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WHEAT RESEARCH AND PROMOTION

GOVERNMENT
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HEARING
BEFORE THE
SUBCOMMITTEE ON LIVESTOCK AND GRAINS
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
NINETY-FIRST CONGRESS

SECOND SESSION

ON

H.R. 13543

MAY 6, 1970

Serial X

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WHEAT RESEARCH AND PROMOTION

WEDNESDAY, MAY 6, 1970

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

The subcommittee met, pursuant to recess, at 11:10 a.m., in room 1302, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Jones of North Carolina, Rarick, Melcher, Zwach, and Sebelius.

Also present: Lacey Sharp, general counsel; John Knebel, assistant counsel; Hyde H. Murray, associate counsel, and Christine Gallagher, chief clerk.

MR. PURCELL. We will begin hearings at this time. I think other members will be coming in. As far as I know, this is not a matter that is very controversial. We can hear it here and the members who are not here may read the record, or we will accommodate them in some way.

(A copy of H.R. 13543 follows:)

[H.R. 13543, 91st Cong., first sess.]

A BILL To establish a program of research and promotion for United States wheat

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be known as the "Wheat Research and Promotion Act."

SEC. 2. The Secretary of Agriculture is authorized to enter into agreements with organizations of wheat growers, farm organizations, and such other organizations as he may deem appropriate to carry out a program of research and promotion designed to expand domestic and foreign markets and increase utilization for United States wheat and to carry out any other such program which he deems will benefit wheat producers in the United States. Notwithstanding any other provision of law, the Secretary shall use the total net proceeds from the sale of export marketing certificates during the marketing year ending June 30, 1969, to finance the cost of such agreements, except that he shall provide for the issuance of a pro rata share of export marketing certificates for such marketing year to any producer eligible therefor under section 379c of the Agricultural Adjustment Act of 1938, as amended, who applies for such certificates not later than sixty days after the date of enactment of this Act. The Secretary is authorized to prescribe such rules and regulations as may be necessary to carry out the provisions of this Act.

MR. PURCELL. Our first witness is Mr. Glenn E. Weir, Director of the Grain Branch, USDA. If you and Mr. Freeman will just come around here, we will proceed.

**STATEMENT OF GLENN E. WEIR, DIRECTOR, GRAIN BRANCH, ASCS;
ACCOMPANIED BY CLAUDE B. FREEMAN, DEPUTY DIRECTOR,
GRAIN BRANCH; EDWIN F. ROLLINS, CHIEF, GRAINS SECTION,
PRODUCTION ADJUSTMENT BRANCH, COMMODITY PROGRAMS
DIVISION, ASCS; AND ROBERT M. BOR, OFFICE OF GENERAL
COUNSEL, U.S. DEPARTMENT OF AGRICULTURE**

Mr. WEIR. Mr. Chairman and members of the subcommittee, my name is Glenn A. Weir. I am Director of the Grain Division, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture. I am accompanied by Mr. Claude B. Freeman, Deputy Director, Grain Division, and Mr. Robert Bor, Office of the General Counsel, USDA. Also, we have Mr. Ed Rollins, of the Grains Section, Commodity Programs Division, ASCS, USDA.

H.R. 13543 would authorize the Secretary of Agriculture to enter into agreements with organizations of wheatgrowers, farm organizations, and such other organizations as he may deem appropriate to carry out a program of research and promotion designed to expand domestic and foreign markets and increase utilization for U.S. wheat. The total net proceeds from the 1968-69 marketing year wheat export certificate pool would be used to finance these agreements. However, H.R. 13543 provides that 1968 wheat program participants—who under existing legislation are entitled to a pro rata share of the accumulated funds in the 1968-69 export marketing certificate pool—may request disbursement of their share of certificate funds not later than 60 days after enactment of H.R. 13543.

During the 1968-69 marketing year, which ended on June 30, 1969, the total value of wheat export certificates collected exceeded the total value of export subsidies paid by slightly over \$4.2 million, to be exact, \$4,206,569.

The Secretary of Agriculture, under existing legislation, is required to distribute this wheat export certificate accumulation pro rata to farmers who participate in the 1968 wheat program. Based on the distribution of 1968 domestic wheat certificate payments, it is estimated that an export certificate accumulation of this magnitude would result in the following: Out of 832,000 potential payees a payment of less than \$1 would be computed for about 229,000; 186,000 payees would receive payments of \$5.80 or more; 54,000 payees would receive payments of \$11.60 or more, and 4,900 payees would receive payments of \$58 or more. We did not plan to issue checks for less than \$1 except on request.

H.R. 13543 would require the Secretary, after issuance of export certificates to eligible producers requesting them, to use the total net proceeds from the sale of wheat export marketing certificates during the 1968-69 marketing year to finance the costs of agreements with commodity and farm organizations to carry out a program of research and promotion designed to expand domestic and foreign markets and increase utilization for U.S. wheat. Each wheat producer who participated in the 1968 wheat program would be given the option of (1) filing a request for payment of his share of the wheat certificate proceeds within 60 days after enactment of H.R. 13543, or (2) not filing a request for his share of the wheat certificate proceeds.

Under this option his share of the export certificate proceeds would remain in the pool for eventual distribution to organizations for research and promotion designed to expand markets and increase utilization for wheat.

The Department does not object to enactment of legislation which would authorize the transfer of undistributed funds in the 1968-69 wheat export certificate pool to an organization which has the principal function of carrying out a program of research and promotion designed to expand domestic and foreign markets and increase utilization for U.S. wheat.

Although we do not oppose H.R. 13543, our analysis of its provisions has revealed what we believe to be somewhat of a problem. The bill is very broad with respect to organizations which would be entitled to apply for a share of the undistributed funds in the export certificate pool. In view of the numerous farm and commodity organizations in existence at the present time, it is conceivable that there could be many applicants. It would appear to be desirable that any transfer of funds from the export certificate pool be limited to a national organization which has the principal function of carrying out a program of research and promotion designed to expand domestic and foreign markets and increase utilization for U.S. wheat and that such organization have representation or endorsement of all general farm organizations and wheat organizations.

We agree with that provision of H.R. 13543 which would give each 1968 wheat program participant the option of either requesting payment of his proportionate share of the funds in the wheat export certificate pool or allowing his share to be utilized for research and promotion designed to expand markets and increase utilization for U.S. wheat. However, we believe that it is our responsibility to point out to the committee that the producers' exercise of the options under H.R. 13543 would result in a relatively greater administrative workload and cost than would occur if export certificates were issued to 1968 program participants as provided under existing legislation. While not necessarily a legal requirement under H.R. 13543, we feel that we would be obligated to notify 1968 program participants of the options available to them. In addition to handling the individual inquiries which would likely result, payments would need to be computed and drafts written for each producer requesting payment. In handling the individual requests for payment, the computation of payments and the writing of drafts would most likely be accomplished at the ASCS county office level as compared to computing and printing drafts by electronic computer at a data processing center if certificates were issued to eligible producers as provided under existing legislation. It is estimated that about one-half of the payees entitled to payments of \$1 or more would request them.

We will be pleased to answer any questions you may have concerning the bill.

Thank you, Mr. Chairman.

Mr. PURCELL. Thank you, sir.

Do any of the members have any questions of the witness? (No response.)

Mr. PURCELL. Apparently you have explained so that nobody failed to understand exactly what you said, Mr. Weir.

Mr. JONES of North Carolina. Mr. Chairman, I believe I do have a question.

If I followed your testimony, Mr. Weir, I believe you have no objection to the bill as such, but you have raised questions to which I do not find any answers.

Mr. WEIR. Mr. Jones, in answer to your question and in talking to the succeeding witness, we believe that he may clarify some of these points and you may want to talk again about this. But we have discussed with him some of the points that he will make that perhaps will clear up that question. If not, we will be happy to answer.

Mr. JONES of North Carolina. What is the position of the American Farm Bureau, or do you know?

Mr. WEIR. No, I would not have any idea.

Mr. PURCELL. I can tell you. They are against it.

Mr. JONES of North Carolina. I just wondered if they approved. Thank you, sir.

Mr. PURCELL. Thank you, gentlemen, very much.

Mr. Glen Hofer, who is representing the National Association of Wheat Growers and who has done a great deal of work on this, is our next witness. We will be glad to hear from you at this time.

STATEMENT OF GLEN HOFER, REPRESENTING NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. HOFER. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, my name is Glen Hofer and I am presenting this testimony on behalf of the National Association of Wheat Growers. We appreciate this opportunity to express our views on H.R. 13543—a bill to establish a program of research and promotion for U.S. wheat.

Sections 379b and 379c of the 1965 Farm Act require that U.S. exporters of wheat must purchase export certificates (inverse subsidy) in the event that the domestic wheat price is below the export price for the same wheat. Proceeds from these certificates are to be added to a pool from which export subsidies are to be paid if the domestic price is higher than the world price. Any positive balance remaining in the pool at the end of the marketing year is to be paid out on a pro rata basis to farmers who complied with the wheat program for that year.

In 1968 the U.S. Senate ratified an International Grains Agreement which had been negotiated within the context of the Kennedy Round of the General Agreements on Trade and Tariffs. One aspect of the arrangement was a pricing schedule calling for a world wheat market trading range with minimum prices substantially above the then existing world prices and also above the domestic U.S. price. The new IGA, as it became known, was implemented on July 1, 1968, with the United States as a signator and participant. World wheat prices immediately moved above the U.S. prices and the provisions calling for inverse subsidy were invoked.

During the period of negotiation of the IGA and while the Senate was considering ratification of the treaty, the National Association of Wheat Growers was in general support of the arrangement. Already

caught in the merciless vice of the cost-price squeeze, the wheat producer was forced to weigh the expert advice of the grain trade, which was making a great deal of valid criticism of the mechanics of the new agreement, against the prospect of higher world wheat prices. It was no contest—higher prices won. The farmer reasoned that either our domestic price would move up to the new world price level or, in case the gap between the world and domestic price persisted, the inverse subsidy would build a significant pool of money. Even as late as August 1968, nearly 2 months after implementation of the IGA, unofficial but authoritative sources were predicting that the pool might be as high as \$100 to \$120 million at the end of the marketing year.

It was not long, however, before the vagaries of the world wheat market began to exert themselves on the subsidy pattern in the United States. World demand for certain classes of wheat strengthened and as the market situation developed, those classes of U.S. wheat (mostly springs and durums) requiring an export subsidy payment from the pool moved in sufficient volume to siphon off nearly all of the money paid into the pool as inverse subsidy of the movement of hard red winter and western white wheats. The result was a positive balance of approximately \$4.2 million at the end of the year.

Considering that approximately 832,000 wheat producers were in compliance in 1968, the disbursal of a pool of that size appears to be more of an administrative headache than a significant financial aid to the eligible farmers. A breakdown of payments by size, furnished by the USDA, shows the following pattern.

Estimated size of export—Total 1968 export certificate accumulation, \$4,200,000

Certificate payments:	Number of payees
Less than \$1.....	229, 000
\$1 to \$5.79.....	417, 000
\$5.80 to \$11.59.....	132, 000
\$11.60 to \$57.99.....	49, 100
\$58 and over.....	4, 900
Total payees.....	832, 000

I do not know why the USDA broke it into those strange figures. I have been meaning to ask Glenn Weir about that, but that is an interesting breakdown.

When the arithmetic of this distribution became apparent after the books were closed on the pool on June 30, 1969, our association decided that far greater potential for industrywide benefits were represented by \$4.2 million of project financing than by a myriad of comparably insignificant payments to individual producers. For this reason, we support the concept proposed in H.R. 13543.

Our enthusiasm for such an approach is generated largely from our experience in the operation of wheat commissions in 10 of the commercial wheat States. These commissions, enabled by State legislation and financed by producer assessment, have an excellent record of achievement and have proven beyond a doubt that accumulated research and promotion funds can be put to constructive use. To date, however, the major contributions of these State commissions have been in the fields of production research and overseas market promo-

tion. Those are vital areas to be sure, but there are others equally vital and equally in need of assistance in terms of research and promotion.

A short recap of U.S. flour consumption statistics over the past 20 years points up one of the most serious problems our industry faces.

136 pounds per capita consumption of wheat flour.....	1950
122 pounds per capita.....	1955
118 pounds per capita.....	1960
113 pounds per capita.....	1965
112 pounds per capita.....	1969

There is evidence that a great deal could be done to reverse this deplorable trend. Recent developments in enrichment processes, flour blends, and new wheat products indicate that there is expansion potential for wheat in the field of human nutrition. A letter to our office from Dr. D. M. Hegsted, professor of nutrition, Harvard University School of Public Health, points out a number of areas where the wheat and cereal industries are inadequately supported by appropriate research. Dr. Hegsted's letter is attached as appendix I.

There are also exciting prospects for wheat utilization in industrial channels. Preliminary experimentation has shown that various wheat properties lend themselves to usage as wet-and-dry-strength additives for paper and boxboard, as a substitute for carbon black in rubber manufacture, in the production of industrial alcohol—possibly for use as a motor fuel additive, as a bonding agent in plywoods and other wood products and in the production of protein films. In many of the instances mentioned, both in nutritional and industrial usage, basic research is well along and an acceptable product is available. The assistance needed now is in market testing or promotion, or in some cases additional research on the marketing of byproducts is needed in order to make the wheat utilization economically feasible.

There are other areas where producer efforts to support a comprehensive program for the relief and benefit of his industry are stretched woefully thin. Marketing research, promotional efforts such as the "Day of Bread" and public relations efforts on behalf of all of agriculture. Certainly, these are central to the well-being of the wheat farmer and should be considered legitimate uses for such funding as this legislation would make available.

The USDA has indicated that they would not have an objection to shifting the administration of funds provided by enactment of H.R. 13543 to "specified organizations." In this regard, the National Association of Wheat Growers acknowledges that although a large proportion of the wheat grown in the United States is produced in the 11-member States of our association, it is also true that a large amount of wheat is raised in areas with which we have no direct contact. For that reason, rather than submit our organization as a prospective administrative agency for this program, we propose that a national wheat institute be formed as a nonprofit corporation on a general outline as follows:

SELECTION OF ADMINISTRATIVE COMMITTEE

Committee composed of a member (and an alternate) from seven farm organizations plus an ex officio nonvoting member from the USDA.

Farm organizations to be represented include: American Farm Bureau; Midcontinent Farmers Association; National Association of Wheat Growers; National Farmers Organization; National Farmers Union; National Grange; National Federation of Grain Cooperatives.

Committee members must be wheat producers and current members of sponsoring organizations.

Nominated committee members and alternates will be subject to conformation by the Secretary of Agriculture.

Terms shall be for 1 year period but committeemen may serve consecutive terms.

Nominations shall be made by January 30 of each year.

PROCEDURES OF ADMINISTRATIVE COMMITTEE

Presence of two-thirds of all voting members necessary for quorum. Simple majority necessary to carry committee vote.

Committee may conduct vote by telephone, telegraph, or other means, if necessary, and any vote so cast shall be confirmed promptly in writing.

Committee shall elect chairman and vice chairman.

Committee shall hold regular quarterly meetings and such other meetings as deemed necessary by the Chairman or the Secretary of Agriculture.

AUTHORITIES AND POWERS OF THE ADMINISTRATIVE COMMITTEE

To conduct a program of wheat promotion, utilization research, information/education, and any other such project in the interest of the U.S. wheat industry (no production research).

As more or less of an aside, I would recommend that it not be used for production research.

To enter into such contracts and agreements as may be necessary or advisable for the purpose of this act.

To accept grants and donations.

To sue and be sued.

To appoint an administrator and such other personnel as needed, and to prescribe their duties and fix their compensation.

To incur such expenses to be paid from moneys received as herein provided, as may be necessary and proper to enable the National Wheat Institute to properly perform its authorized duties.

DUTIES OF THE ADMINISTRATIVE COMMITTEE

To submit to the Secretary of Agriculture a proposed program and estimated budget for his approval.

To keep minutes, books, and records which will clearly reflect all the acts and transactions of the Committee—such records to be subject at any time during business hours to examination by the Secretary of Agriculture.

To cause the books of the committee to be audited by a competent accountant at least once each fiscal year, and at such times as the committee may deem necessary or as the Secretary may request, and to file with the Secretary, copies of any and all audit reports.

To cause all funds received by the Institute pursuant to any of the provisions hereof, to be deposited in a bank or banks, or other depository approved by the Secretary of Agriculture, and to be used solely for the purposes herein specified.

ROLE OF USDA

The Secretary of Agriculture—

Must confirm appointments of committee members and alternates from farm organizations.

Has item veto power over specific program projects.

Will be represented on committee by ex officio (nonvoting) member.

Will receive all audits and annual reports.

Must approve depositories for funds at the disposal of the committee.

In addition to this organizational structure, we would recommend that the Wheat Institute should include an Advisory Committee consisting of representatives of other segments of the wheat industry (Millers National Federal, American Bakers Association, Wheat and Foods Foundation, et cetera) as well as such technical advisers from universities and research organizations as the Administrative Committee deems necessary.

As you can see, we envision a comprehensive program—perhaps more than funds made available could support—but we wanted to emphasize that there is a void in many areas of research and promotion for wheat.

In summary, the National Association of Wheat Growers supports H.R. 13543. We feel that the use of accumulated export certificate funds would be put to better use in providing a financial base for industry-benefiting projects, than in small payments to individual farmers.

We agree that a specified producer organization should administer the fund. We especially agree that the eligible wheat farmers be given the option to take home his pro rata share of the pool if he so desires. It is his money and he deserves it—we do hope that a fair percentage of them would take advantage of this opportunity for self-help through cooperative effort.

Thank you, Mr. Chairman.

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

FEBRUARY 17, 1970.

MR. GLEN HOFER,
Executive Vice President, National Association of Wheat Growers,
Washington, D.C.

Dear Mr. HOFER: There are several important areas in nutrition where it seems apparent that wheat and other cereal foods could make important contributions, but, unfortunately, we have insufficient information to make an entirely authoritative case. Some of these are:

Nutrition and Heart Disease.—Coronary artery disease is the most important cause of mortality in the United States and approximately one-half of our adult population dies of this disease. There is abundant evidence that elevated levels of serum cholesterol constitute one of the more important risk factors in this disease and also abundant evidence that serum cholesterol levels can be reduced by appropriate dietary procedures. The most effective diets for lowering cholesterol levels are those which reduce the saturated fat and cholesterol intake and replace it with unsaturated vegetable oils. Reduction in total fat may also be

beneficial. Such diets might logically be based upon bread and margarines made of unsaturated oils supplemented with other appropriate foods. However, much remains to be done to develop acceptable diets for various segments of the population and demonstrate that they are indeed useful.

Cereal Supplementation.—Bread and some other cereal products have been fortified with certain vitamins and iron for approximately 25 years. During this time the pattern of food consumption of the United States population has changed substantially, especially by a drop in cereal consumption. Presumably the fortification program should be modified as a result of these changes in food consumption.

Data continue to accumulate to show that the iron fortification scheme has not been adequate to prevent iron deficiency anemia. There is also evidence that the iron compounds which have been added to the cereals are not well utilized. However, we are uncertain which iron salts would be more useful and acceptable to the food industry. We do not know why some individuals absorb iron better than others. We do not know whether increasing the level of iron in cereal products will, in fact, solve the problem of iron deficiency anemia.

The vitamin fortification program has been limited to the addition of thiamine, riboflavin and niacin. We are now debating whether amounts of these should be increased. Is sufficient bread consumed to make bread an efficient carrier of such supplements or would other products be more useful? There are suggestions that other vitamins, such as vitamin B6 and folic acid, may also present public health problems which might be alleviated by extension of the fortification program. However, data are simply not available to make logical recommendations at this time.

It is readily apparent that in this area we need fundamental work on such problems as what controls iron absorption?; what are the consequences of diets low in folic acid? and what amounts are required in the diet; we need additional data on food consumption patterns in the United States in different regions and income groups; we need metabolic and field trials to determine whether iron fortification and other such programs really works.

The Nutritional Role of Cereals.—Wheat and other cereals are the major sources of food in most of the world, especially in the developing countries. If we are to keep ahead of the exploding world population, it is clear that cereals offer the most hope for supplying food and the advances in cereal production in recent years demonstrate that we can probably supply sufficient cereal for many years to come. However, these efforts in cereal production have not been matched by efforts to define the appropriate role of cereals in the diet. To what extent can cereals meet the nutritional needs of a population, especially of the growing children? Is the protein content of cereals as limiting as is commonly assumed? I am sure you are aware of the old studies of Widdowson and McCance after the last war in which they found that very high cereal diets, some of which supplied only 8% of the calories as protein, a level lower than that in bread, did promote satisfactory growth and development in German orphans. Cereals alone are an inadequate diet but what are the effective and efficient means of converting diets high in bread or rice into nutritionally adequate diets? The answers to this question are partly local since the amounts and kinds of legumes, fruits and vegetables, fish, meat, etc., as well as the kinds of cereal products, vary from region to region. We presumably need a series of trials in different parts of the world primarily directed toward the growth and development of preschool and school children given high cereal diets.

I would particularly point out that although the so-called "protein gap" has been widely publicized, there is reason to believe that it has been overemphasized. The emphasis upon protein has tended to obscure the fact that in many areas of the world the primary need may simply be for more food which may be primarily cereal. However, because we lack good experimental data with high cereal diets nutritionists are reluctant to "push" additional cereals. Until we have much better data upon the role that cereals can play in nutrition, I believe that we will not be able to develop appropriate strategies to deal with the world's population in the near and distant future.

These, of course, are only some of the areas in which the wheat and cereal industries are inadequately supported by appropriate research. I have not attempted to deal with any of them in any detail but have simply tried to point to the gaps in our knowledge. I do, however feel that these are urgent problems and solutions can only come from studies projected over a period of years.

Very sincerely yours,

D. M. HEGSTED, Ph. D.,
Professor of Nutrition.

Mr. PURCELL. Thank you, Mr. Hofer.

Any questions of Mr. Hofer?

(No response.)

Mr. PURCELL. Let me ask one thing.

Is there any likelihood that there will be more money in the future under this system that would go into this fund?

Mr. HOFER. Not very likely, Mr. Chairman.

As I understand it, each year stands alone. They close the books after a 12-month period and that first year did accumulate \$4.2 million. They are well into the second year and I understand it is a negative balance; there has been more wheat subsidy than export certificates. I would assume, and I think it is almost for certain, that there would not be any wheat accumulation under IGA, which has still a little more than a year to run. So it is a kind of one-shot deal.

Mr. PURCELL. Mr. Weir, is your information parallel to that Mr. Hofer has given us?

Mr. WEIR. Very similar.

Mr. HOFER. Mr. Chairman, I might add, just because the question was asked earlier about the position of the Farm Bureau, I did check very closely with the organizations I mentioned in here as potential members of the committee. I talked with the Farm Bureau directly. They said they would not support our position on this, but they also unofficially, I should say, told me they would not directly oppose us. The rest of the organizations did support us and authorized me to say so.

Thank you.

Mr. PURCELL. Any other questions?

(No response.)

Mr. PURCELL. Thank you very much.

Any other witnesses or any other persons who would like to be heard in regard to this?

Mr. Weir, in order that we might have a better record, would you mind, both of you, just coming back to the witness table? I will ask Mr. Hyde Murray to ask what questions he might have in mind.

Mr. MURRAY. Thank you, Mr. Chairman.

I think perhaps for the record, we have some things that would be helpful.

The first thing is, Mr. Weir, why do these collections from the inverse subsidy have to go back to the farmers? What requires you to make those payments to farmers of the \$4.2 million?

Mr. WEIR. In present legislation, we are required to release back to the farmers their share of this wheat certificate pool.

Mr. MURRAY. Do you have an opinion from the General Counsel's office on that as to why that is to be done?

Mr. WEIR. Mr. Bor?

Mr. BOR. The General Counsel's office has advised the Department that under the provisions of the present Wheat Certificate Act, the Department would be required to make a payment of the net collections to producers. This comes about because of section 379c of the AAA Act of 1938.

Mr. MURRAY. Could you furnish the committee with a copy of that opinion for our use? This was in dispute at one time in the past. This is the reason I am asking it. I would like to have for the com-

mittee records the basis upon which you have decided that these payments should be made back to farmers.

Mr. BOR. We will be happy to.

(The Department submitted the following letter in answer to the above request:)

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE GENERAL COUNSEL,
Washington, D.C., May 22, 1970.

HON. GRAHAM PURCELL,
Chairman, Livestock and Feed Grain Subcommittee, Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reference to the recent hearings on H.R. 13543, which would authorize the Secretary of Agriculture to enter into agreements with organizations of wheat growers, farm organizations, and such other organizations as he may deem appropriate to carry out a program of research and promotion designed to expand domestic and foreign markets and increase utilization for United States wheat. The bill provides for the cost of such agreements to be financed with the net proceeds from the sale of export marketing certificates during the marketing year ending June 30, 1969, after deducting from such proceeds certificates issued to producers who make application therefor not later than 60 days after the enactment of the proposed legislation.

At the hearing, Mr. Hyde Murray had asked that we furnish the committee with a copy of an opinion of this office as to the basis for the decision of this Department that under existing legislation the net collections from the sale of export marketing certificates for the year ending June 30, 1969, must be made available to producers.

The Agricultural Adjustment Act of 1938, as amended, contains two basic provisions regarding export marketing certificates. The first is contained in section 379d(b) and requires that during any marketing year for which a wheat marketing allocation program is in effect, all persons exporting wheat shall, prior to such export, acquire export marketing certificates equivalent to the number of bushels so exported. The Act provides that the cost of such certificates per bushel to the exporter shall be that amount determined by the Secretary on a daily basis which would make United States wheat and wheat flour generally competitive in the world market, avoid disruption of world market prices, and fulfill the international obligations of the United States.

The other provision is contained in section 379c(a). This section states in pertinent part as follows:

"The Secretary shall also provide for the issuance of export marketing certificates to eligible producers at the end of the marketing year on a pro rata basis. For such purposes, the value per bushel of export marketing certificates shall be an average of the total net proceeds from the sale of export marketing certificates during the marketing year after deducting the total amount of wheat export subsidies paid to exporters."

We had advised administrative officials of this Department that under the provisions of section 379c(a) as quoted above, the Department is required to provide for the issuance of export marketing certificates to eligible producers at the end of the marketing year on a pro rata basis. The statute does not vest any discretion in the Secretary to refuse to make payments available to producers. The regulations governing the program reflect these requirements of law at 7 C.F.R. § 728.510(b).

Mr. Murray had also inquired as to the authority for the Department's proposal not to issue export certificates for amounts of under \$1.00, except upon request. There is no legal objection to such a provision since the proposal does provide for the issuance of certificates to all eligible producers as required by the above quoted language of section 379c(a). Such action would be within the authority vested in the Secretary by section 379j to prescribe such regulations as may be necessary to carry out the provisions of the subtitle including but not limited to regulations governing the acquisition, distribution, or handling of marketing certificates. The Department is under no legal obligation to issue any certificates in the absence of a claim therefor.

Sincerely,

EDWARD M. SHULMAN,
General Counsel.

Mr. MURRAY. The second thing to follow that through, then, is what authority does the Department have for the statement you made that you were not planning on returning amounts of less than \$1?

Mr. WEIR. I believe this is true in other programs, that the administrative costs are greater than those involved in returning the \$1, and in other programs, we have not returned without request the amounts of under \$1.

Mr. MURRAY. You have a general authority in the Department's administrative authority to do this, do you?

Mr. BOR. I believe what Mr. Weir is speaking of is not that they would refuse to return the amounts under \$1, but they would return it only to those who made application for it, so that the money is available and if disputed, it would be paid upon request.

Mr. MURRAY. But how do you pick \$1 as the cut-off place? Why not \$2 or \$5 or some other figure? What authority do you use to decide that \$1 will be a place that people have to apply for a refund? Because a lot of them will not apply to get \$1 back or less than \$1.

If you could furnish it for the record, it would be all right.

Mr. FREEMAN. I do not know what legal authority we might have to do it. But it is a general operating procedure that is true on all payments. Where producers are due payments of \$1 or \$2, in some programs \$3, unless somebody makes a request, we do not pay it.

Mr. ROLLINS. My name is Edwin F. Rollins and I have been indicated as a probable witness for the Department.

In some instances, in our programs, we do have a breaking point of an amount of less than \$3. In this particular instance, the figure of less than \$1, as I recall, was selected purely as a matter of policy because there is a certain administrative cost in computing the payment and drawing the draft and issuing it. It was our feeling at the time that those of less than \$1 would not be issued automatically under the present legislation. All those above \$1 would be automatically computed and issued. Those having a payment forthcoming of less than \$1 would only be issued upon request.

Mr. MURRAY. If you could furnish those for the record, that would be helpful.

(The following information was submitted by the Department:)

Under the provisions of either the existing legislation or the proposed bill (H.R. 13543) the Department proposes to issue payments to producers whose pro rata share of the export subsidy pool is less than \$1.00 only in the event the producer requests such payment within a specified period of time. The basis for selecting less than \$1.00 as the breaking point is arbitrary.

On July 28, 1967, this Agency adopted the policy of not making net payments of less than \$1.00 under any programs administered through State and county ASCS offices unless the payees specifically requested them. The basic reason was that issuing drafts for very small amounts creates adverse public reaction and can well cost more administratively than the value of the draft.

On April 22, 1970, this minimum was raised to \$3.00 or less (except when it is determined that it is not otherwise in the best interest of CCC), for programs administered through State and county offices. With respect to issuing drafts in connection with this bill, the Department proposes to continue the former policy of issuing drafts for less than \$1.00 only upon request of the producers.

Mr. MURRAY. The third question I would like to raise with you is whether there was a collection of any inverse subsidies in 1969 or 1970?

Mr. FREEMAN. There were some certificates sold, but the way we

keep the books in CCC, we only keep the net amount, so I could not tell you what it was.

Mr. MURRAY. Would this be because the market price has gone higher than the international market agreed price, or is it because you have not followed the GATT formula in the policy structure requirement of the Department?

Mr. FREEMAN. Because our export price is less than the price in the IGA, and our export price is also below the domestic market price level.

Mr. MURRAY. It would be fair to say this is a one-shot deal, that you collected this \$4.2 million because of a peculiar circumstance that existed in 1968 and now you are getting ready to redistribute it, is that correct?

Mr. FREEMAN. I think it is a one-shot deal; yes.

Mr. MURRAY. That leads me to the next question as to the effectiveness over the long pull of research efforts if there is only going to be a diffusion of only up to \$4.2 million on a one-shot basis. Do you think this will be the basis for an effective research effort, to go out and hire scientists and public relations people. What do you do when you run out of the \$4.2 million?

Mr. WEIR. We would not want to present a view that would be construed as the view of the Department as to the spending of the money involved and how much it would be. We did testify that perhaps up to a half would be reclaimed by the participants, leaving roughly \$2 million, then. We would not want to comment as to the value of the \$2 million on a oneshot basis, as you said.

Mr. MURRAY. That is something that the committee would have to be concerned about, because you cannot get all tooled up to do a research and promotion job, and if it fizzled out, it would not accomplish much, would it?

Mr. WEIR. I think it should be clear that the only thing in sight at this time is that portion of the \$4.2 million that would be available under such a system.

Mr. MURRAY. The next question I would have would be on administering your program here under the bill. What would be the estimated cost involved of exercising these options and where would you get the funds to pay those administrative costs?

Mr. WEIR. The estimate that we have come up with, that is a ball park estimate, you might say, of an additional cost—we are tooled up now for our electronic machines to print the checks to the participants. The additional cost we feel should be in the neighborhood of \$200,000 to \$250,000 to do it in the way that the bill sets out. The increased cost would be—as we have testified, most of the work would be done in the county offices by hand. The mailing of the letters to notify the participants of the options involved—whether to reclaim or to let it go to an organization. The service, if I might comment, that would be involved at particular times of the year would make a difference as to the time that they were paid. In the busy summer months, when the final payments for wheat, cotton, and feed grains are paid our county officers, as well as our data processing center, would be most heavily operated and the service that we could give, while perhaps the same personnel would be involved at any time of the year, the service that we could give on payment of such an amount to producers would be much slower than it would, say, in the fall or the winter.

Mr. MURRAY. The final question I would have would be in establishing the criteria, which group or which promotion entity should receive these funds? Have you given thought to certain criteria that you would apply as to who should do this research work or who should do the promotion work, as to selection among the groups that will be competing to get the money that you mentioned earlier?

Mr. WEIR. We have done nothing, to my knowledge, in coming up with ideas for promotion and research in connection with this bill. The thing that we pointed out was covered by the testimony of Mr. Hofer, that this national organization—we would not want to comment on the makeup of such an organization, but would agree with the constitution of some organization that would present the industry with representation. We would hate to comment at this time, but we could present our views for the record as to some of the—

Mr. MURRAY. We would like to have that. I think it would be useful to have that, because as on cotton promotion and wool promotion, you have almost line-item veto over approving projects if you do not feel they are in the interest of that commodity group. And to assure the committee, either in our report or in our bill, to write criteria for the kind of programs and the kinds of groups that would be receiving the money, I think it would be helpful to have the Department-suggested criteria for citing that.

Mr. WEIR. We would be very happy to.

Mr. RARICK. Mr. Chairman, may I ask a question?

Mr. PURCELL. Mr. Rarick.

Mr. RARICK. Mr. Weir, did I understand you to say that the U.S. Department of Agriculture is doing nothing in promotion and research of wheat?

Mr. WEIR. If I said so, I did not mean it in that light. But as to the makeup of a promotional program that would be covered by this kind of bill, we have done nothing to outline criteria as was suggested we might have.

Mr. RARICK. Well, you did not indicate that the USDA had no ideas on the promotion? You did not mean that?

Mr. WEIR. I meant for this particular bill and this particular organization to follow in a promotional program to use this particular money.

Mr. RARICK. I was just thinking as you answered that it would appear if the USDA was doing its job in helping to promote the sale of wheat, no proposed new organization of national farm groups would be necessary. I fear subsidizing national lobbying groups. Not infrequently in "promoting" the first promotion they go after are Congressmen. Even the Secretary of Agriculture, himself.

I have no questions, Mr. Chairman.

Mr. PURCELL. Well, for whatever it is worth, the chairman just simply does not have that fear.

Is it not true, Mr. Weir, that in the areas contemplated by your statement and by Mr. Hofer's statement, there really is not any significant amount of market development or product use research and promotion going on for wheat by any organization in the country at this time? We are trying to, our State organizations, sell wheat abroad. Of course, the Department of Agriculture, through attachés and all sorts of things, are trying to promote overseas sales. So at

least to my knowledge, there is nobody who, on a public basis, going out and trying to make new uses of wheat, trying to get the American public to use more wheat, and is my statement at least basically correct as far as you know?

Mr. WEIR. As far as I know. Mr. Hofer might be able to add more to it, but as far as I know, that statement is basically correct.

Mr. PURCELL. It is my view that this has been an area in which we have been weakest. We have done great work and most of our work, from the Federal Government standpoint in the United States, has been in producing wheat. We have made quite a heavy impact. But as far as selling the product, there has just not been any way that anybody really ever figured out to be very effective. I feel quite strongly that we need something to be using one of the basic fine foods that we have. We are one of the few countries, maybe the only country, in the world where our consumption of wheat is going backward. This surely is significant.

Do you agree with that?

Mr. WEIR. I agree with that.

Mr. PURCELL. Any other questions?

(No response.)

Mr. PURCELL. Mr. Hofer, do you have something you wish to say at this time?

Mr. HOFER. Mr. Chairman, Mr. Murray raises a question I would like to say something about. That is the fact that this is a one-shot deal. There is an accumulation of money and to try to start continuing programs under those circumstances might not sound too reasonable.

However, there have been plans amongst the wheatgrower groups, the farm organizations, perhaps in the future, and hopefully, the near future, to start a national wheat commission, or the Wheat and Wheat Foods Foundation, which is pending. We believe that this effort, if we could successfully carry it over and do some constructive work with these funds, would serve as an emphasis to those plans to show it can be done and we hope at the termination of this exercise, we would have something that we could carry on then.

Mr. PURCELL. Mr. Hofer, you are familiar with the effort and the indicated willingness on the part of many, many organizations and industry and then many—as far as I know all farm organizations that relate to wheat in having tried, over the last several years, to work out a system where both industry, processors, bakers, users of wheat products, as well as producers, would work out some kind of a system where, on a coordinated basis, the use of wheat would be emphasized and would be increased. As far as I know, every one who has been involved in this effort has been affirmative in their desire to see it done, thinking it is a good thing. To my knowledge, there has not been a negative attitude expressed. The difficulty of doing it has been our hold-up and knowing how you organize it, how you get some money. But it has been our desire, has it not, for quite some time now to try to use this little bit of money to get started with and hopefully will have a bigger move from there?

Mr. HOFER. Yes, sir, that is true.

Mr. PURCELL. Is there anything else from my colleagues?

(No response.)

Mr. PURCELL. I have a letter I want to introduce for the record with unanimous consent, from the Millers National Federation. Mr. Mewhinney is here, but I will just ask that this be made a part of the record.

(The document referred to follows:)

MILLERS' NATIONAL FEDERATION
Washington, D.C. May 3, 1970.

HON. GRAHAM PURCELL,
Chairman, Livestock and Grains Subcommittee, House Committee on Agriculture,
U.S. House of Representatives, Washington D.C.

DEAR MR. CHAIRMAN: The Millers' National Federation would like to express its support for H.R. 13543, the Wheat Research and Promotion Act, now being considered by your Subcommittee.

We commend you and the leaders in the wheat industry for conceiving and supporting this approach to the financing of much-needed wheat research and promotion. Along with wheat growers, we are aware of the tremendous gaps in our knowledge of the chemical and physical characteristics of wheat, especially their present and potential contributions to nutrition and health. The enclosed booklet, developed a few years ago, demonstrates the scope of the research need in human nutrition research alone. A great deal has been done, but much more remains.

In H.R. 13543, you have a mechanism whereby wheat producers can contribute their own funds to expand markets and increase the utilization of wheat and wheat products. By their example, wheat producers may well stimulate complementary research and promotion programs throughout the wheat and wheat product economy.

We would appreciate your including this letter in the record of your hearings.

Kind regards.

Sincerely yours,

FRED MEWHINNEY, *Vice President,*
Government Relations.

Mr. PURCELL. I also would like to ask unanimous consent to make the National Farm Bureau Federation letter a part of the record, indicating that they are more mildly opposed to this than they are in most instances. We appreciate that.

(The letter referred to; a letter from John W. Scott, master, National Grange; and a letter from Howard L. Morton, chairman, Wheat and Wheat Foods Foundation, Inc., follow:)

AMERICAN FARM BUREAU FEDERATION
Washington, D.C., May 4, 1970.

HON. GRAHAM PURCELL,
Chairman, Livestock and Grains Subcommittee, Committee on Agriculture, U.S.
House of Representatives, Washington, D.C.

Dear Mr. CHAIRMAN: At a recent meeting of the American Farm Bureau Federation Board of Directors, the issue of diverting proceeds from the accumulation under the wheat export certificate program to research and promotion was discussed at length.

It was concluded that Farm Bureau would not support the proposal set forth in H.R. 13543.

USDA's report on H.R. 13543 indicates that very little additional administrative expense would be involved in making payments to producers under existing law. However, the report states that passage of H.R. 13543 would create considerable confusion and much added expense at both the national and local levels.

Therefore, we urge that H.R. 13543 not be passed.

We would appreciate your making this a part of the hearing record.

Sincerely yours,

MARVIN L. MCLAIN,
Legislative Director.

NATIONAL GRANGE,
Washington, D.C., May 14, 1970.

HON. GRAHAM PURCELL,
Chairman, Subcommittee on Livestock and Grains, Committee on Agriculture U.S.
House of Representatives, Washington, D.C.

Dear Mr. CHAIRMAN: The National Grange is in full agreement with the purpose of H.R. 13543; therefore, we urge its speedy approval by the Subcommittee and ask that you use your influence to press for its approval by the full House Agriculture Committee.

The Executive Committee of the National Grange, meeting in Washington, D.C. between July 30 and August 2, 1969, endorsed the objectives of H.R. 13543. In fact, the staff of the National Grange worked with the other farm organizations in preparing the rough draft of the legislation. It was this draft that was approved by the Executive Committee of the National Grange.

The details of the legislation were worked out by the National Association of Wheat Growers with advice and consent from the major farm organizations. Therefore, I am surprised that the American Farm Bureau Federation now has on file with the Subcommittee a letter in opposition to H.R. 13543, a bill which they originally cleared without any indication that they would oppose the legislation when it reached hearings.

I am certain that we do not have to review the entire subject of the wheat export subsidy pool, which was built up during the 1968-69 marketing year. The Subcommittee is quite familiar with the entire subject as it was well covered by the Chairman's press release of August 13, 1969, when he introduced the bill and by Glen Hofer, who was at the time of drafting the legislation, Executive Vice President of the National Association of Wheat Growers.

The National Grange is in support of H.R. 13543 because it makes more sense to use \$3 million export subsidy pool for research and promotional efforts vital to the U.S. wheat industry than to use a large portion of the money available mailing, on the average, one dollar checks to the one million eligible producers.

We also approve of the provision of the Act that would permit any producer who desires that his share of the subsidy pool be returned to him be permitted to claim it, provided he "applies for such certificates not later than sixty days after the date of enactment of this Act." It is his money—he deserves it and has every right to claim it—but we hope that the large majority of producers take advantage of the opportunity to make a painless, easy contribution for self-help through a cooperative effort.

We further agree that a specified producer organization should administer the funds and would suggest that the Secretary of Agriculture be instructed to enter into an agreement with the National Association of Wheat Growers to carry out such functions. If, in turn, it is their desire to have formulated an administrative committee made up of representatives from other farm organizations, and we are confident that they would, we feel this would be a far simpler method than setting up a National Wheat Institute to administer the program.

We would appreciate having this letter made a part of the hearing record.

Thank you
Sincerely,

JOHN W. SCOTT, Master.

WHEAT AND WHEAT FOODS FOUNDATION, INC.,
Chicago, Ill., May 22, 1970.

HON. GRAHAM PURCELL,
Chairman, Livestock and Grains Subcommittee, House Committee on Agriculture,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Speaking for wheat producers, processors and end-product manufacturers of wheat-based products, organized as the Wheat and Wheat Foods Foundation, may I add their voice in support of H.R. 13543, the Wheat Research and Promotion Act, now under consideration by your Subcommittee?

H.R. 13543 in fact expresses many of the basic objectives of those in agriculture and business who together struggled over a five year period to create the Foundation, an institution which we hope will long endure. The Bill pinpoints the urgent needs in research, education and promotion of which we all are so keenly aware. We commend you and the leaders of the wheat industry for this imaginative, beginning approach to a solution of the problem.

You have also devised a vehicle that projects wheat grower funds into the common resources devoted to the combined effort—a step which hopefully may proliferate in widespread investigation of the role of wheat and wheat products in human nutrition reflecting in the improvement of national diet and health; as well as exploration of new and promising uses of wheat.

It would be appreciated if the text of this letter could be included in the record of your hearings.

Sincerely yours,

HOWARD L. MORTON, *Chairman.*

Mr. PURCELL. I think I should ask unanimous consent that the letter from the Department be made a part of the record. It is basically the testimony of Mr. Weir—well, I understand it has already been made a part of the record.

With no more comment or questions and no more witnesses, then, this hearing will be concluded at this time and the committee will not vote at this time but will at the very earliest possible time. We appreciate all of your being here this morning.

(Whereupon, at 11:50 a.m., the hearing was concluded.)

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