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# Senate Hearings

*Before the Committee on Appropriations*

## Department of Agriculture and Related Agencies Appropriations

H.R. 11612

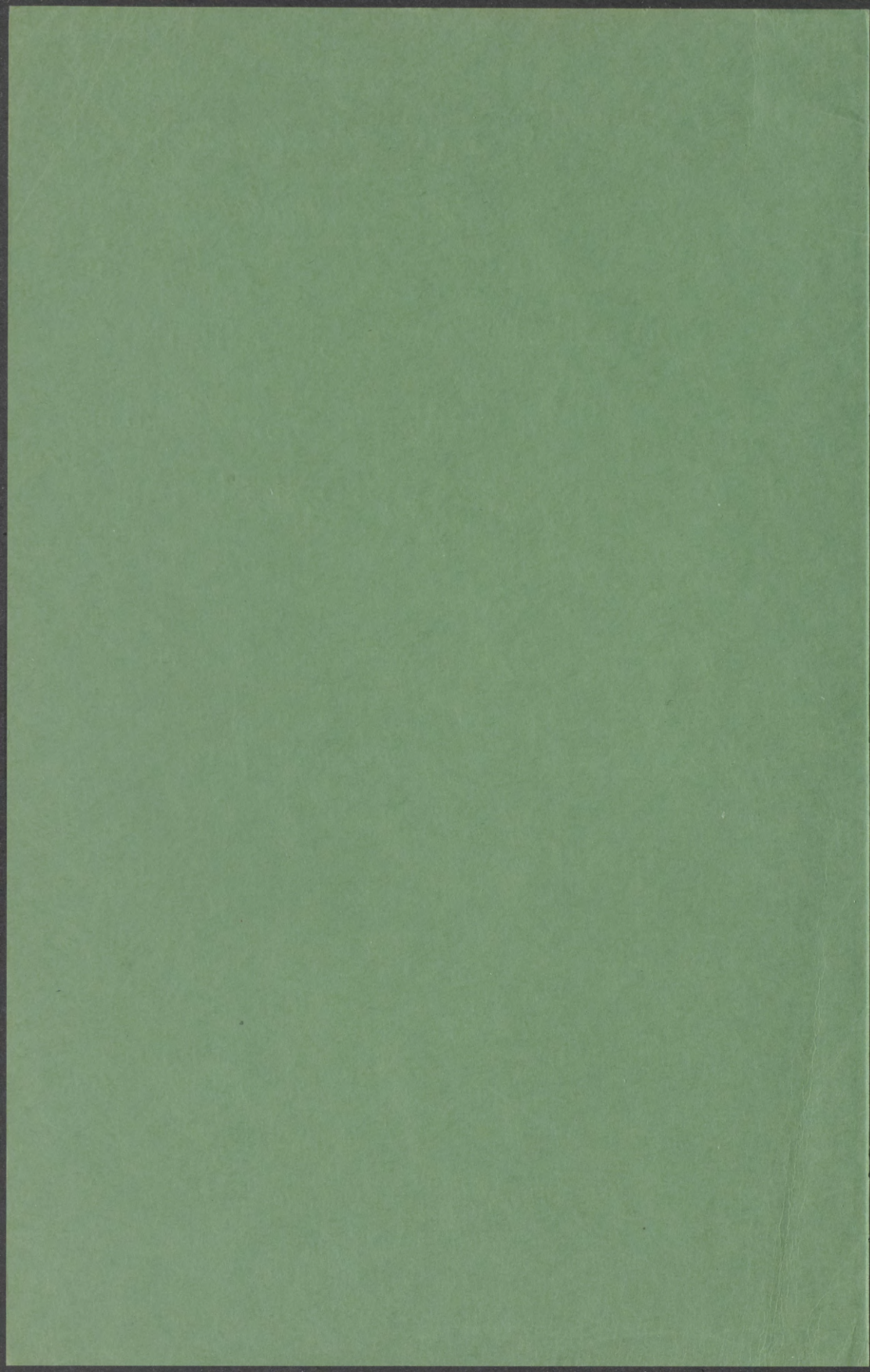
91<sup>st</sup> CONGRESS, FIRST SESSION

*Fiscal Year 1970*

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Part 2

HEARING ON PROPOSED LIMITATION ON PAYMENTS TO PRODUCERS FOR FISCAL 1970



DEPARTMENT OF AGRICULTURE AND RELATED  
AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1970

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HEARINGS  
BEFORE THE  
SUBCOMMITTEE OF THE  
COMMITTEE ON APPROPRIATIONS  
UNITED STATES SENATE

NINETY-FIRST CONGRESS

FIRST SESSION

ON

**H.R. 11612**

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT  
OF AGRICULTURE AND RELATED AGENCIES FOR THE FISCAL  
YEAR ENDING JUNE 30, 1970, AND FOR OTHER PURPOSES

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**PART 2**

**Hearing on Proposed Limitation on Payments  
to Producers for Fiscal 1970**

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Printed for the use of the Committee on Appropriations



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WASHINGTON : 1969

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(II)

**DEPARTMENT OF AGRICULTURE AND RELATED  
AGENCIES APPROPRIATIONS FOR FISCAL YEAR  
1970**

WEDNESDAY, JUNE 4, 1969

U.S. SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,  
*Washington, D.C.*

The subcommittee met at 10 a.m., in room 1224, New Senate Office Building, Hon. Spessard L. Holland (chairman) presiding.  
Present: Senators Holland and Hruska.

U.S. DEPARTMENT OF AGRICULTURE

STATEMENT OF HON. CLIFFORD M. HARDIN, SECRETARY

ACCOMPANIED BY—

CLARENCE D. PALMBY, ASSISTANT SECRETARY  
DON PAARLBERG, DIRECTOR OF AGRICULTURAL ECONOMICS  
EDWARD M. SHULMAN, GENERAL COUNSEL  
JEROME A. MILES, ACTING DIRECTOR OF FINANCE

LIMITATION ON CROP PAYMENTS FOR 1970

Senator HOLLAND. The subcommittee will please come to order. I am sorry that other members of our subcommittee are not available. Senator Young was called home by a death in his family yesterday afternoon. Senator Aiken is in Canada for an Interparliamentary Union Conference and other Senators are engaged in other committees. Senator Ellender, for instance, is chairing his regular Subcommittee on Civil Functions which he said he would adjourn as quickly as he could and attend this meeting. There are other Senators who are out of town. We will proceed, however, and make the record.

The hearing today deals solely with the floor amendment adopted in the other body during consideration and debate on the Agricultural appropriation bill for 1970 on May 26 and May 27. I refer to the so-called Conte-Findley amendment dealing with the limitation on payments for crop year 1970.

STATEMENTS OF SECRETARY HARDIN AT PRESS CONFERENCE IN OPPOSITION  
TO LIMITATION

The Secretary of Agriculture, Hon. Clifford M. Hardin, has stated in a recent press conference some of his objections to the House-approved limitation of \$20,000 on payments for the 1970 crop year.

According to news reports, the Secretary stated that the House provision would activate an old cotton support program under which larger growers would continue to get unlimited support through loans and crop purchases instead of direct payments on all cotton grown on their Federal acreage allotments.

The Secretary was also quoted as saying that this would cost more than the present payment program. He was further quoted as saying that the general counsel of the Department of Agriculture does not agree with the contention of Congressman Paul Findley, a cosponsor of the House-approved amendment, to the effect that aid to big cotton farmers could legally be limited.

#### TEXT OF HOUSE AMENDMENT

Mr. Secretary, we will offer at this point the text of the limitation on payments provision which was adopted by the House of Representatives and I ask that it be inserted in the record at this time.

(The language follows:)

*Provided further*, That no part of the funds appropriated by this Act shall be used to formulate or carry out any price support program (other than for sugar) under which payments aggregating more than \$20,000 under all such programs are made to any producer on any crop planted in the fiscal year 1970.

#### IMPACT OF THE LIMITATION

Senator HOLLAND. Mr. Secretary, in view of your announced opposition to the limitation on payments as approved by the House of Representatives, I thought it advisable that the subcommittee invite you to appear to present in detail for the record the official views of the Department as represented by you, the Secretary of Agriculture.

I hope your statement will deal with the impact and effect of the proposed limitation on payments if it were carried in the final version of the Agriculture Appropriation Act for 1970.

I understand that you have a prepared statement and I suggest that you read it.

We will be glad to hear you, Secretary Hardin.

Secretary HARDIN. Mr. Chairman, as you indicated, I am here at your request to clarify, if I can, a number of issues regarding the effect of placing limitations on the amount of money that can be paid to any one producer in connection with our commodity programs. Many such issues, some of them quite technical, were raised in the House debate on the agricultural appropriations bill. Presumably similar questions will be raised when the appropriations bill comes before the Senate.

The questions to which I address myself are these:

1. How many farmers and how many dollars and what share of the production would be affected by a \$20,000 payment limit?
2. Would a limitation on payments result in a saving to the Government and, if so, how much?
3. Approximately what share of the payment, crop by crop, consists of inducements to limit acreage and what share consists of income supplements?
4. Specifically, what is the snap-back provision for cotton?

5. What options are open to the Secretary under the snap-back provision?

6. What would be the added cost of running the cotton program under the snap-back provision?

7. Would it be possible to operate a successful cotton program if payment limitations were in effect and if the snap-back provision were repealed?

8. Would it be possible to finance payments in excess of \$20,000 from certain CCC funds which are not directly covered by the appropriations bills?

9. Would a payment limitation, written into the 1970 Appropriations Act, be specifically restricted to payments made during fiscal 1970?

10. Finally, what position does the Department of Agriculture take on the matter of payment limitations?

I now address myself to these questions.

Senator HOLLAND. May I ask you this? Do you object to being interrupted during your statement to clarify or answer questions that may come from the subcommittee as other members may arrive?

Secretary HARDIN. Not at all, sir.

Senator HOLLAND. Thank you, sir.

Secretary HARDIN. My answers to these questions will be as factual as I can make them.

#### EFFECTS OF PAYMENT LIMITATION

1. How many farmers and how many dollars and what share of the production of various crops would be affected by a \$20,000 limit on payments?

We have studied the payments made during calendar year 1968 for all programs, particularly for cotton, wheat, and feed grains. Our analysis, which was begun before the recent House debate, had been primarily in terms of individual commodity programs. The Conte limitation relates to the individual producer, who may be in more than one commodity program. Therefore, our figures will not show the exact effect of the Conte amendment. But we have done enough additional work so that we know that our presentation reflects the general situation reasonably well. We will continue our studies and will be in position to report further if you wish.

#### NUMBER OF PRODUCERS AFFECTED BY LIMITATION

Payment limitations of \$20,000 in 1968 would have affected, for cotton alone, 5,159 cotton farmers, 1.2 percent of those cotton farmers to whom we make payments. For feed grains alone, 877 feed grain producers would have been affected, one-tenth of 1 percent of those feed grain farmers who received payments, and for wheat alone, 702 wheat-growers would have been affected, again one-tenth of 1 percent of those in the program. The number of dollars paid to these three groups receiving more than \$20,000 totaled \$215 million for cotton, \$26 million for feed grain, and \$21 million for wheat, a total of \$262 million. The proportion of production that would have been affected was 28 percent of the cotton crop, 2 percent of the feed grain crop, and 3 percent

of the wheat crop. These and related facts are summarized in tables 1 and 2.

I don't know that we need, Mr. Chairman, to review the figures in the tables but if we understand that the tables will be included in the record.

Senator HOLLAND. I think that it is better to just include them in the record.

(Table 1 and table 2, follow :)

TABLE 1.—NUMBER OF PRODUCERS AND AMOUNT OF PAYMENTS BY SIZE OF PAYMENT, FOR EACH OF 3 PROGRAMS, UNITED STATES, 1968

	Cotton		Feed grain		Wheat	
	Number of producers	Amount of payment (thousands)	Number of producers	Amount of payment (thousands)	Number of producers	Certificates (thousands)
Payments in excess of—						
\$3,000.....	55,045	\$560,282	79,422	\$431,995	52,395	\$305,121
\$5,000.....	33,526	477,931	29,120	241,566	21,866	188,333
\$10,000.....	14,790	347,211	5,335	83,858	4,663	72,748
\$20,000.....	5,159	214,585	877	25,765	702	20,843
\$30,000.....	2,455	149,270	233	10,448	213	9,211

TABLE 2.—DISTRIBUTION OF PRODUCERS AND AMOUNT OF PAYMENTS BY PROGRAMS TO PRODUCERS RECEIVING IN EXCESS OF SPECIFIED AMOUNTS, UNITED STATES, 1968

[In percent]

	Number of producers			Amount of payment		
	Cotton program	Feed grain program	Wheat program	Cotton program	Feed grain program	Wheat program
Payment in excess of—						
\$3,000.....	12.6	5.4	6.4	72.2	31.8	41.8
\$5,000.....	7.7	2.0	2.7	61.5	17.8	25.8
\$10,000.....	3.4	.4	.6	44.7	6.2	10.0
\$20,000.....	1.2	.1	.1	27.6	1.9	2.9

Senator HOLLAND. May I ask this question at this time? Do your figures as to what is paid to those growers receiving more than \$20,000 in the various three fields covered by you reflect the amounts in excess of \$20,000 or do they reflect the total amounts?

Secretary HARDIN. This is the total including the \$20,000. Later we will show you the excess over \$20,000.

Senator HOLLAND. Thank you.

#### FARMERS UNDER MULTIPLE PROGRAMS

Secretary HARDIN. The above discussion relates to those producers who would be affected by the limitation on a single commodity basis. In addition there are other producers affected by the \$20,000 limitation because of a combination of cotton, feed grain, and wheat program payments. Under 1968 programs 8,890 producers were so affected, constituting four-tenths of 1 percent of all producers receiving payments under these programs. This group of producers received payments totaling \$240 million for cotton, \$56 million for feed grains, and \$39 million for wheat, or a total of \$335 million. Table 3 shows the figures.

I think it would be well for the record to show that the bottom line of table 3 which shows cotton, feed grain, or wheat is a net figure which includes all of those receiving payments for a single commodity and all of those for a combination of commodities that exceed \$20,000.

Senator HOLLAND. And this relates only to the three commodities that you have mentioned?

Secretary HARDIN. Yes.

#### SCOPE OF PAYMENTS COVERED

Senator HOLLAND. What about soil conservation payments, are they included or excluded from the table?

Secretary HARDIN. They are excluded from this table. We will pick them up later.

Senator HOLLAND. But they are covered by the amendment, are they not?

Secretary HARDIN. Yes, they are. At least that is our understanding, Mr. Chairman.

Pardon me. May we correct the record there and may I refer to Mr. Shulman to respond to that.

Mr. SHULMAN. In my view, Mr. Chairman, conservation payments are not covered. They are not payments made under the price support program.

Senator HOLLAND. Are they covered by the wording of the amendment which reads, "To any producer on any crop planted in the fiscal year 1970"?

Mr. SHULMAN. Payments under the conservation program, Mr. Chairman, are made for carrying out soil conservation practices. Moreover, they are not payments made under a price support program. They are not covered by the amendment.

Senator HOLLAND. The table No. 3 will be incorporated in the record at this point.

(The table follows:)

TABLE 3.—NUMBER OF PAYEES RECEIVING \$20,000 OR MORE<sup>1</sup> AND THEIR TOTAL PAYMENTS BY KIND OF PROGRAM OR COMBINATION OF PROGRAMS, 1968

Programs	Number of payees	Amount of payment
Cotton.....	7,063	\$240,400,000
Feed grain.....	5,201	55,900,000
Wheat.....	3,794	38,900,000
Cotton, feed grain, or wheat.....	<sup>2</sup> 8,890	335,300,000

<sup>1</sup> Payments from the 3 commodity programs listed. Entries for each program refer to payees receiving a payment of some size for that program.

<sup>2</sup> Net number of payees; some payees appear in 2 or all programs listed above.

#### STATES AND CROPS AFFECTED BY LIMITATION

Secretary HARDIN. Table 4 indicates the incidence of the payment limitation by States and crops. This table includes wool and sugar. Half of the producers receiving payments in excess of \$20,000 were cotton growers. The States most affected were in the South and in the West.

Senator HOLLAND. I note that the wording of the amendment specifically excludes sugar.

Secretary HARDIN. Yes.

Senator HOLLAND. What about wool; is it covered or not covered?

Secretary HARDIN. It is not covered.

Senator HOLLAND. I note that it is not specifically excluded.

Mr. SHULMAN. I believe that it is not covered, Mr. Chairman, because wool is not a crop which is planted during the fiscal year 1970. It is doubtful that wool is a crop, but certainly it is not a crop which is planted.

Senator HOLLAN. Proceed.

#### POSSIBLE SAVINGS TO THE GOVERNMENT

Secretary HARDIN. Question two. Would the limitation on payment result in a saving to the Government?

As I shall shortly show, the limitation on payments would trigger a snap-back provision for cotton that would increase the cost to the Government for the cotton program. We estimate this increased cost at about \$160 million.

There are other reasons to support the conclusion that the limitation on payments would bring about very little savings, if any, and might result in a net increase in cost. First, a considerable proportion of the farms subject to the limitation would undoubtedly be split up or leased out in such a fashion as to escape the limitation. We could prevent some of this but not all by any means. Many such changes are constantly occurring and are entirely legal. We estimate, for example, that perhaps as much as 70 to 85 percent of the potential cotton acreage affected by the \$20,000 limit would be able to maintain its eligibility for full payment.

Secondly, if a given acreage is to be retired from crops and if payments are the means of doing this, and if a payment limit is in effect, we would have to divert more acreage out of the smaller farms, which would be the only likely cooperators. With feed grain, which is the best example of a program having resource adjustment as its dominant feature, it would cost considerably more to run the program with payment limitations than without.

Senator HOLLAND. Table 4 will be included in the record at this point.

(The table follows:)

TABLE 4.—PRODUCERS RECEIVING \$20,000 OR MORE FROM SPECIFIED PROGRAMS, 1968

State	Cotton						
	All programs	Price support	Total	Feed grain	Wheat	Wool †	Sugar †
Alabama.....	279	118	204	2			
Arizona.....	568	442	504	15	1	12	74
Arkansas.....	599	461	558	2	2		1
California.....	972	681	773	8	23	49	328
Colorado.....	195		1	19	50	26	52
Delaware.....	1						
Florida.....	69	3	3	2			59
Georgia.....	255	75	120	12			
Idaho.....	115				51	35	37
Illinois.....	108	2	2	76	1	8	
Indiana.....	95			63	1	2	
Iowa.....	88			76	1	3	
Kansas.....	301			31	69	6	50
Kentucky.....	7	2	2	5			
Louisiana.....	340	189	228	1	2	6	90
Maryland.....	2						
Michigan.....	17			7		1	4
Minnesota.....	32			17	2	2	11
Mississippi.....	1,145	901	1,074	2		9	
Missouri.....	178	37	51	59		3	
Montana.....	131				89	24	3
Nebraska.....	152			74	11	8	14
Nevada.....	16	2	3		2	10	
New Mexico.....	233	45	52	54	14	27	24
New York.....	3			1			1
North Carolina.....	77	28	45	8			
North Dakota.....	66			3	34	1	14
Ohio.....	35			17		4	4
Oklahoma.....	95	16	30	8	21	1	
Oregon.....	72				58	8	4
Pennsylvania.....	8			7			
South Carolina.....	225	91	152	4			
South Dakota.....	42			9	11	9	
Tennessee.....	104	45	63	1			
Texas.....	3,122	824	1,297	282	96	122	183
Utah.....	29				5	22	3
Virginia.....	3			2			
Washington.....	197	1	1	1	157	8	14
Wisconsin.....	15			9			
Wyoming.....	66				1	65	5
Alaska.....	1					1	
Hawaii.....	21						21
Total, United States.....	10,079	3,963	5,163	877	702	472	996

† Includes payments to payees receiving \$20,000 or more from all programs and includes some wool (or sugar) payments.

#### EFFECT ON FEED GRAIN PROGRAM

Senator HOLLAND. What table gives the figures on feed grains program as you see it?

Secretary HARDIN. I don't believe we included that.

Mr. PAARLBERG. We don't have a specific statement to support that. We could supply it for the record if they would like the background for our statements.

Senator HOLLAND. I ask that you do supply such a statement at this point.

Secretary HARDIN. It will be provided for the record.

(The information follows:)

*Feedgrains.* Payment limitations would cause a drop in feedgrain program participation, primarily because the economic incentive to participate in the program is considerably weaker than the incentive to participate in the cotton and wheat programs. Most of the decline in participation would be in States where producers grow cotton and/or wheat, as well as feedgrains.

Based on 1968 program data, the Conte amendment would probably reduce feedgrain diversion by about 1½ million acres and reduce payments by about \$50 million. To obtain an additional 1½ million diverted acres from these farmers remaining in the feedgrain program, or from new participants, the payment rate for voluntary diversion would have to be increased. Increasing the rate from 45 percent to 47½ percent of the support price—about a 5 percent increase—would result in a *net* increase of \$40 to \$50 million in total 1970 feedgrain payments.

In addition, the payment limitation would likely cause some farmers to drop out of the wheat program and plant grain sorghums or barley. Thus, to maintain a given level of feedgrain production an additional one-half million acres may have to be diverted at an additional cost of \$10 to \$15 million.

PERCENTAGE OF PAYMENTS FOR ACREAGE LIMITATION AND FOR INCOME SUPPLEMENTS

Secretary HARDIN. Approximately what share of these payments crop by crop consists of inducements to limit acreage and what share consists of income supplements?

There are two myths floating about, one to the effect that these payments are wholly for resource adjustment and the other that they are entirely income supplements.

It is easier to refute these two myths than it is to establish what are indeed the facts, because the matter is very complex. Our judgment is that for the 1968 crop, the breakdown was about as follows—

Senator HOLLAND. In case of cotton, what was the percentage for resource adjustment and what for income supplement?

Secretary HARDIN. For cotton, for resource adjustment we estimate 35 percent, and for income supplement, 65 percent.

Senator HOLLAND. What are the similar figures for wheat and for feed grain?

Secretary HARDIN. For wheat, 51 percent, for resource adjustment and 49 percent for income supplement, and for feed grain, 89 percent for resource adjustment and 11 percent for income supplement. Or for the group of crops so covered in the table, about 65 percent represents payment for resource adjustment and 35 percent for income supplement.

EFFECT OF LIMITATION BY CROPS

Thus it will be seen that a limitation on payments will have a sharply different program effect, crop by crop. The method by which this breakdown was made is too complex to include in my testimony. The basic idea is that all payments made for diversion were in fact payments for resource adjustment, and that some part of the payments for price support or certificates were also an inducement to restrict planting. I can supply the background material for the record if you wish.

Senator HOLLAND. How voluminous is this background material?

Secretary HARDIN. It is not extensive.

Senator HOLLAND. I ask that it be supplied following your statement in the record.

Secretary HARDIN. We will supply it.

(The statements appear on page 31.)

## EFFECTS ON SMALLER CROPS

Senator HOLLAND. May I ask another question at this time? I note that your testimony relates only to these three large crops. I know that there are substantial price support payments made for soybeans and perhaps for other crops that might be produced by some of those who produce either cotton, wheat or feed grain or perhaps more than one of those commodities.

Secretary HARDIN. May I look to legal counsel, but I think, Mr. Shulman, that the soybean program is a loan program and would not be included.

Mr. SHULMAN. Yes; that is correct.

Secretary HARDIN. Are there any other commodity programs that would be covered that we have not discussed here?

Mr. SHULMAN. None, with the possible exception of long staple cotton. I don't know whether that is included in the statement.

Mr. PAARLBERG. We don't have a narrative statement on long staple cotton, but the numbers concerning it do appear in one of the appended tables.

## "SNAPBACK" PROVISION FOR COTTON

Secretary HARDIN. Perhaps we should call specific attention to it when we get to that point, Dr. Paarlberg.

Now, question 4. Specifically, what is the snapback provision for cotton?

The enactment of a payment limitation would bring into effect the so-called snapback provision in the cotton legislation. The snapback provision (sec. 103(d)(12)) of the Agricultural Act of 1949, as amended, which was enacted as a part of the Food and Agriculture Act of 1965, provides that if as a result of payment limitations the Department is unable to make available to all cooperators through payments the full amount of price support to which they would otherwise be entitled, then the Department is obligated to provide price support at not less than 65 percent of parity through loans or purchases and the payment limitation would not be applicable.

Mr. Chairman, at this point, I think it might be well for the record to include an official copy of the snapback provision for the record. (The provision follows:)

The so-called "snapback" provision, paragraph (12) of section 103(d) of the Agricultural Act of 1949, as amended, reads as follows:

"(12) Notwithstanding any other provision of this Act, if, as a result of limitations hereafter enacted with respect to price support under this subsection, the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled under paragraphs (2) and (3) of this subsection for any crop of upland cotton, (A) price support to cooperators shall be made available for such crop (if marketing quotas have not been disapproved) through loans or purchases at such level not less than 65 per centum nor more than 90 per centum of the parity price therefore as the Secretary determines appropriate; (B) in order to keep upland cotton to the maximum extent practicable in the normal channels of trade, such price support may be carried out through the simultaneous purchase of cotton at the support price therefor and resale at a lower price or through loans under which the cotton would be redeemable by payment of a price therefor lower than the amount of the loan thereon; and (C) such resale or redemption price shall be such as the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for cotton produced in the United States."

## DEPARTMENTAL INTERPRETATION OF SNAPBACK PROVISION

Senator HOLLAND. I think that is good. May I ask this question? Under that snapback provision, in the event a limitation quoted by the Congress would bring about a condition under which you could not make available to all cooperators, through payments, the full amount of price support for which they would otherwise be entitled, does the snapback provision apply to the entire crop or only to those cooperators who are thus adversely affected?

Secretary HARDIN. Again, I think I should turn to counsel.

Mr. SHULMAN. In my view, Mr. Chairman, it applies to the entire crop, every cooperator would be entitled to receive either a loan or a purchase on all of the cotton produced within his farm acreage allotment.

Senator HOLLAND. In other words, the Secretary would not under the snapback provision, in the event it became applicable, be placed in the position of using one program with reference to the major group of producers and another program as to the smaller group?

Mr. SHULMAN. That is correct, sir. In my view the entire program would have to be conducted under the snapback provision.

Senator HOLLAND. That is your advice and interpretation of the law to the Secretary of Agriculture?

Mr. SHULMAN. Yes, sir.

Senator HOLLAND. Proceed.

## OPTIONS UNDER THE "SNAPBACK" PROVISION

Secretary HARDIN. Five. What options are open to the Secretary under the snapback provision?

The question has been raised whether the snapback provision could be carried out in a manner which will still make cotton producers subject to the payment limitation. The question arises out of the existence of language in the snapback provision which gives the Secretary permissive authority, as one method of providing the price support, to carry out a simultaneous purchase of cotton from producers at the support price and resale to them at a lower price. The argument is that such a transaction would constitute a payment and that if the program were carried out exclusively through that method, the limitation would still apply. It is our conclusion, however, that we could not legally restrict the method of providing price support to one to which the payment limitation would be applicable since that would defeat the very purpose for which the provision was enacted. We feel that we would be required to carry it out in a manner which will make available to all cooperators price support at not less than 65 percent of parity through loan or purchase on all cotton produced on their 1970 acreage allotments.

## DIFFERENCES IN COST OF THE COTTON PROGRAM

Senator HOLLAND. As I understand the provisions of the earlier law which would be made mandatory to you in the event the snapback provision became applicable, it provides a support price of between 65 and 90 percent. Are you able to say at this time what the support price would be for the 1970 crop in that case?

Secretary HARDIN. That figure is provided later in the testimony, Mr. Chairman.

Senator HOLLAND. Thank you.

Secretary HARDIN. Question 6. What would be the added cost of running the cotton program under the snapback provision?

The snapback provisions for cotton, which would be activated in the event payment limitations are invoked by the Congress, would provide that:

A. Price support for cotton would be not less than 65 percent or more than 90 percent of parity.

B. Price support may be carried out through simultaneous purchase of cotton at the support level and resale at a lower level—or through loans under which the cotton could be redeemed by the grower at a price lower than the amount of the loan.

C. Such resale or redemption price would be that which the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for cotton produced in the United States.

If the snapback provision is invoked, CCC operations would be affected as follows:

A. It is estimated that production would amount to 14 million bales or about 2 million bales above the current crop. This is based on the 16.2 million acre national allotment with an allowance for some voluntary diversion.

B. The 1970 crop loan rate, basis Middling 1-inch cotton, would increase from 20.25 cents per pound (90 percent of the estimated world price) to around 31.5 to 32 cents per pound (65 percent of the current parity price).

Senator HOLLAND. Do you mean by that last statement that it is already possible to determine that 65 percent of parity would be the price support rate for the 1970 crop in the event the snapback provision did become applicable?

Secretary HARDIN. We have provided here the minimum required by the snapback. It could be above this, but this is the minimum it could be under the provisions of the law.

Senator HOLLAND. Then I take it that you are not in position to say at this time what the actual price support rate for 1970 would be?

Secretary HARDIN. No. Dr. Paarlberg, if the cost index goes up, then the minimum will be still higher. But this is based on the present parity price for cotton but this is adjusted each month.

Senator HOLLAND. It is not only based on the present parity price but it is based on the minimum price support which you would be allowed under the snapback provision to grant to cotton producers, is it not?

Secretary HARDIN. That is correct.

Senator HOLLAND. Proceed.

#### ADDITIONAL CCC WORKLOAD IN CONNECTION WITH COTTON

Secretary HARDIN. C. Practically all cotton would be placed under the CCC loan or purchase program. The cotton would either be redeemed by producers at a lower price or acquired by CCC and sold at a lower price.

D. The workload in the county offices and in the New Orleans Commodity Office would probably be expanded in the proportion of 14 million bales to the 4.4 million bales of the 1968 crop placed under loan.

Senator HOLLAND. In other words, you think that practically the entire crop under the provisions of the earlier law which would come into effect under the snapback provision would come under the loan program or under the sale and resale program?

Secretary HARDIN. Yes.

Senator HOLLAND. The reason being I presume that the support price would be so much higher than the actual price?

Secretary HARDIN. That is correct.

Senator HOLLAND. Do the personnel in your Economics Division and Price Support Division agree with this statement?

Secretary HARDIN. Yes, Mr. Chairman. That is where the information came from.

Senator HOLLAND. Thank you.

#### ADDITIONAL COTTON PRODUCTION AND COSTS

Secretary HARDIN. E. More storage facilities would be required to handle the larger production. Storage costs, reconcentration activity, and transportation costs would increase substantially.

F. The total increase in CCC inventory would be an estimated 2.1 million bales.

G. The additional cotton production—1.5 million bales—would add materially to our problem of surplus cottonseed oil and surplus cottonseed meal.

Table 5 provides the pertinent statistics.

Senator HOLLAND. In other words, as to understand your testimony instead of making progress by reducing cotton production, the snapback provision would operate in the opposite direction and would begin to increase it again.

Secretary HARDIN. I think that is a fair interpretation. These data that I have been reviewing are summarized in table 5 which I presume will be included in the record.

Senator HOLLAND. Yes, it will be in the record.

(The table follows:)

TABLE 5.—UPLAND COTTON: ESTIMATES OF BASIC DATA FOR 1968 THROUGH 1970 CROPS (BASED ON PRESENT PROGRAM) AND 1970 UNDER THE SNAPBACK PROVISION

Item	1968	1969	1970	1970
	crop	crop	crop present program	crop snapback
	(1)	(2)	(3)	(4)
<b>Acreage (thousands):</b>				
Allotted.....	16.2	16.2	16.2	16.2
CAP, CR, adjustment, etc.....	1.0	.9	.9	.9
Diverted for payment.....	3.2			2.4
Planted.....	10.9	11.9	11.9	12.7
Harvested.....	10.1	11.1	11.2	12.1
Yield: Pound per acre harvested.....	515	520	530	550
<b>Supply and utilization (1,000 bales):</b>				
Production (including imports and city crop).....	10.9	12.1	12.5	14.0
Beginning stocks (incorporated preseason ginnings).....	6.3	6.6	7.2	7.2
Domestic disappearance.....	8.1	8.3	8.4	8.4
Exports.....	2.5	3.2	3.5	3.5
Ending stocks.....	6.6	7.2	7.8	9.3
CCC stocks July 31.....	3.0	3.6	4.2	6.3
Support price per pound (Middling 1 inch) (cents).....	20.25	20.25	20.25	32
Support price per pound (average of crop) (cents).....	19.69	19.71	19.71	31.25
Price support payment rate (cents).....	12.24	14.73	17.31	
Diversion payment rate (cents).....	10.76+6			10
<hr/>				
Producer payments.....	784	826	966	156
Farm value of production (million dollars).....	1,192	1,290	1,302	2,172
Total (million dollars).....	1,976	2,116	2,268	2,328
<hr/>				
<b>Major receipts or expenditures (million dollars):</b>				
Net change in stocks at loan rate.....	-230	-60	-60	-432
Storage, handling, and loan settlement.....	-3	-18	-20	-30
Producer payments (fiscal year).....	-742	-826	-966	-156
Snapback loss on sales or loan repayments.....				-595
Subtotal, price-support expenditures.....	-975	-904	-1,046	-1,213
Public Law 489.....	-82	-70	-70	-70
Estimated major expenditures.....	-1,057	-974	-1,116	-1,283
Change in CCC stocks (million bales) (from June 30 of prior year)...	+2.2	+ .6	+ .6	+2.7

1 Vol.

## REPEAL OF "SNAPBACK" PROVISION

Secretary HARDIN. Question 7: Would it be possible to operate a successful cotton program if payment limitations were in effect and if the snapback provision were repealed?

Senator HOLLAND. Do you have any reason to think the snapback provision will be repealed by the Congress?

Secretary HARDIN. No; not especially, it is possible and so we are considering the possibility, Mr. Chairman.

Senator HOLLAND. Of course, it is not repealed by the amendment to which we are presently addressing our attention.

Secretary HARDIN. That is correct.

Senator HOLLAND. It would require legislation to accomplish repeal of the snapback provision of the law; would it not?

Secretary HARDIN. That is correct. There would have to be legislation.

Senator HOLLAND. Proceed.

Secretary HARDIN. This would be very difficult. Under present legislation, marketing quotas are in effect for cotton. Heavy penalties are provided for overplanting, about 23.6 cents per pound. With quotas in effect and a limit on payments, large growers would be compelled to stay in the program but would be denied the advantages of the program.

Some people have suggested that payment limitations could be made operable for cotton if the snapback provision were repealed. Our studies indicate that greater changes than these are required if payment limitations are to be made workable.

Senator HOLLAND. You mean greater changes by way of legislation?

Secretary HARDIN. Yes.

#### PRICE SUPPORT PAYMENTS FROM OTHER THAN APPROPRIATED FUNDS

Question 8: Would it be possible to finance payments in excess of \$20,000 from certain CCC funds which are not directly covered by the appropriations bill?

The suggestion has been made that since the limitation is only a limit on the funds appropriated by this act, it could be avoided by using funds of the Commodity Credit Corporation which are on hand or those funds which are received from the repayment of loans or sale of commodities to administer the program. It is our view, however, that the limitation would be an effective legal limitation upon us, and that we could not use other funds to avoid it.

Senator HOLLAND. This is simply a statement of your own policy and your own attitude in the event the limitation stays in the law. It is not an interpretation of the limitation which applies only to funds appropriated by the 1970 general appropriation bill?

Secretary HARDIN. If I understood your question correctly; yes.

Mr. SHULMAN. May I answer that, Mr. Secretary?

Senator HOLLAND. Yes, Mr. Shulman.

Mr. SHULMAN. It is our view that the payment limitation could not legally be avoided through the device of using funds of Commodity Credit Corporation as has been suggested, which were derived from repayment of loans and sale of commodities.

Senator HOLLAND. If that be your opinion, it must be your opinion that the amendment is legislative rather than simply a limitation.

#### LIMITATION EFFECT ON PROGRAM FORMULATION

Mr. SHULMAN. No, I would point out, Mr. Chairman, that the limitation applies to all funds appropriated by this Appropriation Act. It applies to funds appropriated to pay the salary of the Secretary of Agriculture who is charged by law with the responsibility of formulating and carrying out the price support program.

It also applies to appropriations which are made to pay the salaries of other officials and employees of the Department of Agriculture who have responsibilities in connection with formulating and carrying out of the price support program. It is an effective legal limitation on our right to formulate or carry out any price support program under which payments to a producer would exceed \$20,000 on crops planted during the 1970 fiscal year.

Senator HOLLAND. I respect your opinion, Mr. Shulman, but it seems to me that the wording of the amendment is probably confined in its application to funds appropriated by this bill and I ask that the amendment be restated in the testimony at this place. I read it:

*Provided further*, That no part of the funds appropriated by this Act shall be used to formulate or carry out any price support program (other than for sugar) under which payments aggregating more than \$20,000 under all such programs are made to any producer on any crop planted in fiscal year 1970.

It seems to me that at least there is a question as to whether that limitation would apply, as you have suggested, to other funds involving the question of the CCC. However, I respect the position of the Secretary which it seems to me is designed to carry out, as far as he can, the announced intention of the office of this amendment rather than to strictly construe it as applicable only to funds appropriated by the 1970 act.

Proceed.

#### APPLICABILITY OF LIMITATION BEYOND FISCAL YEAR 1970

Secretary HARDIN. Question 9. Would a payment limitation written into the 1970 Appropriations Act, be specifically limited to payments made during fiscal 1970?

The question has also been raised whether the payment limitation would expire on June 30, 1970, or whether it would continue to apply after June 30, 1970, to the crops planted during the fiscal year 1970. This question assumes, of courses, that the payment limitation might not be continued in the appropriation for fiscal year 1971. A similar question arose in connection with the \$50,000 limitation on price support which was included in the Appropriation Act for fiscal year 1960. The Comptroller General of the United States rules that such limitation applied to all of the 1960 production of those commodities for which the 1960 program was approved on or before June 30, 1960, notwithstanding that the regulations implementing such programs were not completed until after June 30, 1960, and notwithstanding that the actual loans and purchases were not made until after June 30, 1960. That decision would appear to be applicable to this limitation.

Senator HOLLAND. Would that mean that crops of cotton or feed grain or spring wheat planted prior to June 30, 1970, would be affected by this limitation?

Secretary HARDIN. Yes, it would be.

Senator HOLLAND. Then this limitation goes a good deal further than applying solely to crops produced in fiscal 1970, does it not?

Secretary HARDIN. I might ask counsel here to supplement this, Mr. Chairman.

Senator HOLLAND. I will be glad to have that done because, frankly, this is a new concept to me and it makes the amendment even more undesirable.

Mr. SHULMAN. Mr. Chairman, the limitation by its terms applies to crops planted during the fiscal year 1970. That fiscal year begins July 1, 1969, and ends June 30, 1970.

I don't believe there are any crops other than 1970 crops that are planted during this period. It would continue to be applicable to the 1970 crops, even after the expiration of the 1970 fiscal year.

Secretary HARDIN. Mr. Shulman, the corn that is planted already and will be planted between now and next June 30 would not be covered by this act?

Mr. SHULMAN. No, sir.

Secretary HARDIN. Even though it is harvested in fiscal 1970?

Mr. SHULMAN. That is correct.

Senator HOLLAND. In other words, under your interpretation, the coverage of this act would apply only to crops planted from July 1, 1969, through June 30, 1970.

Mr. SHULMAN. That is correct, sir.

Senator HOLLAND. Regardless of when the payments from the CCC were required to be made or should be made under the law on those plantings?

Mr. SHULMAN. Yes, sir.

Senator HOLLAND. Proceed.

#### REQUEST FOR GAO INTERPRETATIONS

Secretary HARDIN. Still on question 9. In view of the importance of questions of legal interpretation which have arisen in connection with the limitation, I am asking the Comptroller General for his opinion on such questions. Our submission develops at some length the basis for the views I have just expressed concerning these questions. I can supply it for the record if you wish.

Senator HOLLAND. How soon do you anticipate getting a reply from General Accounting Office on this request?

Mr. SHULMAN. We, of course, can't answer that. We will certainly ask them to answer our questions just as soon as possible. I do think, sir, it would be helpful if you were to make a similar request.

Senator HOLLAND. Well, I first suggest that you place in the record your request to the General Accounting Office on this matter and I say second, that I will supplement that request by asking the GAO to speed his reply in every way possible so that we may, if possible have his opinion before the markup of this bill or certainly before the debate on the Senate floor.

(The letter to the Comptroller General follows:)

U.S. DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE GENERAL COUNSEL,  
Washington, D.C., June 3, 1969.

#### OPINION FOR THE SECRETARY

DEAR MR. SECRETARY: Our opinion has been requested on a number of questions which have arisen in connection with the \$20,000 payment limitation in H.R. 11612 making appropriations for the Department of Agriculture Appropriation and Related Agencies for the Fiscal Year Ending June 30, 1970.

The limitation in question provides:

"Provided further, That no part of the funds appropriated by this Act shall be used to formulate or carry out any price support program (other than for sugar) under which payments aggregating more than \$20,000 under all such programs are made to any producer on any crops planted in the fiscal year 1970."

The questions on which our opinion has been requested are:

Question (1). *Would the enactment of the \$20,000 payment limitation in the Agriculture appropriation bill automatically bring into effect the snapback provision (Section 103(d) (12) of the Agricultural Act of 1949, as amended)?*

Question (2). *Could the snapback provision be carried out in a manner which will still make cotton producers subject to the payment limitation?*

Question (3). *Would the payment limitation expire on June 30, 1970, or would it continue to apply after June 30, 1970, to crops planted during the fiscal year 1970?*

Question (4). *Could the payment limitation be avoided by paying administrative expenses and making program payments out of Commodity Credit Corporation funds which are on hand or are received from the redemption or sale of commodities?*

My opinion on these questions and the reasons therefor are stated below.

Question (1). *Would the enactment of the \$20,000 payment limitation in the Agriculture appropriation bill automatically bring into effect the snapback provision?*

Conclusion. The snapback provision is mandatory and would automatically go into effect.

The so-called "snapback" provision, paragraph (12) of section 103(d) of the Agricultural Act of 1949, as amended, reads as follows:

"(12) Notwithstanding any other provision of this Act, if, as a result of limitations hereafter enacted with respect to price support under this subsection, the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled under paragraphs (2) and (3) of this subsection for any crop of upland cotton, (A) price support to cooperators shall be made available for such crop (if marketing quotas have not been disapproved) through loans or purchases at such level not less than 65 per centum nor more than 90 per centum of the parity price therefor as the Secretary determines appropriate; (B) in order to keep upland cotton to the maximum extent practicable in the normal channels of trade, such price support may be carried out through the simultaneous purchase of cotton at the support price therefor and resale at a lower price or through loans under which the cotton would be redeemable by payment of a price therefor lower than the amount of the loan thereon; and (C) such resale or redemption price shall be such as the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for cotton produced in the United States."

Paragraphs (2) and (3) of section 103(d), as amended, provide for price support to cooperators on upland cotton of the 1966 through 1970 crops through loans and additional price support payments. It is provided in paragraph (3) that the sum of the average loan rate and the adjusted payment rate shall not be less than 65 per centum of the parity price for upland cotton as of the month in which the payment rate is announced. The effect of this provision is to assure cooperators (*i.e.*, producers who comply with their acreage allotments) a return of at least 65 per centum of parity on the projected yield of their crop.

The snapback provision is mandatory and not discretionary with the Secretary. It provides that price support *shall* be made available to cooperators through loans or purchases at a level not less than 65 per centum of parity if, as a result of limitations subsequently enacted, the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled under the Agricultural Act of 1949. It is apparent that the "snapback" provision was designed as a safeguard against limitations on price support payments since price support under the provisions is to be made available through loans and purchases. The clear purpose of the "snapback" provision, therefore, was to assure cotton producers that they would not be deprived of a total return from their cotton crop of at least 65 per centum of parity if limitations on price support payments were later enacted.

In addition to the plain language of the "snapback" provision, the legislative history of the provision makes this purpose clear beyond doubt. The provision was included in House Bill 9811 as introduced by Congressman Cooley, the Chairman of the House Agricultural Committee. The report on the bill by the House Committee on Agriculture stated:

"Subsection (d) (12) of section 103 would provide that in case of limitations later enacted with respect to price support under subsection (d) which prevent the Secretary from making available to all cooperators the full amount of price support to which they would otherwise be entitled under subsection (d) (2) and (3) for any crop, price support to cooperators shall be made available for such crop through loans or purchases at such level not less than 65 nor more than 90 per cent of the parity price therefor as the Secretary determines appropriate."

The Minority Report on the bill agreed, stating (page 112) that this paragraph: "provides that if limitations on payments to producers are later adopted, a modi-

fied form of price support loans from 65 to 90 percent of parity would automatically 'snap back' into operation."

Similarly, it was stated (page 134) in the Additional Minority Views by Mr. Dague, Mr. Latta, Mr. Findley, and Mr. Burton:

"Another provision in the cotton title of this bill which is most objectionable is the so-called snapback clause as proposed in a new subparagraph d(12) of section 103 of the Agricultural Act of 1949. This snapback clause says that if any limitations on cotton payments are hereafter enacted by Congress, the old price support program with loans at 65 to 90 percent of parity will automatically go back into effect with the authority for the Secretary to sell surplus cotton at prices well below the loan level."

During the discussion of the bill in the House, Representative Dague stated that paragraph (12): "provides that if limitations on payments to producers are later adopted, a modified form of price support loans from 65 to 90 percent of parity would automatically 'snap back' into operation." 111 Cong. Rec. 20710.

Representatives Michel and Cooley in discussing this provision stated:

"Mr. MICHEL. \* \* \*

"Can the chairman tell me why it was necessary on page 21 of the bill, beginning on line 19, to write in that paragraph No. (12) beginning, 'Notwithstanding any other provision of this Act, if, as a result of limitations hereafter enacted'—

\* \* \* \* \*

"Mr. COOLEY. I think the language is perfectly clear. Should we impose a limitation—

"Mr. MICHEL. As has been done in times past.

"Mr. COOLEY. Yes; then we go back to a price support program, to loans rather than direct compensatory payments." 111 Cong. Rec. 20742.

Later, Representative Michel introduced an amendment to delete the "snapback" provision, stating:

"Mr. Chairman and Members of this Committee, this amendment would strike the provisions of the bill that have come to be known as the snapback clause. As can be seen from a reading of the language of the bill, any future allotments either in size of payments to individual producers or in total expenditures of the Department of Agriculture on the cotton program would automatically trigger this provision into operation." 111 Cong. Rec. 21026.

The amendment was defeated.

During the debate in the Senate, Senator Talmadge and other senators introduced an amendment which, among other things, added the "snapback" provision to the Senate bill, and Senator Talmadge inserted in the Congressional Record an explanation of the amendment. It was stated in this explanation:

"If for any year during the 4-year period the Secretary is unable to make payments as planned, he would be authorized to alter the program and carry out price support provisions through loans or by purchase and resale." 111 Cong. Rec. 23056.

Accordingly, on the basis of the language of the "snapback" provision and its legislative history, it is clear that the provision would go into effect automatically in the event payment limitations were enacted.

*Question (2). Could the "snapback" provision be carried out in a manner which will still make cotton producers subject to the payment limitation?*

Conclusion. No. The "snapback" provision must be carried out in a manner which will make available to all cooperators loans or purchases at not less than 65 per centum of parity on all cotton produced on their 1970 acreage allotments.

The "snapback" provision states that "[n]otwithstanding any other provision" of the Act "if, as a result of limitations hereafter enacted" the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled "(A) price support to cooperators shall be made available for such crops (if marketing quotas have not been disapproved) through loans or purchases" at not less than the 65 per centum of parity. (Emphasis supplied.) Clause (B) provides that in order to keep upland cotton to the maximum extent practicable in the normal channels of trade, price support under the "snapback" provision "may be carried out through the simultaneous purchase of cotton at the support price therefor and resale at a lower price or through loans under which the cotton would be redeemable by payment of a price therefor lower than the amount of the loan thereon." (Emphasis supplied.) Since one method of providing the price support required by the snapback provision is through a simultaneous purchase of cotton at the support price and resale at a lower price and since a simultaneous purchase and resale

may be construed as a payment, the question has been raised whether the Secretary could, in his discretion, carry out the program exclusively through a simultaneous purchase of cotton from producers at the support price and a resale to them at a lower price and thereby make the payment limitation applicable.

Even assuming that a simultaneous purchase and resale with producers is construed to be a payment which is subject to the limitation, to restrict the method of providing price support to one to which the payment limitation would be applicable would violate the mandatory direction in Clause (A) to make price support available to cooperators at the required level and defeat the very purpose of the "snapback" provision which is to assure cooperators that if a payment limitation was enacted they would continue to receive through loans or purchases price support at not less than 65 per centum of parity on their cotton crops.

It may be noted that the simultaneous purchase and resale need not be made with producers but may, for example, be carried out through dealers who have paid the support price to producers.

Accordingly, in the absence of legislation repealing the "snapback" provision the Department would be obligated to provide all cooperators with price support through loans or purchases on the production of their acreage allotments for the 1970 crop of cotton. It is noted in this connection that an amendment to the appropriation act was offered which would have repealed the "snapback" provision. A point of order against the amendment was sustained, however, on the ground that it constituted legislation in an appropriation bill. 115 Cong. Rec. H 4169 (daily ed. May 27, 1969).

*Question (3). Would the payment limitation expire on June 30, 1970, or would it continue to apply after June 30, 1970, to crops planted during the fiscal year 1970?*

Conclusion. The payment limitation will continue to apply after June 30, 1970, to the entire production of the crops planted during the fiscal year 1970 for which programs have been approved by the Secretary on or before June 30, 1970.

A similar question arose in connection with the \$50,000 limitation on price support which was included in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1960, 73 Stat. 167, 178. The \$50,000 limitation also applied to the use of funds "to formulate or carry out" the price support program for 1960. The Comptroller General in decision B-142011 (contained in his letter to the Secretary of Agriculture dated April 8, 1960) held that such limitation applied to all of the 1960 production of any commodity for which the 1960 program was approved on or before June 30, 1960, notwithstanding that the regulations implementing such program authorizations were not completed and published until after June 30, and notwithstanding that the actual loans and purchases were not made until after June 30.

*Question (4). Could the payment limitation be avoided by paying administrative expenses and making program payments out of Commodity Credit Corporation funds which are on hand or are received from the repayment of loans or the sale of commodities?*

Conclusion. No.

The contention has been made that the limitation could be avoided by using funds of the Commodity Credit Corporation which are on hand or those funds which are received from the repayment of loans or the sale of commodities for payment of administrative expenses and for payment of the amounts in excess of the limitation. See pages H-4118 and H-4171 of the Congressional Record for May 26 and 27, 1969. See, also, the statement on page 64 of the House Report No. 91-265 accompanying the Appropriation Bill:

"If necessary to perform the functions, duties, obligations or commitments of the Commodity Credit Corporation, administrative and operating personnel shall be paid from funds on hand or from those funds received from the redemption or sale of commodities. Such funds shall also be available to make program payments, commodity loans, or other obligations of the Corporation."

Section 104 of the Government Corporation Control Act provides that:

"The budget programs transmitted by the President to the Congress shall be considered and legislation shall be enacted making necessary appropriations, as may be authorized by law, making available for expenditure for operating and administrative expenses such corporate funds or other financial resources or limiting the use thereof as the Congress may determine. . . ." (Emphasis supplied.)

Pursuant to this provision, the Appropriation Bill authorizes the Corporation to make such expenditures within the limits of funds and borrowing authority available to it as may be necessary in carrying out the programs set forth in its budget for the fiscal year 1970, appropriates \$4,965,394,000 to reimburse the Corporation for net realized losses sustained in prior years, and makes not to exceed \$31,500,000 available from its capital funds for administrative expenses of the Corporation. The limitation, which is applicable by its terms to "funds appropriated by this Act," was, in our opinion, intended to apply to all funds made available by the Act, including corporate funds which the Act authorizes the Corporation to expend in formulating and carrying out the programs set forth in its budget for the fiscal year 1970.

Moreover, even assuming that the limitation were construed as not applying to corporate funds which are on hand or those funds which are received from the repayment of loans or the sale of commodities, the appropriation bill also contains specific appropriations, which are subject to the limitation, for the salaries and expenses of the Secretary of Agriculture who is charged by law with the responsibility for formulating and carrying out the price support program and for other officers and employees of the Department whose services are utilized in formulating and carrying out the program. The Comptroller General has ruled that a specific appropriation for a particular object precludes the use of a more general appropriation therefor, even though the general appropriation might have been available for such use in the absence of the specific appropriation. 17 Comp. Gen. 23; *id.* 91; *id.* 974; 18 Comp. Gen. 1013; 20 Comp. Gen. 739; 36 Comp. Gen. 526; 38 Comp. Gen. 758; 40 Comp. Gen. 404. The Comptroller General has also ruled that where either of two appropriations reasonably could be construed as available for a certain class of expenditures and one of the appropriations which is based upon estimates of such class of expenditures has been used for such expenditures for a number of years, the continued use of such appropriation to the exclusion of any other for such purpose is required, in the absence of changes in the appropriation acts. 10 Comp. Gen. 440; 23 Comp. Gen. 827.

In addition to being contrary to the rules established in the foregoing decisions by the Comptroller General, an attempt to avoid the payment limitation by paying the salaries and expenses of officials and employees of the Department who would be engaged in formulating and carrying out the price support program from funds other than those specifically appropriated for such purpose would be in clear violation of the intent of Congress in adopting the payment limitation.

For the foregoing reasons, it is our view that it would not be possible to avoid the limitation by using funds of Commodity Credit Corporation which are on hand or which are received by the Corporation from the repayment of loans or the sale of commodities.

Sincerely,

EDWARD M. SHULMAN, *General Counsel.*

LETTER TO COMPTROLLER GENERAL ON HOUSE AMENDMENT

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, June 4, 1969.

Hon. ELMER B. STAATS,  
*Comptroller General of the United States,*  
*General Accounting Office, Washington, D.C.*

DEAR MR. STAATS: Your opinion is requested on a number of questions which have arisen in connection with the \$20,000 payment limitation in H.R. 11612 making appropriations for the Department of Agriculture Appropriation and Related Agencies for the Fiscal Year Ending June 30, 1970.

The limitation in question provides:

"*Provided further,* That no part of the funds appropriated by this Act shall be used to formulate or carry out any price support program (other than for sugar) under which payments aggregating more than \$20,000 under all such programs are made to any producer on any crops planted in the fiscal year 1970."

The questions on which we would like your opinion are:

*Question (1) Would the enactment of the \$20,000 payment limitation in the Agriculture appropriation bill automatically bring into effect the snapback provision (section 103(d) (12) of the Agricultural Act of 1949, as amended)?*

*Question (2) Could the snapback provision be carried out in a manner which will still make cotton producers subject to the payment limitation?*

*Question (3) Would the payment limitation expire on June 30, 1970, or would it continue to apply after June 30, 1970, to crops planted during the fiscal year 1970?*

*Question (4) Could the payment limitation be avoided by paying administrative expenses and making program payments out of Commodity Credit Corporation funds which are on hand or are received from the redemption or sale of commodities?*

The opinion of the General Counsel of this Department on these questions is as stated below.

*Question (1) Would the enactment of the \$20,000 payment limitation in the Agriculture appropriation bill automatically bring into effect the snapback provision?*

Conclusion. The snapback provision is mandatory and would automatically go into effect.

The so-called "snapback" provision, paragraph (12) of section 103(d) of the Agricultural Act of 1949, as amended, reads as follows:

"(12) Notwithstanding any other provision of this Act, if, as a result of limitations hereafter enacted with respect to price support under this subsection, the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled under paragraphs (2) and (3) of this subsection for any crop of upland cotton, (A) price support to cooperators shall be made available for such crop (if marketing quotas have not been disapproved) through loans or purchases at such level not less than 65 per centum nor more than 90 per centum of the parity price therefor as the Secretary determines appropriate; (B) in order to keep upland cotton to the maximum extent practicable in the normal channels of trade, such price support may be carried out through the simultaneous purchase of cotton at the support price therefor and resale at a lower price or through loans under which the cotton would be redeemable by payment of a price therefor lower than the amount of the loan thereon; and (C) such resale or redemption price shall be such as the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for cotton produced in the United States."

Paragraphs (2) and (3) of section 103(d), as amended, provide for price support to cooperators on upland cotton of the 1966 through 1970 crops through loans and additional price support payments. It is provided in paragraph (3) that the sum of the average loan rate and the adjusted payment rate shall not be less than 65 per centum of the parity price for upland cotton as of the month in which the payment rate is announced. The effect of this provision is to assure cooperators (*i.e.*, producers who comply with their acreage allotments) a return of at least 65 per centum of parity on the projected yield of their crop.

The snapback provision is mandatory and not discretionary with the Secretary. It provides that price support *shall* be made available to cooperators through loans or purchases at a level not less than 65 per centum of parity if, as a result of limitations subsequently enacted, the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled under the Agricultural Act of 1949. It is apparent that the "snapback" provision was designed as a safeguard against limitations on price support payments since price support under the provision is to be made available through loans and purchases. The clear purpose of the "snapback" provision, therefore, was to assure cotton producers that they would not be deprived of a total return from their cotton crop of at least 65 per centum of parity if limitations on price support payments were later enacted.

In addition to the plain language of the "snapback" provision, the legislative history of the provision makes this purpose clear beyond doubt. The provision was included in House Bill 9811 as introduced by Congressman Cooley, the Chairman of the House Agriculture Committee. The report on the bill by the House Committee on Agriculture stated:

"Subsection (d) (12) of section 103 would provide that in case of limitations later enacted with respect to price support under subsection (d) which prevent the Secretary from making available to all cooperators the full amount of price support to which they would otherwise be entitled under subsection (d) (2) and (3) for any crop, price support to cooperators shall be made available for such

crop through loans or purchases at such level not less than 65 nor more than 90 percent of the parity price therefor as the Secretary determines appropriate."

The Minority Report on the bill agreed, stating (page 112) that this paragraph: "provides that if limitations on payments to producers are later adopted, a modified form of price support loans from 65 to 90 percent of parity would automatically 'snap back' into operation."

Similarly, it was stated (134) in the Additional Minority Views by Mr. Dague, Mr. Latta, Mr. Findley, and Mr. Burton:

"Another provision in the cotton title of this bill which is most objectionable is the so-called snapback clause as proposed in a new subparagraph d(12) of section 103 of the Agricultural Act of 1949. This snapback clause says that if any limitations on cotton payments are hereafter enacted by Congress, the old price support program with loans at 65 to 90 percent of parity will automatically go back into effect with the authority for the Secretary to sell surplus cotton at prices well below the loan level."

During the discussion of the bill in the House, Representative Dague stated that paragraph (12): "provides that if limitations on payments to producers are later adopted, a modified form of price support loans from 65 to 90 percent of parity would automatically 'snap back' into operation." 111 Cong. Rec. 20710.

Representatives Michel and Cooley in discussing this provision stated:

"Mr. MICHEL. \* \* \*

"Can the chairman tell me why it was necessary on page 21 of the bill, beginning on line 19, to write in that paragraph No. (12) beginning, "Notwithstanding any other provision of this Act, if, as a result of limitations hereafter enacted"——

\* \* \* \* \*

"Mr. COOLEY. I think the language is perfectly clear. Should we impose a limitation——

"Mr. MICHEL. As has been done in times past.

"Mr. COOLEY. Yes; then we go back to a price support program, to loans rather than direct compensatory payments." 111 Cong. Rec. 20742.

Later, Representative Michel introduced an amendment to delete the snapback provision, stating:

"Mr. Chairman and Members of this Committee, this amendment would strike the provisions of the bill that have come to be known as the snapback clause. As can be seen from a reading of the language of the bill, any future allotments either in size of payments to individual producers or in total expenditures of the Department of Agriculture on the cotton program would automatically trigger this provision into operation." 111 Cong. Rec. 21026.

The amendment was defeated.

During the debate in the Senate, Senator Talmadge and other senators introduced an amendment which, among other things, added the snapback provision to the Senate bill, and Senator Talmadge inserted in the Congressional Record an explanation of the amendment. It was stated in this explanation:

"If for any year during the 4-year period the Secretary is unable to make payments as planned, he would be authorized to alter the program and carry out price support provisions through loans or by purchase and resale." 111 Cong. Rec. 23056.

Accordingly, on the basis of the language of the "snapback" provision and its legislative history, it is clear that the provision would go into effect automatically in the event payment limitations were enacted.

*Question (2) Could the "snapback" provision be carried out in a manner which will still make cotton producers subject to the payment limitation?*

Conclusion. No. The "snapback" provision must be carried out in a manner which will make available to all cooperators loans or purchases at not less than 65 per centum of parity on all cotton produced on their 1970 acreage allotments.

The "snapback" provision states that "[n]otwithstanding any other provision" of the Act "if, as a result of limitations hereafter enacted" the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled "(A) price support to cooperators shall be made available for such crops (if marketing quotas have not been disapproved) through loans or purchases" at not less than the 65 per centum of parity (emphasis supplied). Clause (B) provides that in order to keep upland cotton to the maximum extent practicable in the normal channels of trade, price

support under the "snapback" provision "may be carried out through the simultaneous purchase of cotton at the support price therefor and resale at a lower price or through loans under which the cotton would be redeemable by payment of a price therefor lower than the amount of the loan thereon." (emphasis supplied) Since one method of providing the price support required by the snapback provision is through a simultaneous purchase of cotton at the support price and resale at a lower price and since a simultaneous purchase and resale may be construed as a payment, the question has been raised whether the Secretary could, in his discretion, carry out the program exclusively through a simultaneous purchase of cotton from producers at the support price and a resale to them at a lower price and thereby make the payment limitation applicable.

Even assuming that a simultaneous purchase and resale with producers is constructed to be a payment which is subject to the limitation, to restrict the method of providing price support to one to which the payment limitation would be applicable would violate the mandatory direction in Clause (A) to make price support available to cooperators at the required level and defeat the very purpose of the "snapback" provision which is to assure cooperators that if a payment limitation was enacted they would continue to receive through loans or purchases price support at not less than 65 per centum of parity on their cotton crops.

It may be noted that the simultaneous purchase and resale need not be made with producers but may, for example, be carried out through dealers who have paid the support price to producers.

Accordingly, in the absence of legislation repealing the "snapback" provision the Department would be obligated to provide all cooperators with price support through loans or purchases on the production of their acreage allotments for the 1970 crop of cotton. It is noted in this connection that an amendment to the appropriation act was offered which would have repealed the "snapback" provision. A point of order against the amendment was sustained, however, on the ground that it constituted legislation in an appropriation bill. 115 Cong. Rec. H 4169 (daily ed. May 27, 1969).

*Question (3) Would the payment limitation expire on June 30, 1970, or would it continue to apply after June 30, 1970, to crops planted during the fiscal year 1970?*

Conclusion. The payment limitation will continue to apply after June 30, 1970, to the entire production of the crops planted during the fiscal year 1970 for which programs have been approved by the Secretary on or before June 30, 1970.

A similar question arose in connection with the \$50,000 limitation on price support which was included in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1960, 73 Stat. 167, 178. The \$50,000 limitation also applied to the use of funds "to formulate or carry out" the price support program for 1960. The Comptroller General in decision B-142011 (contained in his letter to the Secretary of Agriculture dated April 8, 1960) held that such limitation applied to all of the 1960 production of any commodity for which the 1960 program was approved on or before June 30, 1960, notwithstanding that the regulations implementing such program authorizations were not completed and published until after June 30, and notwithstanding that the actual loans and purchases were not made until after June 30.

*Question (4) Could the payment limitation be avoided by paying administrative expenses and making program payments out of Commodity Credit Corporation funds which are on hand or are received from the repayment of loans or the sale of commodities?*

Conclusion. No.

The contention has been made that the limitation could be avoided by using funds of the Commodity Credit Corporation which are on hand or those funds which are received from the repayment of loans or the sale of commodities for payment of administrative expenses and for payment of the amounts in excess of the limitation.

See pages H-4118 and H-4171 of the Congressional Record for May 26 and 27, 1969. See, also, the statement on page 64 of the House Report No. 91-265 accompanying the Appropriation Bill:

"If necessary to perform the functions, duties, obligations or commitments of the Commodity Credit Corporation, administrative and operating personnel shall be paid from funds on hand or from those funds received from the redemption or sale of commodities. Such funds shall also be available to make program payments, commodity loans, or other obligations of the Corporation."

Section 104 of the Government Corporation Control Act provides that:

"The budget programs transmitted by the President to the Congress shall be considered and legislation *shall* be enacted making necessary appropriations, as may be authorized by law, making available for expenditure for operating and administrative expenses such corporate funds or other financial resources or limiting the use thereof as the Congress may determine. . . ." (Emphasis supplied.)

Pursuant to this provision, the Appropriation Bill authorizes the Corporation to make such expenditures within the limits of funds and borrowing authority available to it as may be necessary in carrying out the programs set forth in its budget for the fiscal year 1970, appropriates \$4,965,394,000 to reimburse the Corporation for net realized losses sustained in prior years, and makes not to exceed \$31,500,000 available from its capital funds for administrative expenses of the Corporation. The limitation, which is applicable by its terms to "funds appropriated by this Act", was, in our opinion, intended to apply to all funds made available by the Act, including corporate funds which the Act authorizes the Corporation to expend in formulating and carrying out the programs set forth in its budget for the fiscal year 1970.

Moreover, even assuming that the limitation were construed as not applying to corporate funds which are on hand or those funds which are received from the repayment of loans or the sale of commodities, the appropriation bill also contains specific appropriations, which are subject to the limitation, for the salaries and expenses of the Secretary of Agriculture who is charged by law with the responsibility for formulating and carrying out the price support program and for other officers and employees of the Department whose services are utilized in formulating and carrying out the program. The Comptroller General has ruled that a specific appropriation for a particular object precludes the use of a more general appropriation therefor, even though the general appropriation might have been available for such use in the absence of the specific appropriation. 17 Comp. Gen. 23; *id.* 91; *id.* 974; 18 Comp. Gen. 1013; 20 Comp. Gen. 739; 36 Comp. Gen. 526; 38 Comp. Gen. 758; 40 Comp. Gen. 404. The Comptroller General has also ruled that where either of two appropriations reasonably could be construed as available for a certain class of expenditures and one of the appropriations which is based upon estimates of such class of expenditures has been used for such expenditures for a number of years, the continued use of such appropriation to the exclusion of any other for such purpose is required, in the absence of changes in the appropriation acts 10 Comp. Gen. 440; 23 Comp. Gen. 827.

In addition to being contrary to the rules established in the foregoing decisions by the Comptroller General, an attempt to avoid the payment limitation by paying the salaries and expenses of officials and employees of the Department who would be engaged in formulating and carrying out the price support program from funds other than those specifically appropriated for such purpose would be in clear violation of the intent of Congress in adopting the payment limitation.

For the foregoing reasons, it is our view that it would not be possible to avoid the limitation by using funds of Commodity Credit Corporation which are on hand or which are received by the Corporation from the repayment of loans or the sale of commodities.

Sincerely,

/s/ CLIFFORD M. HARDIN,  
Secretary of Agriculture.

#### POSITION OF USDA ON PAYMENT LIMITATIONS

Secretary HARDIN. Question 10. What position does the Department of Agriculture take on payment limitations?

My position is as stated during the debate in the House. At that time I sent the following message to Members of the House of Representatives:

The Department of Agriculture believes it is possible to design a sound farm program that limits the number of dollars that can be paid to any one farmer for programs following the 1970 crop year.

However, to make such a limitation effective, legislative changes are needed. With only the simple amendment that is possible in connection with appropriation bills, the so-called "snap-back" provision for cotton would come into effect. The cotton program would then become subject to a loan-and-redemption or

a buy-and-sell-back arrangement that would increase costs while the large producers would escape the intent of the payment limitation.

A simple amendment to the appropriations bill will not suffice. The Department is ready to work with the legislative committees on basic changes in the legislation and has modifications to suggest.

The preferred time for considering these changes would be later in this session or early next session, when consideration must be given to the type of legislation that is to replace present laws. These laws are scheduled to expire after the 1970 crop.

#### POTENTIAL LEGISLATION INVOLVING REGULATIONS

Senator HOLLAND. Does this mean that the Department is now attempting to draft legislation which would follow the present program and that you hope to incorporate in that new legislation reasonable limitation of payments to any one producer?

Secretary HARDIN. We merely are stating here, Mr. Chairman, that we think it is possible to design legislation that will provide for some limitation of payments. We are not indicating here that this will be our recommendation at this point.

Senator HOLLAND. You know, of course, that the sugar program does involve graduated limitations which provide that the smaller producers receive a payment of 80 cents per hundred pounds of sugar and that decreases as the producer gets larger by stages to where the very largest producers receive only 30 cents per hundred pounds for their final and excess production.

Are you contemplating some legislation that would follow that program of limitation by steps?

Secretary HARDIN. We have not addressed ourselves to that specific issue at this point. It is an alternative.

Senator HOLLAND. Perhaps I have not correctly stated the sugar program and I ask Mr. Shulman to correct me if I have not, but that is my understanding and recollection of the contents of the sugar program.

Mr. SHULMAN. You are correct, Mr. Chairman. It has a scaledown so that the larger producers get smaller rates of payment than the smaller producers.

#### PROPOSED CHANGES IN FARM LEGISLATION

Mr. HARDIN. Your question was whether we might apply a similar scale to other crops; is that it, Mr. Chairman?

Senator HOLLAND. What I was really trying to find out was in what direction you are planning new legislation and whether or not you have reached any conclusions. I am not trying to precipitate you into conclusions which you haven't reached or aims which you haven't yet defined.

I am just wondering what you are planning to submit.

Secretary HARDIN. Yes. I misunderstood your question, I am sorry. This would certainly be one of the alternatives that we will examine, some kind of a scaledown for the large producers, but I think there may be other ways to get at it, also.

Senator HOLLAND. There are other ways but I wanted the record to reflect that you are not trying something that had not been tried before.

All right, proceed.

## INCENTIVE FACTOR IN WOOL PAYMENT PROGRAM

Secretary HARDIN. I have not discussed limitations on payments under the wool and sugar programs.

I have excluded wool because the expressed intent of the payments is to increase production. Sugar is excluded because it already has a limitation on payments, albeit a very moderate one.

Senator HOLLAND. I should add that the wool program is also a deficit program like the sugar program, and we have experience under that program to guide us in an effort to create a more realistic program for other crops. We have experience under that program which has worked reasonably well, has it not?

Secretary HARDIN. Yes. I have excluded wool because the expressed intent of the payments is to increase production. Sugar is excluded because it already has a limitation on payments, albeit a very moderate one.

Senator HOLLAND. The amendment specifically excludes sugar, does it not, and you have already said it excludes wool by reason of the fact that wool is not a planted crop.

Secretary HARDIN. We do put in our statement here that additionally sugar, along with wool, has an element of production incentive.

Appended to my statement are a number of tables that will provide added factual background, in the event that you should wish it. I assure you, gentlemen, that we have examined and are examining the whole question of payment limitations with great care, having been quite sure that the question would arise, and being equally sure that the best judgments would emerge if all the known facts were made available.

That, sir, is the conclusion of our formal statement.

Senator HOLLAND. Tables 6, 7, 8, and 9 are included in the record at this point.

(The tables follow :)

TABLE 6.—FREQUENCY DISTRIBUTION OF PRODUCER PAYMENTS,<sup>1</sup> EXCLUDING WOOL AND SUGAR PROGRAM PAYMENTS, UNITED STATES, CALENDAR YEAR 1968

Payment range	Producers			Total amount of payments		
	Number	Percent distribution	Cumulative percent distribution	Million dollars	Percent distribution	Cumulative percent distribution
Less than \$100.....	281,413	11.9	11.9	13.6	0.4	0.4
\$100 to \$199.....	258,762	10.9	22.9	38.3	1.2	1.6
\$200 to \$499.....	543,822	22.8	45.7	182.8	5.7	7.3
\$500 to \$699.....	244,819	10.3	56.0	145.4	4.6	11.9
\$700 to \$999.....	257,576	10.9	66.9	216.3	6.8	18.7
\$1,000 to \$1,999.....	397,360	16.8	83.7	555.8	17.4	36.1
\$2,000 to \$2,999.....	154,187	6.5	90.2	376.0	11.8	47.9
\$3,000 to \$3,999.....	79,591	3.4	93.6	274.6	8.6	56.5
\$4,000 to \$4,999.....	46,359	2.0	95.6	206.9	6.5	63.0
\$5,000 to \$7,499.....	52,908	2.2	97.8	319.1	10.0	73.0
\$7,500 to \$9,999.....	21,342	.9	98.7	183.6	5.8	78.8
\$10,000 to \$14,999.....	17,290	.7	99.4	208.2	6.5	85.3
\$15,000 to \$24,999.....	10,320	.4	99.8	194.5	6.1	91.4
\$25,000 to \$49,999.....	4,611	.2	100.0	153.5	4.8	96.2
\$50,000 to \$99,999.....	1,010	( <sup>2</sup> )	100.0	66.7	2.1	98.3
\$100,000 to \$499,999.....	255	( <sup>2</sup> )	100.0	41.2	1.3	99.6
\$500,000 to \$999,999.....	6	( <sup>2</sup> )	100.0	3.9	.1	99.7
\$1,000,000 and over.....	3	( <sup>2</sup> )	100.0	7.0	.2	99.9
Subtotal.....	2,371,634	100.0		3,187.3	100.0	
Wool payments.....				69.4		
Sugar payments.....				83.4		
Undistributed funds <sup>3</sup> .....				122.7		
Total.....	2,371,634			3,462.9		

<sup>1</sup> Includes payments under following ASCS programs: Cotton, feed grain, wheat, milk indemnity, agricultural conservation, emergency conservation, Appalachia, cropland conversion, conservation reserve, and cropland adjustment.

<sup>2</sup> Less than 0.05 percent.

<sup>3</sup> Includes approximately \$90,000,000 to \$100,000,000 ACP (CMS advances) cost sharing made directly to vendors and not accountable to individual farm operators, payments to unidentified producers, etc.

Note: Sum of individual percentages and individual total amount of payments may differ from totals shown because of rounding.

TABLE 7.—MAJOR PROGRAM CHANGES HAVING A BEARING ON TOTAL PAYMENTS EARNED BY PROGRAM PARTICIPANTS, 1967 TO 1969

Item	Cotton, Upland		
	1967	1968	1969
Price-support payment rate on 65 percent of farm allotment (cents per pound).....	\$11.53	\$12.24	\$14.73
Diversion payment rate (cents per pound):			
Required diversion.....	\$10.78	\$10.76	0
Additional diversion.....	\$10.78	\$6.00	0
Diversion acreage (percent allotment): <sup>1</sup>			
Required diversion.....	12.5	5	0
Maximum diversion:			
Planting.....	35	35	0
Not planting <sup>2</sup> .....	12.5	5	0

TABLE 7.—MAJOR PROGRAM CHANGES HAVING A BEARING ON TOTAL PAYMENTS EARNED BY PROGRAM PARTICIPANTS, 1967 TO 1969—Continued

Grains included	Feed grains		
	1967 corn, grain sorghum	1968 corn, grain sorghum	1969 corn, grain sorghum, barley
Price-support payment on 50 percent of farm base (cents per bushel):			
Corn.....	\$0.30	\$0.30	\$0.30
Grain sorghum.....	\$0.30	\$0.30	\$0.30
Barley.....	0	0	\$0.20
Diversion payment rate (percent county support): <sup>1</sup>			
Required diversion.....	0	0	0
Additional diversion.....	0	45	45
Diversion acreage (percent of base):			
Required diversion.....	20	20	20
Maximum diversion <sup>2</sup> .....	0	50	50
Wheat			
National acreage allotment (million acres).....	68.2	59.3	51.6
Domestic certificate allocation on projected production (percent).....	35	40	43
Domestic certificate value (per bushel).....	\$1.36	\$1.38	*\$1.50
Diversion payment rate:			
Minimum diversion.....	0	0	0
Additional diversion.....	0	0	50
Diversion acreage:			
Minimum.....	0	0	615
Maximum.....	0	0	650
Wool			
Price-support payment rate (cents per pound):			
Wool.....	\$0.129	\$0.262	\$0.27
Mohair.....	0.221	0.355	0.324
Cotton, ELS			
National acreage allotment (thousand acres).....	70.5	70.5	79.7
Price-support payment rate on actual production (cents per pound).....	0	\$8.69	\$8.88

<sup>1</sup> Small farm provisions differ, but have not been outlined.

<sup>2</sup> Farms not desiring to plant cotton will earn diversion payments based on the required diversion percentage times the effective allotment.

<sup>3</sup> Except farms with bases of 26 to 125 acres could divert 25 acres for payment if they do not plant feed grains.

<sup>4</sup> Based on May 1969 parity.

<sup>5</sup> Percent county loan rate.

\* Amount equal to percent of allotment.

TABLE 8.—NUMBER OF PAYEES, TOTAL PAYMENTS, AND AVERAGE PAYMENTS, BY KIND OF PROGRAM AND BY PAYMENT SIZE FOR 1968

Program (1)	For payees receiving total payments of 1—															
	More than \$4,999			More than \$9,999			More than \$19,999			Average payment (dollars)	Number of payees (number)	Amount of payment (\$1,000)	Average payment (dollars)	Number of payees (number)	Amount of payment (\$1,000)	Average payment (dollars)
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)							
Cotton.....	46,016	520,107	11,303	21,045	389,782	18,521	7,401	244,477	33,033							
Feed grain.....	74,720	332,803	4,354	21,875	148,643	6,804	5,705	58,948	10,333							
Wheat.....	63,552	272,654	4,306	17,691	120,414	6,807	4,285	42,237	9,857							
Wool.....	7,416	31,363	4,230	1,986	20,570	10,358	472	10,317	21,858							
Feed grain-wheat <sup>2</sup> .....	56	56	633	16	39	2,438	7	24	3,429							
Cotton feed grain wheat, or wool.....	111,600	1,157,977	10,376	35,385	679,648	19,207	9,916	356,003	35,902							
CAP.....	4,387	24,348	5,679	1,228	10,682	8,699	292	3,784	12,959							
Sugar.....	5,476	17,360	8,649	2,430	35,060	14,428	996	25,044	25,145							
ACP.....	41,241	17,847	435	12,335	7,314	593	3,194	2,497	782							
ECM.....	1,586	1,513	1,092	535	735	1,374	188	323	1,718							
Appalachia.....	13	66	462	2	2	2	2	2	2							
CCP.....	212	629	2,967	44	154	3,500	5	15	3,000							
CRP.....	7,672	20,742	2,664	2,285	5,966	2,611	564	1,481	2,626							
All programs.....	114,334	1,270,222	11,110	36,008	739,559	20,539	10,079	389,147	38,610							

<sup>1</sup> "Total payments" refers to all programs shown in column 1. Entries for each program shown refer to payees receiving a payment of some size for that program. <sup>2</sup> Payments were occasionally combined in 1 check.

TABLE 9.—PAYMENTS TO FARMERS OF \$20,000 OR MORE UNDER COTTON, WHEAT, AND FEED GRAIN PROGRAMS, 1968-25 LEADING STATES  
[In dollars]

State	Excess		Wheat		Feed grains		Cotton		Class
	Total (millions)	Average per payee (thousands)	Total (millions)	Average (thousands)	Total (millions)	Average (thousands)	Total (millions)	Average (thousands)	
1. Texas.....	96.3	38.3	10.2	6.9	26.0	11.2	60.2	23.6	Cotton, feed grain, wheat.
2. California.....	51.5	62.3	1.3	12.1	.8	5.1	49.4	61.5	Cotton.
3. Mississippi.....	45.4	22.6	.5	2.2	39.8	1.7	44.2	38.8	Do.
4. Arizona.....	30.6	19.7	.3	2.5	1.0	8.1	29.1	53.8	Do.
5. Arkansas.....	21.2	36.1	.3	4.2	.2	1.2	20.8	35.5	Do.
6. Alabama.....	8.8	32.7	.1	1.5	.8	3.7	7.9	29.1	Do.
7. Alabama.....	8.4	32.7	.1	1.5	.2	2.1	8.0	32.3	Do.
8. Louisiana.....	7.4	28.7	.1	17.0	3.1	12.2	2.0	2.0	Wheat, feed grain.
9. Kansas.....	6.6	30.3	.1	2.5	1.5	8.6	5.0	23.2	Cotton, feed grain.
10. South Carolina.....	6.5	32.1	.1	1.3	1.7	4.2	5.8	28.2	Cotton.
11. New Mexico.....	6.1	32.6	1.4	11.4	2.8	18.8	1.9	18.5	Feed grain, wheat.
12. Washington.....	5.3	30.7	5.2	30.5	-----	8.0	-----	-----	Wheat.
13. Missouri.....	5.1	1.9	.4	3.8	2.7	19.9	2.0	21.6	Feed grain, cotton.
14. Colorado.....	4.1	1.6	2.6	21.1	1.4	12.4	-----	3.7	Wheat, feed grain.
15. Nebraska.....	3.8	27.7	.8	7.5	3.0	21.7	-----	-----	Wheat.
16. Montana.....	3.4	34.5	3.4	34.5	-----	-----	-----	-----	-----
17. Tennessee.....	2.7	30.5	-----	2.4	.4	5.6	2.5	26.2	Cotton.
18. Illinois.....	2.7	28.7	.2	4.5	2.4	25.9	-----	13.0	Feed grain.
19. North Carolina.....	2.7	36.8	-----	4.9	2.7	10.4	-----	29.3	Cotton, feed grain.
20. Indiana.....	2.5	31.3	1.0	12.9	2.4	28.7	2.0	29.3	Feed grain.
21. Oklahoma.....	2.5	23.3	-----	12.1	2.3	38.5	-----	18.3	Cotton, wheat.
22. Iowa.....	2.3	23.0	-----	3.2	2.2	28.4	-----	-----	Feed grain.
23. Oregon.....	1.8	23.4	1.9	23.2	-----	15.0	-----	-----	Wheat.
24. Idaho.....	1.7	30.2	1.7	30.2	-----	2.0	-----	-----	Do.
25. North Dakota.....	1.2	26.3	1.1	23.7	.1	3.4	-----	-----	Do.
Total.....	331.0	156.1	37.2	-----	53.4	-----	240.0	-----	-----
Cotton/grain States.....	-----	46.8	13.1	-----	34.0	-----	72.3	-----	-----
Cotton States.....	-----	97.0	2.7	-----	4.8	-----	167.7	-----	-----
Wheat, feed grain States.....	-----	5.0	7.8	-----	7.5	-----	0	-----	-----
Wheat States.....	-----	4.8	13.2	-----	-----	-----	0	-----	-----
Feed grain States.....	-----	2.5	.4	-----	7.0	-----	0	-----	-----
Subtotal.....	-----	156.1	37.2	-----	53.4	-----	240.0	-----	-----
Total, United States.....	335.3	157.5	38.9	10.2	55.9	10.8	240.4	34.0	-----

(The following information was requested on p. 8:)

#### BACKGROUND ON DIRECT PAYMENTS

There is general agreement that direct payments are made under farm commodity programs for two basic purposes: (1) To effect desirable resource adjustments, and (2) to supplement farm income while permitting price support loan levels to reflect world price levels.

Any analysis becomes extremely complicated, however, when an attempt is made to quantify clearly and concisely the extent of these two basic purposes. Considerable variation occurs between commodity programs depending upon their respective program objectives, and also in a specific commodity program from year-to-year as the program objective changes.

We have made the following two general assumptions: (1) Price support loans for cotton, corn and wheat will continue at current levels which reflect world prices, and (2) United States import controls will continue in effect.

In addition, it should also be pointed out that competitive interrelationships exist between the commodities studied (cotton, feed grains and wheat) and other commodities which further complicate quantitative analysis of this proposition. If payments were reduced or eliminated, a chain reaction most likely would occur as farmers began seeking alternative crops which gave promise of enhancing their income position. Consequently, the following analysis represents our best judgment on this issue.

Payments to producers under the cotton, feed grain, and wheat programs are labeled as payments for diversion, price support, or certificates (wheat). However, these labels do not indicate the ultimate effect of the payments. The price support and wheat certificate payments are made to producers contingent upon their planting within their allotments or permitted acreages or diverting some land without diversion payments, or both. Thus, part of the price support and certificate payments, in fact, are payments for diversion from acreages that would have been planted in the absence of the programs.

About 65 percent of total payments to 1968 participants in the three programs were payments for resource adjustment including an estimated part of the price support payments that were in fact payments for resource adjustment. These ranged from 35 percent of cotton program payments to 89 percent for the feed grain program. About 51 percent of wheat program payments were payments for adjustment.

*1968 Cotton Program.*—In order to estimate the proportion of the cotton program payments that went for resource adjustment, it was necessary to assume that marketing quotas were not in effect. Furthermore, it was assumed that producers whose planted acreages did not exceed their price-supported acreages would not have planted any more cotton even in the absence of marketing quotas. Producers who planted more than their domestic allotments were assumed to have exceeded their total allotment by 75 percent.

Producers who would have exceeded their cotton allotments are largely in the Delta of the Mississippi, the Coastal Plains, the lower Rio Grande Valley and the High Plains of Texas, and the irrigated areas of the Southwest. An analysis of land and water resources available and alternative opportunities indicates that these producers would exceed present allotments by about 75 percent if cotton prices are supported at the 20.25-cent loan rate and prices of other products remain near current levels.

*1968 Feed Grain Program.*—Feed grain producers were required to divert 20 percent of their bases in order to qualify for price support payment. They received no other payment for this diversion. Payments for price support equate to 75 cents per bushel diverted. Payments for additional diversion were 45 percent of the total support price in each county and averaged about 61 cents per bushel. Thus, payments for additional diversion were less than for required and marginal diversion. The difference of 14 cents per bushel on the first 20 percent diverted in this analysis is assumed to be an income transfer, and the remainder payment for resource adjustment.

*1968 Wheat Program.*—The estimated cost of diversion under the wheat program was based on the assumption that prices of wheat would have to be sufficiently high so that it would not seriously compete with feed grain and that enough wheat acreage would have to be diverted to keep prices at that level. With corn at \$1.05 the comparable price for wheat is assumed to be \$1.35 per bushel. At this price the total disappearance for domestic use and dollar exports is

estimated at 1.410 million bushels. This volume could be produced on about 51.6 million acres.

In the absence of wheat allotments, harvested acreage might be about 64.0 million acres, and this is assumed to be the maximum that would be produced. Thus, the difference of 12.4 (64.0—51.6) million acres is the surplus acreage that would need to be diverted. Assuming payments for diversion were equal to returns above variable costs, or 90 cents per bushel, diversion costs would be \$384 million.

The following tables 1 and 2 compare actual amounts of diversion and price support payments earned under 1968 programs for cotton, feed grains, and wheat, with estimated amounts of these payments which are attributed to resource adjustment and to income transfers.

Attached statements for these three commodity programs provide additional detail on this matter.

TABLE 1.—ACTUAL AMOUNT OF DIVERSION AND PRICE SUPPORT PAYMENTS EARNED UNDER 1968 COTTON, FEED GRAIN, AND WHEAT PROGRAMS, UNITED STATES

[Dollars in millions]

Item	Diversion		Price support or certificates	Total
	Amount	Percentage total		
Cotton.....	\$145	18	\$639	\$784
Feed grain.....	741	54	628	1,369
Wheat.....	0	0	746	746
Total.....	886	31	2,013	2,899

TABLE 2.—ESTIMATED AMOUNT OF PAYMENT FOR RESOURCE ADJUSTMENT AND INCOME TRANSFERS UNDER 1968 COTTON, FEED GRAIN, AND WHEAT PROGRAMS, UNITED STATES

[Dollars in millions]

Item	Resource adjustment <sup>1</sup>		Income transfer	Total
	Amount	Percentage of total		
Cotton.....	\$276	35	\$508	\$784
Feed grain.....	1,221	89	148	1,369
Wheat.....	384	51	362	746
Total.....	1,881	65	1,018	2,899

<sup>1</sup> Includes part of the price support and certificate payments.

*1969 cotton program payments*

	<i>Million</i>
Price support payments.....	\$795
Special small farm payments.....	31
Estimated total.....	826

INCOME SUPPLEMENT

All of the special small farm payment of \$31 million is an income supplement. The small farms receive this payment without making any reduction in their cotton acreage and it is in addition to the price support payment on the domestic allotment for such farms.

Approximately \$375 million of the price support payment may be considered as income supplement on farms with about 8 million acres of allotment. These farms planted from 90 to 100 percent of the domestic allotment or about 58.5 to 65 percent of the farm allotment. These are lower-yielding less efficient farms which could not afford to grow cotton at current market prices without a price support payment. Their cost of production is considerably in excess of the 19.71 cent average loan rate (which reflects only about 41 percent of current parity,

the lowest for any basic or non-basic crop). It may be that a portion of this \$375 million should be considered as resource adjustment as cotton would be unprofitable without the price support payment and in the absence of such payments many of these farms would plant other crops such as soybeans, corn, grain sorghum, etc. rather than to produce cotton at a loss.

#### RESOURCE ADJUSTMENT

Approximately \$420 million of the price support payment should be considered as resource adjustment. This is the estimated payment on the more efficient high-yielding farms with about 7 million acres of allotment which planted their full allotment and would have planted considerably more if there had been no payment for participating in the program. Thus, the payments on these farms are for resource adjustment to prevent overproduction which would add to Government stocks or push prices down to a lower level for the higher cost areas.

About 90 to 95 percent of the farms which would be affected by a payment limitation are in this group which planted their full allotment and for which the payments are for resource adjustment.

#### SUMMARY

In summary, it is likely that no more than two-thirds of the price support payment of \$420 million described above, or \$280 million, could be viewed as resource adjustment in the context that payments of this amount may be all that would be required to get the adjustment needed. This means that income supplements under the 1969 program might approximate \$546 million, consisting of the remaining one-third of the \$420 million of price support payments plus \$31 million of small farm payments plus \$375 million of price support payments previously referred to. These figures for the 1969 program substantially agree with the estimates for the 1968 program shown in table 2.

#### FEED GRAIN PROGRAM PAYMENTS

The major objective of the voluntary feed grain program is to provide production sufficient only to meet requirements and maintain desirable carryover stocks. To accomplish this, participating farmers are encouraged to divert acreage to conserving uses instead of planting feed grains. Payments are made to compensate these farmers for the grain they do not produce.

To participate in the voluntary feed grain program, farmers must reduce their feed grain acreage by 20 percent. For this they receive no diversion payment (except small farms). They do, however, receive price support payments on acreage grown up to 50 percent of their base. They may divert additional acreage for payment—up to a total diversion of 25 acres or 50 percent of their base. Then both price support and diversion payments are made for resource adjustment, i.e. for production foregone, for resource adjustment.

An exception is made for small farms—those with bases of 25 acres or less. They may divert their entire base and receive diversion payments for all of the acreage actually diverted. If they divert their entire base, they receive no price support payments.

A portion of the payments made to small farms can be considered income supplements, since many probably would not plant their acreage in any case. While they help to reduce production, the yields on these small farms are below those of commercial enterprises. In 1968, payments to all small farms represented about 18 percent of total feed grain payments.

While it is impossible to arrive at definitive conclusions based on statistical data, it is believed that only 10-15 percent of total feed grain payments can be considered as an income supplement—and these go to farmers who would not be affected by any realistic payment limitation.

Therefore 85 to 90 percent of the feed grain payments made are for the purpose of resource adjustment—for foregoing returns from the sale of grain that would otherwise be produced on such acreage. Since any realistic limitation on feed grain payments would affect only producers having bases far in excess of 25 acres, it can be concluded that all payments affected would be made to farmers for resource adjustment.

## WHEAT PROGRAM PAYMENTS

The major objective of the voluntary wheat program is to provide production sufficient only to meet domestic and export requirements and maintain a desirable level of carryover stocks.

The principal means for adjusting wheat production in line with demand under the voluntary wheat program is the allotment. The national allotment can be expanded or contracted as necessary to increase or decrease the harvested wheat acreage. The incentive to obtain sufficient voluntary participation in the program to make the allotment effective as a device in controlling acreage is the wheat certificate. Cooperating farmers are issued wheat certificates (valued at the difference between parity and the \$1.25 loan rate) on an amount of bushels approximately equal to that utilized for domestic food (slightly over 500 million bushels). Domestic certificates were valued at \$1.38 per bushel under the 1968 program.

To participate in the wheat program, and be eligible for certificates, a farmer must comply with his allotment. If the national allotment is less than 59.3 million acres, the farmer is also required to divert an acreage from crop production equal to this difference between his wheat allotment and the allotment that would have been determined under a 59.3 million acre national allotment.

Because, under the wheat program, the size of the allotment can be varied substantially and any reduction in allotment below the basic 59.3 national level cannot be put into other crops, the percent of the wheat certificate payment which could likely be considered to be an income supplement would vary depending upon the size of the allotment. It is estimated that under the 1968 wheat program about 50 percent of the certificate payment could be considered income supplement. However, under the 1969 wheat program—a national allotment of 51.6 million acres—the estimated percentage of certificate payment which could be considered income supplement drops to about 40 percent. If the allotment is reduced further—another 10 percent, for example—the estimated portion of certificate payments that would be considered income supplement would likely fall to around 20 percent.

The wheat program also provides for payment for diversion below the allotment—up to 50 percent of the allotment. These payments are made for resource adjustment (for production avoided). There are cases, however, under the small farm provision, whereby farmers with small wheat allotments can divert the entire allotment for payment. In some cases, farmers will divert their entire wheat allotments for payment, but no production is avoided because they would not have planted wheat in the absence of the program. In these cases, the diversion payment could be considered income supplement. Probably about 10 percent of the diversion payment would fall in this category.

Therefore, under the 1969 wheat allotment of 51.6 million acres, about 60 percent of wheat payments made are for the purposes of resource adjustment. If the allotment is decreased by another 10 percent in future years, this percentage would likely increase to about 80.

## ATTITUDE TOWARD LEGISLATION AND LIMITATIONS

Senator HOLLAND. I think your statement is quite clear. I think it will be very helpful to this committee and to the Senate and I hope the entire Congress.

You know, of course, of my own strong opposition to the 1965 program and its extension last year; however, that does not mean that I want to see it emasculated and made impossible of performance by any such device as that which is used in this current amendment. Your testimony makes it very clear that it would not be effectual to accomplish the very desirable objectives of those who have sponsored it.

I am glad that you have made it clear that you are considering for early submission to Congress a sounder program and I shall await such a program with great anticipation because I haven't been able to support any of the programs of recent years for the very reasons that appear now so clearly in your testimony.

It is just not fair to the country and neither are they fair to the industries that are affected. I am going to hold this record open until Friday night so that people who have other opinions, either supporting your testimony or opposing it, will have a chance to express their opinions by written statements.

You dealt specifically with the cotton situation. Senator Young, who could not be here for the said reasons that I have recited earlier, a death in his family, expressed to me concern as to the effect of this program on wheat.

#### EFFECTS ON WHEAT AND FEED GRAIN PRODUCTION

Do you have any amplifying statements with reference to wheat production or feed grain production that you could add to your present statement?

Secretary HARDIN. If I may, Mr. Chairman, I will look to Assistant Secretary Palmby and to Dr. Paarlberg to see if they would care to respond to this question.

Dr. PAARLBERG. Some of this information, Senator Holland, will be in the additions that we will insert. They will indicate the nature of our wheat program and the effect of this limitation on wheat. I think that this probably will answer some of the questions that Senator Young has.

Senator HOLLAND. With reference to feed grains, I think the record will reflect that there will be many more cases in which producers of cotton also produce feed grains and come under both programs. They would be included within your statement where you referred to the potential damage to farmers producing two or more of these three large crops.

It is true, is it not, that there will be numerous cases in which producers of feed grains also produce cotton?

Secretary HARDIN. Approximately 2,000.

Senator HOLLAND. About 2,000 cases. Do you have any breakdown of those figures which would be useful to the committee to submit at this time?

Secretary HARDIN. Dr. Paarlberg indicates, Mr. Chairman, that he does have additional material that have not been included in the official statement, but he can make this available for the record if it is your desire.

Senator HOLLAND. Dr. Paarlberg, I hope you will make those statements available to this record because in addition to those cotton farmers who are affected directly, because of the their production of cotton, the Secretary has already suggested there are perhaps 2,000 cases in which they will be producers of both feed grains and cotton who will be affected directly.

Dr. PAARLBERG. Yes; we will insert that material, Senator.

(The following table on p. 36, and the material inserted on p. 31 are in addition to the Secretary's statement:)

TABLE 2.—PAYEES RECEIVING \$10,000 OR MORE, OR \$20,000 OR MORE IN PAYMENTS FROM COTTON, FEED GRAIN, AND WHEAT PROGRAMS, BASED ON 1967 PAYMENT DATA

Source of payment	\$10,000 or more <sup>1</sup>		\$20,000 or more <sup>1</sup>	
	Number	Percentage of total	Number	Percentage of total
Cotton only.....	8,882	29.8	3,494	37.3
Cotton and feed grain.....	7,316	24.5	2,557	27.3
Cotton and wheat.....	1,196	4.0	511	5.4
Cotton, feed grain, and wheat.....	4,626	15.5	1,545	16.5
Any cotton payments.....	(22,020)	(73.8)	(8,107)	(86.5)
Any feed grain payments.....	453	1.5	80	.8
Any wheat payments.....	4,000	13.4	646	6.9
Any feed grain and wheat.....	(16,395)	(54.9)	(4,828)	(51.5)
Any feed grain payments.....	3,367	11.3	542	5.8
Any wheat payments.....	(13,169)	(44.2)	(3,244)	(34.6)
Total.....	29,840	100.0	9,375	100.0

<sup>1</sup> Excludes payments under all other ASCS programs than those listed.

#### INSERTION OF MATERIAL RELATING TO LOUISIANA ELECTRIC LOAN

Senator HOLLAND. For the record, I want to state that I have requested the committee to include in the record the report of the General Accounting Office on the so-called Louisiana Electric Cooperative Loan which was concluded in the expiring minutes of the last administration, and, also, the letter to me from the present administrator, Mr. Hamil, and also the letter from Mr. Hamil to the Louisiana Electric Cooperative, and to the various 12 cooperative associations which are participating cooperators in the LEC venture.

They will not appear as a part of today's hearing but in Part I of the hearings which included other material dealing with that loan.

We will recess briefly.

(A brief recess was taken.)

#### STATEMENT OF SENATOR RALPH W. YARBOROUGH

Senator HOLLAND. The committee will please come to order again. Senator Yarborough is still tied up in another committee of which he is chairman and has asked me to have placed in the record his statement on this matter which without objection I do at this time.

(The statement follows:)

I appreciate the opportunity to appear before this Subcommittee today to voice my opposition to the placing of a limit of \$20,000 on the amounts of money a farmer can receive under our agricultural programs. Any such effort should be well thought out and planned to be sure that the family farmer is receiving an adequate and just income. An across-the-board limitation without sufficient groundwork and study such as this would indiscriminately eliminate many family farmers and destroy the voluntary crop limitation programs.

This limitation would remove the incentive for the big farmers to withhold acreage. With his larger holdings, his more efficient methods, and his better markets, the big farmer would put the little farmer out of business.

Lastly, because of the "snapback" provision under Section 402 of the Agricultural Act of 1965, this limitation would not accomplish the purpose for which it was intended. The provision would place the cotton program into a loan-and-redemption or a buy-and-sell-back situation which would only increase the costs

of administering the program and at the same time deprive our cotton farmers of the benefits of the 1965 cotton bill.

I respectfully request that the provision limiting subsidy payments to \$20,000 a year be dropped from consideration.

#### ADDITIONAL EFFECTS OF COTTON SNAP-BACK PROVISION

Senator HOLLAND. Mr. Secretary, Senator Fong has requested that we bring out a little more facts about what might happen in the cotton industry in the event the snapback provision were invoked.

That would be under price support structure of 65 percent. Can you, without difficulty, supply the same figures for the 70-percent price support and for 75-percent price support for the information of the Congress?

Secretary HARDIN. Yes, sir, Mr. Chairman. As we indicated, the support program is 65 percent of parity, and that present parity is 32 cents. At 70 percent of parity, it would be 35 cents. At 75 percent of parity, 37½ cents. At 80 percent of parity, 40 cents; 85 percent, 42½ cents, and 90 percent of parity would be 45 cents.

Senator HOLLAND. Will you have your staff note for the record the total cost involved certainly with reference to the 70- and 75-percent figures? I am not questioning the accuracy of your figures as to the larger percentages of parity, but I do not think it is realistic to consider them as applicable and I do think it is quite possible that the 70 percent might become applicable and it could even work out so that 75 percent would be applicable. Can you have those figures supplied?

Secretary HARDIN. We will supply them for the record.

Senator HOLLAND. Thank you very much.

(The information follows:)

Estimated major expenditures under the snapback provision at 65 percent of parity would be \$1,283 million, at 70 percent of parity would be \$1,454 million, and at 75 percent of parity would be \$1,661 million.

Senator HOLLAND. Senator Hruska is here and may have questions but before he proceeds, I want to thank you, Mr. Secretary, and your assistants. I think you have made a very clear record on this matter and I appreciate your appearance.

Senator Hruska.

Senator HRUSKA. Mr. Chairman, I join you in thanking the Secretary for making this extracurricular appearance before our committee.

After having reviewed the debate in the other body and having read the statement of the Secretary, I think he has done a remarkable job of answering the questions raised in the House debate.

Of course, there are some imponderables that are not subject to precise answer.

Considering the complete statement of the Secretary, I will refrain from asking any questions at this time, Mr. Chairman. Thank you very much.

Senator HOLLAND. Thank you.

As stated heretofore, this record will be kept open until Friday night so that any persons or organizations who desire to file in writing a

statement of their position on this House amendment, which has been the subject of this hearing, may supply that statement to the Clerk of this committee, Mr. Schafer, and it will be included in the record.

Senator HRUSKA. I have no objection, Mr. Chairman. I should like to observe that I am in sympathy with the thought that it would not be good legislative procedure to legislate on a subject of this kind by way of amendment on the floor.

The very substance of the Secretary's statement indicates how bereft of pertinent information were the House debate and action, I am also in great sympathy with the idea that if inasmuch as there will be new legislation proposed soon, either by way of amendments or by way of new programs altogether, that this matter should be allowed to await such programs.

I think such a course of action would be productive of better results and be less abrasive and perhaps less dislocating of the purpose and mission of the entire program. So, in lieu of any formal statement to be filed, I express these thoughts, Mr. Chairman.

Senator HOLLAND. I certainly agree with you, Senator Hruska. I think it would be less expensive and would make more possible the working out of a successful program to operate as you have suggested.

#### CONCLUSION OF HEARINGS

Without objection the committee will recess.

(Whereupon, at 11:30 a.m., Wednesday, June 4, the hearings were concluded and the subcommittee was recessed, to reconvene at the call of the Chair.)

#### ADDITIONAL STATEMENTS FOR THE RECORD

##### STATEMENT BY HON. SILVIO O. CONTE

Mr. Chairman, I appreciate this opportunity to present my views in support of the imposition of a \$20,000 limitation on aggregate payments to any producer, excluding sugar.

As you know, last week the House of Representatives again expressed its overwhelming support for my proposal. This year my amendment passed by a margin even greater than last year—by a record vote of 224 to 142.

Mr. Chairman, I don't believe I need burden this Committee with an extensive explanation of the basic reason for this amendment. There can be no question that the vote in the House clearly reflected the wishes of most Americans who demand an end to the inequity of excessively large payments going to a handful of corporate farm giants. At a time when the need to combat inflation is creating strong pressure for spending limitations for rural and urban development, educational, health, housing and nutritional programs, there is no justification for continuing these excessive payments which have no place in any workable farm program.

Last week when the Agricultural Appropriations Act for 1970 was before the House, the parliamentary rules under which the House of Representatives operates did not permit me to offer more extensive legislation. While I believe my amendment by itself represents a substantial step forward, I acknowledge that certain changes which have been suggested would be appropriate at this time.

As I said during the debate on the House floor last week, I take no pride of authorship in this amendment, and I am ready to work with Secretary Hardin and members of this body on both sides of the aisle to ensure that this limitation becomes an effective part of our farm program.

I disagree most emphatically, however, with Dr. Hardin's suggestion that such changes cannot be made at this time.

I have been advised, in consultations with agricultural experts, including the distinguished former Under Secretary of Agriculture, Dr. John A. Schnit-

tker, that a workable program of payment limitations can be achieved based on my amendment.

Dr. Hardin himself has acknowledged before this Committee that it is possible to design "a sound farm program" which would include payments limitation.

While supporting my amendment as a reasonable and appropriate method of payment limitations—limitations which are a necessary part of any sound and equitable farm program—Dr. Schnittker and others have suggested that two additional modifications would be appropriate.

These two recommended changes—repeal of the so-called "snapback provision" on cotton and a provision to permit some increased planting by those affected by the payment limitations—are, I should add, responsive to the two basic objections raised by Secretary Hardin to the Conte amendment.

Such modifications would be entirely germane to the Agricultural Appropriations Act for 1970, since they would be limited to the crop year 1970 and would restrict the expenditures of funds appropriated for 1970 in an equitable manner, providing potential government savings in excess of \$200 million. Yet these changes would not interfere with the attainment of the goals of the programs financed by these appropriations.

The first and more important additional change—recommended by virtually all those familiar with the farm program—is the repeal of the so-called "snapback provision", Section 103(d) (12) of the 1965 Act. This device was inserted into that bill because large cotton interests had foreseen the inevitable success of an amendment such as mine. We cannot permit this provision to stand. It defeats the very clear intent of the Congress.

The second recommended change is some adjustment of current acreage allotments, permitting some increased planting by those affected by the payment limitation. I am advised that this can be done without materially affecting the total amount of production.

With respect to cotton, even the analysts in the Department of Agriculture's Economic Research Service have predicted that there will be no appreciable increase in total cotton production with this change. The reason for this is that, while the more competitive farmers in the Mississippi Delta and in California will increase their production, less cotton will be grown in the blackbelt of Texas and in the Southeast when my payment limitation goes into effect.

Time does not permit me now to propose the specific legislative language for these additional changes. I understand, however, that such legislation is now being drafted by interested members in this body and I would be happy to support proposals along the lines I have suggested.

In conclusion, may I repeat that such legislation can be adopted now and will clearly be germane to this payment limitation portion of the Agriculture Appropriations Act of 1970.

At a time when funds needed to tackle critical domestic ills are being cut back it makes no sense to permit farm program subsidy payments in excess of \$20,000 to some 10,000 large farmers who, by any reasonable standards, already have high incomes.

It is my hope, Mr. Chairman, that this Committee will report my amendment, together with the additional modifications I have suggested, thereby assuring government savings in fiscal year 1970 of anywhere from \$200 to \$300 million in agricultural expenditures.

Without my amendment, some 3000 large farmers will collect \$150 million in subsidies in 1970. Five to 10 large corporations may each receive subsidies in 1970. Five to 10 large corporations may each receive subsidies of \$1 million or more. One large corporation received over \$4 million in farm subsidies in 1967 and over \$3 million in 1968.

I submit that to continue these huge payments is indefensible at a time when government funds are urgently needed for many other worthy domestic programs.

Thank you again, Mr. Chairman, for this opportunity to present my views.

#### STATEMENT OF NATIONAL COTTON COUNCIL OF AMERICA

The National Cotton Council, the central organization of the cotton industry representing cotton producers, ginners, warehousemen, merchants, cooperatives, cottonseed crushers, and manufacturers welcomes the opportunity to express its views on the question of payment limitations. We strongly oppose any effort to limit payments and urge your Committee to eliminate the \$20,000 payment limita-

tion voted by the House of Representatives as an amendment to the Agriculture Appropriations Bill for fiscal year 1970.

Any limitation on the amount of payment, regardless of the level, would cause severe disruptions in the cotton industry and seriously undermine the farm program.

Yours sincerely,

ALBERT R. RUSSELL,  
*Executive Vice President.*

STATEMENT OF JOHN A. SCHNITTKER

June 6, 1969.

Senator SPESSARD L. HOLLAND,  
*U.S. Senate,*  
*Washington, D.C.*

DEAR SENATOR HOLLAND: The approval in the House of Representatives of the Conte amendment, limiting farm program payments, by a teller vote of 224 to 162 is an indication of the overwhelming support in that body for a limitation on 1970 farm program payments.

Unfortunately the Conte amendment would not accomplish the savings intended, but it is a beginning. As Secretary Hardin pointed out to you in his statement of June 4, several changes are needed in addition to repealing the snapback provisions of the Agricultural Act of 1965. The changes are not substantial, however, and with the help of legal counsel fully familiar with farm legislation I submit herewith an amendment which would accomplish annual savings up to \$250 million.

This amendment places an effective, equitable and administratively feasible limitation on farm program payments and is germane to the Agricultural Appropriation Act for 1970.

From my experience in administering farm programs I find myself generally in agreement with Secretary Hardin's statement which he presented to you June 4. I would go further, however, and point out that under the provisions of the attached amendment the glaring excesses in individual payments can be eliminated in fiscal year 1970 without creating serious inequities or interfering with the basic purposes of farm programs financed by these appropriations.

I urge the Agriculture Subcommittee of the Senate Appropriations Committee to adopt this proposed amendment to the Agricultural Appropriations Act for 1970.

Sincerely yours,

JOHN A. SCHNITTKER.

#### STATEMENT IN SUPPORT OF A FARM PROGRAM PAYMENTS LIMITATION

This attached amendment in its entirety is germane to the Agricultural Appropriation Act for 1970 as it provides for a reduction in annual government expenditures of about \$250 million, without interfering with the basic purposes of the farm programs financed by these appropriations. It is not long-term legislation. All provisions of this amendment apply only to the price support and acreage diversion payments relative to the 1970 crops.

This amendment limits the price support and acreage diversion payments under each of the 1970 price support and adjustment programs, upland cotton, extra long staple cotton, wheat, and feed grains, to a single producer to \$10,000.

The Conte amendment approved May 27 by the House of Representatives for simplicity limited total payments for all price supported crops planted in fiscal year 1970 to \$20,000 on any farm. I have been advised that farm program administrators conclude that a lower limitation on the payments taking each major price support program separately would accomplish similar overall savings and would greatly simplify the administration of such a limitation. For this reason I suggest this change in the basic limitation provisions.

Secretary Hardin's June 4 statement reported that 14,790 cotton producers, 5,335 feed grain producers and 4,663 wheat producers received payments in 1968 in excess of \$10,000. These 24,788 producers received payments totaling \$503,817,000. Had a \$10,000 limitation been in effect their payments would have been reduced by approximately \$256,000,000.

Again using Secretary Hardin's figures, a payment limitation at this level would affect only 3.4 percent of the cotton producers, 0.4 percent of the feed

grain producers and 0.6 percent of the wheat producers, yet would reduce payments to these producers by \$256 million.

Secretary Hardin estimated that 65 percent of the cotton payments, 49 percent of the wheat payment and 11 percent of the feed grain payments in 1968 were simply income supplements rather than payments for acreage diversion. These figures would change somewhat from year to year. In other words a large part of these large payments are a net addition to the large producers substantial incomes from farm products marketed rather than payment for leaving land out of production to balance supplies with market outlets available.

Paragraphs (2) and (3) of the amendment are germane to the Agriculture Appropriation Act for 1970 in that they provide for changes in 1970 only in the production or acreage diversion requirements of producers who have their payments limited, to achieve equity for them and provide the same incentives for them to cooperate in the voluntary wheat and feed grain programs as they have had in the absence of payment limitations.

Paragraph (2) provides that any wheat or feed grain producer who has his 1970 government payment limited by the \$10,000 limitation would have his minimum acreage diversion requirements reduced by the same percentage as his payment is reduced. As an example a feed grain producer whose payments are reduced by  $\frac{1}{3}$  by the \$10,000 limitation would have his feed grain base acreage diversion requirements reduced by  $\frac{1}{3}$ . This feature probably should be placed at the discretion of the Secretary.

Paragraph (3) provides that any cotton producer who has his 1970 cotton program payments reduced by the \$10,000 limitation will be allowed to plant some additional cotton acreage without being subject to marketing quota penalties. This feature, too, probably should be subject to the Secretary's discretion. This is to provide equity of treatment under the program to the large producer whose payment is limited. If he continues to plant within the larger limits authorized in paragraph (3) he may receive his \$10,000 payment and all cotton produced on the farm would be eligible for price support loans. If, however, his payments are reduced by 20 percent or more and he elects to over-plant his enlarged allotment as provided in paragraph (3), he may forego all cotton program payments and price support loans privileges and produce as much cotton as he wishes at world market prices without penalty. This is comparable to the treatment given large wheat and feed grain producers, and similar to the export acreage feature of the present cotton program.

The provisions of paragraphs (2) and (3) are germane to the Agricultural Appropriation Act for 1970 in that they make it possible to reduce government fiscal year 1970 expenditures over \$200 million, yet continue equitable provisions for large producers and achieve the goals of the programs financed by these appropriations.

Admittedly paragraphs (2) and (3) would permit large scale producers of wheat and feed grains to cooperate in the voluntary programs for these crops although diverting less land and receiving smaller payments than in the absence of a payment limitation. The differential in diverted acreage would be so small, however, that small adjustments in the programs could easily offset the smaller acreage diversion on the large farms.

I am advised that permitting the large cotton producers affected by payment limitations to increase their acreages of cotton would not create a serious problem in balancing cotton supplies with market outlets. At prevailing world prices most cotton producers would not increase their cotton acreage even though given the opportunity. Although the announced national cotton acreage allotment for 1969 was approximately 16,000,000 acres, fewer than 12,000,000 acres were planted. Except for provisions in the cotton program regulations relative to cotton acreage planting requirements in order to be eligible to collect the government subsidy of 14.7 cents a pound, even fewer acres of cotton would have been planted in 1969.

In the Mississippi delta and in the irrigated areas of Texas and of States farther west, cotton returns for more per acre than competing crops. Some would increase their acreage of cotton if their payments were limited and their cotton allotments were increased. Producers in other sections, however, would reduce their acreage of cotton if cotton program regulations were changed somewhat.

Paragraphs (4) and (7) of the proposed amendment are germane to Agricultural Appropriation Act for 1970 in that they authorize the Secretary to provide regulations as he determines necessary to prevent the evasion of the limitation specified in paragraph (1).

Paragraph (5) is self explanatory. Any excess acreage planted to cotton in 1970 as a result of these provisions shall not be taken into account in establishing future cotton allotments.

Paragraph (6) is germane in that it repeals the so-called "snap-back" provisions in the 1965 Act in so far as they would apply to the 1970 crop year. As Secretary Hardin clearly pointed out, unless section 103(d)(12) is amended eliminating its application to the 1970 crop of cotton, the savings achieved by the application of paragraph (1) (a \$10,000 limitation on payments under specified farm commodity price support programs) could be dissipated under the program provisions authorized by the present section 103(d)(12).

In summary this amendment in its entirety is germane to the Agricultural Appropriation Act for 1970 in that it is limited to the crop year 1970 and restricts the expenditures of funds appropriated for 1970 in an equitable manner, providing potential government savings in excess of \$200 million. Yet it does not interfere with the attainment of the real goals of the programs financed by these appropriations.

At a time when important rural development, educational, health, housing and nutritional programs are being limited because of our inability to adequately finance them it does not make sense to make farm program subsidy payments in excess of \$10,000 to some 25,000 large farmers who, by any reasonable standards, already have high incomes and substantial equities in property.

In the absence of this amendment, in 1970 some 2,000 giant farms, many of them corporations, will collect \$150 million in subsidies. Five to 10 large corporations may each receive subsidies of \$1 million or more. One large corporation received over \$4 million in farm subsidies in 1967 and over \$3 million in 1968.

Continuation of this farm program feature is indefensible at a time when government funds are urgently needed for many far more worthy domestic programs.

The payment ceiling proposed above is too high, in my judgment, but it is a start. For the longer term, it should be no higher than \$10,000 per farm or \$5,000 per program. The large payments under the sugar and wool programs serve no public purpose, and should also be limited. Annual savings approaching \$500 million would result from the lower ceiling and from including wool and sugar.

JOHN A. SCHNITTKER.

Notwithstanding any other provision of law :

(1) None of the funds appropriated by this Act or any funds available to the Commodity Credit Corporation shall be used to make price support payments or acreage diversion payments which will result in a total of such payments to any producer in excess of \$10,000 for each of the 1970 crops of upland cotton, extra long staple cotton, wheat, and feed grains.

(2) If the foregoing payment limitation reduces the payments which otherwise would be made to a producer of feed grains (which for the purposes hereof shall be considered as a single commodity) and wheat on any farm, the minimum acreage diversion requirements for such commodity on the farm or farms shall be reduced by the same percentage as the payment to the producer of such commodity on the farm are reduced by the limitation. The term "payment" includes payments-in-kind, wheat marketing certificates and export marketing certificates, but does not include loans or purchases.

(3) If the foregoing payment limitation reduces by 20 percent or more the payments which otherwise would be made to a producer of either upland or extra long staple cotton on any farm, (i) such producer, without affecting his status as a cooperator and without being subject to marketing quota penalties, may exceed the applicable cotton acreage allotment for the farm by not more than 20 percent of the payments are reduced by not less than 20 percent but not more than 30 percent, by not more than 30 percent if the payments are reduced by more than 30 percent but not more than 50 percent, and by not more than 50 percent if the payments are reduced by more than 50 percent, and (ii) if the producer elects to forego all such payments and other price support with respect to such cotton on the farm, such producer may exceed the farm allotment without limitation and market such additional cotton without marketing quota penalties.

(4) The Secretary may not permit the owner and operator of any farm, for which the foregoing cotton payment limitation reduces the payment that other-

wise would be made, to sell or lease all or any part of the right to all or any part of such allotment, to any other owner or operator of a farm, unless he finds the lease or sale is not for the purpose of evading the foregoing payment limitation.

(5) Acreage planted to the 1970 crop of cotton in excess of the acreage allotment for the farm established under section 344 of the Agricultural Adjustment Act of 1938, as amended, shall not be taken into account in establishing future State, county and farm acreage allotments and shall not be considered as part of any acreage allotment.

(6) Section 103(d) (12) shall not be applicable to the 1970 crop of cotton.

(7) The Secretary of Agriculture shall provide such regulations as he determines necessary to effectuate the purposes of this section and to prevent evasion of the limitations contained in this section.

STATEMENT OF NATIONAL FARMERS UNION

NATIONAL FARMERS UNION,  
Washington, D.C., June 4, 1969.

HON. SPESSARD L. HOLLAND,  
Chairman, Senate Appropriations Subcommittee on Agriculture,  
Washington, D.C.

DEAR SENATOR HOLLAND: I respectfully request that this memorandum be made a part of the record of special hearings on June 4 dealing with the issue of payment limitations.

In this connection, I should like to point out that the position of Farmers Union in regard to payment limitation was presented to the Subcommittee in hearings on April 18, 1969. However, since we understand you intend to publish this hearing in a separate volume, we should like the printed record to again set forth the views of our organization. Delegates to our March convention in Hot Springs, Arkansas took a position as follows:

"We urge that a graduated formula be enacted by the Congress to limit the amount of certificate, diverted acreage and direct payments applicable to wheat, feed grains and cotton programs, or a combination of these programs. The formula should apply to farm operators, including owners as defined by the Agricultural Stabilization and Conservation Service with the interests of tenants fully protected.

"We recommend a graduated formula as follows:

Zero to \$25,000 (100 percent)-----	\$25,000
\$25,000 to \$35,000 (75 percent)-----	7,500
\$35,000 to \$45,000 (50 percent)-----	5,000
Maximum amount-----	37,500"

In arriving at the above formula delegates faced up to one of the toughest policy decisions that we in Farmers Union have had to make. They did not want to interfere with the workability of farm commodity programs yet they recognized that farmers and farm programs face a very serious controversial issue and that many members of the Congress support the concept of some form of payment limitation.

We strongly believe that the graduated formula which we have adopted is the best approach to keeping farm programs operating successfully—specifically, in relation to effective supply management. In this connection a graduated formula is much preferred over the flat limitation of \$20,000 which was approved last week in the House of Representatives.

In making a decision on the payment limitation issue, we urge members of the Senate to vote positively and constructively to make farm programs serve the Nation better, rejecting those amendments which are negative and which would erode and disrupt these programs.

Sincerely,

REUBEN L. JOHNSON,  
Director of Legislative Services.

## EXCERPT FROM SENATE HEARINGS

Senator HOLLAND. National Farmers Union, Mr. Reuben Johnson, we will be glad to hear you.

Mr. JOHNSON. Thank you, sir.

Chairman Holland, Senator Ellender, a few minutes ago, before Senator Aiken left, it suddenly dawned upon me, while we in the Farmers Union are 67 years of age, having been originated in 1902 in Texas, you three gentlemen, Senators Holland, Ellender and Aiken, have a combined period of service in the Senate of the United States of 85 years.

Senator HOLLAND. Not only that, but regrettably, and this is off the record. (Off the record discussion.)

Mr. JOHNSON. Mr. Chairman, it seems to me a real advantage to us farmers to have you men who serve on the Legislative Committee for Agriculture also looking in on our appropriations. I would like to say to you we are deeply indebted for the service you have rendered to agriculture in the period you have been in the Senate of the United States.

Senator HOLLAND. Thank you very much.

Mr. JOHNSON. I have Mr. McDonald with me, who has a brief statement following mine. Mr. McDonald is Research Director for the National Farmers Union.

## INCREASED FUNDS AND LOANS

We want to stress the need for additional funds for farm commodity programs, credit for the Farmers Home Administration and Rural Electric and Telephone Programs, Conservation and Regulatory Programs of the United States Department of Agriculture.

I would like to cover in very brief form, Mr. Chairman, some statistical data which documents grave economic problems currently facing farm families. Parenthetically, Mr. Chairman, I would like to ask that all of the attached data be included in the record with this statement.

## PRIORITIES

Senator HOLLAND. Without objection it is included. May I say this on the record, before you get through I hope you indicate the priorities which your organization feels are evident, and you mentioned four in which you think there should be increase and there are good reasons for increase.

But this committee may be confronted eventually here or in conference or both, with the question of which is the priority need of agriculture, then the next priority, and it goes on and so forth. We hope you indicate your own beliefs, so the committee today has the benefit of your experience.

## COMMODITY PRICE SUPPORT DECREASE AND PRODUCTION COST INCREASE

Mr. JOHNSON. We shall be glad to do that, Mr. Chairman.

Table I, and I call your attention to the yellow sheets before you, shows the current 1969 level of price support for 18 major commodities. Note that the level of support runs as low as 51 percent of parity price for cottonseed, 46 percent for export wheat, 63 percent for soybeans, 65 percent for flaxseed, 64 percent for rice, with support levels correspondingly low for other commodities.

The blend price for wheat, as I calculated from USDA data recently, for example, is only \$1.70, which is 62.6 percent of parity price.

Mr. Chairman, these current levels are down in the last few months, reflecting increased costs of production, which I have documented in Table V.

I call attention also to a recent decline in the support levels of cottonseed, down \$11 a ton, from \$48 to \$37, and of soybeans, down from \$2.50 to \$2.25 per bushel; and of flaxseed, down from \$2.90 to \$2.75 per bushel. Table II shows this situation.

Senator HOLLAND. Before you leave that, don't you think there is a difference in even the three which you mentioned, the difference, it seems to me, that the rapid increase of surplus of soybeans being piled up makes a much stronger case for some reduction in the price support there than is found in the other two cases?

Mr. JOHNSON. Mr. Chairman, the Secretary of Agriculture justified the decrease in the price support not on the fact this would cut production but merely trying to gain a little better advantage in the export market. I am wondering how much we can sacrifice income to the farmer as we seek export outlets.

It seems to me the priority should be on income to the producer. If maintaining these exports is going to cost the producer income, we had better take another look at the export expanding and promotion effort.

The Secretary had to lower the cottonseed support level once he lowered the soybean support level so they would be competitive in the oil market. That triggered a decrease also in the flaxseed support level because once he lowered soybeans and others you have to take care of flaxseed. So one action on soybeans triggered price support cuts on two additional commodities; I don't think we are going to have an oversupply of flaxseed, and I doubt whether we will on cotton.

#### STATUTORY PROVISIONS

Senator ELLENDER. If you will permit me, I have had Mr. Palmby in my office two or three weeks ago, and he said this change in price, lower price of cottonseed, was made strictly in accordance with law.

Mr. JOHNSON. Sir?

Senator ELLENDER. What were you expecting him to do?

Mr. JOHNSON. We would prefer that he would have asked producers as a condition for price support on soybeans, to make a 7 percent cut. That is what we recommended.

Senator ELLENDER. Would that be in keeping with the law?

Mr. JOHNSON. That could be done under the law. You can not under the law make any direct payment or any diversion payment, but under the law you could have required producers, as a condition of receiving price support, to make a reduction from a base which we suggested be 1967 and 1968.

This would have enabled us to keep income up nearly where it would have been if no cut had been made. The action taken, of course, was to cut income \$300 million.

#### ACTION, 1969

Senator ELLENDER. Thinking the law had been followed last year, I asked Mr. Palmby to make the differentiation the same as was done last year. He told me that last year the law was not followed.

Mr. JOHNSON. The law requires the Secretary of Agriculture to keep the oilseed crops competitive. That is the point. If you turn to Table II you will note that soybeans and flaxseed and cottonseed all have authorized maximum levels of support at 90 percent of parity price. So it would be entirely possible to have all three supported that high as shown. I realize all of the arguments made in support of exports, but we have to weigh income to the farmer against this export market.

#### COMBINATION OF ADJUSTMENTS AND PRICE SUPPORTS

The fact of the matter is, Mr. Chairman, that everybody, I think, in this room, and most of the people representing agricultural areas, believe the farmers ought to have higher prices, and that programs of adjustment ought to work in combination with price supports to keep costs within responsible bounds. That is the way we handled the programs for years.

#### MAXIMUM AUTHORIZED PRICE SUPPORTS

That is what the farmers would prefer. Somehow or other, we have drifted away from this concept, and the maximum levels that Congress has set, as shown in Table II, are not being followed.

The fact is that the maximum authorized level for the major commodities is 90 percent of parity, except for wheat, which our good friend Senator Milton Young maneuvered around to set at 100 percent of parity, which is operative only on the domestic portion of the production.

Senator HOLLAND. That, by no means, is the major part.

Mr. JOHNSON. That is correct, sir. As I pointed out, the price support on a blend-price basis for wheat is 62.6 percent of parity, which is in the range of the other commodities I mentioned in Table I.

Mr. Chairman, on the back of this statement, over here somewhere—the white table—is a compilation or table that documents how much additional income farmers would be receiving if we were getting 90 percent of parity or the amount authorized by Congress in legislation now on the law books.

This table has been very carefully prepared. It is extremely accurate. And it shows over here that in a 90 percent of parity situation farmers would be in a better condition.

Senator HOLLAND. Which table?

Mr. JOHNSON. On the back of the yellow sheets. It does not have a number on it, but is attached to the back of the statement.

Senator HOLLAND. Make that statement again. We have it before us now.

Mr. JOHNSON. All right, sir. We took just the major commodities, then calculated how much additional income would be received by the farmer if supports were up or prices were up to 90 percent of parity. This paper shows we would have \$5,452,000,000, if you look at the bottom in the right-hand corner, in additional gross income, if the price were at that level. Very frankly, Mr. Chairman, we think most of this would be net, because it is on top of our present gross.

As we point out in the table, farmers would pay taxes on this amount.

Numerous studies indicate that each Federal dollar cut from the Federal Farm Program budget, loses to a farmer about \$2 in net return.

On the other side of the coin, for each Federal dollar added to the Farm Program budget, it gains to the farmer approximately \$2 in net return. That is a rough estimate.

#### SUGGESTED FUNDING

Therefore, Mr. Chairman, we think with the expenditure of about 2 billion additional dollars in the farm programs, we could almost arrive at that additional 5.5 billion dollars in additional gross income.

#### EFFECT ON EXPORT MARKET: WHEAT

Senator ELLENDER. What, only \$2 billion? We figure \$1 billion of Federal expenditure gets us about 2, net return. How would it affect the export market?

Mr. JOHNSON. Well, Mr. Chairman, I don't know. It would depend on how you allocated these funds. In wheat, we could provide an export certificate with part of the money, and it wouldn't affect the export market for wheat.

Senator ELLENDER. But that would be in addition to the cost of \$2 billion you just mentioned?

Mr. JOHNSON. \$2 billion. Out of the \$2 billion we could make some allocation to the exports for wheat, but it would not affect exports. We could use some of the money for direct payments. We could use some to shore up the loan level. I think it would be feasible in wheat, for example, to raise the loan level from \$1.25.

As a matter of fact, the other day in a meeting at USDA on the International Grains Arrangement, it occurred to me that the exporters would not be selling under the minimum price of that Arrangement if the wheat loan were to be increased; so when you work back to the farmer he is getting paid at a level consistent with the minimum prices established in the Arrangement. It is something worth looking into.

#### CONGRESSIONAL INTENT

Mr. Chairman, the intent of the Congress was spelled out specifically in the Agriculture Act of 1961, and that was simply a reaffirmation of policy going back to 1937 and beyond. The purpose was to "improve, maintain, and protect the prices and incomes of farmers, to enlarge rural purchasing power, to achieve a better balance between supplies . . . and the requirements of consumers, to preserve and strengthen the structure of agriculture, and to revitalize and stabilize the overall economy . . ."

Unfortunately, this national policy gets lost, or is overlooked, when it comes time to fund the programs to carry it out. As I say, the extra cost would be only about \$2 to \$2½ billion. The \$5½ billion income it would generate would be nearly all net income, and would be subject to taxes, reducing the net outlay to the government. The amount of other income it would stimulate in rural America would be enormous.

#### TREND TOWARD CORPORATE DOMINATION OF AGRICULTURE

The direction today seems to be toward the corporate domination of agriculture. Look to the West coast and the structure of agriculture where labor, capital and management are compartmentalized to see a trend in our Nation. We in Farmers Union believe, and we believe that the great majority of the Congress believe, that our traditional family farm is better for America.

In the long run the cost to the consuming public will be less under a strong and viable family farm system.

A fly-in of Farmers Union ladies arriving in Washington today will tell all the members of Congress the family farm story in their visit to each member early next week.

#### GNP, INTEREST AND DIVIDENDS, AND FARM INCOME INCREASES

Mr. Chairman, I would like to call attention to Table III as I move along. At the bottom of the table you will note the GNP increased 282.2 percent since 1947, with non-farm sectors of the economy sharing substantially in the increase in the Nation's growth.

Interest of creditors is up 567.1 percent, and dividends received by the so-called "coupon clippers" parallels the GNP increase about in direct ratio, up 292.3 percent. Rental increase of landlords is up 227.7 percent.

Farmers' net income increased only 1.9 percent over the period since 1947. Last year that actually reflected a decrease over the 1947 figure. This not only reflects inequity but rank injustice for our farm families.

The simple story of Table III is that while the consuming public has paid for the increasing technology and production in nonfarm sectors, farmers have given to the Nation since 1947 virtually all of the technology and expanded productivity in agriculture.

#### PRICE AND PRICE INDEX COMPARISONS

Table IV gives about the same story as Table VI. The difference is, Table IV shows actual price comparisons and the other table shows price-index comparisons. This shows why farm net income has not moved up as has that of other sectors of the economy.

I will say this, as an interesting side light to the tables, that the prices are shown to be better to the producers of those commodities who have maintained a Federal farm program with the most effective control over production. Mr. Chairman, you know, and I am talking to Senator Ellender, they are rice and peanuts and tobacco.

#### PRICE SUPPORT LEVELS: LOW PERCENTAGE OF PARITY

Table V has been referred to in the discussion of the low percentage of parity price now reflected by price support levels. I call attention to it again for the purpose of singling out the increasing cost over the past 20 years of such items as: interest, up 605.1 percent, and that is per acre on farm real estate debt; and the taxes again reflecting the local tax structure and charging the cost of increasing educational costs to farmers, that is up 277.7 percent, and that is on the real estate payable per acre; and for farm machinery it is up 107.5 percent.

#### LEGISLATIVE REQUISITE

Escalating prices of the items farmers must buy to stay in business must be given more attention as budgets for agriculture are decided upon. Farmers simply cannot continue to stay even by cutting their costs of production through improved technology. We have reached an end of the line.

Senator HOLLAND. What you are saying, if I understand it, you think that much more generous basic legislation is required, and of course, this committee here is not sitting on that matter at this time.

Mr. JOHNSON. We understand that, Mr. Chairman. When hearings are held on legislation, and I might say, since Senator Ellender is present, we are hopeful we can have hearings this year, and we will have definite recommendations to make.

Senator ELLENDER. We had a lot of hearings last year, you recall, in the hope of extending the law this year for the full four years. But it didn't work that way.

Mr. JOHNSON. Mr. Chairman, it was not your fault, sir. I will say it was not the fault of the Senate Agriculture Committee, because you did your work. We got into trouble in the House.

Senator HOLLAND. If I understand the situation, you are not satisfied with the 1965 Act and are asking for much more generous basic legislation?

## PRESENT STATUTORY PROVISIONS

Mr. JOHNSON. In a sense, that is true, Mr. Chairman. But I think the other thing we are saying here—we know we need to make improvements in legislation—but the other thing we are saying here is to use the price support authority we have. This is not all your fault, because you had that Budget Bureau downtown to contend with, and it is still there, but the legislative authority to raise price supports is on the books, and it was written by you men, you two men, and also the other members of the Senate Agricultural Committee.

I am talking specifically about the levels of support referred to in Table II.

Senator HOLLAND. Of course, the fact of the matter is that the legislation on the books with reference to price supports does not give carte blanche to anybody. It is a prescribed standard we had to follow. We just had a discussion a while ago about an argument as to whether price supports for a certain commodity last year were in accord with the legislative guidelines. There was a question as to whether or not they were in accord, in other words, and this year in that same commodity they conceivably are in accord.

I am not stating which is right, but the question is, which you are advancing, you want a more generous basic legislation and I am saying we are going to have to consider that in the Legislative Committee either this year or the next, and then is the time to make your case strongly.

## BUDGET REQUEST RECOMMENDATIONS

The point we are trying to find out now is just what appropriations you feel should be changed from those that are recommended in either the Johnson budget or in the Nixon budget with which you are familiar, which came in in the early part of the week, and which make not too many changes in the earlier budget. That is really what this committee is concerned about.

## SPECIAL MILK PROGRAM

Mr. JOHNSON. Mr. Chairman, we are going to move to that now, and Mr. McDonald is going to make a comment on that, but I want to say we are strongly in favor of maintaining the special milk program. It has kind of gotten "bogged down" over in the House, as you know, and we are hoping we can salvage it and we urge you to fund the program to the full level.

## FOOD PROGRAM

Mr. Chairman, I would like to say, too, we carefully analyzed the food program of the Department of Agriculture, and our delegates went on record recently in favor of keeping these programs in the Department of Agriculture.

Senator HOLLAND. Do you speak solely of the school lunch and allied programs and distribution, or are you speaking also of the food stamps?

Mr. JOHNSON. All of the programs, including stamps. We believe, and the idea was expressed, that there would not have been any program started if these programs had not been administered in the Department of Agriculture. In the second place, I know the people over there running those programs, and they are some of the most capable administrators in the Government, in my opinion.

We don't believe in moving the programs, that moving the programs is going to do one thing to improve the programs. I am not worried about it being charged to the Department of Agriculture because they have published a budget over there, a table showing the breakdown of expenditures for the Farm Programs and expenditures for these food programs.

I might also say, as Senator Ellender knows, we have a little trading opportunity here with some of the city members of Congress, particularly on the House side, Senator Ellender, and I don't think we ought to try to give that away, either. Mr. Chairman, I may take that out of the record when I look at my testimony.

Senator HOLLAND. Whether you take it out of the record or not, we will remember you suggested there might be some trading possibilities.

Mr. JOHNSON. All right, I hope you will.

Senator HOLLAND. It was a thought that was not entirely new to the members of the committee.

Senator ELLENDER. You might as well leave it in the record because everybody knows about it.

Mr. JOHNSON. All right, sir, with that comment, I shall.

## PAYMENT LIMITATION

Mr. Chairman, we faced up to one of the toughest decisions that a farm organization like ourselves has had to make in a long time, and that is what to do about the payment limitation controversy. As long as we are talking here in an Appropriations Committee and as long as amendments have been offered on appropriations bills to limit payments, I think I ought to comment on what our delegates decided in a recent convention.

We didn't want to interfere with the workability of the farm commodity programs, yet we recognize we have a very serious problem, also somewhat political in nature. Therefore, we have decided on a graduated formula to put a limitation on payments. It was a controversial issue at our convention, and there was a heated discussion of it.

Our formula is much higher than those that have been offered in general in the House, at least. We recommend this: that up to 25,000, and this is to limit the amount of certificates, diverted acreage and direct payments, for crops of feed grains and cotton and wheat only.

Senator HOLLAND. No loans?

Mr. JOHNSON. No loans will be involved, just payments. Up to \$25,000 we give 100 percent to the producer. From between 25,000 and 35,000, it is 75 percent, which would be \$7,500. Between 35,000 and 45,000 we will give 50 percent, or \$5,000, making a total maximum limitation of \$37,500.

Senator HOLLAND. Senator Ellender?

Senator ELLENDER. Suppose your plan is followed on a sufficient number of acres to affect your production and consumption, both domestic and foreign. What will become of the program? Will you have a surplus that will dangle over the market to keep prices down?

Mr. JOHNSON. Mr. Chairman, this wouldn't affect hardly any feed grain producers.

Senator ELLENDER. That is why you adopted it?

Mr. JOHNSON. It affects very few wheat producers, only about one half of one percent of farmers would be affected. It does get us out of controversy we have of a continual harping away at these large payments. Sir, we tried to cope with this intelligently and, as I say, it was a controversial matter at our convention.

We, following the best judgment of our Program Committee and delegates, came up with this formula and I submit it to you for whatever use and information you want to make of it.

Senator HOLLAND. May I ask you one question, have you applied this to the active payment figure so you are able to say at what reduction of the payments, for instance, last year, would be accomplished by the adoption of your formula?

Mr. JOHNSON. If you put a flat 25,000 limit on it, it would save about \$275 million to \$300 million. This figure, since it wouldn't put a flat 25, but would graduate above 25, we have not calculated exactly, but it would be something less than \$280 million. I would make an estimate of about \$180 million to \$200 million.

Senator HOLLAND. What I understand you are doing is suggesting something in a defensive way, and you are trying to suggest something on a graduated basis which is somewhat comparable to the Sugar Program, except that in the Sugar Program there is no ceiling.

In the Sugar Program, up to a certain point, 100 percent prevails. That is for the small grower.

Mr. JOHNSON. Yes.

Senator HOLLAND. Well, it is really 80 percent rather than 100 percent. But the highest level applies up to a certain point. Then beyond that it is reduced to another point and beyond that reduced to another point, and then further reduced, but never getting to the zero position, which your contention seems to involve.

Mr. JOHNSON. Yes, sir. We did not want to come up with a flat limitation. We thought a graduated approach would be some help.

Senator HOLLAND. It is graduated, except it has a financial limitation which is much under what has been paid in cases of certain commodities.

Mr. JOHNSON. Again, Mr. Chairman, as I say, this is an attempt on our part, to meet a tough problem. We have criticisms pouring in. It is ironic that some of the critics are supposedly representatives of farmers. We felt we ought to

make some recommendation to the Congress that we had talked about this long enough.

So, we decided to come up and make a recommendation. I would like to call on Mr. McDonald to comment on a few specific items.

Senator HOLLAND. We will be glad to hear Mr. McDonald and we hope he will be making his suggestion along the line of heavy cuts in the budget. We would expect that from a man of his name.

Mr. JOHNSON. He is not a heavy tipper if his own money is involved, but he is a big spender in this field.

#### RESTORATION OF BUDGET REDUCTIONS

Mr. McDONALD. I believe, Senator Holland, you very kindly pointed out the native quality of my race. I believe when I responded, I was talking about somebody else's money but not about my own.

Despite the fact that President Johnson had reduced appropriations in some instances, President Nixon has recommended even greater cuts. For example, the Agricultural Conservation Program was eliminated altogether. We strongly feel that this revision is a costly mistake.

#### RURAL ELECTRIFICATION PROGRAM

The Administration recommended appropriations for the rural electrification program still stand at \$345 million which was the amount recommended by President Johnson. The annual survey made by the National Association of Rural Electric Cooperatives indicates that at least \$600 million is needed for rural electrification loans. The Committee will recall that we have indicated similar amounts were needed in past years.

#### FHA WATER AND SEWAGE GRANTS

One of the most successful programs, according to our information, is the water and sewage grants which are administered by Farmers Home Administration. We note that this program is cut by \$24 million. We urge the Committee to restore this amount.

Senator HOLLAND. May I ask you to make it clear for the record, is this cut by the Johnson budget or the Nixon budget?

Mr. McDONALD. I believe, Mr. Chairman, it is the Nixon cut. I don't find it readily here. I think it is correct.

Senator HOLLAND. You can correct it for the record. I just wanted that fact to show. I have not had a chance to explore it.

Mr. McDONALD. I will check the exact situation when I go over the testimony.

#### SOIL CONSERVATION SERVICE AND FOREST SERVICE

Other programs suffer minor cuts, including Soil Conservation Service and Forest Service. We hope that the Committee will restore these cuts also.

## PACKERS AND STOCKYARDS ACT

One of the most important activities of the Department of Agriculture pertains to the Packers and Stockyards Act. We would like to express the thought that Donald Campbell, who is Administrator of the Act, has with extremely limited funds done an excellent job. He and his assistants have worked diligently to protect both farmers and consumers.

As the Committee will recall, we recommended previously that the funds for enforcement of the Act be greatly increased. The record of the Packers and Stockyards Administration during the last year reinforces our recommendation that the budget of this agency be increased by about \$1 million and not decreased.

Mr. Chairman, that concludes my prepared testimony.

Senator HOLLAND. Thank you very much, Mr. McDonald. Does that complete your testimony?

Mr. JOHNSON. It does, Mr. Chairman.

Senator HOLLAND. We thank you.

TABLE I.—NATIONAL AVERAGE SUPPORT PRICES FOR FARM COMMODITIES COMPARED WITH 1968 SUPPORT

Supported commodities	Unit	Parity price, Mar. 15, 1969 (dollars)	1969 support (dollars)	1969 support as percentage of March 15 parity (percent)	1968 support (dollars)
Wheat	Bushel	2.72	1.72	100	1.2.63
Do	do		1.25	46	1.25
Corn	do	1.70	1.35	79	1.35
Sorghum <sup>5</sup>	Hundredweight	2.75	2.14	78	2.14
Barley <sup>5</sup>	Bushel	1.40	.90	64	.90
Oats <sup>6</sup>	do	.926	.63	68	.63
Rye <sup>5</sup>	do	1.45	1.02	70	1.02
Rice	Hundredweight	7.20	4.60	64	4.60
Soybeans	Bushel	3.59	2.25	63	2.50
Flaxseed	do	4.21	2.75	65	2.90
Cottonseed	Ton	72.70	37.00	51	48.00
Cotton <sup>7</sup>	Pound	.472	.325	69	.325
Peanuts	Ton	322.00	( <sup>9</sup> )		
Dry beans	Hundredweight	11.00	6.39	58	6.38
Milk, manufactured	do	5.15	4.28	83	4.28
Butterfat	Pound	.915	.686	75	.66
Tobacco—Flue-cured	do	.911	.638	70	.616
Wool	do	.926	.69	75	.67
Mohair	do	1.21	.774	64	.774

<sup>1</sup> Support for domestic food use—\$1.25 loan rate plus \$1.38 certificate on 530,000,000 bushels to equal the parity price.

<sup>2</sup> All wheat.

<sup>3</sup> Support for wheat production not certificated.

<sup>4</sup> Anticipates price support payment in 1969 on  $\frac{1}{2}$  of base acreage as follows: Corn, 30 cents; sorghum, 53 cents; corn and grain sorghum loan rates are \$1.05 and \$1.61, respectively. 20 percent reduction (maximum) from feed grains base required to qualify for payment.

<sup>5</sup> No. 2 or better.

<sup>6</sup> No. 3.

<sup>7</sup> Middling 1-inch upland.

<sup>8</sup> Includes price support payment of 12.24 cents per pound to qualifying producers. (Except 10-acre of under producers—or projected production from allotment of 3,600 pounds or under—get higher price without acreage reduction.) Program provides (1) basic price support loan on actual production of acres planted for harvest if effective farm allotment (EFA) is underplanted by at least 5 percent; (2) additional price support (payments) on projected yield of acres planted within domestic farm allotments (DFA); and (3) diversion payments on acreage diverted (not less than 5 percent or more than 30 percent.)

<sup>9</sup> Not available.

Source: Agricultural Prices, Mar. 15, 1969, USDA and NFU calculations.

TABLE II.—COMPARISON OF CONGRESSIONAL AUTHORIZED LEVELS OF PRICE SUPPORTS WITH CURRENT LEVEL OF USDA PRICE SUPPORT

Supported commodities	Unit	Congressional directed range of support, percent	Level of USDA support, Mar. 15, 1969	
			Dollars	Percent <sup>1</sup>
Wheat, domestic certificate	Bushel	100	2.72	100
Other	do	0-100	1.25	46
Corn	do	2 65-90	3 1.35	79
Sorghum	Hundredweight	( <sup>4</sup> )	2 2.14	78
Barley	Bushel	( <sup>4</sup> )	.90	64
Oats	do	( <sup>4</sup> )	.63	68
Rice	Hundredweight	65-90	4.60	64
Soybeans	Bushel	0-90	2.29	63
Flaxseed	do	0-90	2.75	65
Cottonseed	do	0-90	48.00	51
Cotton, 1-inch Middling, average location	Pound	65-90	3 3256	69
Peanuts	do	75-90		
Dry beans	Hundredweight	0-90	6.39	58
Milk, manufacturing	do	75-90	4.28	83
Butterfat	do	75-90	.686	75
Tobacco, Flue-cured	Pound	( <sup>4</sup> )	.616	
Wool	do	( <sup>4</sup> )	.69	75

<sup>1</sup> Percentage of parity.

<sup>2</sup> If acreage diversion program is in effect.

<sup>3</sup> Anticipates price support payment in 1969 on one-half of base acreage as follows: corn, 30 cents; sorghum, 53 cents; corn and grain sorghum loan rates are \$1.05 and \$1.61, respectively. 20 percent reduction (maximum) from feed grains base required to qualify for payment. (Barley has been dropped from the program.)

<sup>4</sup> At such level for each as to be fair and reasonable in relation to the support price for corn.

<sup>5</sup> Includes price support payment of 12.24 cents per pound earned on the farm's domestic allotment, which is 65 percent of the effective farm allotment. The loan rate is 20.25 cents per pound.

<sup>6</sup> Adjusted annually in accordance with changes between the 1959 parity index and the average parity index for the 3 years preceding the year for which support is being determined.

<sup>7</sup> Adjusted annually by multiplying 62 cents by the ratio of the average parity index for the 3 preceding calendar years to the average parity index for the calendar years 1958, 1959 and 1960.

TABLE III.—GROSS NATIONAL PRODUCT HAS INCREASED 282.2 PERCENT SINCE 1947 WITH NONFARM GROUPS SHARING SUBSTANTIALLY IN THE INCREASE IN THE NATION'S GROWTH. BUT FARMERS' NET INCOME HAS INCREASED BY ONLY 1.9 PERCENT SINCE 1947—FARM ECONOMIC SITUATION COMPARED WITH OTHER GROUPS

	In billions of dollars						Percent change 1947-68
	1947	1961	1965	1966	1967	1968	
Farmers' total net income <sup>1</sup>	15.5	13.0	15.0	16.1	14.6	2 15.8	+1.9
Farmers' total gross income	34.0	39.8	44.9	49.6	49.1	2 51.1	+50.3
Farmers' production expenses	16.8	27.1	30.9	33.4	34.8	2 36.3	116.1
Interest received by creditors	8.2	25.0	38.7	43.1	46.8	2 54.7	+567.1
Dividends received by corporation stockholders	6.5	13.8	19.8	21.7	22.9	2 25.5	+292.3
Business and professional income	19.9	35.6	42.4	44.8	46.3	2 48.3	+142.7
Rental income of landlords	6.5	16.0	19.0	19.8	20.3	2 21.3	+227.7
Average weekly earnings of all manufacturing workers <sup>3</sup>	59.92	92.34	107.53	112.34	114.90	2 127.82	+113.3
Gross national product	232.2	520.1	684.9	747.6	789.7	2 887.4	+282.2
Unemployment (1968): <sup>2</sup>							
Millions	2.6						
Percent of labor force	4 3.3						

<sup>1</sup> Including net inventory change.

<sup>2</sup> Seasonally adjusted annual rate.

<sup>3</sup> Dollars.

<sup>4</sup> Seasonally adjusted.

Source: Economic Indicators, published by President's Council of Economic Advisors, March 1969.

TABLE IV.—AVERAGE PRICES RECEIVED BY FARMERS FOR FARM PRODUCTS UNITED STATES

Commodity	Unit	1947-49 crop season average	Season average 1968	Percentage change 1967 from 1947-49 average
Wheat.....	Bushel.....	\$2.05	<sup>1</sup> \$1.70	-17.1
Rye.....	do.....	1.46	.907	-44.7
Rice (rough).....	Hundredweight.....	4.98	5.00	+1.0
Corn.....	Bushel.....	1.56	<sup>2</sup> 1.05	-32.7
Oats.....	do.....	.804	.591	-26.5
Barley.....	do.....	1.32	.876	-33.6
Sorghum, grain.....	Hundredweight.....	2.52	<sup>2</sup> 1.67	-33.7
Hay, all baled.....	Ton.....	22.80	23.20	+1.7
Cotton, upland.....	Pound.....	.293	<sup>3</sup> .253	-13.6
Cottonseed.....	Ton.....	65.50	50.70	-22.5
Soybeans.....	Bushel.....	2.59	2.42	-6.5
Peanuts.....	Pound.....	1.03	.119	+15.0
Flaxseed.....	Bushel.....	5.16	2.18	-45.9
Potatoes.....	Hundredweight.....	2.43	2.09	-14.3
Beans, dry edible.....	do.....	8.69	8.09	-6.0
Milk fat, in cream.....	Pound.....	.705	.660	-6.6
Milk, manufactured.....	Hundredweight.....	3.33	4.32	+19.8
Wool.....	Pound.....	.469	<sup>4</sup> .405	-13.6

<sup>1</sup> Includes average value of marketing certificate.

<sup>2</sup> Does not include payments. Program participants reducing 20 percent from feed grains base were eligible in 1968 to receive payments on  $\frac{1}{2}$  of base acreage as follows: Corn, 30 cents per bushel; sorghum, 53 cents per hundredweight; corn and grain sorghum loan rates are \$1.05 and \$1.61, respectively.

<sup>3</sup> Excludes price-support payment.

<sup>4</sup> Excludes incentive payment.

Source: USDA, April 1969.

TABLE V.—PARITY RATIO AND INDEX OF PRICES PAID BY FARMERS (1910-14 EQUALS 100)

Item	Average 1947-49	Mar. 15, 1969 <sup>1</sup> (Mar. 15, 1969)	Percent change, average 1947-49
Parity ratio.....	108	<sup>2</sup> 74	-31.5
All items: Production, interest, taxes, and wage rates.....	250	385	+54.0
Family living items.....	244	347	+42.2
Food and tobacco.....	239	332	+38.9
Clothing.....	285	436	+53.0
Household operation.....	178	242	+36.0
House furnishings.....	256	276	+7.8
Building materials, house.....	339	485	+43.1
Auto and auto supplies.....	233	365	+56.7
Production items.....	237	303	+27.8
Feed.....	231	204	-16.7
Feeder livestock.....	348	405	+16.4
Motor supplies.....	140	186	+32.8
Motor vehicles, auto, trucks, and tractors.....	290	535	+84.5
Farm machinery.....	239	496	+107.5
Farm supplies.....	235	283	+20.4
Building and fencing materials.....	296	447	+51.1
Fertilizer.....	143	147	+2.8
Seed.....	242	251	+3.7
Interest <sup>3</sup> .....	79	557	+605.1
Taxes <sup>4</sup> .....	270	1,020	+277.7
Wage rates <sup>5</sup> .....	430	965	+124.4

<sup>1</sup> Or latest information available.

<sup>2</sup> Adjusted to include direct payments; parity ratio is 80.

<sup>3</sup> Interest payable per acre on farm real estate debt.

<sup>4</sup> Farm real estate taxes payable per acre (levied in preceding year).

<sup>5</sup> Seasonally adjusted.

Source: Agriculture Prices, USDA, Mar. 15, 1969.

TABLE VI.—INDEX OF PRICES RECEIVED BY FARMERS, UNITED STATES

[1910-14=100]

Unit	Average 1947-49	Mar. 15, 1969	Percent change average 1947-49 <sup>1</sup> (Mar. 15, 1969)
All farm products.....	271	272	+0.3
All crops.....	247	229	-7.3
Food grains.....	246	156	-36.6
Feed grains and hay.....	230	164	-28.7
Cotton.....	264	173	-34.5
Tobacco.....	384	583	+52.8
Oil-bearing crops.....	318	259	-18.6
Feed grains.....	241	160	-33.6

Source: Agricultural Prices, USDA, April 1969.

TABLE VII.—BALANCE SHEET OF AGRICULTURE, UNITED STATES, JAN. 1, SELECTED YEARS, 1956-67<sup>1</sup>

[In billion dollars]

Item	1956	1960	1963	1964	1966	1967	1968 <sup>2</sup>
ASSETS							
Physical assets:							
Real estate.....	102.9	130.2	143.8	152.1	172.5	182.5	193.7
Nonreal estate:							
Livestock <sup>2</sup> .....	10.6	15.2	17.3	15.8	17.5	18.9	18.7
Machinery and motor vehicles.....	19.3	22.2	22.7	24.1	27.1	28.9	31.0
Crops stored on and off farms <sup>3</sup> .....	8.3	7.7	9.3	9.8	9.7	10.0	9.5
Household furnishings and equipment.....	10.5	9.6	9.0	8.9	8.6	8.4	8.5
Financial assets:							
Deposits and currency.....	9.5	9.2	9.2	9.2	10.0	10.3	10.9
U.S. savings bonds.....	5.2	4.7	4.4	4.2	4.1	3.9	3.8
Investments in co-ops.....	3.3	4.3	5.3	5.7	6.5	6.9	7.4
Total <sup>4</sup> .....	169.6	203.1	221.0	229.8	256.0	269.8	283.5
CLAIMS							
Liabilities:							
Real estate debt.....	9.0	12.1	15.2	16.8	21.2	23.3	25.5
Nonreal estate debt to Commodity Credit Corporation <sup>5</sup> .....	1.9	1.2	2.0	1.9	1.4	1.2	1.4
Other reporting institutions <sup>6</sup> .....	4.4	6.7	8.5	9.5	11.1	12.4	13.7
Nonreporting creditors <sup>7</sup> .....	3.5	4.8	6.0	6.7	7.9	8.8	9.8
Total liabilities.....	18.8	24.8	31.7	34.9	41.6	45.7	50.4
Proprietor's equities.....	150.8	178.3	189.3	194.9	214.4	224.1	233.1
Total <sup>4</sup> .....	169.6	203.1	221.0	229.8	256.0	269.8	283.5

<sup>1</sup> For 48 States only.<sup>2</sup> Beginning with 1961, horses and mules are excluded.<sup>3</sup> Includes all crops held on farms and crops held off farms as security for CCC loans.<sup>4</sup> Total of rounded data.<sup>5</sup> Nonrecourse CCC loans secured by crops owned by farmers and included as assets in this balance sheet.<sup>6</sup> Loans of all operating banks, the production credit associations, and the Farmers Home Administration, and discounts of the Federal intermediate credit bank for agriculture credit corporations and livestock loan companies.<sup>7</sup> Loans and credits extended by dealers, merchants, finance companies, individuals, and others.

TABLE VIII.—SELECTED STATISTICS ON U.S. AGRICULTURE

Item	Unit	1947-49	1950	1954	1960	1961	1962	1963	1964	1966	1967	1968
Total population <sup>1</sup> .....	Million	146.6	151.7	162.4	180.7	183.8	186.7	189.4	192.1	196.9	199.1	201.2
Index number.....	Percent of 47-49	100	103	111	123	125	127	129	131	134	136	137
Farm population.....	Million	24.3	23.0	19.9	15.9	14.6	14.3	13.4	13.0	11.6	10.8	10.5
Percent of total.....	Percent	16.9	15.2	11.7	8.7	8.0	7.7	7.1	6.7	5.9	5.4	5.2
Farm output.....	Number	100	101	109	125	126	127	131	131	133	139	141
Persons supplied per farmworker.....	Number	14.5	15.5	18.1	25.8	27.6	28.6	30.7	33.2	39.5	42.5	45.0
Output per man-hour <sup>2</sup> .....	Percent of 47-49	100	113	137	213	222	235	254	265	294	313	326
Prices received.....	Percent of 10-14	271	298	246	239	240	244	243	237	267	255	260
Prices paid.....	Percent	250	256	278	300	302	307	312	313	334	342	354
Parity ratio.....	Percent	108	101	89	80	80	80	78	76	80	74	74
Value of agriculture:	Billion dollars	3.6	3.0	2.9	4.5	5.0	5.1	5.1	6.1	6.7	6.8	6.3
Exports <sup>3</sup> .....	Percent	9.7	12.5	17.1	23.6	24.8	26.8	29.7	33.0	40.2	44.5	49.0
Farm debt <sup>4</sup> .....	Percent	9.7	12.5	17.1	23.6	24.8	26.8	29.7	33.0	40.2	44.5	49.0
Market basket:	Dollar	940	920	986	991	997	1,006	1,013	1,013	1,095	1,080	1,118
Retail cost.....	Dollar	466	432	421	383	380	384	374	374	443	414	434
Farm value.....	Percent	474	488	565	608	614	622	639	640	652	666	684
Marketing margin.....	Percent	50	47	43	39	38	38	37	37	40	38	39
Farm income: <sup>1</sup>	Billion dollars	33.5	32.3	33.6	38.1	39.8	41.3	42.3	42.6	49.6	49.1	50.8
Realized gross.....	Percent	17.9	19.4	21.6	26.4	27.1	28.6	29.7	29.5	33.4	34.8	35.9
Production expense.....	Percent	15.6	17.9	17.0	11.7	12.6	12.6	12.6	13.1	16.2	14.2	14.9
Realized net.....	Dollar	2,682	2,277	2,503	2,962	3,309	3,424	3,533	3,802	5,000	4,526	4,863
Number of farms.....	Thousand	5,799	5,648	4,798	3,962	3,821	3,685	3,561	3,442	3,239	3,146	3,059

<sup>1</sup> Includes 50 States beginning 1960.<sup>2</sup> Revised.<sup>3</sup> Fiscal year ending June 30 of year shown.<sup>4</sup> Outstanding on Jan. 1, excludes CCC loans.

COMPARISON OF FARMERS' GROSS RECEIPTS  
from Selected 1968 Crops

under  
(a) Existing Price Support Policies,  
and  
(b) Price Support at Maximum Authorized Levels

COMMODITY, UNIT	1968 PROD- DUCE ON	AUTHORIZED LEVEL OF SUPPORT, PERCENT OF PARITY <sup>1</sup>		LEVEL OF SUPPORT		AVERAGE PARITY PRICES PER UNIT RECEIVED FEB. 1969		MARKET VALUE OF PRODUCTION <sup>3</sup>		(A) UNDER CURRENT PROGRAMS		(B) UNDER MAXIMUM AUTHORIZED PRICE SUPPORT <sup>4</sup>		(C) INCREASE		(B) MINUS (A)		
		MILL. UNITS	PCT.	DOL.	PCT.	DOL.	DOL.	PCT.	MILL. DOL.	MILL. DOL.	PRICE SUPPORT PER UNIT OF SIMILAR PAYMENTS	ACREAGE DIVERSION PAYMENTS	TOTAL	MARKET VALUE PER UNIT AT TOTAL <sup>5</sup> LEVEL	GROSS INCOME	PERCENT	VALUE	PERCENT
					AS A PCT. OF CURRENT UNIT	AS A PCT. OF RECEIVED FEB. 1969												
Wheat, bu.	1,570		2.63	100	1,274	2.68	100	1,921	4,208	745		2,666	4,208	1,542	58	0.05	2	
Domestic for food	540	100 (M)	2.63	100												1.43		
Other	1,030	0-100	1.25	47.5														
Corn, bu.	4,375	65-90 (M)	1.35	82	1,081	1.67	108	4,601	6,576	514	651	5,766	7,227	1,461	25	.15	11	
Grain sorghums, cwt.	414	65-90 (M)	2.15	82	1,741	2.71	887	890	1,010	114	89	890	1,099	209	23	.29	13	
Barley, bu.	418	65-90 (M)	.30	67	.974	1.38	364	556	518			364	518	154	42	.34	38	
Oats, bu.	930	65-90 (M)	.63	71	.625	.911	556	527	763			556	763	207	37	.19	30	
Rice, rough, cwt.	105	65-90 (M)	4.60	66	4.71	7.08	527	527	669			527	669	142	27	1.77	38	
Soybeans, bu.	1,080	0-90	2.53	74	2.46	3.53	2,617	3,434	3,434			2,617	3,434	817	31	.65	26	
Flaxseed, bu.	27	0-90	2.90	72	2.77	4.14	77	77	101			77	101	24	31	.83	29	
Cottonseed, tons	4.5	0-90	48.00	69	48.90	71.50	227	227	290			227	290	63	28	16.35	34	
Cotton, bales <sup>6</sup>	10.8	65-90 (M)	20.69	65	0.1933	0.463	1,352	1,352	2,311			1,352	2,311	959	35	8.083	29	
ELS <sup>7</sup>	108	65-90 (M)	.4869	65	.4191	.748	18	18	26			18	26	8	44	.19	38	
Peanuts, lbs.	2,528	75-90 (M)	1.201	77	0.118	0.159	300	300	362			300	362	62	21	.023	19	
Dry beans, cwt.	18	0-90	6.38	61	8.41	10.90	144	144	177			144	177	33	23	3.43	54	
Tobacco, lbs.	989	7(M)	.616	71	0.535	.897	529	529	609			529	609	80	--	--	--	
Wool, lbs.	567	7(M)	.635	70	0.724	.937	403	403	354			403	354	(49)	--	--	--	
Milk, cwt.	1,178	7(M)	.67	77	0.398+	.911	78	53	131			131	131	--	--	--	--	
Fluid	540				5.51	6.39	86,490	86,490	86,752			86,490	86,752	262	4	--	--	
Other, incl. mgr.	638	75-90 (M)	4.28	89	4.36	5.07	3,235	3,235	2,782			2,782	2,909	127	5	.25	28	
<b>TOTALS</b>			<b>26,905</b>		<b>2,068</b>	<b>885</b>	<b>29,858</b>	<b>34,425</b>	<b>35,310</b>			<b>5,452</b>						

<sup>1</sup>(M) signifies support is mandatory; otherwise, permissive. <sup>2</sup>+ indicates that, in addition, cooperators received payments. <sup>3</sup>Where available, data from Crop Values, Dec. 1968.  
<sup>4</sup>With percentages of parity translated to unit prices on Feb. 1969 basis. <sup>5</sup>Including acreage diversion payments as listed under (a). <sup>6</sup>Production is in bales, prices are per pound.  
<sup>7</sup>Authorized support is the result of a mathematical formula which results in a specific unit price. <sup>8</sup>Includes a balancing figure of 9473 millions, compensating for milk used in other channels, such as retailed by producers, etc.

Prepared by: Reuben L. Johnson, Director of Legislative Services, National Farmers Union, 1012-14th St., N. W., Washington, D. C. 20005

## STATEMENT OF AFL-CIO

AMERICAN FEDERATION OF LABOR AND  
CONGRESS OF INDUSTRIAL ORGANIZATIONS,  
Washington, D.C., June 3, 1969.

HON. SPESSARD L. HOLLAND,  
*Chairman, Department of Agriculture and Related Agencies Subcommittee,  
Committee on Appropriations, U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Earlier this year, the AFL-CIO Executive Council adopted a statement reiterating its support for programs to help those who work in agriculture—laborers and farm proprietors alike. This was basically a restatement of a long-standing position of the labor movement.

In adopting the statement, the Council recognized that the unique problems of agriculture still require government aid to help many farmers obtain a fair return for their production. But, the Council pointed out, excessive payments to huge farming operations, corporate and otherwise, "cannot be justified," and it recommended that a "reasonable ceiling . . . be placed on the federal income maintenance benefits paid to any farm."

We believe the \$20,000 payments limitation provision adopted last week by the House of Representatives as part of the agriculture appropriations bill for fiscal 1970 represents a "reasonable ceiling." We therefore urge that your subcommittee and the full Committee on Appropriations accept the provision and include it in the bill reported for consideration on the floor of the Senate.

It is our view that such a provision will make the operation of farm programs more equitable and, at the same time, go far toward eliminating one of the sources of opposition to farm subsidy programs. Many Americans find it difficult to justify the huge subsidy payments to large producers under the best of economic circumstances. They see no justification for them at a time such as this when pressing domestic needs of the American people are going unmet because of a tight budgetary situation.

I understand that your subcommittee will hold a hearing this week on the House provision limiting the amount of subsidy payments. We would appreciate it if this letter could be printed as part of the hearing record.

Sincerely,

ANDREW J. BIEMILLER,  
*Director, Department of Legislation.*

## STATEMENT OF THE NATIONAL GRANGE

NATIONAL GRANGE,  
Washington, D.C., June 6, 1969.

HON. SPESSARD L. HOLLAND,  
*Chairman, Subcommittee on Agriculture and Related Agencies, Committee on  
Appropriations, U.S. Senate, Washington, D.C.*

DEAR SENATOR HOLLAND: As Master of the National Grange, I appreciate this opportunity to apprise this Committee of the Grange's opposition to changing present farm programs by the indirect or "back door" method of amendment to the appropriation bill, H.R. 11612, now pending before this Committee of the Senate.

Present supply-management farm programs were developed and enacted by the Congress for the two-fold purpose of maintaining a reasonable income for the American farmer and a plentiful food and fiber supply for all Americans.

We firmly believe that changes in such programs should come only after hearings before the appropriate committees of the Congress.

Final approval of the \$20,000 limitation on the aggregate payments a single farmer can receive under the cotton, feed grains, wheat and wool programs will upset the production control features of the Agricultural Act of 1968 by forcing the large farmer to operate outside the program. We wholeheartedly support Secretary of Agriculture Hardin's testimony before this Committee which has given conclusive evidence that the imposition of the \$20,000 limitation will not save the government money, but will instead trigger the so-called "snap back" provisions of the present cotton program. These provisions call for the loan support price to increase from the present 21¢ per pound to 31½¢ per pound if payment limitations are imposed.

At the present time, the cotton program is costing the Federal Treasury approximately 10¢ per pound. The \$20,000 limitation of payments would increase the Federal Treasury's investment in cotton to approximately 20¢ per pound.

The net result would be as follows:

- (1) Increase in support price or loan price from 21¢ to 31¢ per pound.
- (2) This incentive for increased production would swell cotton stocks in C.C.C.
- (3) To enable U.S. to sell cotton on world markets would cost the Treasury an additional 10¢ per pound in an export subsidy.
- (4) Loss of foreign markets would further reduce our balance of payments.
- (5) Higher price of cotton would mean further loss of domestic market to man-made fibers.
- (6) The estimated cost of the \$20,000 limitation of payments would increase the cost to the Federal Treasury by approximately 700 million dollars.

In light of the above, if you are interested in saving money on the agriculture appropriations bill for fiscal 1970, we would urge you to remove the limitation of payments amendment from H.R. 11612.

Sincerely,

JOHN W. SCOTT, *Master.*

STATEMENT OF AMERICAN FARM BUREAU FEDERATION

JUNE 5, 1969.

HON. SPESSARD L. HOLLAND,  
*Chairman, Subcommittee on Agriculture, Senate Appropriations Committee, New Senate Office Building, Washington, D.C.*

DEAR SENATOR HOLLAND: In response to your announcement of June 4th that the hearing record on the subject of the payment limitations provision of H.R. 11612, the USDA Appropriations Act for fiscal 1970 as passed by the House, would be open for statements by interested individuals and organizations, we are asking that you include this letter as a part of that record.

In our appearance before your Committee on April 18, 1969, we addressed ourselves to the matter of overall farm policy, including payment limitations. We stated in part as follows:

"The budget request before you comes close to full restoration of losses through 1968. That request for \$6,215,934,000—\$3,534,542,000 in New Spending Authority and \$2,681,392,000 in liquidation of contract authority—is a record. We mention this only to reaffirm our earlier point—that the rapidly rising costs of carrying out the Food and Agriculture Act of 1965 must be of concern to all of us who have responsibility in agriculture policy.

"Again, we realize there is little this Committee can do by itself to change the course of these expenditures. The Act itself provided for a virtually uncontrolled expenditure of funds. We think it unfortunate that a number of people are suggesting today that the only way to get control of CCC expenditures is to place a limitation on the amount of payments any farmer may receive. Instead of supporting payment limitations, we support new legislation to phase out payment programs, thus making any such limitation unnecessary.

"We know that the Farm Bureau proposal to change the direction of the farm program will have no bearing on spending during fiscal 1970, or, for that matter, fiscal 1971. But we also know that it is necessary for committees such as this to look further into the future than one or two years in making expenditure plans. We are attaching as an appendix to this statement a two-page summary of the legislation we are proposing.

"We hope you will study it, keeping in mind that it is designed to help solve not only the income problems of agriculture, but also some of the fiscal problems of the Commodity Credit Corporation and the U.S. Treasury."

The above statement was based upon the following policy adopted by the official voting delegates to the most recent annual meeting of the American Farm Bureau Federation:

"The Food and Agriculture Act of 1965 has been extended through December 31, 1970. This legislation has resulted in a very unsatisfactory level of farm prices for the covered commodities. We oppose the compensatory payment provisions of the Act of 1965.

"We favor legislative action on future farm program policy in 1969. Further delay in coming to a decision on this issue would only make the problem of adjustment more difficult for farmers.

"The problems of agriculture in the United States can be divided generally into two categories: first, the problems of commercial farmers and, second, the problems of other farmers. For too long we have attempted to apply the same remedy to the ills of both categories.

"We will support a transitional program to deal with the problems of non-commercial farmers. This could take the form of whole farm cropland retirement, permanent retirement of allotments, adjustment and retraining assistance, or other means.

"For the commercial farmer, we recommend a program which would move as rapidly as possible to the market system by phasing out acreage bases, acreage allotments, marketing quotas, and compensatory payments, with no limitations on payments to individuals during the phase-out. The following objectives should be observed in developing such legislation:

"It should include a practical land retirement program to facilitate needed adjustments in land use. This program should be voluntary, provide for competitive bids, take cropland out of production with emphasis on whole farms, and prohibit the grazing of any crop from retired acres.

"It must encourage production for use rather than government storage.

"It must assure adequate supplies of all qualities of farm products to meet market demands.

"It should assure expanded research to cut production costs and improve farmers' ability to compete in the market place.

"It should emphasize effective action to expand exports."

We trust that this statement makes the Farm Bureau position clear.

Yours very truly,

MARVIN L. McLAIN,  
*Legislative Director.*

LETTER FROM SENATORS MAGNUSON AND JACKSON

U.S. SENATE,  
*Washington, D.C., June 3, 1969.*

HON. SPESSARD L. HOLLAND,  
*Chairman, Agriculture Subcommittee,  
Appropriations Committee,  
Washington, D.C.*

DEAR MR. CHAIRMAN: Enclosed is a copy of a letter received from Bert L. Cole, Commissioner of Public Lands for the State of Washington, in which the Commissioner states his concern over the passage of H.R. 11612 without language excepting state-owned lands from the \$20,000 limitation.

The letter, with the attached telegram, describes the financial impact on the State of Washington. This appears to be another example of the drying-up of local revenue sources by the Federal Government.

Would you please have your subcommittee consider this problem at the appropriate time. Excepting state-owned lands seems to be a reasonable course of action, particularly because many states now are incurring financial difficulties.

Your consideration will be deeply appreciated.

Sincerely,

WARREN G. MAGNUSON.  
HENRY M. JACKSON.

STATE OF WASHINGTON,  
DEPARTMENT OF NATURAL RESOURCES,  
*Olympia, Wash., May 29, 1969.*

HON. WARREN G. MAGNUSON,  
*U.S. Senator,  
Senate Office Building,  
Washington, D.C.*

DEAR WARREN: On Monday, May 26, Julia Butler Hansen contacted us and requested some supporting arguments for exception of the state-owned lands from the proposed dollar limitation in the farm subsidy program that was being considered in HR 11612.

The proposed restriction limits the payment from the federal government to \$20,000 maximum to any one producer. Under the current interpretation of the existing statutes, our 130,000 acres of sharecrop cereal grain lands in Eastern Washington are considered as owned by "one producer". We have, as you know,

proposed a change in this definition several times. The current proposal in HR 11612 would cost our schools nearly \$200,000 per year.

We have heard indirectly that HR 11612 passed without an exception being provided for our state-owned lands. We do not know that this is so, but in the essence of time we are forwarding the attached information to you.

We certainly would appreciate any assistance that you might give us in effecting an exception for our state-owned lands.

Very truly yours,

BERT L. COLE,  
*Commissioner of Public Lands.*

[Telegram]

MAY 26, 1969.

HON. JULIA BUTLER HANSEN,  
*Washington, D.C.:*

We oppose any legislation which would limit the wheat certificates that the state of Washington, as a single producer, could receive for its state-owned school and institutional land.

Any restrictions or limit on the amount of certificate payment that the state of Washington can receive from lands granted the state for the support of our educational system will impose an unrealistic and inequitable ceiling. The state of Washington, as a lessor, has 478 individual leases on which cereal grains are produced. The land in each of these leases represents a part of each lessee's operating farm unit.

In fiscal year 1968 the state of Washington, on its cereal grain leases of trust lands, received \$208,389.12 from certificate payments, which will help finance our public schools. Payments for state-owned land to the state averaged \$435 per lease and \$1,305 per lease to the lessee with a maximum payment of less than \$5,000 to any one lessee for state-owned land. The beneficiaries of income from our state school land—our school children—total over 700,000.

If a \$20,000 limit is placed on each producer, the State would have to consider removing its 130,00 acres of cereal grain producing land from cooperation with the federal program. Any change or restriction to limit the certificate payments will not only be detrimental to our school financing, but could be damaging to over 478 lessees.

An alternative that would relieve the specific problem threatened on state-owned granted land here in Washington would be for the law to stipulate that a "state" will be considered a "producer" on each individual lease rather than a single "producer" for all state leased land combined.

STATEMENT BY WILLARD F. WILLIAMS

U.S. SENATE,  
COMMITTEE ON AERONAUTICAL AND SPACE SCIENCES,  
*Washington, D.C., June 9, 1969.*

HON. SPESSARD L. HOLLAND,  
*Chairman, Appropriations Subcommittee on Agriculture and Related Agencies.*

DEAR SPESSARD: The enclosed letter may have been received in my office too late to be included in the record of hearings you held in regard to the limitation of Federal payments to farmers. If it is not too late, I would like to include it in the record at the request of Michael T. Garrett, one of my constituents in Clovis, New Mexico. If it is too late, I would appreciate your consideration of the comments made in this letter in regard to the amendments to the Agriculture Appropriations Act.

Sincerely yours,

CLINTON P. ANDERSON.

TEXAS TECHNOLOGICAL COLLEGE,  
DEPARTMENT OF AGRICULTURAL ECONOMICS,  
Lubbock, Tex., June 6, 1969.

Senator CLINTON P. ANDERSON,  
Senate Office Building,  
Washington, D.C.

(c/o Mr. Claud Wood, Administrative Assistant).

DEAR SENATOR ANDERSON: The action of the House and Senate proposals for a \$20,000 limitation on Federal payments to farmers is a matter of grave concern to all knowledgeable individuals in this region including Eastern New Mexico. It is of special concern to those of us in position to know something about possible economic effects of the proposed limitation on highly industrialized farming areas such as this, as well as to those more directly affected. All urban communities in the region also would be severely affected.

My appeal is for the time necessary to determine more precisely the nature of effects on agriculture, agribusiness sectors of the region and the general economy of the region of the proposed limitation. Regardless of the position taken by individual senators, I am sure that all will want to know the facts about effects of a limitation, such as that proposed, before acting hastily. I am sure that none actually wish to destroy economic foundations of entire farming communities in certain areas. This, it seems to us, is what could happen in West Texas and Eastern New Mexico.

It seems probable that many other senators are not fully aware of the nature of larger farming operations in such areas as the High Plains, Arizona and California. With minor exceptions, these are not giant non-farm corporations growing rich at the expense of the public. Furthermore, most of the farms affected in this region are not unusual in size or scope of operations. For the most part they were and remain family operations. They are operations which have made the necessary adjustments to new technology, higher labor costs and widely varying prices necessary for survival even with government programs. These are the more progressive farms which are developing the capital resources required to keep agriculture progressive and to move it from a stagnant and depressed sector to its destined role as a part of our modern and industrialized economy. They are the farms that are using labor which otherwise would be classified as hard core unemployables and would contribute to rural or urban unemployment and poverty.

According to our preliminary analysis, farm income in this region and gross revenue of many local communities would be severely affected by the proposed limitation. Most of the High Plains farms are above average in size for the United States because sizes of these farms are required by the nature, costs and technology of farming in this country, i.e., by economic necessity. Given this fact, a high percentage of our farmers would be affected. They would be hit especially hard since production and marketing plans have been made on the basis of established legislation which did not even suggest the possibility of fixed dollar limitations. Farming organizations need more time than other type of business firms to adjust plans and established programs and enterprises to drastically changed economic conditions and rules of the game.

There are indications that total production of surplus farm commodities would be increased and that in one form or another, government costs of maintaining farm prices or incomes of program participants would be increased by the limitation. Established production and price relationships among crops also would be distorted. In this region, for example, cotton production probably would be reduced even more and, as you know, recent reductions in cotton production have greatly affected the economy of this region. The tendency would be to reduce cotton production in those areas and on those farms where it is being produced most efficiently and, as you undoubtedly are aware, substantial improvements in efficiency from existing levels is needed if this industry is to survive.

At the same time, production of grain sorghum and wheat, it appears, would be stimulated. This would reduce prices of our second most important crop, grain sorghum. Wheat prices already are at severely depressed levels.

The proposal also would force a considerable amount of inefficiency into the agriculture of this region. Some farms probably could survive by breaking holdings into separate units and assigning these to sons, uncles, etc. This would mean maintaining complete sets of equipment and fixed facilities for each unit and reducing flexibility in the use of labor. It would mean buying high cost inputs in smaller quantities and maintaining several sets of books instead of one. All of this

would tend to increase costs per unit of output and, thereby, reduce efficiency. The units were put together in the first place to increase efficiency enough to survive.

We cannot roll back the clock in this area and in many others to the typical 160 acre farm of the 1920's. Farms most affected by the proposal represent the emerging pattern for the future. It was inevitable that industrialization with increases in size and scope of operations eventually would appear in agriculture as it has in all other sectors of the economy. With emergence of larger farming operations out of agriculture itself we see for the first time some possibility of an agriculture with the knowledge and capability of managing its own affairs in a sound business-like way. This new light needs to be fostered and nourished instead of snuffed.

In any case, time for more complete analyses of effects of the proposal on the High Plains and other more advanced and progressive farming areas of the nation is needed. We need to be sure before proceeding that approval of the limitation would not severely handicap the adjustment process in agriculture and result in a much longer period of support by the Federal government than otherwise may be necessary. In the long run, approval of the proposal could cost the public as well as agriculture itself much more than it would save in direct payments. Studies of these suggested effects including effects on the structure of agriculture, efficiency, prevention of hard core unemployment, production, prices and long run costs to government should be made before hasty or emotional action is taken.

Sincerely yours,

WILLARD F. WILLIAMS,  
*Department Chairman and Horn Professor.*

STATEMENT OF NATIONAL MILK PRODUCERS FEDERATION

NATIONAL MILK PRODUCERS FEDERATION,  
*Washington, D.C., June 6, 1969.*

HON. SPESSARD L. HOLLAND,  
*Chairman, Subcommittee on Department of Agriculture and Related Agencies,  
Senate Office Building, Washington, D.C.*

DEAR SENATOR HOLLAND: In view of efforts to limit the amount of money that any farmer may receive as a result of complying with price support programs, we should like to express our opinion in opposition. We are deeply concerned since such limitation was included in H.R. 11612.

Although milk would not be affected by a limitation on payments to individual farmers, as contained in H.R. 11612, it is our view that any such limitation would seriously impair the effectiveness of the price support program to the detriment of all agriculture.

Milk produced on farms throughout all fifty states of the Union represents the largest agricultural commodity subject to mandatory price support. The price support program as applied to milk under the Agricultural Act of 1949 is carried out through a commitment on the part of the Commodity Credit Corporation to purchase butter, non-fat dry milk, and cheese at prices necessary to maintain for all milk marketed by farmers, prices at or above the support level for milk as announced by the Secretary of Agriculture. By use of this procedure, the Commodity Credit Corporation purchases a very small fraction of total production, but the results are to undergird the price structure throughout the entire dairy industry, involving market sales by farmers of some \$6 billion per year.

As the price support program is operated for milk, any limitation on payments would render the whole program ineffective, since the price received for milk by any farmer is in no way dependent upon milk of such farmer being purchased as products by the Commodity Credit Corporation. The price received for milk by a dairy farmer can in no way be traced to the specific products purchased by the Commodity Credit Corporation.

The National Milk Producers Federation is not intimately familiar with price support operations as applied to other commodities. Nevertheless, the goal of price support legislation has as its purpose the strengthening of market prices for all agriculture, and it would be our view that any limitation on payments under any of the programs would seriously impair the goal. If the agricultural production of large units were excluded from price support operations through a limitation on payments, the results could only be increased marketings from such units at lower prices, which would serve to depress price levels to all producers. Such a

limitation, then, would adversely affect small producers the most and it is the small producers who have greatest need of price enhancement.

The National Milk Producers Federation is the oldest and largest farm commodity organization in America, having been organized in 1916. Its membership is comprised of local and regional associations doing business throughout the fifty states. Thus, we have a vital interest in the price support program and in a healthy agricultural economy.

We would appreciate it if you would make this communication part of the hearing record.

Sincerely,

PATRICK B. HEALY, *Secretary.*

LETTER FROM OKLAHOMA WHEAT GROWERS TO FORMER SENATOR HAYDEN

OKLAHOMA WHEAT GROWERS ASSOCIATION,  
*Enid, Okla., May 30, 1969.*

Senator CARL HAYDEN,  
*Chairman Appropriation, Senate Office Building,  
Washington, D.C.*

DEAR SENATOR HAYDEN: AS I am sure you know the House Agricultural Appropriation Bill passed with a rider limiting individual A.S.C.S. payments to \$20,000. I am also sure that you know that the A.S.C.S. payments are a part of the price that farmers receive for their products and that the larger farmer has the same expense of production as does the small farmer, therefore, it seems hardly fair that a part of his price should be taken from him. This is particularly true of wheat since the Miller pays 75¢ per bushel into the treasury as a part of the A.S.C.S. payment which he in turn collects from the bakers and, therefore, indirectly from the consumer.

We realize that much is being made of the fact that large farmers are getting these large A.S.C.S. payments, which funds, it is claimed, could be used for other purposes. Certainly large corporations may receive a fair return on their investments the same as small businesses, all of which is legitimate income. If the large farmers due to the cut in payments should seed their full acreage it would sharply reduce the effectiveness of the program.

With the aforementioned facts in mind the board of directors of the Oklahoma Wheat Growers Association desire your support against the limitation of the A.S.C.S. payments.

We would appreciate hearing from you relative to this matter.

Sincerely,

FRED R. MERRIFIELD,  
*Executive Secretary.*

P.S.—Have written our two Oklahoma Senators.

## LETTER FROM THE NATIONAL ASSOCIATION OF WHEAT GROWERS

NATIONAL ASSOCIATION OF WHEAT GROWERS,  
Washington, D.C., June 5, 1969.

HON. SPESSARD L. HOLLAND,  
Chairman, Subcommittee on Department of Agriculture and Related Agencies,  
Senate Committee on Appropriations, New Senate Office Building, Wash-  
ington, D.C.

DEAR SENATOR HOLLAND: The National Association of Wheat Growers wishes to submit this letter for the record of the June 4 hearings before the Agriculture Subcommittee of the Senate Appropriations Committee.

In the view of our association, a limitation of payments to any one farm under the regulation of the wheat section of the 1965 Farm Act would be inconsistent with the major intents of that program. We also feel that an imposition of limitations would act to the detriment of our small farmers although their individual payments would not be affected by the proposed limit.

The present wheat supply management program was designed to adjust annual U.S. wheat production to within reasonable proximity of annual U.S. wheat disappearance. To accomplish this goal it is necessary to divert a specified number of acres from wheat production each year. If the program does not succeed in attracting sufficient acres into the diverted pool, the management of supply fails and the program will not work. If farmer Able is required to divert 100 wheat acres in order to be eligible for compensatory government payments, he has contributed 100 acres to the success of supply management and is paid accordingly. If his neighbor, Baker, must divert 1,000 acres in order to be in compliance, he is contributing 10 times as much toward the program goal as Mr. Able, and he should be paid in proportion. It should also be pointed out that farmer Baker has 10 times farmer Able's investment in his diverted acres, pays 10 times as much taxes on those acres, and has surrendered 10 times as much productive capacity by diverting them. To arbitrarily set payment limitations which would alter proportionate compensation to individual program participants would be unfair and certainly not consistent with the production control objectives as it would discourage voluntary cooperation by larger producers.

In the latter regard, it can be assumed with some certainty that those acres, normally diverted by larger farmers but forced into out-of-program production by limitations, would have to be compensated for by additional allotment reductions to the smaller farmers remaining in compliance. There is very little to recommend this type of secondary penalty.

The National Association of Wheat Growers believes that if an equitable system of farm payment limitation is to be discussed, it should be during consideration of new proposals of general farm legislation.

Sincerely yours,

GLEN HOFER,  
Executive Vice President.

OPINION OF GAO ADDRESSED TO THE SECRETARY OF AGRICULTURE  
COMPTROLLER GENERAL OF THE UNITED STATES,  
Washington, D.C., June 19, 1969.

The Honorable SPESSARD L. HOLLAND,  
Chairman, Subcommittee, Department of Agriculture and Related Agencies,  
Committee on Appropriations, U.S. Senate.

DEAR MR. CHAIRMAN: Enclosed for your information is a copy of our letter of today to the Secretary of Agriculture which is self-explanatory. The letter concerns certain questions which have arisen in connection with the \$20,000 payment limitation in H.R. 11612, as passed by the House of Representatives.

Sincerely yours,

ELMER B. STAATS,  
Comptroller General of the United States.

COMPTROLLER GENERAL OF THE UNITED STATES,  
Washington, D.C., June 19, 1969.

The Honorable the SECRETARY OF AGRICULTURE.

DEAR MR. SECRETARY: Your letter of June 4, 1969, presents for our consideration four questions which have arisen in connection with the \$20,000 payment limitation in H.R. 11612 (as passed by the House of Representatives) making

appropriations for the Department of Agriculture and related agencies for the fiscal year ending June 30, 1970.

The limitation in question which was a House floor amendment to H.R. 11612 provides: "Provided further, That no part of the funds appropriated by this Act shall be used to formulate or carry out any price support program (other than for sugar) under which payments aggregating more than \$20,000 under all such programs are made to any producer on any crops planted in the fiscal year 1970."

The answers herein are based on the provisions of H.R. 11612 and its legislative history as of the date of this letter.

Your first question reads as follows:

"Would the enactment of the \$20,000 payment limitation in the agriculture appropriation bill automatically bring into effect the snapback provision (section 103(d) (12) of the Agricultural Act of 1949, as amended)?"

You express the view that the snapback provision is mandatory and would automatically go into effect.

The so-called "snapback" provision, paragraph (12) of section 103(d) of the Agricultural Act of 1949, as amended, 7 U.S.C. 1444(d) (12) reads as follows:

*"Notwithstanding any other provision of this Act, if, as a result of limitations hereafter enacted with respect to price support under this subsection, the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled under paragraphs (2) and (3) of this subsection for any crop of upland cotton, (A) price support to cooperators shall be made available for such crop (if marketing quotas have not been disapproved) through loans or purchases at such level not less than 65 per centum nor more than 90 per centum of the parity price therefor as the Secretary determines appropriate: (B) in order to keep upland cotton to the maximum extent practicable in the normal channels of trade, such price support may be carried out through the simultaneous purchase of cotton at the support price therefor and resale at a lower price or through loans under which the cotton would be redeemable by payment of a price therefor lower than the amount of the loan thereon; and (C) such resale or redemption price shall be such as the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for cotton produced in the United States."* [Emphasis added.]

Paragraphs (2) and (3) of section 103(d), as amended, provide for price support to cooperators on upland cotton of the 1966 through 1970 crops through loans and additional price support payments. It is provided in paragraph (3) that the sum of the average loan rate and the adjusted payment rate shall not be less than 65 per centum of the parity price for upland cotton as of the month in which the payment rate is announced. As indicated in your letter the effect of this provision is to assure cooperators (i.e., producers who comply with their acreage allotments) a return of at least 65 per centum of parity on the projected yield of their crop.

We agree that the "snapback" provision is mandatory and not discretionary with the Secretary. It provides that price support *shall* be made available to cooperators through loans or purchases at a level not less than 65 per centum of parity if, as a result of limitations subsequently enacted, the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled under the Agricultural Act of 1949. As you indicate it appears from its language that the "snapback" provision was designed as a safeguard against limitations on price support payments, since price support under the provision is to be made available through loans and purchases, as distinguished from additional direct compensation payments. Thus, the clear purpose of the "snapback" provision was to assure cotton producers that they would not be deprived of a total return from their cotton crop of at least 65 per centum of parity if limitations on price support payments were later enacted.

As indicated in your letter, in addition to the plain language of the "snapback" provision, the legislative history of the provision makes this purpose clear beyond doubt. The provision was included in H.R. 9811 as introduced by Congressman Cooley, the Chairman of the House Agriculture Committee. The report on the bill by the House Committee on Agriculture stated (House Report No. 631, 80th Congress, 1st Session, page 40): "Subsection (d) (12) of section 103 would provide that in case of limitations later enacted with respect to price support under subsection (d) which prevent the Secretary from making available to all cooperators the full amount of price support to which they would

otherwise be entitled under subsection (d) (2) and (3) for any crop, price support to cooperators shall be made available for such crop through loans or purchases at such level not less than 65 nor more than 90 percent of the parity price therefor as the Secretary determines appropriate. \* \* \*

The Minority Report on the bill agreed, stating (page 112) that this paragraph: “\* \* \* provides that if limitations on payments to producers are later adopted, a modified form of price support loans from 65 to 90 percent of parity would automatically ‘snap back’ into operation.”

Similarly, it was stated (134) in the Additional Minority Views by Mr. Dague, Mr. Latta, Mr. Findley, and Mr. Burton: “Another provision in the cotton title of this bill which is most objectionable is the so-called snapback clause as proposed in a new subparagraph d(12) of section 103 of the Agricultural Act of 1949. This snapback clause says that if any limitations on cotton payments are hereafter enacted by Congress, *the old price support program with loans at 65 to 90 percent of parity will automatically go back into effect* with the authority for the Secretary to sell surplus cotton at prices well below the loan level.” (Emphasis added.)

During the discussion of the bill in the House, Mr. Dague stated that paragraph (12): “\* \* \* provides that if limitations on payments to producers are later adopted, a modified form of price support loans from 65 to 90 percent of parity would automatically ‘snap back’ into operation.” 111 Cong. Rec. 20710.

Also, in discussing this provision it was stated:

“Mr. MICHEL. \* \* \*

“Can the chairman tell me why it was necessary on page 21 of the bill, beginning on line 19, to write in that paragraph No. (12) beginning, ‘Notwithstanding any other provision of this Act, if, as a result of limitations hereafter enacted’—

\* \* \* \* \*

“Mr. COOLEY. I think the language is perfectly clear. Should we impose a limitation \* \* \*

“Mr. MICHEL. As has been done in time past.

“Mr. COOLEY. Yes; then we go back to a price support program, *to loans rather than direct compensatory payments.*” 111 Cong. Rec. 20742. [Emphasis added.]

Later, Mr. Michel introduced an amendment to delete the snapback provision, stating:

“Mr. Chairman and Members of this Committee, this amendment would strike the provisions of the bill that have come to be known as the snapback clause. As can be seen from a reading of the language of the bill, any future allotments either in size of payments to individual producers or in total expenditures of the Department of Agriculture on the cotton program would automatically trigger this provision into operation.” 111 Cong. Rec. 21026.

The amendment was defeated.

During the debate in the Senate, Senator Talmadge and other Senators introduced an amendment which, among other things, added the snapback provision to the Senate bill, and Senate Talmadge inserted in the Congressional Record an explanation of the amendment. It was stated in this explanation:

“If for any year during the 4-year period the Secretary is unable to make payments as planned, *he would be authorized to alter the program and carry out price support provisions through loans or by purchase and resale.*” 111 Cong. Rec. 23056. [Emphasis added]

Accordingly, we agree with your conclusion that on the basis of the language of the “snapback” provision and its legislative history, it is clear that the provision would go into effect automatically in the event payment limitations were enacted. Therefore, your first question is answered in the affirmative.

Question No. 2 reads:

“Could the snapback provision be carried out in a manner which will still make cotton producers subject to the payment limitation?”

You express the view that the “snapback” provision must be carried out in a manner which will make available to all cooperators loans or purchases at not less than 65 per centum of parity on all cotton produced on their 1970 acreage allotments.

The “snapback” provision provides that “Notwithstanding any other provision” of the Act “if, as a result of limitations hereafter enacted” the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled “(A) price support to cooperators *shall*

be made available for such crop (if marketing quotas have not been disapproved) through loans or purchases" at not less than 65 per centum of parity [emphasis supplied]. Clause (B) provides that in order to keep upland cotton to the maximum extent practicable in the normal channels of trade, price support under the "snapback" provision "may be carried out through the simultaneous purchase of cotton at the support price therefor and resale at a lower price or through loans under which the cotton would be redeemable by payment of a price therefor lower than the amount of the loan thereon." [Emphasis supplied.]

You state that since one method of providing the price support required by the snapback provision is through a simultaneous purchase of cotton at the support price and resale at a lower price and since a simultaneous purchase and resale may be construed as a payment, the question has been raised whether the Secretary could, in his discretion, carry out the program exclusively through a simultaneous purchase of cotton from producers at the support price and a resale to them at a lower price and thereby make the payment limitation applicable.

It is your view that even assuming that a simultaneous purchase and resale with producers is construed to be a payment which is subject to the limitation, to restrict the method of providing price support to one to which the payment limitation would be applicable would violate the mandatory direction in Clause (A) to make price support available to cooperators at the required level and defeat the very purpose of the "snapback" provision which is to assure cooperators that if a payment limitation was enacted they would continue to receive through loans or purchases price support at not less than 65 per centum of parity on their cotton crops.

You note that the simultaneous purchase and resale need not be made with producers but may, for example, be carried out through dealers who have paid the support price to producers.

The legislative history of H.R. 11612 discloses that one of the proponents of the appropriation limitation agreed, in effect, that the limitation would not apply if the Secretary did "not go by the simultaneous purchase and sale route." Also, as pointed out in your letter an amendment to H.R. 11612 was offered which would have repealed the "snapback" provision but a point of order against the amendment was sustained. 115 Cong. Rec. H4169 (Temp. Ed. May 27, 1969).

We agree that in view of the mandatory language used in the "snapback" provision and the purpose of such provision, that the provision must be carried out in a manner that will make available to all cooperators, price support through loans or purchases at not less than 65 per centum of parity on all cotton produced on their 1970 acreage allotments. Accordingly, your second question is answered in the negative.

Your third question reads:

"Would the payment limitation expire on June 30, 1970, or would it continue to apply after June 30, 1970, to crops planted during the fiscal year 1970?"

It is your opinion that the payment limitation will continue to apply after June 30, 1970, to the entire production of the crops planted during the fiscal year 1970 for which programs have been approved by the Secretary on or before June 30, 1970.

You point out that a similar question arose in connection with the \$50,000 limitation on price support which was included in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1960, 73 Stat. 167, 178. The \$50,000 limitation also applied to the use of funds "to formulate or carry out" the price support program for 1960. You note that in our decision of April 8, 1960, B-142011, to the then Secretary of Agriculture we held that such limitation applied to all of the 1960 production of any commodity for which the 1960 program was approved on or before June 30, 1960, notwithstanding that the regulations implementing such program authorizations were not completed and published until after June 30, and notwithstanding that the actual loans and purchases were not made until after June 30. We also held in the same decision that the \$50,000 limitation would not apply to any new program authorization which was prepared and approved after June 30, 1960, *Cf.* 39 Comp. Gen. 665.

The rationale of our decision of April 8, 1960, would be equally for application in the instant case. In other words the limitation in H.R. 11612—if enacted into law—would apply to all crops planted in fiscal year 1970 (to which the limitation is otherwise applicable) for which programs have been approved by the Secretary on or before June 30, 1970 (i.e., in fiscal year 1970), even though the regulations implementing such program authorizations may not be completed

and published until after June 30, and notwithstanding that the actual loans, payments, or purchases are not made until after June 30.

The third question is answered accordingly.

Question No. 4 reads as follows:

"Could the payment limitation be avoided by paying administrative expenses and making program payments out of Commodity Credit Corporation funds which are on hand or are received from the repayment of loans or the sale of commodities?"

Although you express a contrary view, you state that the contention has been made that the limitation could be avoided by using funds of the Commodity Credit Corporation (CCC) which are on hand or those funds which are received from the repayment of loans or the sale of commodities for payment of administrative expenses and for payment of the amounts in excess of the limitation. In this connection you refer to pages H4118 and H4171 of the Congressional Record for May 26 and 27, 1969; and call our attention to the following statement on page 64 of the House Report No. 91-265 accompanying the appropriation bill:

"If necessary to perform the functions, duties, obligations or commitments of the Commodity Credit Corporation, administrative and operating personnel shall be paid from funds on hand or from those funds received from the redemption or sale of commodities. Such funds shall also be available to make program payments, commodity loans, or other obligations of the Corporation."

You refer to the following portion of section 104 of the Government Corporation Control Act, as amended, 31 U.S.C. 849:

"The budget programs transmitted by the President to the Congress shall be considered and legislation shall be enacted making necessary appropriations, as may be authorized by law, making available for expenditure for operating and administrative expenses such corporate funds or other financial resources or limiting the use thereof as the Congress may determine. . . ."

You state that pursuant to this provision, the appropriation bill authorizes CCC to make such expenditures within the limits of funds and borrowing authority available to it as may be necessary in carrying out the programs set forth in its budget for the fiscal year 1970, appropriates \$4,965,394,000 to reimburse the corporation for net realized losses sustained in prior years, and makes not to exceed \$31,500,000 available from its capital funds, for administrative expenses of the corporation. The limitation, which is applicable by its terms to "funds appropriated by this Act," was, in your opinion, intended to apply to all funds made available by the Act, including corporate funds which the Act authorizes CCC to expend in formulating and carrying out the programs set forth in its budget for the fiscal year 1970.

Also, you state that even assuming that the limitation were construed as not applying to corporate funds which are on hand or those funds which are received from the repayment of loans or the sale of commodities, the appropriation bill also contains specific appropriations, which are subject to the limitation, for the salaries and expenses of the Secretary of Agriculture who is charged by law with the responsibility for formulating and carrying out the price support program and for other officers and employees of the Department whose services are utilized in formulating and carrying out the program. You state that the Comptroller General has ruled that a specific appropriation for a particular object precludes the use of a more general appropriation therefor, even though the general appropriation might have been available; and you cite 17 Comp. Gen. 23; *id.* 91; *id.* 974; 18 Comp. Gen. 1013; 20 Comp. Gen. 739; 36 Comp. Gen. 526; 38 Comp. Gen. 758; 40 Comp. Gen. 404. You further state that the Comptroller General has also ruled that where either of two appropriations reasonably could be construed as available for a certain class of expenditures and one of the appropriations which is based upon estimates of such class of expenditures has been used for such expenditures for a number of years, the continued use of such appropriation to the exclusion of any other for such purpose is required, in the absence of changes in the appropriation acts; and you cite 10 Comp. Gen. 440; 23 Comp. Gen. 827.

In addition to being contrary to the rules established in the foregoing decisions by the Comptroller General, it is your opinion that an attempt to avoid the payment limitation by paying the salaries and expenses of officials and employees of the Department who would be engaged in formulating and carrying out the price support program from funds other than those specifically appropriated for such purpose would be in clear violation of the intent of Congress in adopting the payment limitation.

For the above reasons, it is your view that it would not be possible to avoid the limitation by using funds of the Commodity Credit Corporation which are on hand or which are received by the corporation from the repayment of loans or the sale of commodities.

In addition to the portion of section 104 of the Government Corporation Control Act quoted in your letter, that section further provides as follows: "\* \* \* and providing for repayment of capital funds and the payment of dividends. *The provisions of this section shall not be construed as preventing Government corporations from carrying out and financing their activities as authorized by existing law, nor as affecting the provisions of section 831y of Title 16.* The provisions of this section shall not be construed as affecting the existing authority of any Government corporation to make contracts or other commitments without reference to fiscal year limitations." [Emphasis added.]

It is clear from the last-quoted provisions of law that section 104 is not intended to prevent a Government corporation from carrying out and financing its activities as authorized by law. In this regard in connection with a somewhat similar limitation in the Department of Agriculture and Related Agencies Appropriation Act, 1967, 80 Stat. 702, your Department by letter dated April 28, 1967, advised us as follows (see also B-146820, June 2, 1967) :

"We assume your inquiry relates to administrative expenses. *Most of the costs incurred in the fiscal year ending June 30, 1967, for formulating and administering this sale have been or will be paid, within the limitation on administrative expenses of \$34,300,000 contained in the Appropriation Act, from funds of the Commodity Credit Corporation. Such funds are obtained from borrowings by Commodity Credit Corporation under section 4 of the Act of March 8, 1938, as amended (15 U.S.C. 713a-4) and not from appropriations provided in the 1967 Appropriations Act.*" [Emphasis added.]

Assuming that the \$20,000 limitation involved here may apply to the \$4,965,394,000 appropriated to reimburse the Commodity Credit Corporation for net losses sustained in prior years, it would not be applicable to corporate funds on hand or those which are received from the repayment of loans or the sale of commodities since such funds would not be "appropriated by this Act" (H.R. 11612). Insofar as the \$31,500,000 made available in H.R. 11612 for administrative expenses is concerned, that is not an appropriation but rather a limitation on the amount that may be expended by CCC for administrative expenses in fiscal year 1970. Accordingly, except for any part of the \$31,500,000 which, pursuant to the authority in H.R. 11612, may be transferred and merged with the appropriation made to the Agricultural Stabilization and Conservation Services, the \$20,000 limitation would not apply to the funds available to CCC to pay administrative expenses in fiscal year 1970.

However, as indicated in your letter, the Secretary of Agriculture is charged by law with the responsibility for formulating and carrying out the price support program (7 U.S.C. 1441) and CCC is subject to the general supervision and direction of the Secretary (15 U.S.C. 714). Thus, in formulating and carrying out the price support program the Secretary, insofar as his part is concerned, would not be performing any functions, duties or obligations of CCC, but rather his own functions, duties and obligations. Of course the specific appropriations contained in H.R. 11612 for the salary and expenses of the Secretary, as well as for the salary and expenses of the other officers and employees of the Department whose services are utilized in formulating and carrying out the price support program would be subject to the limitation.

As we understand it, over the years CCC's funds have never been used to pay the salary of the Secretary or the salaries of certain other officers and employees (for example personnel of the Office of General Counsel) of the Department whose services are utilized in formulating and carrying out price support programs, but instead funds for the salaries and expenses of such personnel are budgeted for and requested in specific appropriations. While H.R. 11612 authorizes a limited amount of CCC funds to be transferred and merged with the appropriation made to the Agricultural Stabilization and Conservation Service for administrative expenses of the Service including expenses to formulate and carry out laws pertaining to CCC, as noted above, if this is done the transferred funds become subject to the limitation. Thus, while some employees of the Department of Agriculture involved in formulating and carrying out price support programs have been paid from CCC moneys transferred from the CCC fund to a department appropriation, apparently it has been the practice of the Department over the years to request in specific appropriations funds to pay the salaries and

expenses of the Secretary and certain other officers and employees involved in formulating and carrying out such programs.

As indicated in your letter, we have long held that a specific appropriation for a particular object precludes the use of a more general appropriation therefor, even though the general appropriation might have been available for such use in the absence of the specific appropriation. We have also long held that where either of two appropriations reasonably could be construed as available for a certain class of expenditures and one of the appropriations which is based upon estimates of such class of expenditures has been used for such expenditures for a number of years, the continued use of such appropriation to the exclusion of any other for such purpose is required, in the absence of changes in the appropriation acts.

We see no significant distinction between using an otherwise available general appropriation for a particular object, when there is a specific appropriation for such object, and using corporate funds for a purpose for which a specific appropriation has been made, in order to avoid a limitation pertaining to the specific appropriation. Thus, we agree that avoiding the limitation involved here by paying the salaries and expenses of officials and employees of your Department who would be engaged in formulating and carrying out the price support program from funds other than those specifically appropriated for such purpose would, in effect, be contrary to the rules established in our above-cited decisions. In any event your Department would have no authority to use CCC funds to pay the salary and expenses of the Secretary of Agriculture incident to the functions imposed on him by law, since, as indicated above, the duties and responsibilities of the Secretary are separate and apart from those of CCC.

In light of the foregoing it is our view that CCC funds which are on hand or are received by CCC from the repayment of loans or the sale of commodities may not be used—in order to avoid the appropriation limitation—to pay the salaries and expenses of those employees of your Department who would be engaged in formulating and carrying out the price support program and whose salaries and expenses would be otherwise fully paid from appropriations made specifically for that purpose.

Question No. 4 is answered accordingly.

Sincerely yours,

ELMER B. STAATS,  
*Comptroller General of the United States.*

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