, Dr. Paarlberg, and you have had a lot more experience along this line than I have, that when you go into that middle section you do not receive any assistance. You do not have any aid or any comfort.

Dr. PAARLBERG. Yes.

Mr. NATCHER. Do you agree?

Dr. PAARLBERG. I do. I think that the merchandising of food is on the whole a pretty competitive operation. Now and then you get a wide margin for a particular product. We now have a wide margin for beef. However, on the whole these margins are, I think, at a fairly modest level by the force of competition.

I merely agree with you that you cannot take much out of that margin and improve the farmer's situation or improve the consumer's situation.

Mr. NATCHER. You are right. Thank you.

Mr. EDWARDS. How many farms are there in the country?

Dr. PAARLBERG. About 3 million, close to it.

Mr. EDWARDS. Will it be about that many farmers?

Dr. PAARLBERG. About that many farm operators.

Mr. EDWARDS. About how many acres are devoted to farming? Do you have those kinds of figures?

Dr. PAARLBERG. We harvest around 300 million. We have some additional that are now in the various programs. There are some 55 million additional in the land diversion and retirement programs.

Mr. WHITTEN. Off the record.

(Discussion held off the record.)

GENERAL AGRICULTURAL OUTLOOK

THURSDAY, FEBRUARY 19, 1970.

WITNESSES

DR. DON PAARLBERG, DIRECTOR OF AGRICULTURAL ECONOMICS
DR. M. L. UPCHURCH, ADMINISTRATOR, ECONOMIC RESEARCH
SERVICE

MARDY MYERS, ACTING CHIEF, FARM INCOME BRANCH, ECONOMIC
RESEARCH SERVICE

CHARLES L. GRANT, DIRECTOR OF FINANCE, DEPARTMENT OF
AGRICULTURE

Mr. EVANS. Dr. Paarlberg, Dr. Upchurch, Mr. Myers, the chairman, not being able to be here, has indicated a couple of questions he would like to have further inquiry on. So I will read his questions, and we would be pleased to receive your answers for the record, Doctor.

BEEF PRICES

The first one is, we have discussed the rise in prices for meat, especially beef. The table on page 21 shows this trend. Isn't the basic problem with the number of feeder cattle and feeder pigs available?

Dr. PAARLBERG. I think the short answer to that is, "Yes." We have been fattening out a larger and larger share of our beef animals. If we had more feeder stock, our grain supply is sufficiently ample so that we would much increase our beef supply, in my estimate. I think the limited number of feeder animals is probably the critical factor with regard to the total supply of beef.

Mr. EVANS. In this regard, are you satisfied with the collection of facts and statistics on the number of animals that we have in this country from time to time? Is this sound enough basis for you to be able to make projections and diagnose the industry?

Dr. PAARLBERG. No, sir; it is not. Our statistics on the numbers of animals are not as sound as they should be. We are asking this year in

our budget for the Statistical Reporting Service for some additional money to improve our livestock statistics.

We have new sampling methods sufficiently well tried now so that we think we are ready to move forward with them, and we are asking money to expand this effort.

Mr. EVANS. To what extent do you depend upon the voluntary response of those raising livestock to provide you with the figures that you use?

Dr. PAARLBERG. Historically that has been the method, and it will continue to be the case in the future. With one relatively small exception (peanut stocks) neither producers nor businessmen are required to complete and return questionnaires distributed by our Statistical Reporting Service.

We are now moving to a method of sampling on a statistical base with enumerators. We find that this results in more accurate and useful data, but the individual reports are still voluntary. The voluntary reporting gives us some biases but these are mostly the result of the sampling system we have historically been required to use. The newer probability sampling methods, we think, are gradually going to replace the older methods of nonprobability reporting by the farmers.

CROP AND LIVESTOCK REPORTING

Mr. EVANS. With regard to the voluntary reporting, has the difficulty been that the growers or the raisers of livestock don't respond, or that their responses are inaccurate, or both?

Dr. PAARLBERG. Both. The percentage of response is not as great as it should be and there are errors sometimes. I don't think these are deliberate falsifications, but there are, sometimes, errors. If we just accept these responses as they come in, we don't know really how many farms of the particular type concerned there are, or how many farms this response represents. The main problem is one of improved sampling procedures and not with the voluntary response. If we have the ability to contact a random sample of producers by either mail, telephone, or personal interview, we get much more accurate figures.

Mr. EVANS. With what frequency do you make an enumeration?

Dr. PAARLBERG. We now carry out two enumeration surveys each year—the first in June, and a subsample of this one on the 1st of December. In addition, we will be interviewing some producers in 12 north central States to estimate the stocks of major grains on farms each quarter. This latter is a limited new program started the past January. We also contact, usually by telephone each quarter, a number of the largest feeders of cattle.

Mr. EVANS. Would you place in the record the recent history, say from 1950 to the present, of the number of feeder cattle and feeder pigs marketed, and the price?

It probably would be equally easy and maybe more understandable if we would show the actual numbers.

Dr. PAARLBERG. We will be glad to provide the information.

(The information follows:)

SELECTED PRICE AND SHIPMENT DATA FOR CATTLE AND HOGS

Year	Fed cattle placements, 26 States, ¹ 1,000 head	Feeder steers all weights and grades Kansas City, dollars per 100 pounds	Hogs shipped between States for feeding or breeding 1,000 head	Dollars per 100 pounds	
				Prices paid by farmers for feeder pigs ²	Barrows and gilts at 8 markets
1950.....		26.76	580		18.52
1951.....		32.63	755		20.56
1952.....		25.55	740		18.13
1953.....		17.35	812		21.99
1954.....		18.97	1,116		22.25
1955.....	10,555	18.60	1,398		15.19
1956.....	11,164	17.37	1,532		14.82
1957.....	10,695	20.33	1,515		18.29
1958.....	12,107	25.56	2,077		20.25
1959.....	12,989	25.61	2,348		14.64
1960.....	13,534	22.93	2,500		15.96
1961.....	14,375	23.30	2,293		17.16
1962.....	15,960	24.53	2,639		16.82
1963.....	16,275	22.95	2,657		15.38
1964.....	17,711	19.79	2,718		15.31
1965.....	18,763	22.50	2,385	35.4	21.30
1966.....	20,484	25.42	2,583	40.6	23.49
1967.....	21,292	25.67	2,873	33.5	19.37
1968.....	23,716	25.89	3,315	33.0	19.19
1969 ³	24,983	29.30	(4)	39.2	23.89

¹ Not available 1950-54, partly estimated for 1969.² Not available prior to 1965.³ Preliminary.⁴ Available Apr. 23, 1970.

RURAL LIVING

Mr. EVANS. Is there some way you can illustrate for the record the benefits of staying in rural areas as opposed to moving to the cities where more income may be available, in part from welfare payments, but the quality of life is deteriorating and there is little opportunity for improvement? Is there any way you could illustrate this for the record?

Dr. PAARLBERG. I would like to make brief comments, and then I would like to supplement this with a later submission.

Mr. EVANS. Why don't you do that, then, doctor?

Dr. PAARLBERG. The benefits of rural living are, I think, measurable in terms of the greater wholesomeness of rural living, as indicated by delinquency rates, comparing the rural areas with our ghettos. The advantages of having our people continue in the rural areas are clear, I believe, in terms of the clear fact that they support a whole economic structure. They disperse this throughout the countryside. This is advantageous in a number of ways.

We are finding that excessive concentrations of people make us vulnerable to social unrest and political upheaval and all kinds of things, and the dispersal of these people throughout the country is advantageous in those broad social ways.

Now, this is very hard to quantify, but we do have some thoughts on it, and for the record I will try to do the best I can.

(The information follows:)

STATEMENT BY DR. PAARLBERG

Although I must concede that our economy, as presently organized, provides greater employment, higher income, and greater cultural and educational opportunities in our cities and surrounding suburbs, I must point out that there are important benefits to remaining in rural areas. One of the most important

is the luxury of space. In our rural areas people are less likely to get into each other's way and to require elaborate rules and complicated forms of social organization in order to coexist. There are fewer causes for friction and irritation among people getting in, or trying to keep out of, each other's way. There is the luxury of privacy. Space and landscape may be more effective barriers than a locked door. Along with lower density of population, there is greater visibility of individuals. People are not anonymous; as known individuals, they are socially accountable. Thus, problems of social control are less in rural areas. We do not have good statistics, but there appears to be less delinquency and crime, and less outlay for law enforcement in rural areas. With more social visibility in rural areas, you might say people police themselves, rather than requiring an impersonal system of deterrents.

Among other benefits that should be considered are the greater emphasis on self-reliance, local responsibility, and pride in neighborhood and community in rural areas. I am not saying these qualities are universally found in rural areas—I wish they were—but I do say that they are more likely to be found in rural areas than in many of our cities. Neither do I want to imply that living in rural areas is great; there are many shortcomings and far too many inadequacies as rural life presently exists. My major point is to stress that our rural areas provide an important residential alternative, with significant advantages, as we ponder the problems of population distribution. I am interested in seeing that our rural areas become far better places to live and work.

Dr. PAARLBERG. The unfortunate thing is that we have not been sufficiently aware of these matters, and we have piled up in the cities, which were already too heavily populated, the new job opportunities, the best educational opportunities, the best social services, the welfare services, and so we have succeeded and pulled these people out of the rural areas and concentrated the people in the cities. I do believe that the country is now taking a new measure of this long process and raising substantial questions about the wisdom of it, and is in the process of trying to get a dispersal of our population. The unfortunate national fact is that for a long time the income opportunities and the social opportunities and the educational opportunities have been in the cities, and this has pulled the people out of the rural areas, in my judgment to the hurt of the country. It is now time to redress this balance, I think. The President addressed himself to this in his state of the Union message briefly. The Department of Agriculture is working on a rural development program that will be instrumental I think in helping to bring about a better distribution of our people.

Mr. EVANS. I am delighted to hear you say that, for I feel very strongly the same way. I wonder how it is that we, as a free nation with private enterprise, are going to be able to accept this responsibility and make decisions within the framework of freedom and private enterprise. I fear if we don't, we are in for a great deal of trouble.

Dr. PAARLBERG. I surely agree with you.

Mr. EVANS. Do you want to ask some questions, Mr. Langen?

Mr. LANGEN. Dr. Paarlberg, it is good to have you before the committee. This is one of the things I kind of look forward to each year, because the report on the economic outlook for rural America is obviously of great interest to this committee, and I think it is of great interest to the country as a whole.

Dr. PAARLBERG. Indeed.

IMPROVEMENT IN AGRICULTURE

Mr. LANGEN. Because agriculture is a substantial part of the entire economic stature of the country—I think a little bigger than we realize at times—and consequently it bears great significance.

During the course of the colloquy that has taken place so far there has been brought out information, some of it offering some little ray of hope for improvement in the future, and some that I think is worthy of our attention from the standpoint of what the future is going to hold with regard to further developments relative thereto.

I noted yesterday in your statement, to begin with, the reference to the improvements.

Dr. PAARLBERG. Yes.

Mr. LANGEN. Some improvement in the gross income, some improvement in the net income, which is surely welcome.

Dr. PAARLBERG. Yes.

Mr. LANGEN. As I remember those figures, an increase of about \$1.2 billion in net income across the country.

Dr. PAARLBERG. That is correct.

Mr. LANGEN. One of the things with regard to this, however, that I don't think is referred to, possibly, as often as it might be: In this instance where there has been an improvement in the net income, primarily it has come out of livestock and livestock products?

Dr. PAARLBERG. That is correct.

Mr. LANGEN. In fact, knowing the figures for Minnesota, it is responsible for all the improvement this year.

Dr. PAARLBERG. Yes.

Mr. LANGEN. In fact, there was a little decline in the grain crops.

The reason I raise those two points together is the fact that there is a relationship between the two of them. Actually, farmers themselves made a great contribution to the increased net income in livestock and livestock products because they supplied cheap feed. Had the price of feed had the same ratio of increase in cost as has been the case for labor, machinery, fertilizer, and equipment, that increased net profit wouldn't have been there. So that actually farmers themselves made a good contribution to that.

Dr. PAARLBERG. That is right.

Mr. LANGEN. Has there been any calculation which indicated just what the farmers' contribution was to that improved net income?

Dr. PAARLBERG. I don't believe such a calculation could be made.

Prices paid by farmers for feed grain have been, I think, fractionally above the previous year.

Is that right?

Mr. UPCHURCH. Yes.

Dr. PAARLBERG. You could measure to what degree the people who buy feed and convert it into livestock would have gained by the relatively small increase in this price of feed. I don't think it would be major, but it would be a factor.

Mr. LANGEN. It seems to me to be a point that ought to be made note of, because, as you have also referred to, the cost of production went up.

Dr. PAARLBERG. Yes.

Mr. LANGEN. But possibly the only element in the cost of production that didn't go up, and which is a major factor in livestock and livestock products, was what farmpeople themselves contributed to it, namely the products they raised.

Dr. PAARLBERG. There is another interesting twist to that. That is that one of the increased costs that livestock people encountered was

the higher price for feeder stock which was again to the ranchers who provide the feeder livestock. So there is a trade-off there, too.

Mr. LANGEN. Very correct.

Dr. PAARLBERG. Yes.

NONMONEY INCOME

Mr. LANGEN. Now, on the chart which is on page 7 and deals with the farm income components, and on the chart, to the left, one of the items I notice there is the nonmoney income on farms, which has been relatively stable all during this time, at about the same level. It looks like a little less than \$4 billion in round figures.

Dr. PAARLBERG. Approximately that, I believe.

Mr. LANGEN. What are all of the items that have gone into that nonmoney income?

Dr. PAARLBERG. Well, there is the meat and milk and eggs and fruit and vegetables furnished to the family from the farm. That is entered as nonmoney income from the farm, since it made unnecessary the purchase of these things. That is one thing.

Some people cut wood and use it for fuel. That is a small item in here.

The value of the home as a place to live makes it unnecessary to pay rent, and that is a small credit that is part of this nonmoney income.

There may be some others that perhaps Dr. Upchurch knows.

Dr. UPCHURCH. Those are the main items. The latest number on that is \$3.3 billion. The rental value of farm homes is a big part of this, Congressman.

Mr. LANGEN. In round figures that amounts to about \$1,200 per family, if a calculation of that kind were to be made.

Dr. UPCHURCH. On the average.

Dr. PAARLBERG. Yes.

Mr. LANGEN. I raised the question on it mainly to satisfy my curiosity. It seems to me the nonfarm income might have gone down because of the normal demands of society these days.

Dr. PAARLBERG. Yes.

Mr. LANGEN. They don't really use their own milk. It goes through the processing plant, and you buy it after it has been homogenized and so forth. You do the same thing with meat and most of the products. Even the garden products, these days.

Dr. PAARLBERG. It has gone down over the years. Rising prices have offset that to some degree.

RENTAL VALUE OF FARM DWELLINGS

Mr. LANGEN. With regard to the home, I fail to see any great advantage there, because that home isn't any different than a home wherever it is. You pay taxes on it, you have got to keep it in repair. In fact, the wear and tear on it may be harder because of its location in the country, and it is subject to wind and water and sun to a higher degree.

Dr. PAARLBERG. Yes. The reasoning there is that if the farm operator didn't have that home on the farm he would be living somewhere else, and the cost of living somewhere else would be a cost. He escapes

that cost by having his own home, and that is, in a sense, nonmoney income. That is the reasoning of it. I think it is a valid one.

Mr. LANGEN. He would have an awful time buying groceries with it, though.

Dr. PAARLBERG. He surely would.

Mr. LANGEN. That is a pretty relative matter.

Mr. EVANS. On that theory he would be taking groceries to the grocery store.

Dr. PAARLBERG. Having that home makes it unnecessary for him to pay rent, and he does have some dollars to spend for some other things. So I think it is a valid concept.

Mr. LANGEN. I shouldn't pursue the subject any further, but do you have any idea how much of that figure has been related to the home?

Dr. PAARLBERG. The big end of it, Dr. Upchurch says.

Mr. LANGEN. The big end of it?

Mr. MYERS. Yes. The big end of it. The reason that the nonmoney component has been stable is that the so-called home consumption has been falling off, but the gross rental value has been rising. Now, to go a little further than Dr. Paarlberg went, another reason we have it in is that in the national income accounts there is a like amount for owner-occupied homes of nonfarm people. It runs, the last time I looked at it, somewhat over \$40 billion. In other words, on the nonfarm income side we have an implied value of over \$40 billion for the rental value of owner-occupied homes in the cities, and in the towns. So this is a parallel kind of deal.

I agree with you, Mr. Congressman, it would be pretty hard to rent a farmhouse out in the middle of Wyoming, maybe where no one out there may want to rent it; but part of the reason is to keep up with the national income concepts.

PER CAPITA INCOME

Mr. LANGEN. Let me pursue that. This fascinates me. Are you telling me that in the per capita incomes that we see, or the family incomes, that within that total there are these figures relating to the value of the home?

Mr. MYERS. Oh, yes; both for the farm sector and nonfarm sector.

Mr. LANGEN. So when we see these per capita incomes of which rural America is about two-thirds or three-fourths of what it is in urban America, that in both instances this home value is one of the income factors that is divided?

Mr. MYERS. This is true in the national income service series. Some series that the Department of Commerce puts out through the Bureau of the Census are on a cash basis. In that case this nonmoney income is not in, and it is not in for the nonfarm sector, either. But in the gross income of the national income accounts, the rental value of farm dwellings is in and the rental value of owner-occupied homes in cities is in. When we divide through by population to get a per capita, those are taken into account.

Mr. EVANS. Gentlemen, we are going to have to suspend.

Mr. LANGEN. Let me raise one further question. What about the person who rents his home, in that case?

Mr. MYERS. If you mean if he is—

Mr. LANGEN. Just plain renting the place that he lives in.

Mr. MYERS. There would be a value in there for that, too. Are you talking about renting the home and not being a farmer?

Mr. LANEN. Yes.

Mr. MYERS. If he pays a cash rent only, then it wouldn't be in there.

Dr. UPCHURCH. It would be in there as an income from nonfarm sources to the landlord if he were a farmer.

Mr. MYERS. Yes, sir. In that case, if he lives on the farm and pays cash rent only, he is not in the farm sector.

Mr. EVANS. Do you have more questions?

Mr. LANGEN. Yes, I do.

Mr. EVANS. All right but first we must answer this quorum call.

(Whereupon, a short recess was taken.)

FARMS BY SALES CLASS

Mr. LANGEN. I will move now to another one of these charts that were presented yesterday. Page 29, the "Number of farms by sales classes," which indicates the change that has taken place, the growth in those farms that have incomes of \$20,000 and over, and a reduction in those at the bottom of the scale. I am wondering if you can supply for the committee some figures indicating what changes may have taken place on the real large farms, say those over \$100,000 or those over \$200,000. I have read or seen some statistics in this regard before. I found them interesting, that there wasn't as much growth there as one might think. I don't know whether that is right or not. If you have such figures—if you have not, it is not that important.

Dr. PAARLBERG. I would like Dr. Upchurch to respond. He knows what figures are available.

Mr. UPCHURCH. I don't remember the precise numbers, but we will provide them for the record. We do have data on the very large farms and have made some studies. The census classifications deal only with those of \$40,000 as class I farms. But we have some supplementary data from special census studies for the larger farms which we would be glad to supply for the record.

Mr. LANGEN. I think I would be interested in it, and I think the committee would, too, as to just what is happening in that upper bracket.

(The information follows:)

1964 Census of Agriculture shows that the number of large-scale farms—with farm product sales annually of \$100,000 or more—was 31,000 in 1964, some 11,000 more than in 1959. Sales of these large-scale farms in 1964 were \$8,539 million, or about 24 percent of total sales. They accounted for 29 percent of expenditures for feed, livestock, seed, fertilizer, petroleum products, machine hire, and hired labor. These large-scale farms had real estate which accounted for about 12 percent of the total value of all farm real estate in 1964.

Large-scale farms are probably increasing in number and relative importance. However, data necessary to quantify this trend is contingent upon data to be obtained from the 1969 Census of Agriculture.

INTEREST ON FARM DEBT

Mr. LANGEN. Turning to the chart on page 31, which indicates the assets as related to the claims of the farming sector, one of the items that attracted my interest yesterday was the growth of the indebted-

ness against the real estate, as well as the rest of the debt. Being somewhat familiar with this growth, it has grown at the rate of about 10 percent a year in recent years. But another factor relating to it that I think is pertinent and I think would be helpful to the committee is the amount of interest that is being paid on this indebtedness, because here, too, there has been a substantial change.

Dr. PAARLBERG. Yes.

Mr. LANGEN. Another one of the real difficult matters from the standpoint of the farm income.

Dr. PAARLBERG. Yes.

Mr. LANGEN. And where they again feel the effects of inflation and they feel it substantially. We know that the interest rates have gone up; with the indebtedness rising, the total interest figure obviously has gone up along with it.

Mr. PAARLBERG. Yes.

Mr. LANGEN. If you can supply that for the record, I think it would be helpful.

(The information follows:)

INTEREST PAID BY FARMERS

[In millions of dollars]

Year	On nonreal-estate debt	On farm mortgage debt	Total
1960.....	725	628	1,353
1961.....	757	686	1,443
1962.....	837	759	1,596
1963.....	945	-846	1,791
1964.....	1,017	952	1,969
1965.....	1,099	1,077	2,176
1966.....	1,244	1,205	2,449
1967.....	1,420	1,343	2,763
1968.....	1,524	1,480	3,004
1969 preliminary.....	1,645	1,602	3,247

Mr. LANGEN. I think too it would be helpful to relate that indebtedness together with the interest paid on a per-farm basis, as we have done with income and with a number of other things.

Dr. PAARLBERG. You would get a triple kick, because you have fewer farms, a larger total debt, and a higher interest rate. These things would just compound and make that a very dramatic figure.

Mr. LANGEN. This is one of the reasons why I asked, because so often we see the reference to the per-farm income, which to some degree has been aggravated only because there were less farms divided into a bigger figure; only in this instance it is the reverse.

Dr. PAARLBERG. Yes.

Mr. LANGEN. To get both sides of the story told, it would seem that they are figures that would be pertinent.

(The information follows:)

DEBT AND INTEREST PAYMENTS PER FARM

Year	Average debt ¹	Average interest ²
1960	\$6,267	\$341
1961	6,866	378
1962	7,799	433
1963	8,917	503
1964	10,154	572
1965	11,244	651
1966	12,863	756
1967	14,988	878
1968	16,992	984
1969	18,893	1,093

¹ Based on Jan. 1 estimate, 48 States.

² Total interest, long- and short-term, 50 States.

RURAL AMERICA

Mr. LANGEN. I want to raise one other matter, and then I think we will be through.

A newspaper article was called to my attention yesterday that relates to the farm outlook and the economic factors as they pertain to rural America. This is an article written by a Mr. James Sundquist, who at one time was Deputy Under Secretary of Agriculture. He makes some statements that are disturbing.

With the permission of the rest of the committee, at the proper time I may put all of this in the record. I will read parts of it now for purposes of discussion. It reads as follows:

Economically, rural America is destined for decay; the economic forces that built the cities are too powerful to be reversed, even if it were desirable to do so. Orville Freeman's "back to the farm" movement is romantic nonsense that flies in the fact of every economic reality.

Sociologically, rural America is a backwater populated by misshapen characters out of Faulkner, given to choosing as their leaders men like George Wallace and Lester Maddox, and to hunting down civil rights workers and interfering them on the banks of the Tallahoga River. Politically, it is time that rural America got its comeuppance; the farmers have been exploiting the cities far too long through outrageous programs that pay them enormous subsidies to cut production while the urban poor—and the rural poor as well—go hungry.

Let the land-grant colleges—the "cow colleges," that is—worry about the Podunks and the hicks and hayseeds who live there; we are an urban nation now.

Dr. PAARLBERG. I read that, Congressman Langen. I believe he is there quoting. I think he is not reporting his own opinion there. I think he is quoting a kind of a conventional attitude that prevails in the country. The rest of the article, as I recall it, counters that erroneous notion.

Mr. LANGEN. It does, to some degree. That is why I stated I shan't quote any part of it unless we use the whole article, so the whole story is told. At the same time he states, as you have identified very well, what altogether too many people are both saying and thinking around the country, and which is one of the reasons why it seems that the statistics and the economic outlook as you have presented it here is something that needs to be told, something the country needs to know that they are acquainted with the facts as they are. Where there is

economic depression, they ought to know it. Where there is some improvement in the economic well-being, they ought to know that, too. But you hear this kind of stuff altogether too often. Commentators on radio carry on continuously about these enormous payments, as if every last person living in rural America were a party to it. They haul home truckloads of money you would think at times.

[Reprinted from the Minneapolis Star, Feb. 11, 1970]

THE PROBLEMS WE SEE AS URBAN OFTEN HAVE RURAL ROOTS

(By James L. Sunquist)

A composite view of the urban intelligentsia toward rural America can be portrayed with a touch of caricature, something like this: Culturally, the cities have a monopoly, and have had since the age of Pericles. Urban means urbane; rural means rustic.

The theater, the concert hall, the museum are exclusively urban institutions; the countryside cannot produce the higher culture, and those who insist on living there are, by definition, both culturally unrefined and, what is worse, content to remain so.

Economically, rural America is destined for decay; the economic forces that built the cities are too powerful to be reversed, even if it were desirable to do so. Orville Freeman's "back to the farm" movement is romantic nonsense that fits in the face of every economic reality.

Sociologically, rural America is a backwater populated by misshapen characters out of Faulkner, given to choosing as their leaders men like George Wallace and Lester Maddox, and to hunting down civil rights workers and interring them on the banks of the Tallahoga River. Politically, it is time that rural America got its comeuppance; the farmers have been exploiting the cities far too long through outrageous programs that pay them enormous subsidies to cut production while the urban poor—and the rural poor as well—go hungry.

Let the land grant colleges—the "cow colleges," that is—worry about the Podunks and the hicks and hayseeds who live there; we are an urban nation now.

This picture of the rural areas is not, unfortunately, wholly unrelated to reality. The fact is that the rural areas of the country are disadvantaged in many ways: they are culturally isolated (although their isolation has been drastically reduced by television and good roads); they have declined economically; their governmental and social institutions are often primitive and backward; racial exploitation is rife.

But the cities are not that superior. There is truth, too, in Freeman's counter-portrait of big cities as places of "congestion and confusion, crime and chaos, polluted air and dirty water, overcrowded schools and jobless ghettos, racial unrest . . . and riots in the streets."

But there are signs, now, that the intellectual world may at last be rediscovering rural and small town America and looking with fresh eyes upon the problem of rural-urban balance. Like so many other trends of current history, this one was set in motion in August 1965—in Watts. The analysts of that explosion, and those which followed, suddenly discovered that the problems they called urban had rural roots.

"We're being overwhelmed," cried the urbanists. "Stop the migration. Get these people off our backs!" Joseph P. Lyford was among the first to see the rural-urban relationship. "Why," he asked in his study of a New York slum, "do we treat the consequences and ignore the causes of massive and purposeless migration to the city? Why are we not developing new uses for those rural areas that are rapidly becoming depopulated? Why do we still instinctively deal with urban and rural America as if they were separate, conflicting interests when in fact neither interest can be served independently of the other?"

So the rural and the urban interest may have converged, finally, and it is out of such convergence that effective political coalitions are born and problems attain their place on the national agenda. The prospects for such a coalition are expressed most sharply in the 1968 Republican platform. "Success with urban problems requires acceleration of rural development in order to stem the flow of people from the countryside to the city," reads the GOP's plank.

The language is not without irony for the party of small-town America and the party that enacted the Homestead Act. Should development of rural America be accelerated because rural people are suffering economically and, as God-fearing Americans, deserve a better fate? No. Should it be accelerated because rural development is a worthy goal on its own merits? Not at all.

The whole subject is treated under the heading, "Crisis in the Cities," rural development should be accelerated because the problems of the big cities, where the Democrats live, must be solved.

The leadership for a rural development coalition, also ironically, will have to come from those very cities. Groups with names like the Urban Coalition, the Urban Institute, and the Urban League will have to assume the burden of worrying about rural America, because there is no rural coalition, no rural institute, no rural league.

Dr. PAARLBERG. I got it from my taxicab driver this morning.

Mr. LANGEN. I know. I think we all see this.

At the same time, it becomes so difficult to get the other part of the story told and to get it read. For that reason I want to compliment you on your contribution to the committee and the record here.

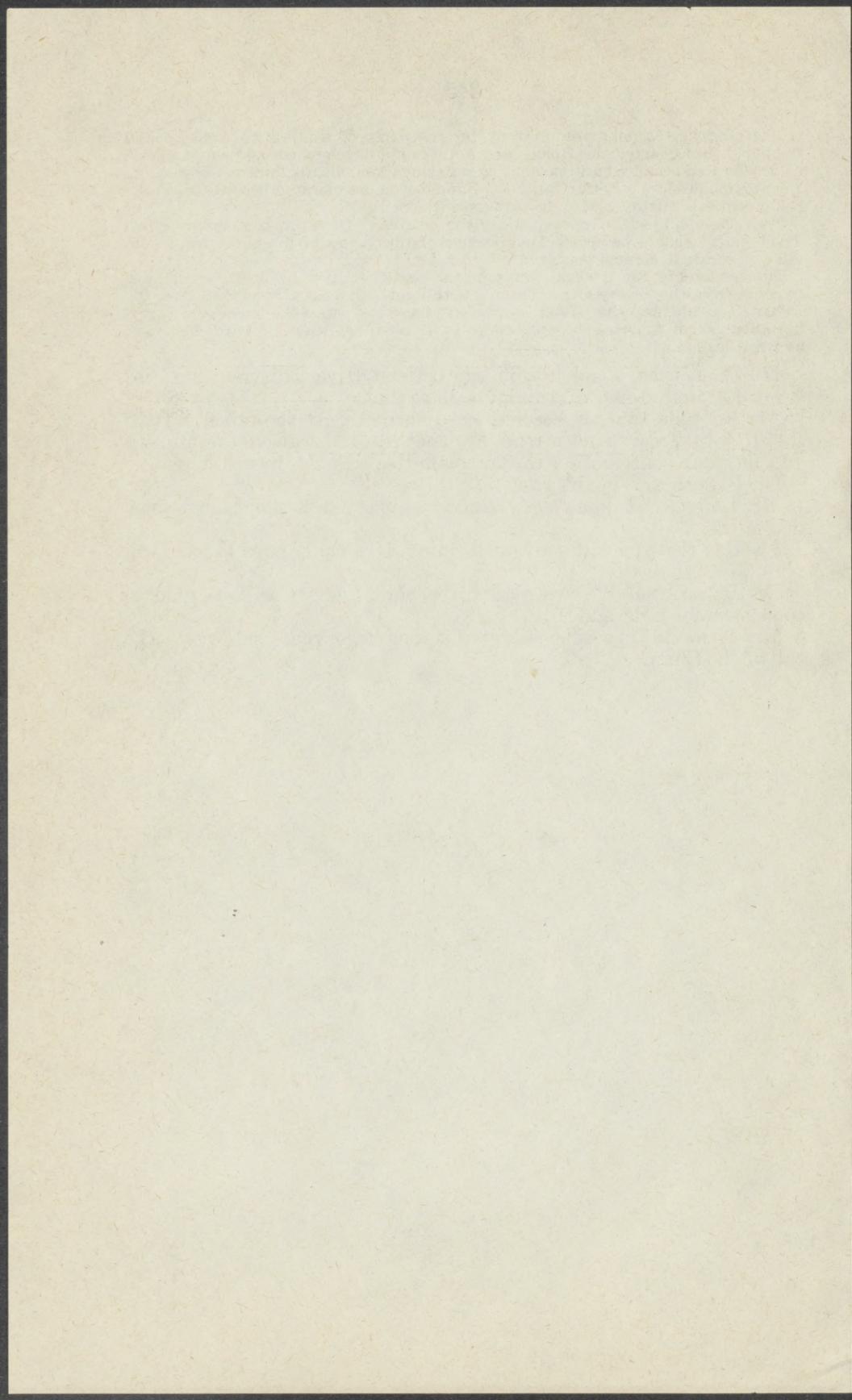
Dr. PAARLBERG. Thank you.

Mr. LANGEN. It doesn't get read by as many as it should, but some do read it.

I believe that concludes my questioning. It is really good to have you here.

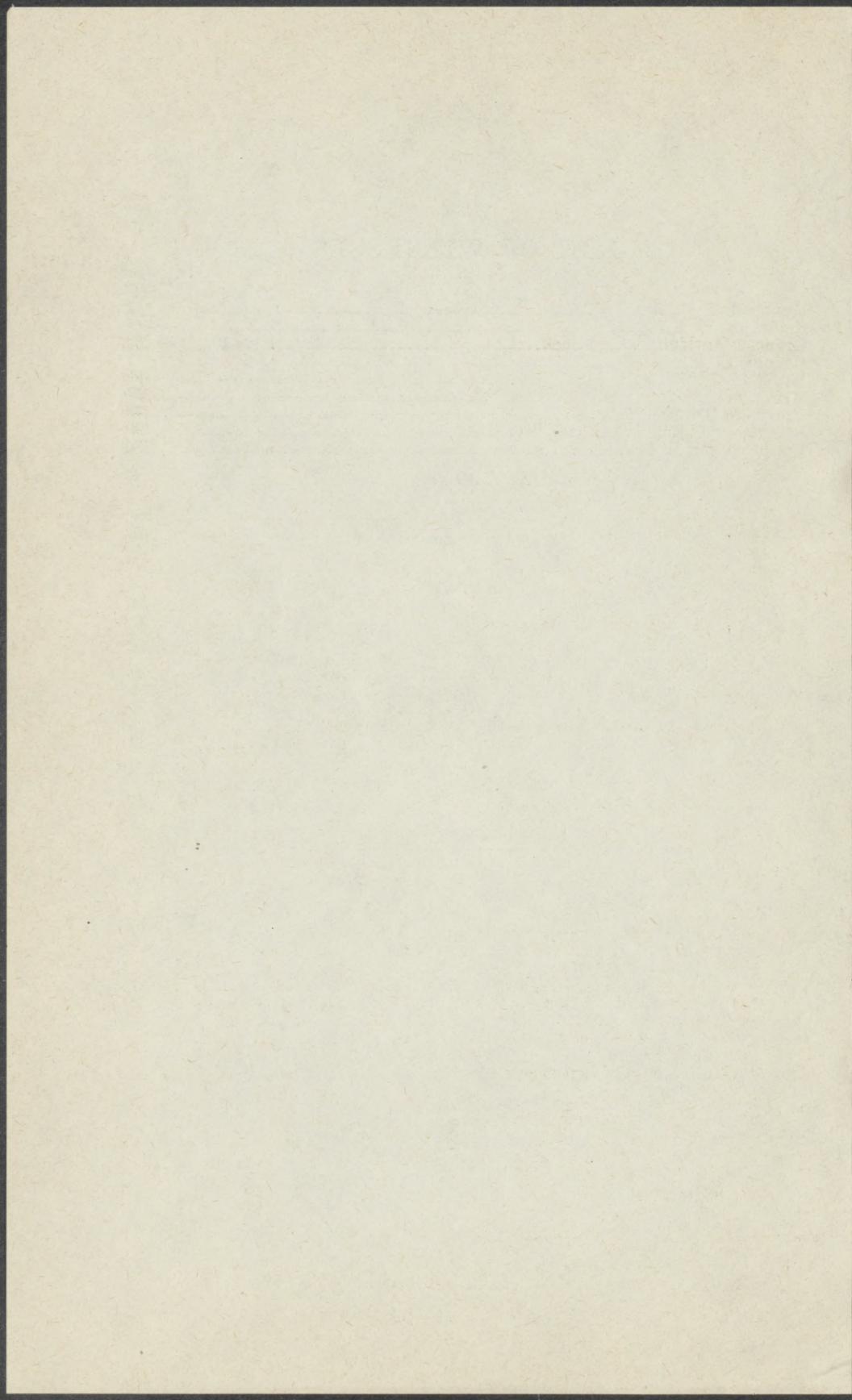
Dr. PAARLBERG. We are glad to be here, and we will be glad to come back for ERS and SRS.

Mr. LANGEN. The subcommittee stands adjourned, subject to the call of the Chair.



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