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TRANSFER OF PEANUT AND TOBACCO ACREAGE ALLOTMENTS

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HEARINGS

BEFORE THE

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COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

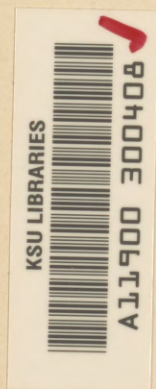
ON

H.R. 4609, H.R. 14306, H.R. 17186, H.R. 17581,
H.R. 17582, H.R. 17637, H.R. 17945, H.R. 18196,
H.R. 18232, H.R. 19115, and H.R. 19116

MAY 5, JULY 28, AND SEPTEMBER 16, 1970

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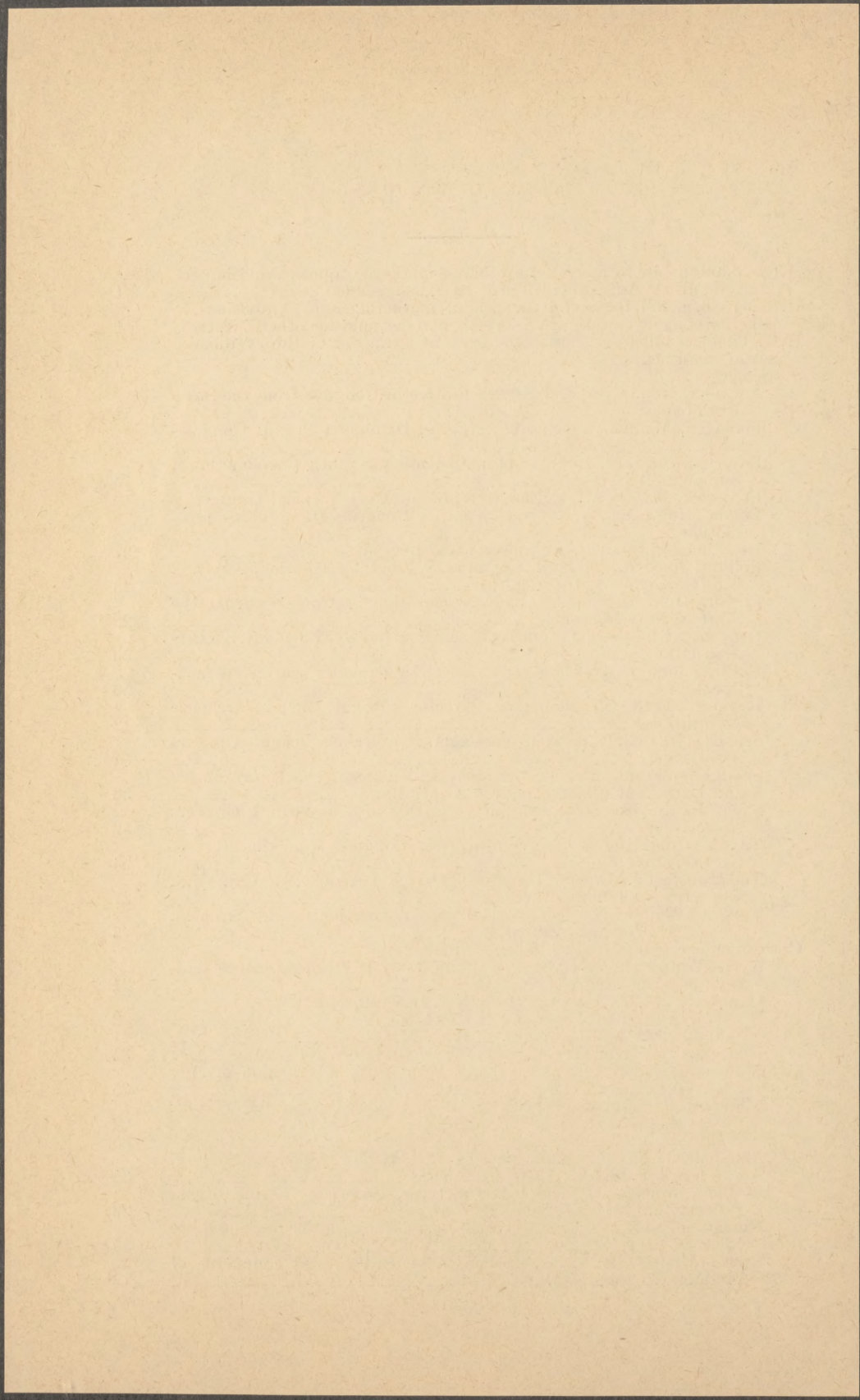
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TRANSFER OF TOBACCO ACREAGE ALLOTMENTS

TUESDAY, MAY 5, 1970

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TOBACCO OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess at 10 a.m., in room 1302, Longworth House Office Building, Hon. Watkins M. Abbitt, chairman of the subcommittee, presiding.

Present: Representatives Abbitt, McMillan, Jones of North Carolina, Wampler, Miller, and Mizell.

Also present: Mrs. Christine S. Gallagher, chief clerk; Hyde H. Murray, associate counsel; and John A. Knebel, assistant counsel.

Mr. ABBITT. The subcommittee will be in order.

We are meeting this morning to take up H.R. 14306 to amend the tobacco marketing quota provisions of the Agricultural Agreement Act of 1938.

(H.R. 14306, the text of which follows, was introduced by Mr. Abbitt, for himself and Mr. McMillan, Mr. Jones of North Carolina, and Mr. Stubblefield, and is similar to H.R. 4609 introduced by Mr. Taylor:)

[H.R. 14306, 91st Cong., first sess.]

A BILL to amend the tobacco marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 316(a) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"(a) Notwithstanding any other provision of law, the Secretary, if he determines that it will not impair the effective operation of the tobacco marketing quota or price support program, may permit the owner and operator of any farm for which a tobacco acreage allotment (other than a Burley, dark air-cured, fire-cured, Virginia sun-cured and cigar-binder, type 54 or 55 tobacco acreage allotment) is established under this Act to lease all or any part of such allotment or quota to any other owner or operator of a farm in the same county for use in such county on a farm having a current tobacco allotment or quota of the same kind."

SEC. 2. Section 316(b) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"(b) Any lease may be made for such term of years not to exceed five as the parties thereto agree, and on such other terms and conditions, except as otherwise provided in this section, as the parties thereto agree."

SEC. 3. Section 316(e) is amended by striking the period and inserting in lieu thereof the following: " : *Provided*, That in the case of cigar-filler tobacco types 42, 43, or 44, not more than 10 acres of allotment may be leased and transferred to any farm."

SEC. 4. Section 316(g) of the Agricultural Adjustment Act of 1938, as amended, is hereby repealed.

SEC. 5. Section 317(f) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out in the parentheses in the fifth sentence the language "Burley tobacco, or other".

SEC. 6. Section 703 of the Food and Agriculture Act of 1965 (79 Stat. 1210) is amended by striking out in the last sentence thereof the language "except in the case of burley tobacco, and other kinds of tobacco not subject to section 316,".

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., March 31, 1970.

Hon. W. R. POAGE,
*Chairman, Committee on Agriculture,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request of October 14, 1969, for a report on H.R. 14306, a bill "To amend the tobacco marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended."

This Department recommends that the bill be passed.

The bill makes permanent the authority for the lease and transfer of tobacco farm acreage allotments, which under present legislation expires with the 1970 crop. H.R. 14306 makes the lease and transfer provisions contingent on the Secretary's determination that permitting lease and transfer of allotments will not impair the effective operation of the tobacco marketing quota or price support program. This provision is now contained in legislation relating to other commodities and for fire-cured, dark air-cured and Virginia sun-cured tobacco. The bill authorizes leases not in excess of five years, while current legislation provides only for annual leases. H.R. 14306 extends the authority to lease and transfer to Ohio cigar-filler tobacco which is excluded under present legislation. The bill deletes fire-cured, dark air-cured and Virginia sun-cured tobacco from the provisions of Section 316 of the Act, as the lease, sale and transfer of allotments for these kinds of tobacco are authorized by Section 318 of the Act. Present legislation does not authorize the lease and transfer of allotments for burley or Wisconsin cigar-binder (types 54 & 55) tobacco, and H.R. 14306 continues this exception.

We have established 528,200 farm acreage allotments for tobacco this year. The total acreage allotted is 886,400 acres, an average of 1.7 acres per farm. For flue-cured tobacco, which accounts for about 60 percent of the total U.S. tobacco production, the average allotment (prior to adjustments to reflect overmarketings and undermarketings from the previous year) is three acres per farm. However, about 48 percent of the 194,100 flue-cured tobacco allotments are two acres or less. A total of 282,200 farms have burley tobacco allotments totaling 230,800 acres, an average of 0.82 acre per farm. About 60 percent of the burley allotments are one-half an acre or less.

It is apparent that many tobacco allotments do not constitute economic operating units. Last year 34 percent of the flue-cured tobacco allotments, representing about 20 percent of the allotted acreage, were leased and transferred to other farms. This flexibility enables those farmers who have the labor and equipment for producing larger acreages to increase their operations to more economic units. Farmers who do not wish to continue the production of tobacco can transfer their resources into other enterprises and at the same time receive some income from the lease of their tobacco allotments. In addition, larger and more economic production units will encourage mechanization of planting, harvesting, curing, and marketing tobacco. This has already taken place in many other commodities, but about 450 man-hours are still required to produce and market an acre of flue-cured tobacco. Tobacco farmers are concerned as to whether labor can be obtained in the years ahead to produce tobacco at wages that will enable them to compete price-wise in the world market.

We recommend that the bill be amended to apply to allotments for burley tobacco and cigar-binder (types 54 & 55) tobacco, which are specifically excluded under present legislation and in H.R. 14306. We recommend also that the bill be amended to authorize the sale of allotments for all kinds of tobacco as now provided for fire-cured, dark air-cured, and Virginia sun-cured tobaccos. We recommend further that the bill be amended to authorize lease or sale and transfer of allotments across county lines in the same State. We recommend also that the bill be amended to limit the period for which leases can be approved to three years rather than five years. This will permit leases to run concurrently with the period for which producer referenda are held, and authority for the sale of allotments reduces the need for leases for periods in excess of three years.

Enactment of H.R. 14306 would not require additional funds, and, if amended as recommended, would improve program operations.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

J. PHIL CAMPBELL, *Under Secretary.*

Mr. ABBITT. I assume the best thing to do would be to have a statement from one of the members of the Department. We have listed Mr. Claude G. Turner, whom I have known for many, many years. We also have Joseph Todd here and some others. We are pleased to have both of you gentlemen, and we would be mighty glad to hear from you at this time as well as anybody else with you from the Department.

STATEMENT OF CLAUDE G. TURNER, DIRECTOR, TOBACCO DIVISION, ASCS, ACCOMPANIED BY JOSEPH J. TODD, DEPUTY DIRECTOR, TOBACCO DIVISION, AND JAKE SCHOONOVER, OFFICE OF GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Mr. TURNER. Mr. Chairman and members of the committee, my name is Claude Turner. I am Director of the Tobacco Division of the Agriculture Stabilization and Conservation Service. I have with me Joe Todd, Deputy Director of the Tobacco Division, and Jake Schoonover of our General Counsel's staff.

We appreciate the opportunity of meeting with this committee to discuss H.R. 14306. I am not going into the details of discussing this bill at this time because I will call on Joe Todd to do this in just a few minutes. I would like, however, to mention a few developments which I think point to the need for more flexibility in our tobacco program than now exists.

First of all, the tobacco marketing quota program has operated without major change for most kinds of tobacco since 1940. The exception to this has been the acreage-poundage program which Flue-cured growers adopted in 1965. But even with this change, there still needs to be more flexibility in the Flue-cured program than now exists. Acreage allotments and marketing quotas were established primarily on the basis of the production history on each farm, for the production prior to 1940.

In recent years, industries have moved into the tobacco-producing areas and have drawn off a large percentage of the farm labor. The density of the industrial development is not uniform throughout the tobacco-producing areas. There are some areas which produce a larger percentage of their allotted acreage than others. This is primarily due to the difference in the labor availability, but a factor I think that cannot be overlooked is that some areas can produce tobacco more efficiently than others with the present know-how. These developments alone would clearly justify the need for lease and transfer as well as sale and transfer across county lines within the same State.

Another factor which is important and cannot be overlooked is that tobacco production still is a major product of labor even in this space age and period of industrialization and mechanization. In view of this, even with record prices, tobacco growers are barely receiving enough net returns to keep them in the production of tobacco. At the same time, our prices are substantially above world prices. If we are to continue to be the major supplier of tobacco in world markets, we

need to insure our foreign customers of a continuing supply of high quality tobacco at prices more competitive with other countries. It seems that this can be accomplished only through lowering the cost of production through mechanization. A forerunner of mechanization must be the authority for the sale and transfer of allotments between counties within the same State.

At this point, I want to ask Joe Todd to discuss with you the Department's detailed report on H.R. 14306.

Mr. ABBITT. Thank you very much.

Joe, we will be pleased to hear from you at this time.

Mr. TODD. Thank you very much, Mr. Chairman.

There are five principal provisions of H.R. 14306.

One, the bill makes permanent authority for the lease and transfer of tobacco farm acreage allotments—which under present legislation expires with the 1970 crop.

Two, H.R. 14306 makes the lease and transfer provisions contingent on the Secretary's determination that permitting lease and transfer of allotments will not impair the effective operation of the tobacco marketing quota or price support program. This provision is now contained in legislation relating to other commodities and for fire-cured, dark air-cured and Virginia sun-cured tobacco.

Three, the bill authorizes leases not in excess of 5 years—while current legislation provides only for annual leases.

Fourth, H.R. 14306 extends the authority to lease and transfer to Ohio Cigar-filler tobacco—which is excluded under present legislation.

Fifth, the bill deletes Fire-cured, dark air-cured and Virginia sun-cured tobacco from the provisions of section 316 of the act—as the lease, sale, and transfer of allotments for these kinds of tobacco are authorized under a new section 318 of the act.

Present legislation does not authorize the lease and transfer of allotments for burley tobacco or Wisconsin Cigar-binder (types 54 and 55) tobacco—and H.R. 14306 continues this exception.

The Department recommends that the bill be passed—to continue to provide some flexibility whereby those farmers who have the labor and equipment for producing larger acreages can increase their operations to more economic units. At the same time, it enables those farmers who do not wish to continue the production of tobacco to transfer their resources to other operations—and still receive some income from the lease of their allotments. It is generally agreed that larger and more economic production units will encourage mechanization of planting, harvesting, curing, and marketing tobacco. As you gentlemen are aware, this has already taken place in many other commodities. However, in spite of all the progress that has been made, about 450 man-hours are still required to produce and market an acre of most tobaccos. Our tobacco farmers are concerned as to whether labor will be available in the years ahead to perform this arduous work. In many areas, a severe shortage of labor has already occurred.

The need for this flexibility becomes apparent when you consider the size of tobacco allotments. We have established 529,600 tobacco allotments for 1970. The total acreage allotted is 886,500 acres. This is average of 1.7 acres per farm. For flue-cured tobacco, which accounts for about 60 percent of U.S. tobacco production, allotments

average 3 acres per farm. About 48 percent of these allotments are 2 acres or less. It is generally agreed that allotments of this size present many problems in curing tobacco—as the curing barn will likely be only partially filled at each curing. This is where there has been the most activity under the lease and transfer provisions, as the average lease covered about 2 acres. Last year, 34 percent of all flue-cured tobacco allotments—and 21 percent of the allotted acreage—were leased and transferred to other farms. This attests to the popularity of the flexibility afforded by the lease and transfer provisions.

We believe the bill can be improved by extending the lease and transfer provision to all kinds of tobacco. Present legislation excludes burley tobacco and Cigar-filler and binder tobacco—types 42, 43, 44, 53, 54, 55. H.R. 14306 extends the lease and transfer authority to Ohio Cigar-filler—types 42, 43, and 44—but does not extend it to burley tobacco—or to Cigar-binder—types 54 and 55. The Department recommends, therefore, that the bill be amended to authorize the lease and transfer of allotments for all kinds of tobacco.

Burley tobacco allotments have been established for 283,000 farms for this year—and the total acreage allotted is 231,000 acres. This is an average of eighty-one one-hundredths of an acre per farm. Sixty percent of all the burley allotments in the United States are one-half acre or less. Certainly, some flexibility is needed to provide more economical production units for burley. Since burley is air-cured—small burley allotments do not present the same problems in curing the tobacco as do small flue-cured allotments. However, these small burley allotments do present a real problem as research moves ahead toward the mechanization of tobacco production. It is most unlikely that any machinery can be developed that the holder of a half-acre allotment can afford to buy.

These small burley allotments present a real problem also in maintaining supplies in line with demand—and in operating a sound price support program. Due to increased per acre yields—and decreased usage—it was necessary to reduce burley allotments 10 percent this year. However, present legislation provides that the farm acreage allotment for burley tobacco for any year shall not be less than the smallest of (1) the allotment established for the farm for the preceding year, (2) five-tenths of an acre, or (3) 10 percent of the cropland in the farm. Legislation provides further that the additional acreage requirement to maintain minimum allotments shall be in addition to the national acreage allotment. So, instead of getting the 10-percent reduction that was needed and which applied to those allotments which are not protected by the minimum provisions—we ended up with an overall reduction of 7.5 percent. If further reductions become necessary—because of increases in per acre yields—or because of further decreases in usage—such reductions will be even less effective as more of the allotted acreage moves into the protected category. The farms which are protected by the minimum provisions now have 29 percent of the total acreage allotted.

Legislation does not provide any minimum allotment provisions for any kind of tobacco except burley. Burley allotments not protected by the minimum provisions were reduced by 10 percent in 1964—an additional 10 percent in 1965 an additional 15 percent in 1966—and a further 10 percent in 1970. Burley growers who have taken these reductions feel that it is unfair for them to make all the adjustments

that may be necessary—while the growers with the minimum allotments obtain increased per acre yields—and at the same time retain their previous allotments.

Mr. Chairman, I have gone into the minimum allotment provision in some depth for two reasons. In the first place—it presents a real challenge to the successful operation of the marketing quota and price support programs in the years ahead. In the second place—we are informed that the principal objection to extending the lease and transfer provisions to burley is—minimum allotments. Certainly it would not be equitable to reduce a 1-acre allotment—and then permit the holder of the half-acre allotment to lease and transfer another half-acre allotment—and be protected against any reduction—no matter how much per acre yields may increase—or whether usage decreases.

A more practicable and perhaps more acceptable modification in the case of burley tobacco would be sale and transfer of allotments.

The Department recommends that the bill be amended to authorize the outright sale and permanent transfer of farm acreage allotments for all kinds of tobacco—as now provided for Fire-cured, dark air-cured and Virginia sun-cured tobaccos. This will enable farmers to do a better job in planning their farming operations—such as buying equipment, and building curing barns—than they can do if they have to rely on leasing the needed acreage—from year to year.

We recommend also that the bill be amended to authorize the lease and sale of allotments across county lines—within the same State. Present legislation limits leases and transfers to other farms within the same county. This change would provide more flexibility and will give farmers in outlying counties in which there is little interest in producing tobacco—a better bargaining position.

Finally, Mr. Chairman—we recommend that the bill be amended to limit the period for which leases can be approved to 3 years rather than 5 years. This will permit leases to run concurrently with the period for which producer referendums are held—and authority for the sale of allotments reduces the need for leases for periods in excess of 3 years.

We will be pleased to try to answer any questions you may have concerning the bill and the Department's recommendations.

Thank you.

Mr. ABBITT. Thank you very much, Mr. Todd. We appreciate both of those fine statements. As I understand it, you are suggesting among other things that burley be included in the bill. The Department is recommending that that be done, but as a matter of fact we expect to get this bill by any time soon don't you think it would be better to have a separate bill for burley rather than putting it in this bill?

Mr. TURNER. Mr. Chairman, I think you are probably a better judge of the best method to proceed from here than perhaps we are.

Mr. ABBITT. I believe we had a bill substantially like this year before last, or maybe last year.

Mr. TURNER. That is right.

Mr. ABBITT. And we were unable to get it passed because of objections by some of our colleagues. I am glad to—seriously, though, I am glad to have the suggestions about the trouble with, or at least why some of the burley people are opposed to this bill. It may be that some of the members would want to introduce a bill or introduce legislation

which would cure the problem as to the minimum allotments. I can recall some years ago, when I introduced a bill that would reduce the minimum of the burley allotments. I believe at that time it was 5 acres, and we had legislation which reduced it down—what is the minimum now?

Mr. TURNER. It was 1 acre, Mr. Chairman, and it was reduced to five-tenths of an acre.

Mr. ABBITT. Five-tenths. There was quite a fight on the floor, but I think it was finally passed and we reduced it to five-tenths of an acre from 1 acre.

Off the record.

(Discussion off the record.)

Mr. ABBITT. On the record.

You said that Ohio was added. Is it your understanding that the Ohio people want to be in the bill.

Mr. TURNER. This is correct.

Mr. ABBITT. And as I further understand it this leasing will expire, the program will expire at the end of the crop for 1970 unless this bill or some similar legislation is passed.

Mr. TURNER. That is correct, except for those kinds of tobacco that have permanent legislation. You have it for Fire-cured tobacco, air-cured, and Virginia sun-cured.

Mr. ABBITT. At least Virginia comes in there with the sun-cured.

Mr. TURNER. This is right.

Mr. ABBITT. And I believe they have a little Fire-cured tobacco out there.

Any questions, Mr. McMillan?

Mr. McMILLAN. I just wanted to thank Mr. Turner and his group for the fine statement you have presented to the committee. I wonder what you think about a proposal that is being made, I know it is being made in my State, for the sale of some of these small acreage allotments. We have some elderly people and some people who leave the State and have maybe half an acre or an acre and want to sell it rather than lease it. Do you have any thought on that subject?

Mr. TURNER. Yes, sir. We favor the authority for the sale and transfer of tobacco allotments between the counties within the same State.

Mr. McMILLAN. I realize that is not in this bill, but I believe we will have a bill on that subject sometime in the near future.

I believe that is all.

Mr. ABBITT. Thank you, Mr. McMillan.

Mr. Wampler.

Mr. WAMPLER. Yes, Mr. Chairman. Thank you.

I happen to be one of those members who does favor the provision to permit the leasing of burley allotments. As you know, my area of Virginia has a lot of small growers of burley tobacco. I believe our average allotment is slightly over one-half acre minimum, and some of our friends over in Kentucky have allotments ranging from 20, 25, and 30 acres and perhaps even more. I think here we get into a basic argument of where does equity lie. When you cut, do you cut a man from \$50,000 gross income to \$45,000 gross income or do you cut him from \$800 down to \$600 or something in that range? This I recognize is a very, very serious problem.

Now, as I understand it, did Flue-cured allotments have a 5-percent reduction for the crop year?

Mr. TURNER. Five-percent reduction for the 1970 crop.

Mr. WAMPLER. Burley had a 10-percent cut.

Mr. TURNER. Ten percent.

Mr. WAMPLER. Do you attribute this cut in any way to the leasing of allotments in Flue-cured tobacco? Did this help flood the market?

Mr. TURNER. No, sir. We have had the acreage-poundage program operating since 1965. It has worked very effectively, Congressman Wampler. We reduced the total supply some 600 million pounds in that 5-year period, but we have had some decrease in the domestic use of Flue-cured tobacco, and you are beginning to see some in burley. In fact, I believe that it is a hundred million pounds off from 5 years ago in Flue-cured tobacco, and it dropped some 30 million pounds in 1 year, for burley this past marketing year. So, this is primarily the reason why the 5 percent cut was necessary. The supply of Flue-cured tobacco is now approaching a normal supply, whereas you still have excessive supplies of burley tobacco.

Mr. WAMPLER. Well, as I visited the markets in my district during the selling season last Christmas, I heard a lot of growers make the allegation that a large amount of our tobacco was going under loan because of the high prime interest rates. This indicates that perhaps some of the large tobacco companies and other buyers were saying, in effect, let Commodity Credit take this tobacco under loan, and then at the appropriate time as the need arises we can draw on those stocks and pay I believe 3.5 percent interest rather than what it cost the taxpayer.

Do you have any comment on that?

Mr. TURNER. I think the situation that you state is a real one and is one that requires some very serious consideration in pricing these loans, stocks of tobacco, because certainly the object would be to protect the price at the marketplace and not to invite buyers to go around the marketplace to get lower priced tobacco from the loan stocks. So we are—and I think you received a letter from the Secretary which in the main says that we are going to price these stocks as nearly as we can to reflect the cost of the purchaser including the higher interest rate.

Mr. WAMPLER. Well, I think it is commendable. I am not prepared to say this is a fact, but if there were buyers using this device, it would ultimately be a greater cost to the taxpayer. I don't think it helps the tobacco program or them or anyone. We have enough promise without compounding that one.

Mr. TURNER. Right. Could I make one more comment on your question about did the lease and transfer of Flue-cured tobacco have any effect on the 5 percent reduction, and I indicated I didn't think it did, but I would like for the record to show that perhaps we are growing a smaller percent of the Flue-cured acreage than we are in burley. So I don't think that this contributed to any excess production. In fact, I think it is needed to maintain continuing production.

Mr. WAMPLER. Most of the growers in my area and organizations such as the Virginia Tobacco Growers Association and the Farm Bureau have indicated they favor the leasing of burley allotments. I realize this is not unanimous among all producers, but I try to be practical and recognize the problem that is facing us here this morning. We have the real problem of a piece of legislation expiring with

this crop and the need for plans to be made. I think I favor everything in this bill with the possible exception that burley should be included in it. But I do appreciate your response to my questions.

Mr. TURNER. Thank you, sir.

Mr. ABBITT. Mr. Mizell.

Mr. MIZELL. Yes. This will be just for my information. I am interested in the provision that would permit the allotments to be leased across county lines. If this would be approved, it would be the first time that cross-county leasing would be permitted. Do you have any idea how many allotments would be leased outside their home counties?

Mr. TURNER. Congressman Mizell, we do not. We do have a record of the number of lease and transfers within the flue-cured belt, and you know it is now limited to within the county. I suspect though that there would be movement from one county to another, and it would be based primarily on how much the man could get for each pound that he leased. And I am thinking in terms of a county that is a marginal county where they are growing a very small percent of their allotted acreage. In some cases they can lease and transfer it for 7 cents a pound, but when you get into the East, border or South Carolina where there is a strong demand and they are growing a high percentage of their allotted acreage, the leases go up to 15 and 16 cents a pound. So there is an advantage I think to the fellow who is leasing it monetarily to let it go between counties. He will certainly get a better price for it, and perhaps it would reduce the price some in the more acute areas.

Mr. MIZELL. Well, I can see where this possibly could be an advantage for the person who is leasing the tobacco. My concern is this: The tobacco marketing system is probably set up differently from any other. The markets are the marketing areas that depend on this tobacco to come into those markets every year. The economy of the community often is dependent on this tobacco, and cross-county leasing could have a real impact on some of our smaller, rural communities that depend on this tobacco not only to be marketed there, but also for the resulting funds which are spent in the community. This is a concern that I have.

Mr. TURNER. Right. Well, I think that is one of the disadvantages that have to be balanced against some of the advantages that the farmers would accrue from the lease and transfer across county lines. There has to be an adjustment made by someone.

Mr. MIZELL. Thank you, Mr. Chairman.

Mr. ABBITT. Thank you very much.

Mr. Jones.

Mr. JONES. Thank you, Mr. Chairman.

I think I have found an answer to the question I had. However, I would like to propound one more if I might.

Under the terms of this bill in your opinion would this perhaps solve a problem that is now being handled in many cases illegally to make it legal. Would language be necessary to permit a grower who, due to the advantage of the season, et cetera, produced a full crop, perhaps 10 percent over poundage? He has no commission to settle. His labor conversely is 20 percent under his legal poundage. As you well know, they are getting it somehow or another.

Mr. TURNER. I think I understand the conditions you are describing, and I think it would require a change in the language of the bill.

If you had the authority for the sale and transfer between counties, within the same State with no time limit on it, that could be a partial solution to the problem, if you had the ability to lease and transfer between county lines that would get to the root of the problem you are describing, without any time limitation on it where now the bill I think provides for prior to normal planting time.

That is right, isn't it, Joe?

Mr. TODD. Yes.

Mr. JONES. What would be the Department's position on that?

Mr. TURNER. Congressman Jones, I haven't had an opportunity to discuss it so it would be simply a personal view of my own.

Mr. JONES. Well, obviously it would not adversely affect the overall poundage allotment of the entire crop for that 1 year.

Mr. TURNER. No, sir. I think we have taken some corrective action, and we reduced the condition that you allude to by administrative action, but there is still this demand when a man has got tobacco to sell and he has got more than his quota to try to find ways of selling it. It is up to us to try to catch him if we can.

Mr. JONES. You have done a pretty good job of it.

That is all, Mr. Chairman.

Mr. ABBITT. Mr. Wampler.

Mr. WAMPLER. Mr. Turner, if we were to permit the sale and transfer of allotments, could you give me any idea of how you would arrive at a fair market value to be arrived at for 1 acre of burley tobacco?

Mr. TURNER. It would vary a little by areas.

Mr. WAMPLER. Yes, I know.

Mr. TURNER. I couldn't just take a price off the top of my head. It would seek its own level depending on the amount that people would be willing to sell and the amount that people would be willing to buy. The law of supply and demand would set that price. But you have, I guess, a value, if we think in terms of value of an acre of burley tobacco—Joe—it would run maybe \$5,000 in some areas.

Mr. WAMPLER. In other words, one way to arrive at it is to take the gross income of that crop for a year and use of certain factor depending on what you could buy it for?

Mr. TURNER. Yes, sir.

Mr. WAMPLER. So it would be, just pulling a figure out of the air, you mentioned \$5,000 possibly for acre, depending again on where it is situated.

Mr. TURNER. Right.

Mr. WAMPLER. But it would be something in that range.

Mr. TURNER. Yes.

Mr. WAMPLER. Now how would you equate that to Flue-cured? Of course it would be less per acre.

Mr. TURNER. It would be a little less, I suspect.

Mr. WAMPLER. If we were to give that authority in the legislation, do you think there would be a larger sale or transfer of allotments? Is there any way you can predict or forecast that?

Mr. TURNER. Again, it would be a matter of judgment.

Mr. WAMPLER. Yes; that's what I said.

Mr. TURNER. But if you had dual authority for lease and transfer, I think you would have the largest amount transferring under the

lease and transfer than you would under the sale, particularly if you had the long term authority—3-year authority to lease and transfer.

Mr. WAMPLER. Now, under the present law if you are leasing an allotment of Flue-cured tobacco, there is a necessary adjustment in the acreage because of the cut. When it reverts back to the lessor for the purpose of acreage adjustment. You can't take them all together and then make a hard percentage cut.

Mr. TURNER. This is right. In other words, the allotment goes back to the original farm each year, and this raises a point of administrative cost. I think the 3-year lease and transfer and the outright sale and transfer would reduce some of the administrative costs because it will cut down the numbers, and the 3-year lease would keep the county from having to renew that lease every year.

Mr. WAMPLER. And I gather also since you have recommended allotments be leased across county lines within the State that this won't necessarily compound your administrative costs.

Mr. TURNER. That is right.

Mr. WAMPLER. I see.

Mr. ABBITT. Mr. McMillan.

Mr. McMILLAN. I know in South Carolina this year they only sold the Government or Stabilization a little more than 3 percent of the crop. There has been some grumbling about why should they have to take a 5-percent decrease. I realize they are tied up with all the other States. It is pretty hard to explain sometimes to some of those farmers why they should be required to take a reduction under these circumstances.

Mr. TURNER. Particularly if you have record prices, too.

Mr. ABBITT. Mr. Miller, do you care to ask any questions?

Mr. MILLER. I did hear a moment ago about the sale and transfer, and lease and transfer. You indicated that undoubtedly there would be more transactions under the lease and transfer. Could you give us the reason for this?

Mr. TURNER. Well, in the first place, if you buy this allotment it is going to cost a lot of money. If you can get the arrangements on a shorter term you don't have to put as much financial investment in it.

Now, I hate to mention this but, I have to be frank in answering questions. We all recognize that there is this cloud of suspicion over tobacco, and this probably would deter some people from making long-term plans, particularly in the purchase of allotments.

Mr. MILLER. What I was after was whether it was the buyer or the seller who was having control. It is the buyer not wanting to put out that additional amount of money.

Mr. TURNER. Right.

Mr. MILLER. Thank you.

Mr. ABBITT. Thank you very much.

Now, off the record.

(Discussion off the record.)

Mr. ABBITT. Thank you very much. Unless there are some other questions, we appreciate your being here and we hope you will stay because there might be some other questions that arise.

Wait just a second. Mr. Jones wants to ask some questions.

Mr. JONES. What would the Department's position be if the sale of allotments would be confined within county limits?

Mr. TURNER. Well, I think the Department would feel that it has made some progress but not quite as much as we would like. It does reduce the flexibility as you probably know.

Mr. JONES. Well, my concern is that in my rural district of North Carolina, there are perhaps three or four smaller counties which are basically agriculture, almost exclusively, and I am thinking of their governmental tax structure if the allotment is sold from one of the poor counties to one of the wealthy counties. I don't know just what it would do to their tax revenues. That is one concern. Maybe it is not real but it exists on my part.

Mr. TURNER. In other words, you are saying, Congressman Jones, that the value of that allotment adds value to that farm in the community in which it is located. I suspect it does.

Mr. JONES. It is a medium of exchange down in my section. You know that.

Mr. ABBITT. Thank you.

As I further understand it, assuming that the committee doesn't approve the sale, and assuming we do not add burley, the Department does feel this is a step in the right direction and recommends enactment of the bill.

Mr. TURNER. That is correct, and so stated in the Department's report to the committee.

Mr. ABBITT. That is what I understand. Thank you very much.

Mr. TURNER. Thank you, Mr. Chairman.

Mr. ABBITT. We would now like to call on Mr. Fred S. Royster. The way it is here in my list of witnesses I thought maybe Mr. Jones might want to introduce Mr. Royster.

Mr. JONES. Mr. Chairman, I would be happy to. I have known this gentleman for perhaps too few years on my part and maybe far too many on his part. I have admired his efforts on behalf of the tobacco farmers and the warehousemen throughout North Carolina and the South; had the pleasure of serving with him in the North Carolina State Senate in 1965, and if there is any one man that has given his life to the promotion and the betterment of the tobacco farmer, the entire program, it is the next speaker, the honorable Fred Royster of Henderson, N.C.

Fred, it is good to see you here.

Mr. ABBITT. Fred, the entire committee wants to welcome you here and is pleased to hear from you at this time. I know you will bring us some good information.

**STATEMENT OF FRED S. ROYSTER, MANAGING DIRECTOR,
BRIGHT BELT WAREHOUSE ASSOCIATION, HENDERSON, N.C.**

Mr. ROYSTER. Thank you, Mr. Chairman and members of the committee.

May I say I am particularly grateful to the distinguished Congressman from the first North Carolina district for the very undeserved introduction that he has just given me here this morning.

Mr. Chairman, and members of the committee, I am F. S. Royster of Henderson, N.C., managing director of the Bright Belt Warehouse Association, Inc., which is a voluntary trade association of tobacco auction warehousemen in the flue-cured area. A substantial majority

of all warehousemen operating in the flue-cured area are members of the Bright Belt Warehouse Association, Inc.

H.R. 14306 has been considered by the board of governors of this association and we heartily endorse same and strongly request this subcommittee to act favorably on this resolution.

Mr. Chairman and members of the committee, I appreciate the privilege of appearing here today, and that concludes my formal statement.

Mr. ABBITT. We appreciate that statement so much, Mr. Royster. Do you think it is better under the circumstances to proceed with the present bill as is?

Mr. ROYSTER. Yes, sir. Very definitely.

Mr. ABBITT. Rather than to get into a problem as to sale and leasing and other things.

Mr. ROYSTER. Yes, sir. I certainly think so. There is a very sharp difference of opinion as to the sale of allotments. There is also a very sharp difference of opinion as to the providing by lease and transfer that they can be moved across county lines within the same State. This program that we have had has worked exceedingly well. It is universally popular among growers and warehousemen, or well nigh so. And we feel very definitely that the best thing to do at this time is to renew the present legislation with the changes provided for in the bill as it is now before the committee without any amendments.

Mr. ABBITT. My recollection is when we had a hearing on the original bill which included burley we went into it very carefully.

Mr. ROYSTER. Yes, sir.

Mr. ABBITT. And we tried to put in every safeguard that we could and just move a little at a time.

Mr. ROYSTER. Yes, sir.

Mr. ABBITT. And I think this bill that we have before us now carries out that intention except we have taken out burley because of the objection of some of the Members of the House of Representatives from Kentucky.

Mr. ROYSTER. This is correct, Mr. Chairman. And I certainly want to make it clear I am not attempting to get into what burley should do.

Mr. ABBITT. I understand.

Mr. ROYSTER. But if a bill were introduced subject——

Mr. ABBITT. You would have no objection?

Mr. ROYSTER. Oh, no; I would have no objection, but I am not getting into that. But since Flue-cured is a principal type of tobacco under the present legislation I think it would be wise to just pass this bill as it is.

Mr. ABBITT. And then go into the other?

Mr. ROYSTER. Right.

Mr. ABBITT. Fine. Mr. McMillan.

Mr. McMILLAN. I don't have any questions.

Mr. ABBITT. Mr. Wampler.

Mr. WAMPLER. Mr. Royster, it is always a pleasure to see you here or anywhere as far as that is concerned. We appreciate your presence here.

Mr. ROYSTER. Thank you, Congressman.

Mr. WAMPLER. This is a little off the question before us, but I know at one time you indicated that you were very strongly in favor of the

acreage-poundage program. Do you still hold that view? Is it operating as well now as it did?

Mr. ROYSTER. Yes, Congressman. I not only hold the view as strongly as I did in 1965 but even stronger. It has, I think, been nothing short of remarkable in how well the program has worked, how it has been accepted by the growers and warehousemen and buyers, too. And as Mr. Turner stated, we have reduced our stocks approximately 600 million pounds in the 5 years, and at the time you may recall that the legislation was being considered, our position was that we thought we could reduce stocks a hundred million pounds per year, so we have exceeded that. We have got a different type of tobacco, a great deal more desirable to the trade and I am more strongly in favor of it than at the time we were securing the legislation. And I want to thank you and the other Members of Congress that took a part in providing us with that legislation. It saved the tobacco program in the Flue-cured area.

Mr. WAMPLER. I know some months ago you had a little difficulty in North Carolina and some of the other belts on marketing your tobacco. Did you get those pretty well resolved this last market season?

Mr. ROYSTER. I would say, Congressman, that the 1959 marketing season was quite an improvement over several previous seasons. What got us into that situation was a complete revolution or change in the marketing process. When we went from bundle tobacco to loose leaves that is really what caused it, and it just created a situation that could not be foreseen but there was just a limit to what could be done about it at any given time. But there was an improvement in 1969, and I sincerely hope and I think that the roughest part of that problem is behind us. As a result of the experience over the last three or four seasons, we have learned to live with it.

Mr. WAMPLER. And the Department has been helpful to you, as I understand it?

Mr. ROYSTER. The Department has been very, very helpful to us. And since you mention the Department, I want to confer a little favor on these gentlemen here. I want to commend the Department for the manner in which it has operated in connection with the Flue-cured tobacco program throughout its history for that matter and particularly so in recent times.

Mr. WAMPLER. I think that you are very much in order because it seems the Department of Agriculture is the only agency of the Federal Government that looks with any favor at all on the tobacco program.

Mr. ROYSTER. I certainly can join in that statement, Congressman Wampler.

Mr. WAMPLER. That is a little bit off the subject. I appreciate your comments very much.

Mr. ROYSTER. Thank you, sir.

Mr. ABBITT. If the members of the subcommittee will bear with me just a minute, we have W. C. Daniel, a Member of the House from the Fifth District of Virginia here. He says he has to go to another committee. We appreciate very much your being with us. We know of your great interest in tobacco, and after my district you are the first tobacco district in Virginia. Would you like to have a word?

Mr. DANIEL. Well, thank you very much, Mr. Chairman. Only that I say I am here in support of the chairman and want to do whatever I can to follow the tobacco program. And I think Tony Curtis proved that when you get off tobacco you get on pot.

Thank you very much, Mr. Chairman.

Mr. ABBITT. Mr. Jones.

Mr. JONES. Mr. Chairman, I have no questions. Thank you.

Mr. ABBITT. Mr. Miller.

Mr. MILLER. No questions, thank you.

Mr. ABBITT. Mr. Mizell.

Mr. MIZELL. Thank you, Mr. Chairman.

I would like to add to the accolades that have been bestowed upon Mr. Fred Royster here in the committee this morning.

Mr. ROYSTER. Thank you, sir.

Mr. MIZELL. Although I have not known Mr. Royster as many years as you, I must say he is held in very high esteem by all men in the tobacco industry up in my area. I am sure, Mr. Royster, you probably know more about tobacco than I will learn in the time that I serve on this committee. I do appreciate your comments, and I just have one question, Mr. Royster.

Earlier I expressed concern about the lease and sale of tobacco allotments across county lines even within the State. Would you have any objections to or do you see it as being harmful to the tobacco program if the lessees are permitted to lease only within the county as they do now? Would you object to the sale of allotments as long as it was within a county?

Mr. ROYSTER. Congressman Mizell, may I first express appreciation for your very kind remarks.

I would on this basis. I don't think it is necessary. I think you achieve certainly with a 5-year lease-transfer program, I think you achieve the desired results. I heard Mr. Turner's testimony that it might be some improvement or would be some improvement. I don't think it would be enough improvement to justify attempting to make the change at this time, because you are going into very strenuous opposition in some quarters to that.

Now, I happen to be of the mind myself that you may not be doing this small grower—and you have many in your district—you may not be doing him a favor to let him sell that allotment, get a few thousand dollars and maybe not use it wisely. It might be better if he were in a position where he retained his interest and got an annual income from it. I don't think that you are doing him a favor.

And another thing that I have always been of the opinion, I think you need to keep as many allotments and as many people involved as you can. I don't think you could maintain this program if you had all large growers or large allotments. I think it is better to stay on the course that we are on at this time.

Does that answer your question?

Mr. MIZELL. Yes, sir. I certainly thank you for your response, Mr. Royster.

Mr. ABBITT. Thank you, Mr. Royster. We are always glad to have you.

Mr. ROYSTER. Thank you, sir.

MR. ABBITT. The next witness on our list, I would ask Mr. McMillan if he would introduce him.

MR. McMILLAN. Members of the committee and gentlemen, I am delighted to have an opportunity to introduce Mr. Foy. Mr. Crawford Foy, I presume knows more about the ASC program and certainly knows more about the workings of the tobacco program than any man we have in the State of South Carolina. Happy you could be with us, Mr. Foy.

MR. ABBITT. Mr. Foy, we are mighty pleased to have you, and your Congressman here is a mighty diligent laborer in the field of tobacco legislation. He is always interested in and always speaks up for tobacco farmers. It is good to have him as a member.

STATEMENT OF CRAWFORD E. FOY, DIRECTOR OF PUBLIC AFFAIRS, SOUTH CAROLINA FARM BUREAU

MR. FOY. Mr. Chairman and members of the committee, first let me thank Mr. McMillan for that nice introduction.

My name is Crawford Foy, and I am director of public affairs for the South Carolina Farm Bureau Federation.

The South Carolina Farm Bureau represents more than 30,000 farm families, and a large portion of these families live in the tobacco producing areas of South Carolina. The policy of our organization is made by farmers, and my testimony today reflects the policy of our State Farm Bureau, and I might add, the policy of our national organization also.

We strongly favor legislation which will allow the sale, lease, and transfer by owner, of tobacco allotment. The present provisions for leasing allotments should be extended—except that it should be liberalized so as to allow for leasing anywhere within the State rather than within the county only. There should be added provisions allowing the sale of tobacco allotment, also the transfer of allotment, between farms, by the owner of such farms—both provisions applicable within the boundaries of the State.

We have in South Carolina a total of 24,380 farms with Flue-cured tobacco allotments. The total State allotment for 1970 is slightly in excess of 67,000 acres. This figures out to an average of about 2.70 acres of allotment per farm—but this is not a true picture of the actual situation. Of the 24,380 farms with allotments, 13,195 of them have allotments of 2.00 acres or less, 17,294 have allotments of 3.00 acres and less, and 20,964 of them have allotments of 5.00 acres and less. The average acreage allotment on these 20,964 farms is slightly less than 1.70 acres per farm. There are only 3,416 farms in the State with an allotment of over 5.00 acres and only, 1,024 farms, out of the total 24,380, have more than a 10.00 acre allotment.

The small size of most of the allotments in the State is emphasized to point out that there are thousands of farms that do not have enough allotment to provide an economically feasible farming unit. This is borne out by the fact that last year with leasing only in effect, the operators of 7,886 farms leased their allotment, amounting to 15,118 acres, to others. This is almost one-third of the farms with allotments, and almost one-fourth of the total allotted acreage. There would have been, no doubt, more leasing than this had leasing across county lines been permitted.

The majority of the tobacco farms in our State are much smaller in total size than other farms. This is because, in years past, the tobacco farmer did not need too much land for other cash crops in order to make a living for his family. This has changed and he now finds himself with not enough tobacco allotment or total land to make an economic unit. In years past, when things were somewhat different from now, the capital outlay to produce a crop was nothing like it is today. The cost of everything needed to produce a crop of tobacco has skyrocketed to the point that the farmer with just an average size allotment actually cannot afford to plant it.

The minimum wage provisions, as it applies to agriculture labor, has caused labor costs to increase to the point that tobacco farmers have been forced to mechanize to the maximum extent possible. The machinery required to mechanize—tractors, cultivating equipment, mechanical harvesters, bulk curers, et cetera—are extremely expensive and must be utilized to the absolute maximum. This takes tobacco acreage—and the only way to get it is to get it from other farms.

Under past and present programs the tobacco allotment has been capitalized to the farm. The leasing provisions have been used to advantage by many farms with small allotments to supplement income from other crops, but maximum monetary return has not been realized due to leasing restrictions. If the sale of allotment were possible, many farm families would sell their small allotment and continue to live on the farm. Otherwise, some larger operator will soon buy the farm in order to get the allotment, and the small farmer and his family will move to one of our already overcrowded urban areas.

To allow the sale, lease and transfer by owner of tobacco allotment will not create a problem of overproduction by concentrating acreage on farms which will plant it—this can be managed by quotas. To merely extend the present leasing provisions will create a problem which to date has not been solved. That is the problem of overcrowded cities—because, without a doubt, thousands of our tobacco farmers will be forced to leave the farm.

We respectfully request that you carefully consider this matter and recommend legislation to modernize the tobacco program by providing for the sale, lease, and transfer of Flue-cured tobacco allotment within the boundaries of the State.

Thank you, sir.

Mr. ABBITT. Mr. Foy, we appreciate so much your coming to testify. So nice to have you. We always are glad to welcome you to our hearings.

Mr. McMillan.

Mr. McMILLAN. Thank you, Mr. Foy, for your statement. I think you have spoken the sentiment of the tobacco farmers of my State.

Mr. ABBITT. Mr. Wampler.

Mr. WAMPLER. No questions.

Mr. ABBITT. Mr. Jones.

Mr. JONES. No questions, Mr. Chairman.

Mr. ABBITT. Mr. Miller.

Mr. MILLER. No questions.

Mr. ABBITT. Mr. Mizell.

Mr. MIZELL. No questions, Mr. Chairman.

Mr. ABBITT. You have covered the subject matter so well we don't have any questions.

Mr. JONES. I do believe I have a question, Mr. Chairman.

Mr. Foy, let me ask you, if you know. Out of the total allotment in South Carolina last year, acreage-poundage, how many acres were not planted?

Mr. Foy. If I remember correctly, Congressman Jones, about 5,000. Mr. Turner or Mr. Todd might have the figures for the State readily at hand, but I believe it was about that.

Mr. JONES. Thank you, sir.

Mr. Foy. I may be in error. I am not sure.

Mr. JONES. May I raise the same question of Mr. Royster?

Mr. ABBITT. Yes.

Mr. JONES. Mr. Royster, may I direct a question to you, the same question. How many acres in North Carolina of tobacco allotments were not planted last year?

Mr. ROYSTER. Joe, do you have the information?

Mr. TODD. Can we put that in the record?

Mr. ROYSTER. I can give it to you in a close approximation. About 45,000.

Mr. JONES. Thank you.

Mr. ROYSTER. And the information that Mr. Foy gave is approximately correct for South Carolina.

Mr. ABBITT. Thank you very much.

Mr. Foy. Thank you, sir.

Mr. ABBITT. We now have Mr. Robert Frederick of the National Grange. Mr. Frederick, we are highly pleased to have you with us, glad to hear from you at this time.

STATEMENT OF ROBERT M. FREDERICK, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE, ALSO REPRESENTING THE NORTH CAROLINA STATE GRANGE AND THE FARMERS COOPERATIVE COUNCIL OF NORTH CAROLINA

Mr. FREDERICK. Thank you, Mr. Chairman. I don't think I will have to point out that my accent will be a little different than the preceding witnesses. I hope that won't prejudice my case, because I am and my organization is in support of the chairman's bill and similar legislation.

However, I am glad to see that I have a colleague or a brother Ohioan on the committee, Representative Miller from Ohio.

I am Robert Frederick, legislative director of the National Grange with headquarters at 1616 H Street, NW., Washington, D.C.

In addition to the National Grange, I have been asked to speak for the North Carolina State Grange, Mrs. Harry B. Caldwell, master, and the Farmers Cooperative Council of North Carolina, Harry B. Caldwell, executive vice president.

The National Grange represents tobacco-producing members in North Carolina, Virginia, South Carolina, and Ohio, as well as other tobacco-producing States. However, I believe the tobacco affected by the legislation now pending before this committee is grown primarily in the few States mentioned above.

Mrs. Harry Caldwell, master of the North Carolina State Grange and chairman of the National Grange's Cotton, Peanuts and Tobacco Advisory Committee would have been here to present our testimony

as she and Harry are the Grange experts in the southern crops, but pressing business elsewhere prohibited her from being here.

It is because of the interest of the States of North Carolina, South Carolina, and Virginia that the National Grange has had a national policy on the lease and transfer of tobacco allotments.

In 1966, the National Grange went on record against the sale of tobacco allotments and quotas and in favor of the continuation of the present lease and transfer program.

Therefore, the National Grange is in strong support of H.R. 14306, introduced by the chairman of this committee and cosponsored by Representative McMillan, Representative Jones, and Representative Stubblefield, all members of this committee. And we also support H.R. 14309, an identical bill introduced by Representative Taylor of North Carolina.

I might add that in addition the National Grange would support the producers of the burley tobaccos if they too wish to be covered by the provisions of this act, and therefore, we would be in support of the Department in their recommendations regarding this section of the bill.

The principal points of H.R. 14306, to amend the tobacco marketing quota provisions of the Agricultural Adjustment Act of 1938, are to make the leases of the allotments for more than 5 years and to make the legislation permanent. We are in support of these changes, as we feel they will improve upon an already effective tobacco program.

In the judgment of the tobacco producers that are members of the Grange, the lease and transfer of allotments and quotas has worked well. They feel that the program has come of age and should be made permanent as well as permitting the leases for longer periods of time. When the program was new, we would see the necessity of annual leases and a termination date so as to have the opportunity to review the effectiveness of the program. We believe this is no longer necessary.

The technology of tobacco production is now such that the equipment necessary to be efficient in the production of tobacco requires considerable capital outlay; therefore, it is in the best interest of the lessee and lessor to make the leases for more than 1 year, but to provide for review of the conditions of agreement after more than 5. If the leases are on an annual basis, the capital requirements could discourage the lease and transfer of tobacco allotments or quotas.

It is for this same reason that we believe that the program should be made a permanent part of the Agricultural Adjustment Act of 1938, as amended. A producer, knowing that he would have the security of a long-term program, would be more willing to make the necessary investment in equipment to efficiently operate the larger acreage.

We also believe that a permanent program, with longer terms of the leases would be in the best interest of the rural community as it would provide income stability both for the producer and the hired work force.

In our judgment, limiting the program to 3 years or 5 years will not add to the benefits of the program, but only cause concern among producers that wish to lease tobacco allotments, and would limit the

scope of their efficient operations knowing that the program would be terminated.

It has been brought to our attention that in some instances, it may be wise to consider a program for the lease and transfer of tobacco allotments that is now in effect for cotton, that is if the allotment was not taken up in the county, it could be permitted to be transferred across county lines. In many cases, an allotment will be cheap in one county and just across the county line, it would command a much higher price.

We believe such a program of transfer between counties should be considered for tobacco and would respectfully suggest that the committee take the idea under study, if not at this time, at a later date.

Thank you for permitting the National Grange to present its views and those of our State Granges, as well as the Farmers Cooperative Council of North Carolina.

Mr. McMILLAN (presiding). Mr. Frederick, the committee is grateful to you for taking time to give us your opinion on the proposed legislation. I would like to state that the Grange is highly thought of in my State and I regret that one of the members from my State couldn't be here today, but you did a good job representing them.

Mr. FREDERICK. Thank you, sir.

Mr. McMILLAN. Mr. Jones.

Mr. JONES. No questions, Mr. Chairman.

Mr. McMILLAN. Mr. Wampler.

Mr. WAMPLER. No questions.

Mr. McMILLAN. Mr. Miller.

Mr. MILLER. Yes, Mr. Chairman.

I am glad to have Mr. Frederick, a fellow Ohioan here, to discuss the problem. You did make one statement: "In our judgment, limiting the program to 3 years or 5 years will not add to the benefits of the program." Does the Grange have a specific time that you would recommend?

Mr. FREDERICK. Well, in this regard we are speaking to making the lease and transfer a permanent part of the act of 1938. We think it should be made permanent legislation, not limited to any 3- or 5-year period. The leases should be longer, we feel, than 1 year and up to as much as 5 years.

Mr. MILLER. Very good. Thank you.

Mr. McMILLAN. Mr. Mizell.

Mr. MIZELL. No questions, Mr. Chairman.

Mr. McMILLAN. Thank you very much.

Mr. FREDERICK. Thank you, Mr. Chairman.

Mr. McMILLAN. We have a letter from Walter Ayers, director of public affairs, Virginia Farm Bureau Federation, and two telegrams; one from Maurice B. Rowe, Commissioner of Agriculture and Commerce of Virginia; and one from B. C. Mangum, president, North Carolina Farm Bureau, which will be inserted in the record at this point.

(The correspondence referred to above and a statement and letter also submitted to the subcommittee follow :)

VIRGINIA FARM BUREAU FEDERATION,
Richmond, Va., May 1, 1970.

Hon. WATKINS M. ABBITT,
House Office Building,
Washington, D.C.

DEAR WATT: Virginia Farm Bureau Federation supports H.R. 14306 as drafted. Following action by our state Farm Bureau Flue Cured Tobacco Committee, our county Flue Cured Tobacco Committee, and our County Farm Bureaus, the voting delegates to our state convention adopted a policy which reads in part: (We) "oppose the sale of flue cured tobacco allotments and support a 5-year lease program."

Permanent authority for lease and transfer of tobacco allotments authorizing leases not in excess of five years will bring needed efficiency to the flue tobacco industry. Farmers will then be able to enter into leases knowing that they will be able to produce that acreage for more than one year. This will enable farmers to create larger and more economic production units and make it feasible for them to make necessary investments in equipment and necessities of production. At the same time, farmers with very small units can lease their acreage to someone else for an extended period of time, and then safely invest their capital and management in other enterprises.

The Virginia Farm Bureau is opposed, however, to suggested amendments by Mr. Phil Campbell, the Under Secretary of Agriculture, which would authorize sale of allotments and, in addition offer such sales across county lines. Our growers have spoken out against any type of sale of allotments. They feel these allotments should remain in counties in which they are located and with the farm to which they are granted.

We appreciate your sponsoring of H.R. 14306 and your continued interest in the tobacco industry of Virginia.

Very truly yours,

WALTER AYERS,
Director of Public Affairs.

[Telegram]

Richmond, Va., May 4, 1970.

Hon. WATKINS M. ABBITT,
Chairman, Tobacco Sub-committee
House Agricultural Committee,
Longworth House Office Building,
Washington, D.C.

Strongly urge authority for lease and transfer of flue-cured tobacco farm acreage allotments be made permanent. This program has been widely used in Virginia and has permitted some growers to operate more efficient units by enlarging their operations and at the same time provided some income for other farmowners who could not or did not choose to grow their allotments. While not necessary, expansion of the lease period up to 5 years would not be objectionable.

MAURICE B. ROWE,
Commissioner of Agriculture and Commerce of Virginia.

[Telegram]

Raleigh, N.C., May 4, 1970.

HOUSE TOBACCO SUBCOMMITTEE,
House of Representatives,
Washington, D.C.

North Carolina Farm Bureau in full support of H.R. 14306. Urge its passage.

B. C. MANGUM, *President.*

STATEMENT OF HON. RICHARDSON PREYER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NORTH CAROLINA

I represent the 6th District of North Carolina which contains many tobacco farmers growing flue-cured tobacco. Most of these farmers have relatively modest allotments.

In one of the counties in my District (Caswell), tobacco growing is the mainstay of the economy. Changes in allotment practices in such a county affect the entire economy (the storekeeper, the filling station operator, the warehouseman, the teacher), as well as the tobacco farmer.

The tobacco farmers in my District have faced increasing problems under the present system of leasing of allotments. For example, adequate labor is increasingly hard to come by and many older people who are unable to work their tobacco farms must lease their allotments. Sometimes they are unable to lease their allotments at any price—yet still must pay taxes on the allotment as a capital asset. Sometimes, they can lease only for a very low price within their county but could receive a price that is a fair return just across the county line. It seems only common fairness that the tobacco farmer in one county should be entitled to a price for his lease that is comparable to that received by all other tobacco farmers in the state.

Also, a more flexible system of leasing of allotments would allow the formation of larger and more economic production units which encourage mechanization. Farmers who do not wish to continue the production of tobacco can transfer their resources into other enterprises and at the same time receive some income from the lease of their tobacco allotments.

For these reasons, I urge the Committee to amend the present law relating to the sale and lease of tobacco allotments to provide for the lease of allotments across county lines in the same state. In order to protect the economies of areas, such as Caswell County, which depend so heavily on tobacco growing, I strongly recommend that this be surrounded with safeguards.

First, that there shall be no authorization of leasing outside of a county if leasing is available within a county at a rate that is equal to the *average* of the rate in the state as a whole. If the average rate is not available within the county, then the allotment may be leased outside of the county.

Second, that the first option of leasing outside the county be given to the adjoining counties (under the same conditions as above) before any lease is made to more remote counties.

Such safeguards will allow for a more gradual adjustment of the economy of an area to the new practice.

As to the *sale* of allotments, I urge that this not be included in the bill at the present time. The experience gained from leasing across county lines should be useful in determining whether the *sale* of allotments is a good idea. To allow the sale of allotments across county lines without full hearings and thorough consideration of what it can mean to the entire economy of some counties seems unwise and premature. We simply need to know more before such a far-reaching step is taken.

As to the other new provisions suggested in H.R. 14306, the tobacco farmers in my District strongly favor the authorization of leases for five years in contrast to the current provision for annual leases only. This makes for better planning allowing the tobacco farmer to plan ahead for the purchase of equipment, for example.

Our farmers would prefer that this be permanent legislation so as to avoid the necessity of returning to Congress at regular intervals to renew the program.

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

HON. WATKINS M. ABBITT,
Chairman, Subcommittee on Tobacco, Committee on Agriculture, U.S. House of
Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The delegates at our most recent annual meeting held in Washington, D.C. last December considered the issue of lease and transfer of tobacco allotments and adopted the following policy.

"In order to permit the development of more efficient units, producers should be authorized to lease, sell, or otherwise transfer allotments to other farms in the same state subject to approval of growers in the county; however, we do not favor the lease (as contrasted to the sale) of burley tobacco allotments as long as the minimum allotment provision is in effect."

In line with this policy we urge the amendment of H.R. 14306 to permit the sale or other transfer, as well as the lease, the tobacco allotments covered by the bill and to permit the sale, lease, or other transfer of such allotments to other countries within the state when producers in the county from which the transfer is made have approved such action by referendum.

These amendments would authorize a procedure similar to that followed under the present cotton program.

We request this letter be made a part of the hearing record.

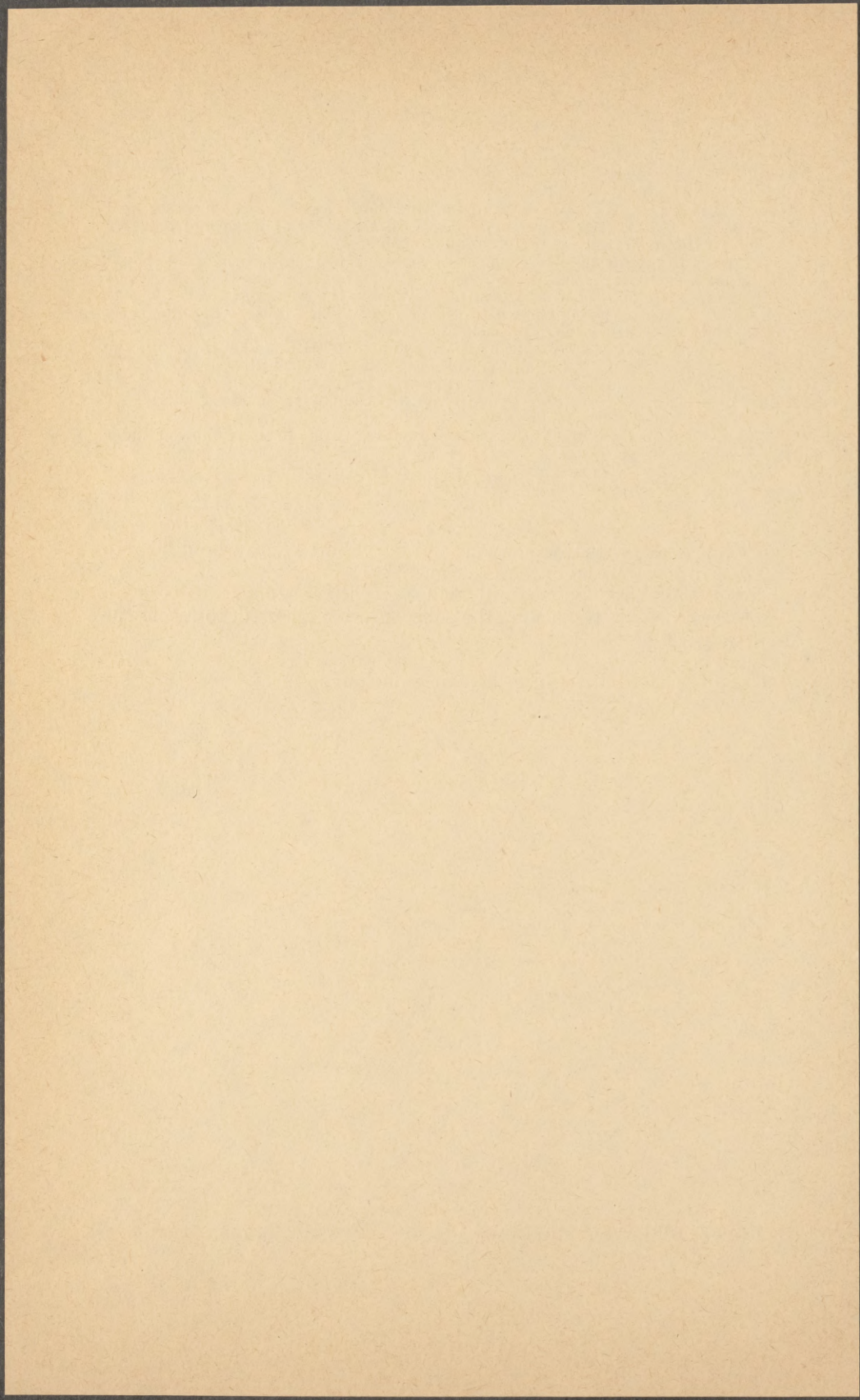
Sincerely yours,

MARVIN L. McLAIN,
Legislative Director.

Mr. McMILLAN. Is there anyone else in the room here who desires to make an oral statement or file a statement?

If not, why the committee will go into executive session.

(Whereupon, at 11:05 a.m., the subcommittee recessed, to reconvene in executive session.)



TRANSFER OF TOBACCO ACREAGE ALLOTMENTS

TUESDAY, JULY 28, 1970

HOUSE OF REPRESENTATIVES,
TOBACCO SUBCOMMITTEE OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 10 a.m. in room 1302, Longworth House Office Building, Hon. Watkins M. Abbitt (chairman) presiding.

Members present: Representatives Abbitt, Stubblefield, Jones of North Carolina, Wampler, and Mizell.

Also present: Lacy C. Sharp, general counsel, and Mrs. Christine S. Gallagher, chief clerk.

Mr. ABBITT. I will ask the subcommittee to come to order.

The purpose of the meeting today is to take up the several bills dealing with lease and transfer of Burley tobacco acreage allotments.

These are introduced by Mr. Wampler, H.R. 17945; Mr. Mizell, H.R. 18196; and another bill, H.R. 18232 by Mr. Broyhill of North Carolina.

I assume that all three bills have the same purpose.

(H.R. 17945, introduced by Mr. Wampler, the text of which follows, is similar to H.R. 18196 introduced by Mr. Mizell, and H.R. 18232, introduced by Mr. Broyhill of North Carolina.)

[H.R. 17945, 91st Cong., second sess.]

A BILL To authorize the lease and transfer of Burley tobacco acreage allotments

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 316(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out in the first sentence in the parenthetical matter the words "a burley tobacco acreage allotment or".

SEC. 2. Section 316(b) of such Act is further amended to read as follows:

"(b) Any lease may be made for such term of years not to exceed five as the parties thereto agree, and on such other terms and conditions, except as otherwise provided in this section, as the parties thereto agree."

SEC. 3. Section 316(e) of such Act is further amended by striking the period at the end thereof and inserting the following: ": *Provided further,* That in the case of Burley tobacco, not more than ten acres of allotment may be leased and transferred to any farm."

SEC. 4. Section 317(f) of such Act is further amended by striking out in the parenthetical matter in the fifth sentence thereof the language "Burley tobacco, or other".

SEC. 5. Section 703 of the Food and Agricultural Act of 1965 is amended by striking out in the last sentence thereof the language "burley tobacco, and other".

Mr. ABBITT. We are pleased and delighted to see our colleague here from North Carolina, who is vitally interested in tobacco and a Member who has been of great help to this subcommittee. We appreciate very much your being here, Roy. We will be pleased to hear from you at this time.

STATEMENT OF HON. ROY TAYLOR, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. TAYLOR. Thank you, Mr. Chairman.

Mr. Chairman, I do appreciate your giving me an opportunity to be heard at this time. I happen to be chairman of a Subcommittee on National Parks and Recreation which is meeting on the same floor of this building. We are marking up a rather important bill. I will have to go back there just as soon as I finish.

This legislation is very important to the people in the district I represent. Western North Carolina burley tobacco growers are now losing more than \$1 million annually in potential income through the failure to use allotted burley tobacco acres. These allotments are so small that it is often uneconomical or impractical for the allotment holder to grow tobacco. The legislation being considered today, similar to legislation I have introduced, would authorize the lease and transfer of burley tobacco allotments from farm to farm in the same county for a period not to exceed 5 years. This would mean additional income to both the grower and the original allotment holder. This legislation has the backing of all agricultural leaders of the district which I represent in Congress.

Flue-cured tobacco areas have the privilege of leasing or transferring allotments to other farmers. This keeps the allotments used when the person to whom it is assigned finds it too small to be usable. Burley allotments in North Carolina, one of the small State producers of this type of tobacco leaf, tend to be small. The inability to transfer allotments has tended to make the rich richer and the poor poorer. For instance, in Haywood County in North Carolina, a county I am proud to represent in Congress, 948 acres has been allotted planting. This is divided among 1,887 farms with the average allotment being 0.47 of an acre. Income averages about \$1,600 gross per acre at current market prices.

Haywood County lost about \$112,000 in agricultural income from unplanted tobacco allotments during 1968. Farm leaders feel that if transfer becomes legal most of the dormant allotments will be leased to farmers wanting to plant burley.

It was my privilege in the 90th Congress to support legislation similar to that which you are considering and I was proud when this legislation was approved by the House Agriculture Committee, even though it was not later considered on the floor of the House. I urge your favorable consideration of this important legislation.

Let me add that I think it would be good for the tobacco program. I think it is good for the program to keep just as many interested people on the tobacco side as possible, and every time we let an allotment evaporate or disappear then you have lost one more promoter of the program.

I would not favor sales of tobacco allotments because that would undo what I am talking about, putting it into fewer hands. This, however, would keep the interest of the original allotment holder. He would establish the interest of the lessee and it would prevent tobacco allotments from getting into a few hands, which would be very bad for the program.

Mr. ABBETT. We thank you very much, Mr. Taylor, for that fine statement. We always appreciate your coming.

Again we want to let you know how proud this committee is of your support of our efforts and your interest in the tobacco program.

Questions?

Mr. WAMPER. No questions.

Mr. MIZELL. I appreciate my colleague from North Carolina's coming in and giving his testimony this morning; and realizing the tremendous interest he has in his burley growers in his district. I want to add my personal thanks for his coming.

Mr. TAYLOR. I thank my colleague and I commend the members of the committee who are here on introducing bills to try to help find a solution to this problem.

Mr. ABBITT. Thank you very much.

I notice we have with us from the Department, Mr. Joseph J. Todd. Joe is a long-time friend of the tobacco program and the members of this committee.

Joe, we appreciate your being here with us today. I would like to have you take the chair, and if you have any associates with you from the Department introduce them to us and have them sit with you, as you prefer.

STATEMENT OF JOSEPH J. TODD, DEPUTY DIRECTOR, TOBACCO DIVISION, ASCS, U.S. DEPARTMENT OF AGRICULTURE

Mr. TODD. Thank you, Mr. Chairman and members of the committee, and other Members of the House, I am Joe Todd, Deputy Director, Tobacco Division, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture. I have with me Jake Schoonover of our General Counsel's staff and Tom Von Garlem on the staff of the Tobacco Division. Tom grew up on a tobacco farm in Maryland and before coming to our office was a county office manager in one of the tobacco counties in Maryland.

Mr. ABBITT. We are glad to have you gentlemen with us.

Mr. TODD. We appreciate the opportunity of giving the Department's views concerning H.R. 17945, a bill to authorize the lease and transfer of burley tobacco acreage allotments.

The Department recommends that the bill be passed, but that it be strengthened by including amendments which I will propose.

The bill extends the authority for the lease and transfer of farm acreage allotments and farm marketing quotas—which applies to most other kinds of tobacco—to burley tobacco. In our statement to the subcommittee covering H.R. 14306 on May 5, 1970, we recommended that the bill be amended to make it applicable to all kinds of tobacco—including burley. It was the view of the subcommittee that the authority for the lease and transfer of farm acreage allotments and marketing quotas, for most kinds of tobacco, which expired with the 1970 crop, should be made permanent and that the question of extending this authority to burley tobacco be considered separately. The authority for the lease and transfer of farm acreage allotments and marketing quotas for most kinds of tobacco was made permanent by the enactment of Public Law 91-284, approved June 19, 1970.

As indicated in our statement to the subcommittee on May 5, 1970, the need for more flexibility in our tobacco programs has long been apparent. This is especially true with respect to burley tobacco. Our

program for burley has operated since 1940 on substantially the same basis. Acreage allotments were established primarily on the basis of each farm's production history more than 30 years ago.

The most significant change in the tobacco program during this time was the enactment of legislation in 1965 which authorizes acreage-poundage marketing quotas when the Secretary, in his discretion, determines with respect to any kind of tobacco that acreage-poundage quotas would result in a more effective marketing quota program for that kind of tobacco. The Secretary has on two occasions made such a determination for burley tobacco and called referendums among burley growers as provided by law.

In a referendum held in March 1966, 57 percent of the burley growers voting, and 58.8 percent of those voting February 27 through March 3, 1967, favored acreage-poundage quotas in lieu of the acreage allotment programs in effect since 1940. Although a majority of the growers voting favored a change, it was short of the two-thirds required by law, to make the new program effective.

During World War II, when additional production was needed, all burley allotments were increased to 1 acre or 25 percent of the farm's cropland, whichever was smaller. This minimum provision, which does not apply to any other kind of tobacco, has since been changed on a number of occasions. Present legislation provides that the farm acreage allotment for burley tobacco, for any year, shall not be less than the smallest of (1) the allotment established for the farm for the immediately preceding year, (2), five-tenths of an acre, or (3) 10 percent of the cropland in the farm.

There have been significant changes in farming operations since the present program for burley was developed 30 years ago. There have been major shifts from one crop to another and in the production of livestock. Many people have moved out of our tobacco producing areas, and many industries have moved into these areas, siphoning off a large share of the farm labor. These developments alone clearly justify the need for more flexibility in our tobacco programs. Another significant factor is the need for mechanization of tobacco production. Despite the tremendous strides that have been made in industry and in the production of other agricultural commodities some 400 to 450 man-hours of strenuous labor are still required to produce and market an acre of tobacco. Our tobacco farmers are seriously concerned as to whether labor can be obtained in the years ahead to produce tobacco at wages that will enable them to compete pricewise in world markets. Although a lot of experimental work is being done in the field of tobacco mechanization it is extremely doubtful if any such equipment can be developed, which the average burley tobacco grower can afford to own, in the absence of some flexibility which will permit larger and more efficient operating units. We now have burley tobacco allotments on 282,100 separately operated farms with a total allotment of 230,900 acres. This is an average of eighty-two one-hundredths of an acre per farm. Sixty percent of all burley tobacco allotments in the United States are one-half of an acre or less.

Public Law 91-284, approved June 19, 1970, contains language similar to sections 2, 4, and 5 of H.R. 17945. It is recommended, therefore, that these sections be deleted as they are no longer needed. Public Law 91-284 also amended subsections 316(a) and (316(e) of the Triple

A Act, thereby making the language in sections 1 and 3 of H.R. 17945 inappropriate. There is attached to this statement suggested language which will achieve the intent of H.R. 17945.

As indicated in our statement to the subcommittee at the hearing on May 5, the Department recommends that the bill be amended to apply to all kinds of tobacco. Present legislation specifically excludes burley tobacco and Cigar-binder tobacco, types 54 and 55. H.R. 17945 extends the authority for lease and transfer to burley tobacco but continues to exclude Cigarbinder tobacco, types 54 and 55. Thus, we again recommend that the authority for lease and transfer be extended to all kinds of tobacco.

The Department recommends also, as it has on other occasions, that the bill be amended to authorize the outright sale and permanent transfer of allotments for all kinds of tobacco as now provided for Fire-cured, dark air-cured, and Virginia sun-cured tobaccos. This will enable our farmers to do a better job in planning their farming operations, such as buying equipment and building curing barns.

We repeat also our previous recommendation—that the bill be amended to authorize the lease and sale and transfer of farm acreage allotments and marketing quotas across county lines within the same State. This change would provide more flexibility and will give farmers in outlying counties, in which there is little interest in producing tobacco, a better bargaining position.

Finally, Mr. Chairman, we recommend that the bill be amended to limit the period for which leases can be approved to 3 years rather than 5 years. This will permit leases to run concurrently with the period for which producer referendums are held and authority for the sale of allotments reduces the need for leases for periods in excess of 3 years.

Enactment of H.R. 17945 would not require additional funds, and, if amended as recommended, would improve program operations.

I understand the Office of Management and Budget has indicated that there is no objection to the presentation of this statement from the standpoint of the administration's programs.

We will be pleased to try to answer any questions you may have concerning the bill and the Department's recommendations.

Thank you, Mr. Chairman.

Mr. ABBITT. Thank you very much, Joe. We appreciate your statement.

I have a question regarding a recommended change. You suggest we strike out sections 2, 4, and 5?

Mr. TODD. Yes, sir. These have been enacted, since these bills were introduced.

Mr. ABBITT. And leave in three?

Mr. TODD. Our suggestions there are due to the same reason. In the bill passed last month you changed the wording in 316(a) and 316(e) which makes the wording in these bills inappropriate now. The parent sections were changed. The wording proposed by this bill does not now fit.

Mr. ABBITT. The only thing you need now is to strike out the exemption in the present law?

Mr. TODD. That is right. That is what our bill would do. Strike out the word "burley" and the comma. We recommend that you strike out

the Cigar-binder, also. Then you would need another section to insert the words "burley tobacco" in section 316(e) of the act as it now is. That is where the 10-acre limit is.

Mr. ABBITT. Would that take care of the 10 acres?

Mr. TODD. The 10 acres was put in there in the bill passed last month. All you have to do is to stick in the word "burley".

Mr. ABBITT. If we struck out all after the enacting clause and inserted the first two sections of your bill, that would accomplish the purpose of this bill.

Mr. TODD. Exactly; yes, sir.

Mr. ABBITT. I was hoping to do that here this morning and then we would not have to introduce another bill. We would let the subcommittee strike out all after the enacting clause in H.R. 17945 and insert the rest of your bill to accomplish the purpose of the bill H.R. 17945.

Mr. TODD. Yes, sir.

Mr. ABBITT. Is that your understanding, Mr. Wampler?

Mr. WAMPLER. Yes.

Mr. ABBITT. If that were done, even though the Department suggests that we go further, the Department would be in favor of the bill as amended by the committee if it is amended in that manner?

Mr. TODD. Yes.

Mr. ABBITT. I wanted to get on the record the fact the Department recommends the bill and that it would accomplish the purpose as originally drawn by all of the bills, H.R. 17945 and H.R. 18196 and H.R. 18232.

Mr. TODD. We did not include the Department's recommendation in this proposed bill. As I said in my statement, it would carry out the intent of the present bills before the committee.

Mr. ABBITT. Because since these bills were introduced, the law has been enacted as to all types of tobacco except burley and certain cigar-filler types.

Mr. TODD. That is right.

Mr. ABBITT. Questions?

Mr. WAMPLER. First of all, I think your recommendations are sound. As the chairman indicated, I think amending the bill will accomplish what I had in mind.

One of your recommendations, and the subcommittee has heard this before, is that the bill be amended to authorize the lease, sale and transfer of farm acreage allotments and marketing quotas across county lines.

Does this present any burden on the local officers who would be administering it? I believe it is the thinking of many of us that if we keep it within a county, it will minimize the recordkeeping and red tape. What is the feeling of the Department?

Mr. TODD. It would not pose any significant administrative problem, Mr. Wampler, if it is an outright sale. We can transfer it at one time. It goes from the record of one county to the record of another.

On annual leases, or any kind of lease, it would pose some problem but not too severe. I think the problem is more in the economy than in the housekeeping.

Mr. WAMPLER. I have some serious reservations about permitting the sale of any type of allotment, particularly tobacco. I wanted to be sure of the Department's position.

As our colleague, Mr. Taylor, testified earlier, the area I am privileged to represent is somewhat typical of western North Carolina in that we have small allotments. As I recall it, I represent something like 16,000 growers of burley tobacco with an average allotment slightly in excess of a half acre. I think what Mr. Taylor said certainly would apply to my area.

The farm labor situation is growing more serious year by year. I have talked with a number of my tobacco producers who are getting along in years and unable to put the crop out themselves. From the standpoint of labor, it is difficult to find anyone who will enter into any type of an agreement to come in and plant small acreage, such as a half acre, because it is not economically feasible. A lot of my people depend upon tobacco income since it comes at the end of the year. They use tobacco income to pay land taxes and provide for the necessities of life.

I feel that this legislation would help our tobacco growers. Certainly it would help to build the basis of the economy in my area and make these production units larger and thereby contribute more to the farm income. I therefore appreciate the testimony you have given here this morning and the recommendations, as explained by the chairman, are appropriate and in keeping with the purpose of my bill.

Mr. STUBBLEFIELD. Joe, what do you think about the increased production that would result here?

Mr. TODD. I do not think you would get much increase in production. There are some allotments that are not grown. Nationwide we grow most of the allotted acreage.

I picked these statements from my folder just a while ago so I will have to further check these figures. But according to these figures we grew 237,000 acres last year. This is out of an allotment of 249,761 acres. Figuring this roughly, that is some 95 percent which was grown last year.

With this legislation you would not get much more grown.

The big advantage, as I see it, is that a fellow can put two or three of these little patches together. Take in Mr. Wampler's territory there and in Mr. Taylor's territory and throughout the burley area, since it is not limited to just those States—one man may be growing tobacco on two or three farms because the allotment is on this farm. That is a great inconvenience for a man to move his labor and his machinery up and down the road.

With lease and transfer he can bring two or three of them together. Since we are growing 95 percent now you could not get much more grown.

Mr. STUBBLEFIELD. And there would not be much lease transfer, either, apparently.

Mr. TODD. I think there would be quite a bit. He would bring two or three to his place. Most of it would occur among the smaller growers.

This bill has a 10-acre limit. You cannot bring in more than 10 acres. That is put in there for fear some large growers might get a bigger share of it.

According to our experience on Flue-cured, it is the smaller allotments which are transferred.

Mr. ABBITT. Mr. Mizell?

Mr. MIZELL. Mr. Todd, I also share the concern of Mr. Wampler regarding the possibility of the sale and leasing of tobacco allotments

across county lines. While I do not have the number of burley growers in my area that he has in his, nevertheless it is important to the economy in the two mountain counties of my district where it is grown and also to the other counties in North Carolina which do grow burley.

My concern is that, if we did permit sale and leasing across county lines, it would hurt the economy of these areas. While we may not have the large quantity growing in my area, it is important to the economy.

I therefore would be very reluctant to permit sale and lease across county lines at this time.

I do appreciate the Department's position in support of the legislation with the recommended change, but I would hesitate to amend it further at this time.

Thank you, Mr. Chairman.

Mr. ABBITT. Thank you very much.

Mr. WAMPLER. Mr. Todd, if I understood you correctly, you said the national allotment of burley was approximately 249,000 acres. Was that the figure you gave the committee?

Mr. TODD. Yes; 249,000-plus last year. We reduced it some this year.

Mr. WAMPLER. Some 237,000 acres were grown, about 95 percent?

Mr. TODD. Those are the figures I have.

Mr. WAMPLER. My mathematics show that at most, assuming we had 100 percent planting, that would increase it only about 12,000 acres. Is that right?

Mr. TODD. Yes, but I do not think you would ever get the full allotment grown because many people underplant a little bit to play safe and some overplant a little.

Mr. WAMPLER. That would be the maximum assuming you had 100 percent planted?

Mr. TODD. Yes.

Mr. WAMPLER. Which is highly improbable.

Mr. TODD. That is right.

Mr. WAMPLER. Under this proposed legislation, a farmer leases his allotment and it is moved to another farm, that is, to the farm of a lease, and it becomes necessary to adjust the allotment then it reverts back to the farm of the lessor for the purpose of any acreage adjustment. Is that correct?

Mr. TODD. Yes, sir. There is a provision in the basic legislation that you are amending that if there is a difference of more than 10 percent in the yields of the lessor/lessee farm you will adjust for it. The thought was this—when that 10 percent was put in there, if there is no more than 10 percent it does not amount to very much and it is not worth the paperwork of going through with it.

If there is a difference of more than 10 percent in yields between the two farms there is an adjustment made for it.

The purpose of that is this—if one farm has a 1,000-pound yield and leases his allotment to a farmer who gets 2,000 pounds per acre, you get too much tobacco grown.

Mr. WAMPLER. That was put in there as a safeguard to keep it from getting out of kilter, so to speak.

Mr. TODD. Yes.

Mr. WAMPLER. If there is any adjustment because of a percentage cut, would that go back to the farm of the lessor?

Mr. TODD. That would be applied to the parent farm; yes.

Mr. WAMPLER. You would not group them together? Is that correct?

Mr. TODD. Not under present legislation. With this lease we figure the allotment on the parent farm where it belongs.

Mr. ABBITT. Thank you very much, Mr. Todd.

Any others who would like to be heard?

(No response.)

Mr. ABBITT. I see Mr. Snodgrass here. We appreciate your being here. We know you are vitally interested in the tobacco program.

STATEMENT OF FRANK B. SNODGRASS, VICE PRESIDENT AND MANAGING DIRECTOR OF THE BURLEY AND DARK LEAF EXPORT TOBACCO ASSOCIATION

Mr. SNODGRASS. I am Frank B. Snodgrass, vice president and managing director of the Burley and Dark Leaf Tobacco Export Association.

I was in hopes I could come before your subcommittee this morning with some unanimity of thinking within my group. When lease and transfer comes up it seems we are always up here with mixed feelings in the group I represent. Therefore I did not prepare a statement for two reasons—one, I could not get together the various forces and get unanimity of thinking; secondly, time did not permit after I received the notice.

The testimony I will offer would be my personal views. Personally I am in favor of the enactment of the legislation. I think it is long overdue and I think it will tend to give some economic operation to some of the smaller allotments.

Unfortunately everyone's thinking is not along that line. I regret deeply the timing in considering the legislation for the simple reason that we are presently in the process of trying to get some of the groups together. I speak of east Tennessee, middle Tennessee, and western Kentucky where some deep wounds were inflicted during the recent acreage poundage vote. We were in hopes that growing out of the thinking in the various areas we could come up with a recommendation. Such is not the case.

My first recommendation to you, as I am sure in your wisdom you will consider, is that this legislation, should it be voted out by the committee, that it be taken up only on the consent calendar because I am very fearful of amendments to terminate the price support on tobacco.

Secondly, if there is a possibility that we could delay it until the thinking in the areas of Tennessee and western Kentucky could come around to consideration of acreage poundage along with the lease and transfer, it might give us possibility for a compromise.

I received only this week a letter from a gentleman in Owensburg, Ky., who long had been interested in the tobacco price support program and served as chairman of the State ASC Committee in Kentucky a few years back. With your permission I would like to read this because it expresses the sentiment of the thinking members of the tobacco leadership in that area.

DEAR FRANK: Your last summary of the actions of Congress relative to the allotments and price supports on tobacco which I received June 5 does not sur-

prise me in the least. We continue to keep our head buried in the sand and refuse to recognize the unreasonable imbalance between production and consumption. The producer continues to ignore the warning of an almost unbelievable poundage backlog.

Frank, up to the last few years acreage allotments with penalties attached for over-planting did do a modestly good job, but with the mounting increase in acreage yields the producer must agree to a drastic change in the tobacco program, namely, per farm poundage limitation with severe penalties for excess poundage sales. We can no longer dally with the Democratic two-thirds "yes" vote. Democracy is fine as far as it goes but with price support being what it is and a higher and higher yield per acre we must have, and I say must have, poundage limitations per producer. I can see no other alternative—either that or no tobacco program at all.

Surely there should be enough brains in the vast tobacco growing area to devise a plan that is acceptable to the Congress and is not in violation of our constitution that will be used in the tobacco areas when supplies reach a specific level automatically placing poundage limitations in operation.

He goes on with some other personal remarks. However, the consensus of the tobacco farm leadership thinking in the areas I represent is that our No. 1 problem is overproduction and limitation. Unfortunately, even though our exports have increased in the last 10 years, about doubling what they were, they are still a small part of our production and it still remains around 10 percent, whereas in Flue-cured and in the dark areas it runs about 50 percent. Our domestic production is where we will have to gear production of our leases. Production is not going up, so while it was pointed out that the enactment of this legislation would not create an excessive amount of overproduction, that one item should be held uppermost in your minds.

The other thing—in creating a more economic unit, until such time as we have economic machinery lessening the cost of production it will not work to the advantage of the producer. The larger the unit with the labor laws presently being considered by the House Labor Committee, where they will place restrictions on farm labor in excess of 300 man-hours in any one quarter, the more it will work to the disadvantage of a large unit.

While I endorse personally this bill I cannot endorse this legislation for my organization.

Mr. ABBITT. Frank, we very much appreciate your interest. You have always been most helpful to us.

I am grateful and I know the other members of the committee are grateful for your appearance. I think we can provide an opportunity for your people to get together. I am sure members of this committee will not want a bill up unless there is as much agreement as possible.

Questions?

Mr. WAMPLER. I want to commend Mr. Snodgrass. He is a very knowledgeable man in the problems of the tobacco industry. I value his testimony very highly and I appreciate his coming in this morning.

Mr. STUBBLEFIELD. We are always happy to have Frank Snodgrass with us. I value his testimony.

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

Mr. JONES of North Carolina. How much, if any, acreage in burley was unplanted or unused last year?

Mr. SNODGRASS. I think Mr. Todd reported about 12,000 acres.

Mr. ABBITT. Thank you very much.

Mr. MIZELL. If it pleases the committee, I ask unanimous consent to have the telegrams from Mr. B. C. Mangum, head of the Farm

Bureau of North Carolina; Mr. Ray Maines, president of the Alleghany Farm Bureau; and Mr. Ira Harmon, inserted in the record.

Mr. ABBITT. Without objection those telegrams will be placed in the record at this point along with a letter from Mr. J. Paxton Marshall, extension specialist at VPI in Blacksburg, Va.

[Telegram]

RALEIGH, N.C., July 27, 1970.

Congressman WILMER MIZELL,
House of Representatives, Washington, D.C.:

Our policy developed by burley tobacco growers in North Carolina: "We recommend that burley growers be permitted to lease their tobacco allotments and transfer same to the lessors farm within the county and lease not to exceed 5 years." I urge passage of this legislation.

B. C. MANGUM,
President, North Carolina Farm Bureau.

[Telegram]

ELKIN, N.C., July 28, 1970.

Congressman WILMER D. MIZELL,
Washington, D.C.:

We support lease and transfer of burley tobacco with said counties.

RAY MAINES,
President, Alleghany Farm Bureau, Sparta, N.C.

[Telegram]

SUGAR GROVE, N.C., July 27, 1970.

Congressman WILMER MIZELL,
Washington, D.C.:

I would appreciate very much if you would vote in favor of leasing and transferring of burley tobacco allotments.

IRA HARMON.

BLACKSBURG, VA., July 28, 1970.

HON. WATT ABBITT,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN ABBITT: In accord, with our telephone conversation of Friday, July 24, a statement on H. R. 17945, a bill to authorize the lease and transfer of burley tobacco acreage allotments follows.

In summary, H.R. 17945 would

- (a) Remove the present prohibition against leasing burley allotments;
- (b) Allow only burley allotment owners to lease-in burley allotments within the same county, and after approval by the county Agricultural and Stabilization Committee and in accord with prescribed regulations;
- (c) Allow leases for a maximum of five crop years, with a maximum of 10 acres leased-in by any allotment owner;
- (d) Require any leased-out allotment to be adjusted should the normal yield on the farm to which it is transferred exceed by 10% the normal yield on the farm from which it is transferred; and,
- (e) Consider any leased-out allotment as having been produced on the farm from which the allotment is transferred, for the purpose of protecting future allotment and referendum voting rights.

Surely, H.R. 17954 is a move in the direction of achieving a desirable objective; namely, it would improve the *economic efficiency* of burley production by allowing allotments to be leased-in by any allotment owner in an amount not to exceed 10 acres of allotment leased-in.

Improving economic efficiency is only one objective to consider, however, when changes in the burley tobacco control program are discussed.

A change in the program is needed that will move toward correcting the supply-disappearance imbalance. At present the imbalance is clearly toward the supply side.

Only to the extent that growers might transfer their allotment by lease to a farm for which the normal yield is 10% less than the normal yield on the farm from which the lease is transferred will H.R. 17945 contribute toward the objective of correcting the supply imbalance. It seems reasonable to assume that farmers will avoid leasing-out allotments under conditions that will cause an adjustment in allotment size to occur. Consequently, one may reasonably conclude that H.R. 17945 will make *no*, or the equivalent of *no*, contribution toward correcting the supply imbalance.

Achieving the objective of economic efficiency is not incompatible with the objective of correcting the supply imbalance, and at least one alternative exists to allow this to be accomplished by a voluntary decision on the part of the allotment owner, while simultaneously retaining referendum voting rights.

It is suggested that the Committee consider altering H.R. 17945 so that any burley allotment leased-out would thereafter be subject to all future decreases or increases in the national quotas as translated into allotments. By altering the proposed bill as suggested, allotments of 0.5 acre or less that were once leased-out would thereafter carry their proportionate share of the burden in achieving the objective of correcting the supply imbalance. Yet this would only apply to those allotments that owners decide to lease-out, and would in no way jeopardize their future allotments or referendum voting rights. Because allotments of more than 0.5 acre are presently, and would continue to be, subject to future increases or decreases resulting from changes in the national quota, this suggested alternative would apply for practical purposes to allotments of 0.5 acre or less, or to allotments that might at some future time be decreased to the 0.5 acre level.

By altering H.R. 17945 as suggested, simultaneous movement toward the objective of economic efficiency and the objective of correcting the supply imbalance can be achieved.

How owners of allotments of 0.5 acre or less will react to such a provision as suggested can only be determined by a test, but it is appropriate to consider the potential effects on supply.

Had the proposal of H. R. 17945 and the suggested alternative been in effect prior to the 10 percent decrease applied to the 1970 burley crop the *additional* reduction in acreage could have ranged, depending on the assumptions one makes from 0 (zero) to 6,140 acres. Of course, the 0 (zero) level assumes no 0.5 acre allotment would be leased-out, while the 6,140 acres assumes all allotments of 0.5 acre or less would be leased-out. (There were about 61,400 acres allotted in the 0.5 acre or less category on 156,791 farms before the 1970 adjustment. Attached Table 1 shows the details.)

One-third of the acreage allotted may reasonably be expected to be transferred by leasing-out, if the experience in the leasing of flue-cured tobacco can be used as a guide. This means that an estimated 2,046 *more* acres would have been removed from production by the 1970 adjustment of 10 percent. The contribution to achieving the objective of correcting the supply imbalance using the 1969 average yield, would have been 4,898,000 pounds or about 83/100 of 1.0 percent of burley production in 1969. This additional contribution to supply control *may* be possible by voluntary decision of allotment owners.

In addition, to the above central suggestion of this statement, it is also suggested that the Committee consider favorably allotment sale as well as allotment leasing, and that both sale and lease apply statewide and not just within counties.

The Committee can make a significant move that is complementary to the Family Assistance Act of 1970, which already passed the House of Representatives, by endorsing the lease and sale of burley allotments and by requiring all allotments so transferred to become subject to future decreases or increases in quota adjustments.

Respectfully,

J. PAXTON MARSHALL,
Extension Specialist, Public Policy.

TABLE 1.—ESTIMATED CONTRIBUTION TO 1970 SUPPLY CONTROL, IF ONE-THIRD OF ALLOTMENTS OF 0.5 ACRE OR LESS WERE LEASED OUT AND VOLUNTARILY SUBJECTED TO A 10-PERCENT ACREAGE DECREASE, BY STATE AND TOTAL, BASED ON 1968 ALLOTMENT NUMBERS,¹ 1969 AVERAGE YIELD

State	Allotments 0.5 acre or less		Acreage leased out assume one-third	Decrease if assume leased out cut 10 percent	State (ASCS) average yield 1969	Estimated contribution to 1970 supply control
	Number of farms	Acreage allotted				
Alabama.....	17	6.75	2.25	0.22	1,776	390
Arkansas.....	36	17.55	5.85	.58	1,220	707
Georgia.....	164	57.20	19.07	1.90	2,710	5,150
Illinois.....	4	1.50	.50	.05	1,798	90
Indiana.....	5,763	2,341.72	780.50	78.05	2,476	193,250
Kansas.....	10	5.00	1.66	.17	1,995	340
Kentucky.....	57,178	22,428.64	7,476.21	747.62	2,622	1,960,260
Missouri.....	458	201.64	67.21	6.72	2,419	16,255
North Carolina.....	13,526	5,073.22	1,691.07	169.10	2,584	436,955
Ohio.....	5,657	2,303.66	767.88	76.78	2,569	197,250
South Carolina.....	5	2.34	.78	.08		
Tennessee.....	59,629	23,262.49	7,754.16	775.42	2,097	1,626,055
Virginia.....	11,170	4,350.56	1,453.52	145.35	2,622	380,055
West Virginia.....	3,173	1,337.47	445.82	44.58	1,839	81,982
Total.....	156,790	61,399.74	20,466.58	2,046.65		4,898,739

¹ Number of farms and acreage allotted data from Distribution of 1968 Tobacco Acreage Allotments by Size Groups U.S.D.A., A.S.C.S., P.P.A., (August 1968).

Mr. ABBITT. We also have Mr. Louis Ison from Kentucky.

Would you like to be heard at this time? Mr. Ison is president of the Kentucky Farm Bureau. We are very pleased to have you here. You have always been most interested in tobacco programs and we will be glad to hear from you.

STATEMENT OF LOUIS ISON, PRESIDENT, KENTUCKY FARM BUREAU

Mr. Ison. Thank you, gentlemen. I just took the opportunity to visit the hearing inasmuch as I was in Washington for a day or two. It was not my intention really to testify. However, with this opportunity you extend to me I just wish to make the position of the Kentucky Farm Bureau clear in this matter.

Not having had the opportunity to hear the other testimony, I would say this—that we in Kentucky certainly would concur with Mr. Snodgrass in the fact that rising labor costs are certainly something of real consideration, and because of continued reduction in acreage it makes each allotment more or less important and imperative that we have economic units.

However, we are deeply concerned over one matter which as long as we are under the present program we would be opposed to leasing of allotments because of the minimum provision.

I believe if we continue under this present program and continue to increase yields that future reductions will be forthcoming.

It is my understanding that those leased acreages would not be subject to future cuts. If there could be some way devised where these leased acreages in the future could be reduced along with the general reduction I think we would look with favor on such a proposal.

Mr. ABBITT. You are talking about the five-tenths acre allotment?

Mr. ISON. Yes, sir.

Mr. ABBITT. Questions?

Mr. WAMPLER. Are you a tobacco grower yourself?

Mr. ISON. Yes, sir.

Mr. WAMPLER. You grow burley tobacco?

Mr. ISON. Yes, sir.

Mr. WAMPLER. How much per acre?

Mr. ISON. 6.62 acres; 6.62 acres. Starting out in the program in its initial phases I had 31 acres.

Mr. WAMPLER. What county?

Mr. ISON. Mercer County, Harrisburgh.

Mr. WAMPLER. Would you say your allotment is typical of your area? Are you a large grower; medium; small?

Mr. ISON. Medium to larger. In percentage I have 455 acres of cropland, which in effect is a small allotment.

Mr. WAMPLER. In relation to the total acreage?

Mr. ISON. Yes.

Mr. WAMPLER. What is the average allotment for the State of Kentucky? Do you recall?

Mr. ISON. Around an acre.

Mr. WAMPLER. Mr. Snyder has raised important questions in his testimony. The whole burley industry will have to face this question of overproduction.

Mr. ISON. Yes, sir.

Mr. WAMPLER. My hope would be that, in the not too distant future, everyone concerned can sit down and take another hard look at this. As you know, it twice has been rejected in referendum. The law provides there must be a two-thirds affirmative vote before it has the effect of law.

It seems to me that proposals to increase burley allotments will not significantly increase production because I think the Department has testified that some 95 percent of our allotments already are being produced. It is a question of whether one man will have to go to three or four locations or bring them together to have a more economic unit.

In my area, since we have allotments which average just a little over a half acre, a lot of people stay in the tobacco program but will be forced out unless we do something along this line.

I am aware of your feeling and the feeling of the growers in Kentucky, but still I feel a strong moral obligation to support the viewpoint of the growers of my area and to keep our tobacco moving to help the small farmers.

Mr. ISON. I think it is imperative that we have some changes in our burley tobacco program in order to preserve the program.

Mr. MIZELL. Mr. Ison, I understood your position was that you recognize the need for moving to more economically feasible units.

Mr. ISON. That was my personal observation.

Mr. MIZELL. Along with some other changes that you would like to see. While we are waiting not only for our burley producers but also for the changes to be made in legislation, could you agree that this is at least a step in the right direction, permitting small producers to develop more economic units in production?

Mr. ISON. Yes, sir.

Mr. MIZELL. I thank you, Mr. Ison. I thought I understood your position.

Mr. JONES. I have no questions.

Mr. ABBITT. We thank you for your attendance and we particularly appreciate your coming by to visit with us.

Mr. ISON. Thank you for this opportunity.

Mr. ABBITT. We will try to do our best to get something worthwhile.

Mr. ISON. We have had many meetings in Kentucky this spring and we are having continued meetings to try to explore possibilities for changes primarily in order that we might preserve our tobacco program.

Mr. ABBITT. Any other witnesses?

Mr. TODD. Mr. Chairman, as these gentlemen indicated, we have a surplus problem on burley tobacco. Would you like me to insert in the record a statement on the present burley supply and demand situation?

Mr. ABBITT. It would be fine. Without objection we will ask unanimous consent.

BURLEY TOBACCO SUPPLY AND DEMAND

Following successive reductions in burley tobacco farm acreage allotments in 1964, 1965 and 1966, production was below disappearance the past four years. As a result, burley supplies, which were at an all-time-high of 2,032 million pounds during the 1964-65 marketing year, were reduced 145 million pounds, about 7 percent.

During the current marketing year, the trend has been reversed. The total supply is now 1,907 million pounds, 20 million pounds above a year ago. This was brought about by two things. First, production increased, because of an all-time-high yield of 2,488 pounds per acre in 1969. This was an increase of 244 pounds per acre, or 11 percent, over the 1964-68 average.

The second factor, domestic use dropped 30 million pounds during the 1968-69 marketing year. On the basis of projections from the April 1 stocks it now appears that domestic use during the current marketing year will likely show a further decline.

Cigarette production during the fiscal year ending June 30 is estimated at 557 billion, about three percent below last year's record high.

Burley exports gained some last year—and some further increase appears likely this year. However, the increase in exports is not expected to match the decrease in domestic use during the past two years.

The 1969 crop, which turned out to be 591 million pounds, is likely to be 20-30 million pounds more than disappearance during the current marketing year. Thus, we will likely move into the new marketing year (October 1) with a larger carryover than a year earlier.

The 1969 crop averaged 69.6 cents per pound, down 4.1 cents per pound from the previous year. Twenty-seven percent of the 1969 crop moved under Government loan, compared with 10 percent of the 1968 crop. Government loan holdings of burley on July 1, 1970 were 472 million pounds, farm-weight basis, about a third higher than a year earlier.

In an effort to bring about a better balance between supply and demand, farm acreage allotments were reduced 10 percent in 1970. However, since the law protects allotments of one-half an acre or less against reduction, the total allotted acreage was reduced only 7½ percent in 1970.

Mr. TODD. We have also just gotten from our computer, we have these allotments on computer, a summary of the allotments for this year by size groups on burley. We have just gotten it in in the last couple of days. We have not finished checking it out. Can that be inserted?

Mr. ABBITT. We would be glad to have it.

Mr. TODD. Average burley allotment is eighty-one one-hundredths of an acre. This would give the breakdown by size groups.

(The size group breakdown is contained in the following table:)

NUMBER OF BURLEY TOBACCO ALLOTMENTS, BY SIZE GROUPS AND ACREAGE ALLOTTED, 1970

Number of allotments	From—	To—	Acreage allotted	Number of allotments	From—	To—	Acreage allotted
9,194	0.01	0.10	612.09	3,969	3.01	4.00	13,623.11
16,750	.11	.20	2,524.64	2,033	4.01	5.00	9,028.94
17,901	.21	.30	4,454.12	979	5.01	6.00	5,358.64
18,812	.31	.40	6,604.70	619	6.01	7.00	3,999.62
106,182	.41	.50	52,101.20	387	7.01	8.00	2,896.91
15,778	.51	.60	8,705.56	286	8.01	9.00	2,418.77
12,549	.61	.70	8,197.28	185	9.01	10.00	1,757.83
11,270	.71	.80	8,498.05	528	10.01	20.00	6,872.06
12,940	.81	.90	11,125.25	100	20.01	50.00	2,742.82
8,192	.91	1.00	7,835.48	13	50.01	100.00	906.90
33,550	1.01	2.00	46,718.53		Over	100.00	0
9,898	2.01	3.00	23,946.96	¹ 282,115			¹ 230,947.46

¹ U.S. total.

Note: Average acreage per farm, 0.82 acre. A total of 168,839 farms (59.8 percent of the total) have allotments of $\frac{1}{2}$ acre or less. The acreage allotted to these farms is 66,297 acres, 28.7 percent of the total allotted acreage.

Mr. ABBITT. Any other statements?

(No response.)

Mr. ABBITT. If there are no further statements we will ask the committee to go into executive session.

If there are any other communications to be presented for the record they may be inserted at this point.

(Whereupon, at 11 a.m. the hearing was adjourned.)

TRANSFER OF PEANUT ACREAGE ALLOTMENTS

WEDNESDAY, SEPTEMBER 16, 1970

HOUSE OF REPRESENTATIVES,
OILSEEDS AND RICE SUBCOMMITTEE
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 10 a.m. in room 1302, Longworth House Office Building, the Honorable Maston O'Neal (chairman of the subcommittee) presiding.

Members present: Representatives O'Neal, Burlison, Wampler, Myers, and Mizell.

Also present: John A. Knebel, assistant counsel, and Miss Betty Prezioso, staff assistant.

(H.R. 17186, the text of which follows, was introduced by Mr. Abbitt, and is similar to H.R. 17581 and H.R. 17582, both introduced by Mr. O'Neal; H.R. 17637, introduced by Mr. Fuqua; and H.R. 19115 and H.R. 19116, both introduced by Mr. Andrews of Alabama. The departmental report on H.R. 17186, also follows:)

[H.R. 17186, 91st Cong., second sess.]

A BILL To amend the peanut marketing quota provisions to make permanent certain provisions thereunder, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 358a of the Agricultural Adjustment Act of 1938, as amended, is further amended as follows:

(1) Subsection (a) thereof is amended by deleting “, 1969, and 1970” and inserting in lieu thereof “and succeeding”; and

(2) Subsection (b) (2) thereof is amended to read as follows:

“(2) no transfer except a temporary transfer for one year only of an allotment from a farm subject to a mortgage or other lien shall be permitted unless the transfer is agreed to by the lienholders;”.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., September 3, 1970.

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

DEAR MR. CHAIRMAN: This is in reply to your requests of April 28 for a report on H.R. 17186 and of May 21 for a report on H.R. 17582, both of which bills would amend the peanut marketing quota provisions with respect to transfers of peanut allotments.

H.R. 17186 would make two amendments to section 358a of the Agricultural Adjustment Act of 1938, as amended. First, it would provide authority for transfers of peanut acreage allotments applicable to the 1971 and succeeding crops. Without new legislation this provision of the Act will become inapplicable with such crops. Second, it would amend subsection (b) (2) of said section 358a so as to eliminate the requirement of consent by lien holders in case of temporary transfers by lease or by owner for a one-year term only. H.R. 17582 would pro-

vide for the first amendment only; namely to provide authority for transfers of peanut acreage allotments applicable to the 1971 and succeeding crops.

The Department recommends enactment of H.R. 17186 with one change and two additional provisions as follows:

First, we recommend that the bill be changed to provide a three-year extension through the 1973 crop year. A three-year extension would give us an opportunity to periodically review the effectiveness of the transfer authority.

Second, we recommend that subsection (b) (5) of said section 358a be amended by deleting the first proviso thereof, effective for the 1971 and succeeding crops. This would eliminate the productivity adjustment requirement now applicable in case a receiving farm not under irrigation is placed under irrigation within a five-year period. The effect of this revision would be to eliminate the requirement for transfers effective with the 1971 crop and with respect to transfers approved in 1968-69-70 for the remaining balance of their respective five-year periods.

The provision as set forth in existing law is very difficult to administer and leads to inequities among peanut farms.

Third, we recommend that the provision of 359 (c) of the Act concerning exclusions from the term "peanuts" for purposes of the Agricultural Adjustment Act of 1938, as amended, be made permanent. This is the "boiled peanuts" provision which has been extended annually for several years. Without new legislation this provision of the Act will become inapplicable beginning with the 1971 crop. We suggest that the last paragraph of the Act entitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes" approved on August 13, 1957 (7 U.S.C. 1359 note) be amended to read "This amendment shall be effective for the 1957 and succeeding crops of peanuts."

Green peanuts marketed for boiling purposes do not compete with dry peanuts which move in regular commercial channels. Since the first exemption enactment in 1957 it has proven successful. Making permanent the exemption in the Act will in no way interfere with the operation of the current peanut marketing quota and price support programs.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

J. PHIL CAMPBELL,
Acting Secretary.

Mr. O'NEAL. The Subcommittee on Oilseeds and Rice of the House Committee on Agriculture will please come to order.

We meet this morning to receive testimony concerning H.R. 17186, H.R. 17581, H.R. 17582, H.R. 17637, H.R. 19115, and H.R. 19116.

These bills have been introduced by our colleague of this committee, Mr. Abbitt, as well as Mr. Fuqua, of Florida, and Mr. Andrews of Alabama and myself. These bills have to do with the transfer of peanut allotments.

The law with respect to the transfer of peanut allotments was originally passed a few years ago and has been extended. The present consideration is whether or not it shall be extended again; and, if so, for how long and whether or not changes are to be made.

Our first witness this morning will be Mr. Reed A. Phillips, Director, Commodity Programs Division, ASCS, Department of Agriculture.

He is accompanied by Mr. John L. Hoover, Assistant to the Deputy Administrator for State and County Operations, ASCS.

Please come forward, gentlemen. We are delighted to have you here and we will be pleased to hear the position of the Department with respect to these bills.

STATEMENT OF REED A. PHILLIPS, DIRECTOR, COMMODITY PROGRAMS DIVISION, ASCS; ACCOMPANIED BY JOHN L. HOOVER, ASSISTANT TO THE DEPUTY ADMINISTRATOR FOR STATE AND COUNTY OPERATIONS, ASCS, U.S. DEPARTMENT OF AGRICULTURE

Mr. PHILLIPS. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I am Reed A. Phillips, Director, Commodity Programs Division, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture.

I am glad to appear before the committee to present the Department's views with respect to two bills, H.R. 17186 and H.R. 17582.

I would like to comment on these bills and the Department's recommendations.

H.R. 17186 would make two amendments to section 358a of the Agricultural Adjustment Act of 1938, as amended. First, it would continue the authority for transfers of peanut acreage allotments for the 1971 and succeeding crops. Without new legislation this provision of the act will expire after the current crop year. Second, it would amend subsection (b) (2) of section 358a so as to eliminate the requirement of consent by lienholders in case of temporary transfers by lease or by owner for a 1-year term only. H.R. 17582 would extend the authority for transfers of peanut acreage allotments for the 1971 and succeeding crops.

On September 3, 1970 the Department recommended enactment of H.R. 17186 with two changes and one additional provision.

First, the Department recommended in a letter to the chairman, Committee on Agriculture that the bill be changed to provide for a 3-year extension of the transfer authority through the 1973 crop year. A 3-year extension would give the Department the opportunity to periodically review the effectiveness of the transfer authority. It would also coincide with the farm bill recently passed by the House.

Second, the Department recommended that subsection (b) (5) of section 358a be amended by deleting the first proviso effective for the 1971 and succeeding crops. This proviso states that:

In the event an allotment is transferred to a farm which at the time of such transfer is not irrigated, but within five years subsequent to such transfer is placed under irrigation, the Secretary shall also make an annual downward adjustment in the allotment so transferred by multiplying the normal yield established for the farm from which the allotment is transferred by the acreage being transferred and dividing the result by the actual yield for the previous year, adjusted for abnormal weather conditions, on the farm to which the allotment is transferred.

This deletion would eliminate the productivity adjustment requirement now applicable in case a receiving farm not under irrigation is placed under irrigation within a 5-year period. The effect of this provision would be to eliminate the requirement for transfers effective with the 1971 crop and with transfers approved in 1968-69-70 for the remaining balance of their respective 5-year period. The provision as set forth in existing law is very difficult to administer because our country offices must follow up on all permanent transfers for 5 years and temporary transfers which are still in effect, up to 5 years, if there has been no irrigation on the receiving farm. This becomes ever more difficult since normal yields are used for regular productivity adjustments and actual yields for irrigation adjustments and different type

transfers may be made to the same farm in different years. The man-hours and paperwork involved increase our program costs. Peanuts are the only commodity that has required an irrigation adjustment although other commodities have transfers.

The Department has also recommended that the provision of 359 (c) of the act concerning exclusions from the term "peanuts" for the purposes of the Agricultural Adjustment Act of 1938, as amended, be made permanent. This is the "boiled peanuts" provision which has been extended periodically for several years. Without new legislation this provision of the act will expire with the current crop year and "boiled peanuts" will be under marketing quotas.

Green peanuts marketed for boiling purposes do not compete with dry peanuts which move into regular commercial channels. This provision has not been extensively used. Since 1964, the acreage for boiled peanuts has varied from 1,894 acres to 3,160 acres. Since the first exemption enactment in 1957 it has proven successful. Making permanent the exemption in the act will in no way interfere with the operations of the current peanut marketing quota and price support programs. For these reasons, the Department recommends the enactment of this provision on a permanent basis. However, the current farm bill as passed by the House provided for the exemption of boiled peanuts from marketing quotas for a 3-year period.

We believe that enactment of H.R. 17186 with the recommended changes will enable many producers to grow peanuts on a sound economic basis. It would permit flexibility in farming operations for those producers with land available for the production of additional peanut acreage. We do not believe that the transfer authority will substantially increase the number of allotment acres harvested.

Mr. Chairman, I appreciate the opportunity of appearing before this committee. I shall be glad to respond to any questions. Thank you.

Mr. O'NEAL. Thank you, Mr. Phillips. First of all, I think I should say that I do not believe we are concerned with the boiled peanuts provision in this legislation. As you pointed out an extension already has been passed by the House.

Mr. PHILLIPS. Yes, sir.

Mr. O'NEAL. I believe it also passed the Senate yesterday. The question involved may be one of whether it is extended for 3 years or made permanent.

I am glad to hear you say it should be made permanent. I think this has been given a fair trial. Nobody on earth, that I know of opposes it. Perhaps we should just make it permanent and get rid of the question so far as Congress is concerned.

However, that will be in other legislation and it will not be concerned with the problem we are dealing with now.

As I understand your testimony representing the Department, you do approve an extension of the authority to transfer peanut allotments?

Mr. PHILLIPS. Yes, sir.

Mr. O'NEAL. You do not approve of a permanent extension. Your position at this time is that it should be a 3-year extension?

Mr. PHILLIPS. Yes, sir.

Mr. O'NEAL. I believe a moment ago—I was not sure how long it had been in effect—as I recall better now it has been in effect 3 years.

Mr. PHILLIPS. That is right.

Mr. O'NEAL. You recommend another 3 years.

Mr. PHILLIPS. That is right.

Mr. O'NEAL. You have not had any opposition to it anywhere, have you?

Mr. PHILLIPS. Not to my knowledge.

Mr. O'NEAL. I mean geographically speaking or within the peanut world—by shellers, producers, warehousemen or anybody. You have had no objection?

Mr. PHILLIPS. It has been well accepted, Mr. Chairman.

Mr. O'NEAL. But you still think to be cautious it might be better to extend it for 3 years rather than making it permanent at this time?

Mr. PHILLIPS. This is what we would recommend.

Mr. O'NEAL. The next question we come to is whether or not we should eliminate the requirement of consent by the lienholders in case of temporary transfers for 1 year only?

Mr. PHILLIPS. Yes, sir.

Mr. O'NEAL. What is your reason for suggesting this? It came somewhat as a surprise to me when I first heard this was the Department's position. Would you tell us a little more about why you suggest this?

Mr. PHILLIPS. On a 1-year lease the time is so short, anyway, and you can go after a lienholder's release but the lienholder is chiefly protected anyway on a 1-year lease without having to get a specific release from him.

Mr. O'NEAL. I don't know that I understand it.

Mr. PHILLIPS. The lease is good for only 1 year. Then the control goes back to the owner.

Mr. O'NEAL. You mean most liens are for 1 year?

Mr. PHILLIPS. We are recommending that the release from the lienholder would be only on these temporary leases.

Mr. O'NEAL. What would keep somebody from transferring it 1 year at a time and theoretically eventually beat the lienholder? If you just kept doing it year after year and year after year—

Mr. PHILLIPS. That could be possible, Mr. Chairman.

Mr. O'NEAL. Is there any real problem insofar as the Department is concerned with requiring the transferor to get permission of the lienholder? It would be a simple matter.

Mr. MYERS. What is lienholder? You mean real estate?

Mr. O'NEAL. The bank.

Mr. MYERS. You are not talking about chattel but real?

Mr. O'NEAL. That is right.

Mr. PHILLIPS. That is right.

Mr. MYERS. May I ask you a question?

Mr. O'NEAL. All right.

Mr. MYERS. Is there anything now regulating the lienholder now as to what is planted? The farmer wouldn't have to plant anything on it. Is there any reason for this?

Mr. O'NEAL. The peanut allotment is regarded as an asset to the farm. With a peanut allotment the land is worth more. Is that right?

Mr. PHILLIPS. Yes.

Mr. MYERS. Peanut allotment is a personal property.

Mr. ABBITT. As I understand the problem, on occasion the lienholders say "If you want to lease this we have to have a certain cut out of

this in the way of rent." That is why they talk of a lease for 1 year. It would not be necessary to sign an agreement for a year, but if it is for more than a year he has to do that.

Mr. O'NEAL. This is in addition to the interest they have?

Mr. ABBITT. Yes.

Mr. O'NEAL. This does not concern the extra trouble of record-keeping or anything with the Department?

Mr. PHILLIPS. I would like to ask Mr. Hoover to respond. Perhaps he can help clarify this.

Mr. HOOVER. The logic back of our thinking on this has been largely that the waiver by a lienholder is, of course, for his protection. As has been mentioned, the peanut allotment, as attached to the land, does enhance the value of the land. Thus, if that allotment were permanently transferred the lienholder would suffer. However, if it is transferred for only 1 year, then under our rules, under the law and the regulations that allotment comes back to that same farm in the subsequent year and thus the land has not lost value by reason of the allotment being transferred away.

We felt that this being the case there really was not too great a need from a lienholder's point of view for this waiver for a 1-year transfer.

Mr. O'NEAL. How widespread has the problem been that Mr. Abbitt mentions of lienholders wanting some extra money?

Mr. HOOVER. I have not been aware of that situation, sir. I have no knowledge on it.

Mr. O'NEAL. Any other questions?

Mr. MYERS. After an allotment has been sold, what is the condition of that land then which did have an allotment? Are there any restrictions at all as to what crop may be planted on it?

Mr. HOOVER. No restrictions other than would attach under other programs. For instance, marketing quotas on cotton. You could not transfer peanut allotments away and then grow unlimited acreage of cotton because that legislation would prevail.

Mr. MYERS. How about corn?

Mr. HOOVER. This could be grown.

Mr. MYERS. Even though there are allotments on corn?

Mr. HOOVER. There are feed grain bases which include corn but this is a voluntary program with no penalties attaching. If he elected not to participate in that voluntary program he could grow unlimited acreage of corn.

Mr. MYERS. Then you cannot say this will not contribute to surplus. In your statement you say it will not contribute to surplus.

Mr. HOOVER. This is possible, but the transfers are within a county. If you transfer an acre of peanuts from one farm to another farm you increase the potential for beans or corn on the transferring farm, but in like acreage you would reduce the potential on the receiving farm in that same county. Overall I do not think this would be a substantial factor in that regard.

Mr. O'NEAL. In other words, the land which went into peanuts on the receiving farm could now go to peanuts on the other farm, or vice versa?

Mr. HOOVER. Yes.

Mr. O'NEAL. Since it is all within a county it would be insignificant, so tiny it could not be measured.

Mr. HOOVER. That is right.

Mr. MYERS. Are these allotments usually transferred for some value? Is there some price paid for the allotment between farmers?

Mr. HOOVER. Yes, sir.

Mr. MYERS. Why would it be worth anything to him?

Mr. HOOVER. Perhaps he would want to consolidate. He might have a small peanut acreage allotment. He feels that to be as efficient as he would like to be additional acreage would be to his advantage, so he consolidates and increases peanuts and reduces other crops.

Mr. MYERS. So in actuality the seller of the allotment is getting paid for two crops; is he not? He is getting paid for the peanut crop he did not raise as well as the crops he does raise?

Mr. HOOVER. He gets a negotiated price. This is between the transferor and the transferee. We do not enter into this.

Mr. MYERS. I realize you do not.

Mr. HOOVER. As to the going prices we do not have too good figures on this. One price would go for a permanent transfer and a lesser amount for an annual lease.

Mr. O'NEAL. Another question that you raised in your testimony is the suggestion that we eliminate the productivity adjustment requirement that is now in the law. As the law now stands, if the allotment goes from one farm to another and the variation in productivity is less than 10 percent, no adjustment is made.

Mr. HOOVER. That is right.

Mr. O'NEAL. But if it goes from a less productive farm to a more productive farm you have to make a downward adjustment in the acreage received in line with the percentage variation in productivity. Is that a fair way to say it?

Mr. PHILLIPS. We do make an adjustment in the acreage; yes.

Mr. O'NEAL. Is this what you would recommend?

Mr. PHILLIPS. Our recommendation, Mr. Chairman, is on the farms which subsequently adopt irrigation.

Mr. O'NEAL. You recommend no change in this provision which I have just mentioned?

Mr. PHILLIPS. That is right.

Mr. O'NEAL. The only change that you suggest has to do with irrigation?

Mr. PHILLIPS. That is true.

Mr. O'NEAL. What is the rule now as it exists with regard to irrigation?

Mr. PHILLIPS. If the farm adopts irrigation within a 5-year period then you have an additional productivity adjustment to reflect the increased productivity on that irrigated land.

Mr. O'NEAL. This is what you want to eliminate?

Mr. PHILLIPS. This is what we want to eliminate.

Mr. O'NEAL. If you have an unirrigated farm and the allotment stays on that farm, there is nothing to keep the farmer from irrigating?

Mr. PHILLIPS. That is right.

Mr. O'NEAL. But if it goes to another farm, this provision in the existing law would bring about a downward adjustment if the new farmer irrigates?

Mr. PHILLIPS. Yes, sir. It is this provision we are suggesting be removed on the irrigation productivity adjustment.

Mr. O'NEAL. Does this idea originate with you because of the problems you have been having or have you been urged to do this by some particular area of the country?

Mr. PHILLIPS. This is within the Department. It causes a tremendous amount of extra work to us. It does cause some inequities at times. We feel it is not necessary.

Mr. O'NEAL. Have you considered the differences it might make in various sections of the country?

Mr. PHILLIPS. I am not sure of the effects in various sections of the country.

Mr. O'NEAL. You are just concerned with your own headache?

Mr. PHILLIPS. No. We are concerned with the adoption of irrigation practices and the adjustments which would take place over a 5-year period.

Mr. MYERS. May I be hypothetical here? Mr. O'Neal and I have farms side by side. We each have a 30-acre cotton allotment. We each have a 5-acre peanut allotment and 1-acre tobacco allotment. We decide between ourselves we will make a transfer.

I will take his cotton allotment of 30 acres. Can I plant the 60 acres of cotton? I will transfer to him my tobacco allotment and my peanut allotment and he can plant 10 acres of peanuts and 2 acres of tobacco. We can both plant the crops.

Mr. PHILLIPS. If the productivity is equal.

Mr. MYERS. We both have farms side by side and we have allotments.

Mr. PHILLIPS. If the productivity is equal.

Mr. MYERS. I thought you would take it out of peanuts.

Mr. PHILLIPS. Only on irrigation.

Mr. MYERS. You have to irrigate to take productivity out of it? You are trying to encourage irrigation, then. Is that right?

Mr. PHILLIPS. No; that is not the point. It is not trying to encourage or discourage irrigation.

Mr. MYERS. It seems you can regulate it much easier with irrigation. One of the reasons we have short crops is either corn blight or lack of rain. I don't know your reasoning here. But we could both do this. I could accept his cotton allotment and grow it on my farm and he could accept my tobacco and peanut allotments?

Mr. PHILLIPS. You do not have irrigation adjustment on the cotton or tobacco.

Mr. MYERS. Disregarding the irrigation condition. Our productivity would be the only barrier?

Mr. PHILLIPS. That is right.

Mr. O'NEAL. Theoretically if the productivity is the same there would be no difference so far as the national production is concerned; none whatever.

Mr. PHILLIPS. That is right.

Mr. O'NEAL. As I understand your problem with irrigation, it is so hard for you to keep up with it for the ensuing 5 years.

Mr. PHILLIPS. And it is the only crop where we have this. In the other crops we do not have this irrigation productivity adjustment.

Mr. O'NEAL. You do not have irrigation adjustments in cotton nor any other crop where transfers are permitted?

Mr. PHILLIPS. That is right.

Mr. O'NEAL. You have it only in peanuts?

Mr. PHILLIPS. That is right.

Mr. O'NEAL. You have the burden of keeping up with it not only for the immediate transfer but for the next 5 years?

Mr. PHILLIPS. And only on peanuts, not these others; that is right.

Mr. HOOVER. If I may add one thing to this. In addition to the paperwork, which of course is significant, we feel that the receiving farm is put at somewhat of a disadvantage with his neighbors for that ensuing 5-year period. He may be on an equal productivity basis at the time of transfer.

For the next 5 years if his neighbors are going into irrigation and improving their efficiency and effectiveness he is restrained from doing so because if he goes in he suffers a downward adjustment in the acreage he had bought and transferred.

Mr. O'NEAL. Another way of saying this, if a man receives an allotment from the other fellow he is restricted for 5 years?

Mr. HOOVER. That is right. We think there is an inequity there as well as the paperwork burden.

Mr. O'NEAL. Other questions?

Mr. ABBITT. Actually the reason the irrigation amendment was put in there was that the committee was trying to do everything possible to work out a fair and just program so there would be no objection to it.

Have you found over the 3-year period it has been working well and has been used reasonably extensively?

Mr. HOOVER. Lease and transfer provisions?

Mr. ABBITT. Yes.

Mr. HOOVER. On irrigation?

Mr. ABBITT. No, not that. Do you find transfer of leases has worked well in the peanut program?

Mr. HOOVER. Yes, sir.

Mr. ABBITT. As I understand it, you recommend it be extended for 3 years?

Mr. PHILLIPS. Yes.

Mr. ABBITT. But in the event this subcommittee saw fit to extend it permanently the Department would not object to it; would it?

Mr. PHILLIPS. We would prefer to have the 3-year limitation on it.

Mr. ABBITT. I understand that. The same statement was made regarding the tobacco program. If Mr. Wampler will recall, they would prefer to extend it for that time. However, if we went further and made it permanent you would have no objection. This year they came back and recommended the tobacco program be made permanent. We have had the same leasing arrangement with the peanuts. Do you see any real objection? You have had 3 years to look into it. Do you see any objection to making it permanent?

Mr. PHILLIPS. Except for the reasons we put forth. We think it should be reevaluated periodically rather than making it permanent. However, it has worked well.

Mr. ABBITT. But if this committee saw in its wisdom to make it permanent you would have no real objection?

Mr. PHILLIPS. I think that is right.

Mr. O'NEAL. Thank you, gentlemen, for your testimony.

The next witness will be Mr. Sydney C. Reagan, general counsel, Southwestern Peanut Shellers Association, Dallas, Tex.

STATEMENT OF SYDNEY C. REAGAN, GENERAL COUNSEL, SOUTHWESTERN PEANUT SHELLERS ASSOCIATION

Mr. REAGAN. I appreciate this opportunity to testify on behalf of the Southwestern Peanut Shellers Association in complete support of H.R. 17186 and related bills.

I have discussed this statement with representatives of the Southwestern Peanut Growers' Association, the Oklahoma Peanut Commission, and the Oklahoma Peanut Growers Association, and it is in agreement with the position of these grower groups. To the best of my knowledge, there is complete support throughout the peanut industry for this legislation.

This proposed legislation would make permanent the present expiring temporary legislation that permits the sale or lease of peanut acreage allotments within a county.

Based on the fine experience with the peanut temporary legislation in Texas, Oklahoma, and New Mexico, our members strongly support the proposal to make this legislation permanent.

This legislation makes possible the consideration of peanut acreage allotments into more efficient farming units. This is certainly highly desirable at a time of rapidly rising costs of production. Furthermore, this legislation makes it possible for the small farmer to obtain funds to do something other than inefficiently raise peanuts.

Please note that our support is for sale or lease on a permanent basis within a county. We are vigorously opposed to the sale or lease between counties within a State or between States. Were this to be permitted, it would have a disastrous effect on many local communities in the Southwest.

The Department has recommended to you the extension of this sale or lease for only a 3-year period. The reason given by the Department is that it will give the Department an opportunity to take a look every 3 years at this provision. We believe that this reasoning is faulty for two major reasons. In the first place, the provision has already been on a trial basis for several years and has been found to be a sound and workable provision. Secondly, we all know how difficult and time consuming it is to get legislation through Congress and how overburdened Congress already is in dealing with essential legislation.

It is unreasonable and unnecessary to further add to this burden by requiring that this legislation be reenacted every 3 years. If Congress were required to reconsider every piece of legislation every 3 years Congress would never get its work done.

Gentlemen, this is a very unusual experience for me and a very enjoyable one to be able to testify before you on a piece of legislation that the entire peanut industry is united on. Let me tell you, sir, when you get the entire industry united you have a good piece of legislation before you.

Thank you very much. I would be happy to respond to any questions.

Mr. O'NEAL. Thank you, Mr. Reagan.

Questions?

Mr. MYERS. Your association would not oppose the 3 years, would it, if that were our choice?

Mr. REAGAN. We do not oppose it. We think it would be better to make it permanent.

Mr. O'NEAL. Thank you, Mr. Reagan.

Our next witness will be Mr. Russell C. Schools, executive secretary, Virginia Peanut Growers Association, Capron, Va.

He is accompanied by Mr. Womack Lee and my friend, Mr. Randolph Carter.

**STATEMENT OF RUSSELL C. SCHOOLS, EXECUTIVE SECRETARY,
VIRGINIA PEANUT GROWERS ASSOCIATION, CAPRON, VA., AC-
COMPANIED BY JOE S. SUGG AND RANDOLPH CARTER**

Mr. SCHOOLS. Mr. Lee is not with us. I have Mr. Joe S. Sugg here.

Mr. O'NEAL. The Chair yields to Mr. Wampler at this point.

Mr. WAMPLER. Mr. Chairman, I would like to say that we in Virginia are extremely proud of Mr. Schools and his associates. They speak with good authority when it comes to peanut legislation. I welcome them.

I see my colleague, Mr. Abbitt here. He is not a member of the subcommittee but is a valued member of the full committee. I think he represents Mr. Schools in Congress and we are delighted to have him here this morning.

Mr. O'NEAL. Do you have a prepared statement, Mr. Schools?

Mr. SCHOOLS. Yes, sir.

I will be very short, Mr. Chairman.

Thank you, Mr. Chairman and members of the subcommittee.

My name is Russell C. Schools and I am executive secretary of the Virginia Peanut Growers Association, Inc., from Capron, Va.

I am appearing today on behalf of the Virginia Peanut Growers Association, the North Carolina Peanut Growers Association, and the Peanut Growers Cooperative Marketing Association in Franklin, Va., which covers both Virginia and North Carolina. We all support H.R. 17186, H.R. 17582, and related bills to amend the peanut marketing quota provisions to make permanent the authorization of lease, sale and transfer of peanut allotments.

We supported the bill making possible the transfer of peanut acreage allotments in 1967, which was good for the years 1968 and 1969. We requested that the bill be extended for the year 1970 and wish to thank this committee for making that possible. After 3 years of very successful operation under the lease or sale bill we now ask you to make this legislation permanent as it is in the best interest of all segments of the peanut industry as well as the Department of Agriculture.

Many peanut acreage allotments are small and the opportunity to lease, sell and transfer the allotments provides for more efficient production by permitting consolidation of uneconomical small allotments. Farmers today are having to go to larger and larger economical units to justify machinery investments necessary to offset the lack of farm labor. Lease, sale and transfer of allotments gives a farmer a choice. He may purchase allotment through lease, sale or transfer to become more efficient or he may give up his allotment through lease, sale or transfer to someone else so they will become more efficient.

I wish to thank each of you for the opportunity given me to appear before you today in support of this bill.

Thank you very much.

Mr. O'NEAL. Thank you, Mr. Schools.

We will be glad to hear from Mr. Sugg.

Mr. SUGG. Mr. Chairman, I have six statements here I would like to give you. I think that is all you have on the committee right now. The reason I did not have more than the six is because I was involved in the tobacco legislation. This is put in there only for the purpose of showing an impartial study as to tobacco allotments, lease, sale, and allotments conducted by North Carolina State University. Practically all peanut farmers have tobacco allotments.

I did have a private survey I made myself which runs about 10 percent above the figures shown in this study.

I would like to support in behalf of the North Carolina farmers the position as stated by Mr. Schools and to support our position exhibit A as you will see there is a letter from our State ASCS director, Mr. Herbert O. Carter, who gives a very fine analysis and evaluation of the lease, sale, and transfer of peanut allotments. He states there that the farmers and the committee would favor continuing legislation or permanent type legislation.

He has been in a position to see how it has worked.

Exhibit B shows our allotment distribution by counties in North Carolina and it will show some county with small acreages and small averages.

Exhibit C gives you a story of the transfer in 1969 by sale, lease, and owners. This gives you an idea of who and what size of transfers. Total average is less than half of the average allotment, showing most of the leases, sales, and transfers are with the small allotments and more or less in the fringe production area.

I would like to modify "owner"—this is where an owner transfers from himself to himself. I own two farms under different contracts. I want to consolidate my peanut allotment from one farm to the other. That is what that "owner" there means.

Exhibit D, I wanted to show that we folks in North Carolina believe in the peanut program. If you don't believe it look at the percentages in the right-hand column. That is how we have been voting in every referendum from 1953 through 1968.

Then, of course, E is the tobacco study.

We would like to urge your support on extension of this legislation on what we consider a continuing basis. We do not feel anything is permanent, particularly in these days and times. We would like it continuing, as our peanut legislation is. Then it will run entirely along with it. As long as we would have one we would have the other.

Mr. O'NEAL. Thank you, Mr. Sugg.

Without objection the written statement of Mr. Sugg will go into the record, and also the letter from Mr. Carter and the various attachments to his statement.

(Information referred to follows:)

STATEMENT OF JOE S. SUGG, EXECUTIVE SECRETARY, NORTH CAROLINA PEANUT GROWERS ASSOCIATION

On behalf of the 20,000 peanut growers in North Carolina operating approximately 15,000 farms having peanut allotments, I urgently request a favorable

report by this committee and favorable action by Congress on legislation now being considered which will make the authority for the lease, sale, and transfer of peanut allotments within counties on a continuing basis.

To support this position, I would like to state that the vast majority of the peanut farmers in North Carolina are in favor of and have experienced considerable benefits of the provision in the lease, sale, and transfer of peanut allotments. The agribusiness section of the peanut economy also favors this provision.

The transfer of allotments has permitted a greater degree of flexibility in peanut production in that allotments could be transferred from farms not desiring, for various reasons, to use the allotments to farms wanting and needing the allotments. It has permitted individuals to increase their acreages to a more economical size of operation. It has been particularly beneficial to small farmers where their small allotments necessitate uneconomical production, due to the fact that the size of the allotment did not justify the purchase of necessary equipment.

I would like to refer the committee to the attached documents. Exhibit A, a letter from H. O. Carter, Executive Director of North Carolina ASCS, evaluating the effect of lease, sale, and transfer provisions.

Exhibit B, which gives the table showing the distribution of the allotments among the counties of North Carolina.

Exhibit C, which shows the record of transfer of allotments within the counties of North Carolina.

Exhibit D, showing the results of the referendum on the marketing quota program since 1953 which clearly shows that the North Carolina growers highly favor the peanut program.

Exhibit E, a study on producers attitudes on lease, sale, and transfer of tobacco allotments. Though this is a study on tobacco, most all peanut farmers have tobacco and their attitudes are quite similar. I include this as I felt this study would be of interest to this committee. (This exhibit may be found in the files of the committee.)

We respectfully urge the support of the committee on the enactment of this legislation and pledge our support to the committee with respect to any constructive action pertinent to peanut legislation.

EXHIBIT A

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
Raleigh, N.C., August 31, 1970.

MR. JOE S. SUGG,
Executive Secretary, North Carolina Peanut Growers Association, Inc., Rocky Mount, N.C.

DEAR JOE: As you know, the provision of Section 359(a) of the Agricultural Adjustment Act of 1938, as amended, which authorizes the transfer of peanut allotment by sale, lease, or by owner, will expire after the 1970 crop.

We have found that this transfer provision has been quite effective and used extensively throughout the peanut-producing areas of North Carolina. In fact, the use has increased each year. In 1969, we had a total of 2,778 farms taking advantage of this provision by either transferring allotment from or to their farm. A total of 5,960 acres were transferred in North Carolina in 1969. It has become more and more popular among our farmers, as it permits them to farm a more economical unit due to the fact that our farm allotments are relatively small.

The transfers have been a definite advantage to many of our low-income farmers, which we are always anxious to help.

You can readily see that our farmers and ASCS committeemen have reacted favorably to this transfer provision and would no doubt like to see this made permanent.

I thought that you might be interested to know the reaction of our farmers and committeemen to the peanut allotment transfer provision.

Sincerely,

H. O. CARTER,
State Executive Director.

EXHIBIT B.—1969 PEANUTS—ALLOTMENTS AND HARVESTED ACRES

County	Number of farms with allotments	Allotted acres	Harvested acres	Production	Yield per acre (pounds)	Average farm allotment
Beaufort.....	141	625.7	609.4	1,204,399	1,976	4.4
Bertie.....	1,743	22,978.4	22,636.0	43,270,863	1,912	13.2
Bladen.....	938	4,244.7	3,914.2	6,478,990	1,655	4.5
Brunswick.....	7	43.4	17.5	18,550	1,060	6.2
Camden.....	12	47.2	45.3	101,023	2,230	3.9
Catawba.....	2	10.2	10.7	10,420	974	5.1
Chowan.....	579	6,256.4	6,071.2	16,009,572	2,637	10.8
Columbus.....	405	1,524.0	1,016.8	1,597,573	1,571	.8
Craven.....	9	55.5	49.2	66,376	1,349	6.1
Cumberland.....	92	459.7	470.8	789,936	1,678	5.0
Currituck.....	30	186.0	181.6	361,516	1,991	6.2
Duplin.....	2	3.4	0	0	0	1.7
Edgecombe.....	972	16,072.9	15,990.9	27,673,586	1,731	16.5
Gates.....	871	7,447.9	7,244.6	17,288,371	2,386	8.5
Greene.....	42	297.0	232.0	396,884	1,711	7.1
Halifax.....	2,004	27,187.6	23,875.2	47,593,775	1,993	13.6
Hertford.....	1,024	15,100.6	14,854.4	31,168,758	2,098	14.7
Iredell.....	1	7.0	.1	60	600	7.0
Johnston.....	41	128.7	149.4	259,360	1,736	3.1
Jones.....	1	2.0	.8	1,000	1,250	2.0
Lenoir.....	2	20.6	21.7	35,303	1,627	10.3
Martin.....	1,388	15,359.7	15,107.2	33,565,165	2,222	11.1
Moore.....	18	115.2	88.0	115,246	1,310	6.4
Nash.....	290	3,251.5	3,281.8	5,526,455	1,684	11.2
Northampton.....	1,888	29,425.2	29,045.4	65,443,379	2,253	15.6
Onslow.....	48	235.1	193.5	291,450	1,506	4.9
Pasquotank.....	13	83.8	83.2	186,035	2,236	6.4
Pender-New Hanover.....	217	1,506.4	1,149.0	1,912,052	2,996	6.9
Perquimans.....	480	3,470.0	3,281.3	8,252,525	2,515	7.2
Pitt.....	871	6,701.5	6,551.7	12,093,330	1,846	7.7
Richmond.....	39	281.2	232.3	395,668	1,703	7.2
Robeson.....	125	475.8	424.6	494,861	1,165	3.8
Rowan.....	1	4.4	1.6	2,700	1,687	4.4
Sampson.....	149	590.5	659.4	1,019,253	1,546	4.0
Scotland.....	16	53.9	45.7	27,185	595	3.4
Tyrrell-Dare.....	28	139.0	99.5	185,363	1,863	5.0
Wake.....	1	1.9	.7	1,015	1,450	1.9
Warren.....	45	132.9	118.7	196,268	1,653	3.0
Washington.....	418	3,233.5	3,043.6	7,154,519	2,351	7.7
Wayne.....	11	25.6	13.6	22,865	1,681	2.3
Wilson.....	23	159.3	151.0	199,168	1,319	6.9
State total.....	14,987	167,945.3	160,963.6	331,410,817	1,743	11.2

EXHIBIT C.—1969 PEANUTS—TRANSFERS BY SALE, LEASE, AND OWNERS

County	Sale			Lease			Owner			Total		
	Farms transferred from	Farms transferred to	Acres transferred	Farms transferred from	Farms transferred to	Acres transferred	Farms transferred from	Farms transferred to	Acres transferred	Farms transferred from	Farms transferred to	Acres transferred
Beaufort	2	2	3.5	36	17	83.0	---	---	---	38	19	86.5
Bertie	---	---	---	103	107	398.2	---	---	---	104	108	400.6
Bladen	24	9	60.0	166	100	423.2	---	---	---	190	109	483.2
Camden	---	---	---	2	2	9.3	---	---	---	2	2	9.3
Chowan	1	1	6.2	61	61	420.8	---	---	---	62	62	427.0
Columbus	22	9	52.8	120	51	336.3	---	---	---	142	60	389.1
Craven	---	---	---	3	4	15.8	---	---	---	3	4	15.8
Cumberland	3	2	5.2	22	10	65.1	---	---	---	23	12	70.3
Currituck	---	---	---	5	5	18.1	---	---	---	5	5	18.1
Edgecombe	2	2	5.6	63	52	320.2	---	---	---	65	54	326.8
Gates	3	3	9.1	51	39	143.1	---	---	---	54	42	152.2
Greene	---	---	---	18	6	54.7	---	---	---	18	6	54.7
Halifax	19	19	145.2	189	146	740.4	---	---	---	208	165	985.6
Hertford	6	5	26.5	52	50	220.2	---	---	---	58	55	246.7
Johnston	---	---	---	2	1	2.8	---	---	---	2	1	2.8
Martin	---	---	---	95	91	370.3	---	---	---	92	91	370.3
Moore	---	---	---	5	3	23.2	---	---	---	5	3	23.2
Nash	---	---	---	19	14	73.2	---	---	---	19	14	73.2
Northampton	7	7	18.7	61	54	284.7	3	3	6.9	77	64	310.3
Onslow	---	---	---	7	4	22.2	---	---	---	7	4	22.2
Pasquotank	---	---	---	5	5	19.4	---	---	---	5	5	19.4
Pender-New Hanover	5	5	11.3	46	37	242.2	---	---	---	51	42	253.5
Perquimans	---	---	---	79	55	244.3	---	---	---	79	55	244.3
Pitt	6	5	18.6	96	60	334.6	2	2	2.0	104	67	355.2
Robeson	---	---	---	14	7	60.5	---	---	---	14	14	60.5
Richmond	---	---	---	35	18	103.0	---	---	---	35	18	103.0
Sampson	---	---	---	33	19	80.3	---	---	---	33	19	80.3
Scotland	---	---	---	4	2	38.9	4	2	38.9	8	8	38.9
Soiland	---	---	---	7	7	25.4	1	1	1.1	8	8	26.5
Tyrrell	---	---	---	18	9	49.1	---	---	---	20	10	49.5
Warren	2	1	0.4	71	50	291.7	---	---	---	73	52	297.7
Washington	2	2	6.0	---	---	---	---	---	---	---	---	---
Wilson	---	---	---	5	3	25.0	---	---	---	5	3	25.0
State totals	105	73	371.5	1,493	1,089	5,539.2	10	8	48.9	1,608	1,170	5,959.6

EXHIBIT D.—RESULTS OF PEANUT MARKETING QUOTA REFERENDUMS ON NORTH CAROLINA

Crop year covered by referendum	Date of referendum	Estimated eligible votes	Total votes cast	Percentage of votes for quotas
1954, 1955, 1956	Dec. 15, 1953	29, 204	14, 859	97. 4
1957, 1958, 1959	Dec. 11, 1956	28, 047	8, 481	94. 9
1960, 1961, 1962	Dec. 15, 1959	27, 163	10, 125	98. 2
1963, 1964, 1965	Dec. 11, 1962	23, 434	12, 164	99. 4
1966, 1967, 1968	Dec. 26, 1968	22, 578	7, 979	97. 9
1969, 1970, 1971	Nov. 23, 1965	22, 741	8, 100	99. 1

Mr. O'NEAL. I am not sure the statement on tobacco is pertinent here.

Mr. SUGG. I can have as many copies of this statement prepared as you might like and send them to you if you need more.

Mr. O'NEAL. What statement?

Mr. SUGG. Everything but the tobacco. They were the only ones I could get.

Mr. O'NEAL. These will go into the committee hearing so it will not be necessary.

Mr. Carter, have you something to add?

Mr. CARTER. I am executive secretary of the Virginia-Carolina Peanut Shellers Association, composed of almost all the shellers in Virginia and North Carolina. Today I also speak in behalf of the South-eastern Peanut Shellers Association. We endorse the statement made by Mr. Schools and Mr. Reagan. We completely endorse this legislation.

Mr. O'NEAL. Questions?

Mr. MYERS. Mr. Sugg, in exhibit B, I notice in six counties the harvested acreage is greater than the allotted acreage.

Mr. SUGG. You have a 1-acre provision. Anybody can plant 1 acre.

Mr. MYERS. Thank you.

Mr. WAMPLER. Gentlemen, I quote from Mr. Reagan's statement: "We are vigorously opposed to the sale or lease between counties within a State or between the States."

Do you concur in that?

Mr. SCHOOLS. We support that. Existing legislation is within just one county.

Mr. O'NEAL. I might say at this point when the original legislation was written 3 years ago, every effort was made to build into the legislation safeguards against any disruption of the peanut program. This was one of the areas where there was some concern that it might disrupt the program. I think it is probably unanimous throughout the peanut industry that we should keep this provision intact.

Other questions?

Thank you, gentlemen.

Our next witness will be Mr. Johnnie Rollins, chairman, Southwestern Peanut Growers Association, Gorman, Tex.

Mr. Rollins, we are glad to have you.

STATEMENT OF JOHNNIE ROLLINS, CHAIRMAN, SOUTHWESTERN PEANUT GROWERS ASSOCIATION, GORMAN, TEX.

Mr. ROLLINS. Mr. Chairman, I am Johnnie Rollins of Granbury, Tex. I am a peanut producer and currently am serving as president of

the Southwestern Peanut Growers' Association. Our association favors extending the law permitting leases and sales of peanut allotments within counties.

This law has been very helpful in providing needed flexibility in the peanut program. It allows small allotments which have outlasted their usefulness to be combined with farm units which need additional acreage to become economically feasible, thus helping both farm operations as well as the community.

The great degree to which this law has been exercised in Texas and Oklahoma demonstrates effectively its desirability and usefulness to peanut growers in Texas and Oklahoma.

We urge your favorable consideration of this proposal. Thank you for the opportunity to present our views to you today.

Mr. O'NEAL. Thank you, Mr. Rollins. We are glad to have your position.

Questions?

(No response.)

Mr. O'NEAL. Our next witness will be Mr. William Flanagan, executive secretary, Oklahoma Peanut Commission, Madill, Okla.

We shall be glad to hear from you, Mr. Flanagan.

STATEMENT OF WILLIAM FLANAGAN, EXECUTIVE SECRETARY, OKLAHOMA PEANUT COMMISSION, MADILL, OKLA.

Mr. FLANAGAN. I believe you have a copy of my statement. I will not go into that.

I would like to comment on some statements raised by Mr. Phillips. These concern the proviso of subsection (b) relating to irrigation. The growers in the Southwest would be in favor of deletion of this proviso. The reason being that the grower takes an adjustment when he acquires the initial acres. It is inequitable to require the grower to take a further adjustment if he decides to put in irrigation within the 5-year limitation.

I might add that Mr. Reagan from the Southwest Shellers joins me in this thinking, and Mr. Rollins from Southwest Peanut Growers Association joins me. We would like to go on record as being in favor of deleting this proviso.

Mr. O'NEAL. Thank you.

Without objection your written statement will be inserted in the record at this point.

(Mr. Flanagan's statement follows:)

STATEMENT OF WILLIAM FLANAGAN, EXECUTIVE SECRETARY, OKLAHOMA PEANUT COMMISSION

I appreciate this opportunity to testify on behalf of the Oklahoma Peanut Commission in complete support of H.R. 17186 and related bills.

I have discussed this statement with representatives of the Southwestern Peanut Growers' Association, the Southwestern Shellers Association and the Oklahoma Peanut Growers Association, and it is in agreement with the position of these groups. To the best of my knowledge, there is complete support throughout the peanut industry for this legislation.

This proposed legislation would make permanent the present expiring temporary legislation that permits the sale or lease of peanut acreage allotments within a county.

Based on the fine experience with the present temporary legislation in Texas, Oklahoma and New Mexico, our members strongly support the proposal to make this legislation permanent.

This legislation makes possible the consolidation of peanut acreage allotments into more efficient farming units. This is certainly highly desirable at a time of rapidly rising costs of production. Furthermore, this legislation makes it possible for the small farmer to obtain funds to do something other than inefficiently raise peanuts.

Please note that our support is for sale or lease on a permanent basis within a county. We are vigorously opposed to the sale or lease between counties within a state or between states. Were this to be permitted, it would have a disastrous effect on many local communities in the Southwest.

The favorable action on this proposed legislation by this Subcommittee and by Congress will be greatly appreciated.

Mr. O'NEAL. Questions?

(No response.)

Mr. O'NEAL. Thank you, Mr. Flanagan.

Let me say that the statements of Congressmen Don Fuqua of Florida and Congressman George Andrews of Alabama will be inserted in the record at this point.

(The statements referred to above and a letter from the National Farmers Union follow:)

STATEMENT OF HON. DON FUQUA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

On behalf of the many small peanut farmers in my district, I would like to express my earliest support of an amendment to the Agriculture Adjustment Act of 1938, to extend for 1971 and later years the present authorization for lease, sale and transfer of peanut acreage allotments. This bill would also extend the present exemption from marketing quotas of the small quantity of peanuts harvested green for sale as boiled peanuts.

Experience shows that peanut acreage allotments are small and that the opportunity to lease, sell and transfer the allotment is particularly helpful to the small farmer. Many peanut acreage allotments are too small to provide a reasonable financial return, especially in view of the rising production and harvesting costs. This bill permits some small but capable farmers to become a little more efficient by increasing their allotments while others, who wish to discontinue growing peanuts, could transfer their resources to other crops or retire from peanut production entirely and still receive a small remuneration.

The bill would not increase the national peanut allotment even 1 acre and would enable the new grower to enter the market. In this time of increasing urban problems, I feel that this would provide an additional incentive for staying on the land. Enactment of this measure will not result in any expense to the Government nor will it add anything to consumer cost. Tight agency restrictions will preclude the possibility of speculation or overproduction and I am in agreement with the maintenance of these restrictions.

The second section of the bill extends for 1971 and later years the exemption from marketing quotas for green peanuts. This exemption recognizes the fact that the boiled peanuts are an entirely different commodity from other peanuts and should not be included in programs designed to regulate production of peanuts for conventional use. This use of peanuts does not compete with the normal usages in peanut butter, roasting, salting and candy. The green peanuts are suitable only for boiling and these peanuts are not eligible for price support.

Your favorable consideration of this bill would certainly be in the best interest of the peanut farmers in this country.

Thank you for the opportunity to present this information to the committee.

STATEMENT OF HON. GEORGE ANDREWS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. Chairman, rising costs of producing and harvesting peanuts have pushed the small farmer into a corner from which he cannot escape without help through the continuation of intracounty lease, sale, and transfer of acreage allotments for peanuts among farms.

I have introduced H.R. 19115 and H.R. 19116, amending section 358a (a) of the Agricultural Adjustment Act of 1938, to allow farmers to transfer peanut acreage allotments to each other through lease or sale within their own county.

The only difference between the two bills is that H.R. 19115 provides that no transfer, except a temporary transfer for 1 year only, of an allotment from a farm subject to a mortgage or other lien shall be permitted unless the transfer is agreed to by the lienholders.

Both bills provide that the authorization of such transfer be made on a permanent basis, rather than through a 1-, 2-, or 3-year extension. Since the authority for farmers to transfer their peanut acreage allotments within their own county was originally granted 2 years ago, this program has worked well.

It has not done any damage in any way, and it has not increased the national allotment by a single acre. It has not resulted in any expense to the Government or to the consumer cost. It should be made a permanent program, and I hope that after all of the evidence is considered, it will be.

What we are dealing with here is the plight of the small farmer and the opportunities for the new farmer. As in many other areas of the economy, production costs are making it difficult to make a reasonable profit in farming.

All too many peanut acreage allotments are too small to constitute an economic unit in the face of increasing production costs per acre. The days are gone when fieldhands with pitchforks harvested peanut crops.

Today, expensive machinery is required, in addition to the introduction of improved methods of cultivation and new herbicides.

The small farmer with an allotment of 5 acres must either buy this expensive machinery himself or hire someone who owns the machinery. In short, the 5-acre allotment farmer faces the same cost of harvesting as the 50-acre allotment farmer.

Department of Agriculture reports show that more than one-fourth of all peanut allotments are 5 acres or less and more than one-half are 10 acres or less. In fact, the average size of established allotments is now about 18 acres.

These bills will allow small peanut farmers to realize a reasonable return on their investment, which unfortunately gets greater every year, by increasing their allotments. Those farmers who want to stop growing peanuts could transfer their resources to other crops or stop producing peanuts entirely and still get a small payment.

We know of the problems of small peanut allotment farmers already in production, and we know what economic possibilities this bill provides for them. But what will we do for new growers? What opportunities do we offer the bright young farmer looking forward to a career in agriculture, or the share-cropper who hopes to own his own farm?

We offer him, through these same bills, the opportunity to acquire an allotment without increasing the national allotment at all. The bills will permit a new grower to obtain an allotment up to 50 acres through lease or outright purchase.

One very important aspect of this legislation is that it will not cause an increase in production or affect the national volume of peanuts. It will simply allow owners of what are basically family-type farms to exercise some flexibility in transferring allotments so that they will be able to buy the necessary equipment and harvest their crops at a reduced cost per acre and hopefully a reasonable return on their investment.

These bills contain the same restrictive language embodied in the original 1968 bill, which would guard against any speculation or overproduction which might otherwise result from this authority.

Mr. Chairman, these are good bills. They contain adequate safeguards against overproduction and other possible disruptive effects. At the same time, they provide badly needed assistance to the peanut farmers by allowing them to increase the size of their allotments for their economic betterment and open the field to new growers, not blessed with the inheritance of an allotment, by allowing them to acquire without increasing the national allotment.

It is my hope that the subcommittee will take favorable action to give permanent extension to this very fine program for peanut growers throughout the Nation.

NATIONAL FARMERS UNION,
Washington, D.C., September 17, 1970.

HON. MASTON O'NEAL,
Chairman, Subcommittee on Oilseeds and Rice and House Agriculture Committee, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I wish to comment on three bills currently before your Committee that would amend the peanut marketing quota provisions—H.R. 17582, H.R. 17186, and H.R. 17637.

On this legislation, I speak in behalf of both the Texas Farmers Union, and the National Farmers Union. The National Farmers Union represents about 300,000 family farm units across the United States.

I respectfully request that this communication be made a part of the record of the public hearings conducted by your Subcommittee on the above bills on September 16.

The governmental program for peanuts is among the most workable of our commodity programs. It has been successful in balancing supply and demand for peanuts, and has imparted relative stability to this important sector of the agricultural economy. Peanut producers are generally well satisfied with the existing program, and become justifiably apprehensive over any attempts to tamper with it.

The Farmers Union is not opposed to continuation of authority to transfer peanut allotments within counties. We would urge, however, that the authorization for intra-county transfers be extended only for three years—to coincide with the duration of the Agricultural Act of 1970 as passed by the House and Senate—rather than permanently as provided in the bills before your Subcommittee. If no detrimental effects result from this provision during 1971-1973, the Congress can routinely and easily extend the transfer provision at the same time that the general farm legislation is extended. If detrimental effects should occur, the explicit requirement for Congressional renewal will facilitate adoption of needed changes.

Although the three bills presently under consideration do not alter the prohibition against inter-county or inter-state transfers of peanut acreage allotments, I wish to reiterate the Farmers Union's position in this regard. Delegates to the 1970 National Convention of Farmers Union approved the policy: "Released acreage and/or quotas should not be moved over county and state lines if there is need for additional acreage and/or quotas on family-type farms in the county or state affected." For peanuts, the Farmers Union strongly supports the prohibition against allotment transfers across county or state lines.

The USDA's Director of Commodity Programs Division, in testimony before your Subcommittee on September 16, recommended deletion of subsection (b) (5) of section 358a of the Agricultural Adjustment Act of 1938. This provision of present law states that, for peanuts:

"In the event an allotment is transferred to a farm which at the time of such transfer is not irrigated, but within five years subsequent to such transfer is placed under irrigation, the Secretary shall also make an annual downward adjustment in the allotment so transferred by multiplying the normal yield established for the farm from which the allotment so transferred by multiplying the normal yield established for the farm from which the allotment is transferred by the acreage being transferred and dividing the result by the actual yield for the previous year, adjusted for abnormal weather conditions, on the farm to which the allotment is transferred."

The National Farmers Union vigorously objects to such a deletion, and urges you to retain this important provision in the law. To delete it would open a loophole in the production-control system that could seriously distort the supply-demand balancing mechanisms of present law. It is certainly appropriate that the proviso applies to transfer acreage only, for transferrals *per se* tend to concentrate production in fewer units and threaten overproduction. If by deleting the adjustment provision the installation of irrigation is allowed further to concentrate the growth of peanuts in the hands of fewer producers, a severe danger is posed both to stability of the production network for peanuts and to the continuation of family-farm units in agriculture. Rather than eliminate this proviso because it is unique to the peanut program—as the Commodity Program Division's Director suggests—it might best be used as a model for application to other commodity programs.

Mr. Chairman, I appreciate the opportunity to express our views on this legislation.

Sincerely,

JAY I. NAMAN,
President, Texas Farmers Union.

Mr. O'NEAL. The committee will now go into executive session.

(Whereupon, at 11 a.m. the committee went into executive session.)