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POTATO MARKETING ORDERS

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HEARING

BEFORE THE

SUBCOMMITTEE ON AGRICULTURAL PRODUCTION, MARKETING, AND STABILIZATION OF PRICES

OF THE

COMMITTEE ON AGRICULTURE AND FORESTRY

UNITED STATES SENATE

NINETY-FIRST CONGRESS

FIRST SESSION

ON

S. 2214

A BILL TO AMEND SECTION 608(c) (2) OF THE AGRICULTURAL
MARKETING AGREEMENT ACT OF 1937, AS AMENDED

JUNE 10, 1969

Printed for the use of the Committee on Agriculture and Forestry



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POTATO MARKETING ORDERS

TUESDAY, JUNE 10, 1969

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,
MARKETING, AND STABILIZATION OF PRICES
OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 o'clock a.m., in room 324, Old Senate Office Building, Hon. Spessard L. Holland (chairman of the subcommittee) presiding.

Present: Senators Holland, Talmadge, Jordan of North Carolina, and Curtis.

Senator HOLLAND. The subcommittee will please come to order. The subcommittee is holding hearings today on S. 2214. This bill would exempt all potatoes for processing from the Secretary of Agriculture's authority to issue marketing orders under the Agricultural Adjustment Act. Potatoes for canning or freezing are already exempt from that authority, so the effect of the bill would be to exempt potatoes for other kinds of processing, such as those used in producing potato chips, instant mashed potatoes, and other potato products which are neither canned nor frozen.

A copy of the bill and a staff explanation of it will be inserted in the record at this point.

(The documents referred to follow:)

[S. 2214, 91st Cong., first sess.]

A BILL To amend section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended, is amended as follows:

(1) In subparagraph (A) after the words "vegetables (not including vegetables, other than asparagus, for canning or freezing)", insert the words "and not including potatoes for canning, freezing, or other processing"; and

(2) In subparagraph (B) after the words "fruits and vegetables for canning or freezing," insert the words "including potatoes for canning, freezing, or other processing."

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY—STAFF EXPLANATION OF
S. 2214, JUNE 7, 1969

Short Explanation: This bill exempts potatoes for processing from marketing orders. Potatoes for canning or freezing, like most fruits and vegetables for canning or freezing, are already exempt; and the bill would accord the same treatment to potatoes for other kinds of processing.

Departmental Views: Not yet received.

Suggested Amendments: (1) The section to be amended is section 8c(2) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation. The title and lines 3 and 4 of the bill should be corrected accordingly.

(2) On lines 5 and 9 "subparagraph" should be stricken and "clause" should be inserted.

(3) The bill or the report should indicate what operations constitute processing.

Senator HOLLAND. I have quite a list of witnesses here, and I want to give notice that if we do not complete the list this morning we will have to let everybody else file the statement because I have other hearings this afternoon and continuously thereafter.

STATEMENT OF FLOYD F. HEDLUND, DIRECTOR, FRUIT AND VEGETABLE DIVISION, CONSUMER AND MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Senator HOLLAND. Our first witness is Mr. Hedlund who is from the Fruit and Vegetable Division, Consumer and Marketing Service, the U.S. Department of Agriculture.

Mr. HEDLUND. Mr. Chairman, and members of the committee, S. 2214 is a bill to add to the canning and freezing exemption in the Agricultural Marketing Agreement Act of 1937, as amended, potatoes for "other processing." This bill would exempt potatoes for dehydration, potato chips, starch, and flour from regulation by marketing orders under the act.

The purpose of this bill is to place potatoes for dehydration and processing into other potato products on an equal basis with potatoes for canning and freezing which are now exempt under this act. Inasmuch as potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing regardless of the final use made of the product.

On the other hand, the bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers, in view of the increasing quantities of potatoes going into processing uses. An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing, thereby including all potatoes under the act.

The use of potatoes for food processing has been increasing sharply. Only about 14 percent of the 1956 crop potatoes used for food were processed. In 1967 about 42 percent were processed. Utilization for freezing was the most important in terms of volume in 1967, but large quantities were also used for dehydration and potato chips. Dehydrated potato processing increased sixfold during the 1956 to 1967 period, while the use of potatoes for chipping and the like more than doubled. Utilization data for the 1968 crop will not be available until September; however, trade reports indicate that the use of potatoes for processing, particularly freezing, continues to increase. Continued expansion of potato sales to food processing outlets is expected in coming years.

Federal potato marketing orders are currently in effect in many of the major potato producing areas in the United States. Five of these orders authorize the regulation of potatoes for dehydration and "other processing."

Some of the marketing order programs date back many years. In 1967, areas operating under Federal marketing orders produced approximately 156 million hundredweight of potatoes, which was more than one-half of the U.S. potato crops. It is estimated that of the 1967 potato crop, 64 million hundredweight of potatoes were used for dehydration, potato chips, shoestring potatoes, starch, and flour. Of this quantity, 32 million hundredweight were produced in areas covered by marketing orders.

The Agricultural Marketing Agreement Act of 1937 authorizes marketing orders for specified agricultural commodities as a means of increasing returns to producers. These programs are administered locally by industry-nominated committees made up of producers and handlers of potatoes. Their activities are financed by industry-paid assessments.

Attached are tabulations showing the U.S. production of potatoes in 1968 and utilization of the potato crop from 1956 through 1967.

May I add, Mr. Chairman, that the Department report on this bill has been approved and will be here very shortly.

Thank you.

(The tables referred to above are as follows:)

POTATO PRODUCTION, BY STATES, IN 1968 AND PERCENTAGE OF U.S. TOTAL, PRODUCED IN EACH STATE

State	Production (hundredweight in thousands)	Percent of total	State	Production (hundredweight in thousands)	Percent of total
Alabama.....	2,085	0.7	Nevada.....	138	(¹)
Arizona.....	2,323	.8	New Hampshire.....	230	.1
Arkansas.....	126	(¹)	New Jersey.....	3,570	1.2
California.....	29,629	10.1	New Mexico.....	774	.3
Colorado.....	11,005	3.8	New York.....	17,158	5.8
Connecticut.....	1,254	.4	North Carolina.....	1,986	.7
Delaware.....	1,539	.5	North Dakota.....	15,660	5.3
District of Columbia.....			Ohio.....	3,145	1.1
Florida.....	6,767	2.3	Oklahoma.....	30	(¹)
Georgia.....			Oregon.....	12,290	4.2
Idaho.....	59,505	20.3	Pennsylvania.....	7,585	2.6
Illinois.....	414	.1	Rhode Island.....	1,260	.4
Indiana.....	1,381	.5	South Carolina.....	40	(¹)
Iowa.....	576	.2	South Dakota.....	621	.2
Kansas.....	124	(¹)	Tennessee.....	314	.1
Kentucky.....	195	.1	Texas.....	4,382	1.5
Louisiana.....	145	(¹)	Utah.....	1,072	.4
Maine.....	36,890	12.6	Vermont.....	285	.1
Maryland.....	414	.1	Virginia.....	4,332	1.5
Massachusetts.....	1,036	.4	Washington.....	24,173	8.2
Michigan.....	8,067	2.7	West Virginia.....	390	.1
Minnesota.....	13,919	4.7	Wisconsin.....	11,895	4.0
Mississippi.....	188	.1	Wyoming.....	608	.2
Missouri.....	240	.1			
Montana.....	1,458	.5	Total.....	293,438	100.0
Nebraska.....	2,220	.8			

¹ Less than $\frac{1}{10}$ of 1 percent.

² Includes $\frac{1}{10}$ of 1 percent not allocated.

Source: Statistical Reporting Service, U.S. Department of Agriculture.

POTATOES: UTILIZATION OF 1956-67 CROPS
(1,000 hundredweight)

Utilization items	Crop year											
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Fresh food:												
Tablestock.....	146,048	148,408	148,868	148,497	149,002	153,594	149,710	146,961	129,513	139,542	133,856	131,367
On farm.....	9,312	8,176	7,279	5,913	5,310	4,773	3,955	3,400	2,776	2,597	2,378	2,289
Subtotal.....	153,360	156,584	156,147	154,410	154,312	158,367	153,665	150,361	132,289	142,139	136,234	133,656
Processed food:												
Chips, etc.....	14,566	17,356	17,063	20,085	21,018	22,642	24,086	26,693	29,783	31,292	32,729	23,689
Dehydration.....	3,223	3,776	5,917	7,656	10,104	8,518	9,280	9,909	10,801	20,166	19,811	19,064
Frozen.....	4,675	4,827	8,263	9,918	15,042	18,138	18,400	22,425	23,654	37,302	29,631	39,609
Canned.....	2,283	2,606	2,864	2,447	2,809	2,775	2,926	3,240	3,201	3,348	3,386	3,480
Subtotal.....	24,747	28,565	34,107	40,106	48,973	52,073	54,692	62,267	66,439	92,108	95,557	94,872
(1) Total, food.....	180,107	185,149	190,254	194,516	203,285	210,440	208,357	212,648	198,718	234,247	231,791	228,528
(2) Starch, flour.....	18,336	12,691	18,387	7,718	10,177	20,493	11,285	11,737	2,990	8,081	11,001	12,049
(3) Feed sales.....	7,675	8,950	18,918	6,607	5,348	20,340	7,913	10,103	5,587	5,797	8,440	16,171
Feed on farm.....	4,148	2,718	3,916	3,104	2,940	4,192	3,340	3,087	1,871	2,179	2,930	2,761
Total.....	11,823	11,668	22,834	9,711	8,288	24,532	11,253	13,190	7,458	7,796	11,370	18,952
(4) Seed sales.....	13,435	13,641	13,079	13,583	14,823	13,823	14,333	14,159	14,203	16,982	16,173	15,877
Seed on farm.....	6,752	7,577	7,086	7,093	7,560	7,191	5,995	5,911	7,363	6,510	8,113	7,436
(5) Shrinkage, loss.....	20,187	21,218	20,165	20,676	22,383	21,014	20,288	20,070	21,566	23,502	24,286	23,313
Total.....	15,339	11,796	15,257	12,651	12,971	16,687	13,627	13,513	10,334	17,433	28,454	22,570
Total, production.....	245,792	242,522	266,897	245,272	257,104	293,166	264,810	271,158	241,076	291,169	306,902	305,412

Source: Annual reports of the Statistical Reporting Service, U.S. Department of Agriculture.

Senator HOLLAND. Well, I can see some reasons for exempting potatoes which are designed to go into starch. I think it is found in other products that deal with human consumption. The same thing would be true for potatoes for alcohol. I do not know if that is being used that way now. They used to be. I do not understand why there is any justification for exempting potatoes which are intended for human consumption such as potato chips and others mentioned by your statement, to wit, of course, do enter into the competition with potatoes used for other human consumption purposes.

What is your attitude on that?

Mr. HEDLUND. Well, Mr. Chairman, a number of food products use potatoes to manufacture potato products that are all in competition with each other. I think there is some measure of reason why they should all be on a uniform competitive basis.

Senator HOLLAND. You mean then on a competitive basis with other products or with the fresh potatoes?

Mr. HEDLUND. With other products. That is what the bill is designed to do. We have pointed out that this makes it difficult as far as regulating the fresh potato outlet as a means of increasing the returns to producers.

Senator HOLLAND. Well, the fresh potatoes to go to a plant and be turned into potato chips compete in the market where he purchases these and where dealers are selling fresh potatoes for human consumption. Does not it come under this?

Mr. HEDLUND. Well—

Senator HOLLAND. What justification would there be for exempting them from control in the same way that these others would be covered?

Mr. HEDLUND. Well, I believe that the background thinking here is that inasmuch as potatoes for canning and freezing are now exempt, other potato processors are desirous of being in that same position because they compete with each other. I think this is an effort to equalize among processors.

Senator HOLLAND. Well, after all, the producers of potatoes are interested in the whole field; are they not?

Mr. HEDLUND. Yes, sir.

Senator HOLLAND. And if they get any advantage from the agreement and order it would flow from their consideration of the whole field of potatoes that are consumed by the public, would they not?

Mr. HEDLUND. Yes, sir; Mr. Chairman, and that is the reason we have suggested that a method of squalizing would be to cover all potatoes. This would result in covering all fresh potatoes as well as all processed potatoes. They would all be in the same category.

Senator HOLLAND. You mean that you feel that potatoes that would be used for production of starch or alcohol have also been covered?

Mr. HEDLUND. Yes. I suppose that is the net result.

Under present conditions no potatoes are being used for alcohol, although substantial quantities are being used for potato starch.

Senator HOLLAND. There was a quantity once used for alcohol production; was there not?

Mr. HEDLUND. Yes, there was during World War II. A great many potatoes were used for alcohol during the war.

Senator HOLLAND. You state now that there is no such use?

Mr. HEDLUND. I do not know of any in the United States.

Senator HOLLAND. I note that you said that there is a group of marketing agreements now in force which covers, by regulation, those potatoes designed for dehydration and other processing which would include potato chips, shoestring, and perhaps some other processing for human consumption?

Mr. HEDLUND. Yes, sir.

Senator HOLLAND. You say five of these orders authorize that kind of regulation. What States have those orders? What areas?

Mr. HEDLUND. The State of Washington, the State of Oregon and northern California, the State of Colorado, and the State of Idaho.

Senator HOLLAND. That is five.

Mr. HEDLUND. And the State of Maine.

Senator HOLLAND. That would be six, then.

Mr. HEDLUND. Well, one of those orders covers two States, Mr. Chairman.

Senator HOLLAND. I see.

What proportion of total production of potatoes is covered by those orders? Idaho and Maine, as I recall it, are the principal producing States.

Mr. HEDLUND. Well, in 1967 the marketing orders, all marketing orders, covered about one-half the total potato crop in the United States.

Senator HOLLAND. What is the provision of the potato bill which you had hearings on a few weeks ago that dealt with the purpose of exempting any of these processed potatoes?

Mr. HEDLUND. Mr. Chairman, I believe that bill did not specifically exempt any kind of potatoes. It did authorize, as I understand it, a provision whereby they could exempt potatoes for nonfood uses.

Senator HOLLAND. What was the provision as to who could exempt them? Was it the Secretary or the Commission or what was the body that could effect that exemption?

Mr. HEDLUND. The exemption can be made under the order through the hearing process and final issuance by the Secretary.

Senator HOLLAND. Then the final authority would be proposed by the Secretary of Agriculture?

Mr. HEDLUND. I think that would be true.

Senator HOLLAND. Are there any State orders or marketing agreements in effect? I note that you confined your statement to Federal marketing agreements and orders.

Mr. HEDLUND. Yes, sir, I did.

Senator HOLLAND. Are there any State orders?

Mr. HEDLUND. Yes, there are some State orders in effect.

There is one in Colorado, for example, that operates in conjunction with the Federal order.

There are programs in the Red River Valley of North Dakota and Minnesota, as I understand it, and that have for their purpose the collection of assessments for promotion of potatoes in that area. I do not know that it provides for any other type of regulation. Beyond that, I am not familiar with other State marketing orders on potatoes.

Senator HOLLAND. You know, of course, that some of the States have a very helpful marketing agreement and orders, for instance, the California peach order. Is there anything such as that in effect? This has been a very far-reaching effect. They are even setting up a pool for the elimination of the portion of crop as may be necessary.

Is there anything like this in any State affecting the production of white potatoes?

Mr. HEDLUND. No, I do not believe so, Senator. That legislation in California, however, is available for potatoes in that State, but at the moment I do not believe there is any program in effect for potatoes.

Senator HOLLAND. Well, the effect of this bill, then, is to point up a question of whether all potatoes for human consumption should be subjected to the provision of marketing agreements and orders on the Federal scale, whether all potatoes for processing for human consumption should be excluded from such orders. Is that the view of the matter?

Mr. HEDLUND. That is the issue, Mr. Chairman.

Senator HOLLAND. Senator Talmadge?

Senator TALMADGE. Does the Department support this bill in its present form?

Mr. HEDLUND. Well, the Department has taken the position that there is some merit in the idea of having all processed products on an equal basis when it comes to potatoes.

We have suggested that an alternative to this would be to cover all potatoes under the statute which would equalize all processed as well as all fresh market potatoes.

Senator TALMADGE. In other words, you are for one or the other?

Mr. HEDLUND. Yes, sir. I think we are for one or the other, but at the same time protecting the interests of potato producers.

Senator TALMADGE. You do not know which one?

Mr. HEDLUND. Well—

Senator HOLLAND. Well, my understanding from the witness' earlier statement was that there was a letter from the Department which we may expect to receive very shortly stating the Department's position. Are we to assume that the Department's position will be in strict accord with the statement that you made?

Mr. HEDLUND. Yes, sir. I think you can assume that.

Senator HOLLAND. Very good.

(The report is as follows:)

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, June 10, 1969.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of May 22 requesting a legislative report by the Department on S. 2214, a bill to amend Section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, as amended. This bill would exempt potatoes for "other processing" from marketing orders.

The purpose of this bill is to place potatoes for dehydration and processing into other potato products on an equal basis with potatoes for canning and freezing which are now exempt under this Act. Inasmuch as potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing regardless of the final use made of the product.

On the other hand, the bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers, in view of the increasing quantities of potatoes going into processing uses. An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for planning and freezing thereby including all potatoes under the Act.

The use of potatoes for food processing has increased sharply during the past decade. Only 14 percent of 1956-crop potatoes used for food were processed. In 1967 about 42 percent were processed. Utilization for freezing was the most important in terms of volume, but large quantities were used for canning, potato chips and shoestrings, and dehydration. Dehydrated potato processing increased six-fold during the 1956 to 1967 period, while the use of potatoes for chipping and shoestring potatoes more than doubled. Continued expansion of sales to all food processing outlets is expected in coming years.

Federal potato marketing orders are currently in effect in many of the major potato producing areas in the United States. In 1967, these areas produced about 156 million hundredweight of potatoes, which was more than one-half of the U.S. potato crop. Departmental data show that "other processing" in 1967 which the bill would exempt from coverage under the Act totaled about 64 million hundredweight of potatoes used for dehydration, chips, shoestrings, starch, and flour. It is estimated that about one-half of this quantity is processed in areas operating under marketing orders.

The enactment of this bill would not result in added costs to the Department.

In view of the time situation, we have not obtained from the Bureau of the Budget advice regarding the relationship of this proposed legislation to the President's program.

Sincerely,

J. PHIL CAMPBELL, *Acting Secretary.*

Senator TALMADGE. As I understand this bill it exempts potatoes for processing from marketing orders?

Mr. HEDLUND. Yes, sir; Senator Talmadge. The statute now exempts potatoes for canning and freezing from marketing orders. The purpose of this bill is to extend that exemption to potatoes for other processing uses.

Senator TALMADGE. Whatever that processing may be?

Mr. HEDLUND. Yes, sir.

Senator TALMADGE. Does it relate only to what we call Irish potatoes? Does it relate to any other potatoes?

Mr. HEDLUND. It is my understanding that it relates only to what we call Irish potatoes and not sweetpotatoes.

Senator TALMADGE. And of the Irish potatoes, does it relate to all types? We have an earlier potato, which is red, which we grow in the South. There is a late potato which is white, and which is grown in other areas of the country. We can grow both varieties, but most of our potatoes are what we call new potatoes and are on the fresh market. Does it relate to both types of potatoes?

Mr. HEDLUND. I believe so. It relates to all Irish potatoes.

Senator TALMADGE. Does this market order operate nationally or is it just in certain areas of the country?

Mr. HEDLUND. The statute, of course, is applicable nationally. We do not have any marketing orders except State or regional.

Senator TALMADGE. Where are they? Do you know?

Mr. HEDLUND. They are in the State of Washington; we have one covering Oregon and northern California; one in Idaho; one in Colorado; one in Maine, and also one in Virginia, and North Carolina.

Senator TALMADGE. In other words, the principal potato producing areas in the country?

Mr. HEDLUND. Many of the principal potato areas. California is an important potato area. It is not covered other than two northern counties.

Senator TALMADGE. Do they have a State order?

Mr. HEDLUND. They do not have a State order as far as I know.

Senator TALMADGE. Thank you, Mr. Chairman. No further questions.

Senator HOLLAND. On this same line, Long Island is not covered?

Mr. HEDLUND. No, sir; it is not.

Senator HOLLAND. That is a very large producing area, is it not?

Mr. HEDLUND. Yes, as well as Pennsylvania and upstate New York.

Senator HOLLAND. And the whole southeast area, including my own State, and other producers of early potatoes are not covered?

Mr. HEDLUND. Quite true except for parts of Virginia and North Carolina.

Senator HOLLAND. My understanding is that there are State laws applicable in various areas including Maine and Idaho relating to marketing of potatoes, and that those laws are in effect at this time; is that correct?

Mr. HEDLUND. Yes, they have some State laws applicable to the potatoes, Mr. Chairman.

Senator HOLLAND. It is applicable to trading?

Mr. HEDLUND. Applicable to trading in potatoes in the States involved.

Senator HOLLAND. And some packaging laws?

Mr. HEDLUND. Correct.

Senator HOLLAND. And they do have Federal marketing orders in Maine and in Idaho and any other area that we mentioned?

Mr. HEDLUND. Yes, sir. They regulate marketing.

Senator HOLLAND. You have already stated for the record that five of these areas, I believe, excluding only the Virginia and North Carolina area in your last enumeration, covered potatoes for processing along with the fresh potatoes?

Mr. HEDLUND. Correct.

Senator HOLLAND. So the passage of this law, if it is passed as written, would operate to limit thereafter the field of coverage in such a way as to affect not less than five of the marketing orders that are already outstanding?

Mr. HEDLUND. Yes, sir. I should state, Mr. Chairman, that in the Idaho program, for example, it does not regulate potato marketing within the State of Idaho, so as a result of that any processing that takes place within the State of Idaho has not been covered and is not now covered either for dehydration or for freezing or for any other use.

Senator HOLLAND. But are exempt for the State of Idaho and in the limited way that you have mentioned marketing orders, Federal marketing orders now in effect in five States, five areas, would be for the limiting of it?

Mr. HEDLUND. They would be further limited.

Senator HOLLAND. Senator Curtis?

Senator CURTIS. In those areas where you have Federal marketing orders on potatoes, what is that Federal marketing order doing? Does it control production, fix a price, or both?

Mr. HEDLUND. Neither one, Senator Curtis. There is no authority in the statute to control production. There is no authority in the statute to fix prices. The main thing that is done under potato marketing orders is to regulate the quality of the product that goes to market.

Senator CURTIS. It is a grading requirement?

Mr. HEDLUND. Correct.

Senator CURTIS. So, conceivably a given area could be established on grading standard values, voluntarily could they not?

Mr. HEDLUND. Yes, Senator, I suppose they could.

Senator CURTIS. They wold not have national recognition?

Mr. HEDLUND. It would not have, in your words "national recognition," and I think you have other laws that prevent people, voluntarily, from engaging in programs of that character.

Senator TALMADGE. I guess, for instance, forms of enforcement would be lacking, wouldn't they?

Mr. HEDLUND. Yes, sir.

Senator CURTIS. What is your means of enforcement in this?

Mr. HEDLUND. Any violation of the statute is enforced by the Federal courts.

Senator CURTIS. How much has this raised the price of the potato?

Mr. HEDLUND. I do not know.

Senator CURTIS. Is it the general belief in industry that it has raised the price?

Mr. HEDLUND. Well, that is a hard question, and it all depends on whom you ask. Suffice to say that potato producers in some areas like their program and want to continue it and believe that it is helpful to them. Other areas have not chosen to go into marketing orders. So it is difficult to determine really the precise net effects.

Senator CURTIS. But they shall operate this quite differently than, say, a marketing order in the milk?

Mr. HEDLUND. Entirely different.

Senator CURTIS. Because milk producers negotiate for a price?

Mr. HEDLUND. Exactly.

Senator HOLLAND. And in a sense control production because the amount negotiated for is the amount involved.

Mr. HEDLUND. Well, I do not want to agree or disagree on that statement. I do not know.

Senator CURTIS. I mean the effective thing, I think, is that it does limit production and that is the reason of the requirement. There is no other reason.

Well, do the processors want the bill?

Mr. HEDLUND. Well from what I heard yesterday, I believe so. I believe they are in favor of this bill, they do not care to be regulated by marketing orders.

Senator CURTIS. And how about the potato producers?

Mr. HEDLUND. Well, I did not hear all of the testimony yesterday, but I believe there are many potato producers who are very much opposed to this bill. You will probably hear from some of them this morning.

Senator CURTIS. What are you referring to as yesterday?

Mr. HEDLUND. The companion bill, H.R. 11243, was heard in the House yesterday.

Senator CURTIS. Oh, in the House.

Are the potatoes that are produced under this marketing order granted a special acceptance in the market over the potatoes not produced in the areas covered by this order?

Mr. HEDLUND. Not by reason of the order, no. By emphasizing qualities or emphasizing certain characteristics of the potatoes

growers in certain areas may develop a following in one or more markets, but there is nothing in the order, per se, that results in that.

Senator CURTIS. If I want to buy some potatoes in a market how would I know whether or not they were produced under the marketing order?

Mr. HEDLUND. You would not know, and neither would I. The only way you could know is if they were labeled as to the State of origin and that area has a marketing order. Only if you knew that fact, then would you know that they came from that area and were covered by a marketing order. For example, many Idaho potatoes are labeled in one fashion or another so that you would know where they came from.

Senator CURTIS. But they are not graded, for instance, like meat?

Mr. HEDLUND. They are inspected and certified by the U.S. Department of Agriculture under the Federal-State inspection service, but—

Senator CURTIS. Irrespective of this act?

Mr. HEDLUND. Irrespective of this act. Now, in areas that are covered by the orders inspection is mandatory; in areas not covered by orders the inspection is, for the most part, voluntary unless the State happens to make it mandatory.

Senator CURTIS. That inspection protects the wholesaler or the retailer or the consumer?

Mr. HEDLUND. Well, the inspection, I think, Senator, protects anyone who handles that potato or uses that potato.

Senator CURTIS. I would think that it might help the handlers of the potatoes, probably more than the consumer. Ultimately, the consumer looks at the potato and makes up her mind. Take someone who is buying several carloads, or many carloads at one time, to know that they are officially graded would be a tremendous help.

Mr. HEDLUND. Many potatoes are traded on the basis of U.S. grades without any personal inspections by buyer or seller.

Senator HOLLAND. One question. Talking about Idaho potatoes as being from Idaho, or Maine potatoes being from Maine, under the present marketing order is that identification under State law?

Mr. HEDLUND. It is under State law, sir.

Senator HOLLAND. That was my understanding. They require the package and identification of the product so as to advise handlers and consumers that the product comes from the State of Oregon.

Mr. HEDLUND. They both have State statutes and State promotion programs that are aimed at promoting their potatoes and identification of the State of production.

Senator HOLLAND. Senator Jordan?

Senator JORDAN. I do not have any questions.

Senator HOLLAND. Thank you very much for your presentation.

We have a statement in writing from Mr. Reuben Johnson, director of legislative services, National Farmers Union, which I ask to be incorporated in the record at this time.

Senator CURTIS. Does he support it?

Senator HOLLAND. Opposing it. I will read the first sentence and that is all that I have had a chance to read.

Off the record.

(Discussion off the record.)

(The letter referred to follows:)

WASHINGTON, D.C., June 6, 1969.

HON. SPESSARD L. HOLLAND,
Chairman, Subcommittee No. 3 of the Senate Agriculture Committee,
Senate Office Building, Washington D.C.

DEAR SENATOR HOLLAND: National Farmers Union is opposed to S. 2114 which would exempt all potatoes for processing from the provisions of the Agricultural Marketing Agreement Act of 1937. The introduction of the bill has provided the opportunity for us to strongly urge that the present exclusion of potatoes for canning and freezing under the Act be rescinded. There is absolutely no sound and practical reason why all potatoes for whatever use should not be extended Market Order coverage where producers approve.

For all practical purposes, if the legislation before the Subcommittee were approved any further development of Marketing Orders for potatoes would be extremely difficult if not impossible. The reason is that most of the areas producing potatoes produce for both fresh market and processing uses. Unless all potatoes produced are under the Market Order in a particular area effective administration of a Marketing Order would be impossible.

We urge the Subcommittee to 1) reject S. 2214 and 2) take action to amend the Agricultural Marketing Agreement Act of 1937 to provide that all potatoes, including those for canning and freezing, be covered under the provisions of the Act.

Sincerely,

REUBEN L. JOHNSON,

Director of Legislative Services, National Farmers Union.

Senator HOLLAND. Back on the record.

I understand Mr. John W. Scott, master, National Grange, is our next witness scheduled. He is on his way and we will come to him later. The same fact is in reference to Harry L. Graham, legislative representative, National Farmers Organization.

The next witness, Mr. Ralph Harding, advises that he wants to yield to Mr. Frank J. Runzler, general manager, and Anthony Giacomini, from the Pik-Nik Co., San Jose, Calif.

STATEMENT OF FRANK L. RUNZLER, GENERAL MANAGER, AND ANTHONY GIACOMINI, COUNSEL, PIK-NIK CO., SAN JOSE, CALIF.

Senator HOLLAND. Mr. Runzler and Mr. Giacomini, welcome here. Have a seat, gentlemen. You may proceed.

Mr. RUNZLER. Thank you. My name is Frank J. Runzler, and I am the general manager of Pik-Nik, Co., 214 Dupont Street, San Jose, Calif.

To better inform you, the Pik-Nik Co. is a division of Beatrice Foods Co. We process potatoes and manufacture canned french fried shoestring potatoes. This is our only business and function.

Pik-Nik sells and competes with other shoestring manufacturers in various areas. Although we are on the west coast, our largest segment of business is conducted in Illinois, Wisconsin, Iowa, Minnesota, North Dakota, South Dakota, Missouri, Kansas, and Nebraska; with some activity in Oklahoma, Kentucky, and Massachusetts. We also sell to various military installations—primarily to oversea bases. Most of our military business, until recently, was on a bid basis through the Army and Air Force exchange system for shipment to Vietnam.

Pik-Nik has been in business since 1939 and always located in San Jose, Calif. It has been a division of Beatrice Foods since 1961. We are an autonomous operation with all decisions, except approval of capital expenditures, being made in San Jose. Since the advent of

our problems with the U.S. Department of Agriculture in October of 1968, much has changed—especially our employees' morale, due to the disruptive force of present interpretation of Marketing Order No. 947. Pik-Nik has, since March 1, 1969, been operating at a loss.

Since 1942, Pik-Nik has acquired its potatoes from two regions: (1) the Klamath Basin (which includes southern Oregon and the two most northern counties in California), and (2) the central and southern areas of California.

The Klamath Basin region has, from 1942 until October of 1968, been our only source of potatoes for the winter months from October until June. Pik-Nik purchases a Russet Burbank variety potato of a U.S. No. 1 B size grade. This particular potato is an excellent product and is exactly as good as any fresh table grade A size. The only difference between the product we process and U.S. No 1 A size potatoes is the size.

When Pik-Nik first started purchasing potatoes in the Klamath Basin, the growers were most appreciative because Pik-Nik was able to use a size that previously had been discarded. Pik-Nik used potatoes that were not, and presently are not, nor will they ever be, competitive with the fresh potato market.

Senator HOLLAND. Is that on account of size?

Mr. RUNZLER. Yes, sir; primarily the size.

Senator TALMADGE. Oversized or undersized?

Mr. RUNZLER. It would be both ways, Senator.

During the months of June through October, Pik-Nik purchases a U.S. No. 1 B size Russet Burbank variety in California.

In the late 1940's, marketing agreement No. 114, affecting the major portion of Oregon (excluding Malheur County) and including Modoc and Siskiyou Counties, Calif., was adopted by affirmative vote of the producers and handlers of the area pursuant to the Marketing Agreement Act of 1937 (7 U.S.C.A. 608 et seq.). Thereafter, marketing order No. 59 was promulgated, which can be found, in its present form, in 7 CFR 947.1 through and including 947.140. Since about 1948, annual regulation pursuant to marketing order No. 59 have been published in the Federal Register.

For the purposes of clarity, I wish to refer to the Marketing Agreement Act of 1937 as the act, the marketing agreement No. 114 as the marketing agreement, marketing order No. 59 as the marketing order, and the Federal Register regulations as the regulations.

The marketing order established a committee of potato growers and potato handlers under the title of the Oregon-California Potato Committee to administer the marketing agreement, the marketing order, and the regulations issued by the Secretary of Agriculture. The committee has the power to make rules and regulations which may, or may not, be adopted by the Secretary of Agriculture, to investigate and report violations of the marketing order, and to employ a manager. Although technically not a part of the Department of Agriculture as such, the committee operates as an advisory and administrative adjunct to the Department of Agriculture which is charged with the primary responsibility of administering the marketing agreement, marketing order, and regulations issued pursuant thereto.

When the marketing agreement was made, the act, as amended, excluded from its jurisdiction manufacturers of canned or frozen potato products.

From 1948 through the 1968 crop season, Department of Agriculture regulations for each crop year set minimum standards of quality and size for potatoes sold from the area covered by the marketing order. Commencing with the 1949 crop season, these regulations permitted shipments of potatoes not meeting the minimum size and quality requirements of the regulations for certain specified uses. Included in these specified purposes was canning and freezing. Throughout the period of all of these regulations, Pik-Nik continued to buy potatoes which did not meet the minimum size and quality requirements of the regulations. The only exception during these periods applicable to Pik-Nik was canning.

Shortly after October 15, 1968, the effective date of the current regulation, Mr. Lloyd Baker—the then newly appointed committee manager—informed the handler who has, over the years, supplied the raw material potatoes for Pik-Nik, that Pik-Nik was no longer qualified to purchase special purpose shipments from the Klamath Basin because it was not a canner. On October 21, 1968, an inquiry to Mr. Robert H. Eaton, in charge of the U.S. Department of Agriculture northwest marketing field office in Portland, Oreg., as to why there was such a sudden change in Pik-Nik's status, got the response that the Washington, D.C., office of the Department of Agriculture had informed him and Mr. Baker, after a request by Mr. Baker, that canning, for the purposes of the act, was defined as follows: “* * * a preserving process whereby the commodity is cooked in liquid in can or glass which is hermetically sealed.”

And that, since Pik-Nik seals its products in a hermetically sealed can without liquid, it is not engaged in canning as contemplated by act. Mr. Eaton further stated that the Department's policy for the 1968 crop was to limit the flow of potatoes not meeting the minimum size and quality requirements to processors from the crop and that, for this reason, prepeeling had been removed as a special purpose use for the 1968 crop. He stated that Pik-Nik was a prepeeler, he had had no response to two inquiries, i.e., (1) why had Pik-Nik been allowed to receive special purpose shipments prior to the inclusion of “prepeeling” in the regulations beginning in 1960; and (2) why, in the past, when special purpose shipments had to specify the status of the user, Pik-Nik had been declared to be a canner.

The casual indifference toward Pik-Nik was both shocking and surprising because: (1) prepeeling, as defined in the regulations issued under the marketing order for the crop seasons of 1960 on, defined a prepeeled products as a fresh, uncooked tuber treated by sulfur dioxide (SO₂) to prevent discoloration; and (2) the committee had issued special purpose shipment permits in the past expressly recognizing Pik-Nik as engaged in the canning of potatoes as exempted by the act, the marketing order, and the regulations.

At this point, Pik-Nik was literally cut off from Oregon potatoes for the winter months.

I personally met with Mr. John Blum and various other U.S. Department of Agriculture officials in Washington in December 1968. At that meeting, one of the Department officials stated that when the decision was made in Washington to so define canning, no Department personnel in Washington was even aware that Pik-Nik existed. Indeed, this particular official lamented it was too bad he did not

know Pik-Nik was located in San Jose because he had been visiting the San Jose area around November 15, 1968.

Mr. Blum explained the purpose of the present regulations under the marketing order was to increase grower returns. I explained that Pik-Nik, in order to be competitive with other shoestring canners, needed an unrestricted supply of U.S. No. 1 B size potatoes because Pik-Nik's main competition has its plants in the States of New York and Arkansas, and they use raw materials from areas not governed by marketing orders. I told him that if Pik-Nik were forced to purchase U.S. No. 1 A size, Pik-Nik would be at a complete disadvantage with competition. Mr. Blum's response was that we should raise prices. My response was, competition being what it is, we simply could not. Mr. Blum agreed to review the definition of canning and to inform us as soon as possible. Very shortly we were informed that the U.S. Department of Agriculture was unrelenting in its definition of canning.

Another meeting in Mr. Blum's office was held in January 1969. This time, our counsel, Mr. Anthony Giacomini, accompanied me. This time, we produced copies of shipping permits defining Pik-Nik as a canner, which was greeted with a shrug of the shoulders. We were told, in effect, that the treatment of Pik-Nik as a canner by the Department and the committee for the past 20 years had been wrong. We were amazed at this attitude, because we presumed that Government officials acted within the law and in good faith. We were told our status would be reconsidered, and were soon notified that canning was now defined as requiring:

. . . that the product be heat sterilized in hermetically sealed containers, with application of sufficient heat, at the time of or immediately after sealing the contents in the container, to achieve adequate sterilization of the contents and the interior surfaces of the container so as to assure preservation of the contents.

The Department has attempted to justify its definitions of canning by reference to standards of canned potatoes under the Food and Drug Act. We submit that Pik-Nik has, for over 30 years, met these standards for canned potatoes and that the definitions of canning employed by the Department in 1968 and 1969 are not consistent with those standards.

Because Pik-Nik was not allowed to purchase U.S. No. 1 B size potatoes, Pik-Nik was forced to close temporarily on February 20, 1969. We remained closed until March 10, 1969. This, of course, forced the layoff of our entire staff—30 employees, all members of Cannery Workers Local No. 679.

So, gentlemen, the current administration of Marketing Order No. 947 literally closed our operation.

With very limited supplies, we reopened on March 10, 1969. To illustrate just how inefficient our operation has been because of our not being able to purchase U.S. No. 1 B size Klamath Basin area potatoes, our production was down over 30 percent during the months of February, March, April, and May of 1969 as compared to the same months of 1968. As a result of our low production, low inventories, and excessive competitive activity, we are operating at a loss.

I would like to ask the chairman to permit me to submit a prepared statement that we have not read into the record, and to allow me to depart from my printed text to point out some technical facts of

processing which may be helpful so that you will better understand this.

Senator HOLLAND. Certainly.

(The remainder of Mr. Runzler's statement is as follows:)

In the final analysis, the Department of Agriculture has attempted to justify its position toward PIK-NIK since October, 1968 to the present time on the basis that its purpose is to benefit the potato industry by limiting shipments of potatoes not meeting the minimum size and quality requirements of the Regulations to processors because the Department claims such shipments depress potato prices.

No one can quarrel with efforts to improve the potato industry; all who are in the industry desire to improve it. But if shipments to processors are harmful, as the Department of Agriculture states they are, then the Department of Agriculture has poorly served its objective of limiting shipments to processors, because more shipments of Russet type potatoes have been shipped for processing from the Marketing Order area from the 1968 crop than were shipped from the same area from the 1967 crop.

Also, while poorly serving this objective, the Department of Agriculture has issued a regulation which permits processors within the Marketing Agreement area to receive and process potatoes without reference to minimum size or quality requirements, while denying processors of the same type of products from outside the area access to the same raw material, raising a serious question of equal protection under the law. Moreover, it has permitted certain users of potatoes not meeting the minimum size and quality requirements to take potatoes from the Klamath Basin area while denying PIK-NIK (the longest user of such potatoes from the Klamath Basin area) the opportunity to purchase them.

We submit that the policy of the Department of Agriculture is behind the times.

The Klamath Potato Growers Association, by a letter dated May 16, 1969, signed by Walt Jenerdzejewski, Secretary and County Agricultural Agent, has made it plain to the farmers within the Klamath Basin area that the basin cannot long continue without adequate processing outlets which lend themselves to utilization in a growing dehydration market in which, at the present time, the Klamath Basin growers have been precluded from participating in any substantial fashion.

That processing is the salvation of the potato industry has been explored and discussed at great lengths at the proceedings of the Second Annual Oregon Potato Growers Meeting held in Madras, Oregon on January 23 and 24, 1969. At that meeting, G. B. Wood of Oregon State University, pointed out that the factors affecting potato marketing and prices has been the high rate of instability within the industry arising primarily from a very high inelastic demand for potatoes and a yearly variation in potato production. He explained that the low financial return for the 1967 potato crop was the result of a good potato year in 1964 when freezing weather brought the highest potato prices in about 40 years. Acreage expanded 8% in 1965 over 1964; another 5% in 1966 over 1965; and the Fall of 1967 was excellent and storage losses were at a low level. As a result, the 1967 year started with about 9% larger stocks than were on hand in 1966. Larger stocks, coupled with a build-up in production in the face of a rather constant total demand for potatoes, presented a troublesome situation which resulted in very unprofitable potato prices to potato growers throughout the country for the 1967 crop. A smaller supply of potatoes, according to Professor Wood, had a correspondingly favorable effect on potato price for the 1968 crop. He concluded his analysis by pointing out the future of the potato industry and the key to expansion is the development of processing outlets with the potato being treated as a raw material and used as such.

We submit that the inherent inequities of the present Regulations, the Act, and the Marketing Order, as dramatically shown in the problems that beset PIK-NIK, should be remedied by the present bill before this Committee.

All we want, gentlemen, is to be allowed to compete with the same rules and laws governing all canners, freezers, and processors. May I emphasize again, PIK-NIK is only the first example of what can happen to a processor if this inequity is not corrected by a new law granting exemption.

Thank you for allowing me to speak.

Senator HOLLAND. There are some things that I would like to ask you. One is to know what your processing is, and we would also like to know what is a U.S. No. 1 B size of the fresh potato. Just what does that mean?

Mr. RUNZLER. U.S. No. 1 B size potato is a small potato. It will range in size from an inch and five-eighths to up to 2 inches.

Senator HOLLAND. It is smaller than the U.S. No. 1?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. You stated a while ago that you purchase both the small sizes and the oversized. When do these potatoes become oversized?

Mr. RUNZLER. We have purchased some oversized potatoes during the winter months when we could not get others and we cut them up before we started to cook them. This was a B size potato. It is normally described as a small one under the regulations.

These are not perfectly formed and we have to use them and cut them up. The type we need and desire is the small potato, an inch and five-eighths.

Senator HOLLAND. Then your purchase of the large ones has been incidental to the efforts to solve your problem arising from the fact that you were cut off from purchasing of the 1-B?

Mr. RUNZLER. Yes, sir; that is correct.

Senator HOLLAND. Another question, this trouble that you have had is keyed to two things. One, the inability to purchase 1-B?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. And the second, the change in the definition of canning as made by the Department of Agriculture?

Mr. RUNZLER. The change in the definition of canning is what stopped us from purchasing.

Senator HOLLAND. I think we understand the size part of your trouble.

I take it that you want the whole statement included in the record, which will be done unless there is objection.

We go now to the discussion of processing that you practice and which now, as you tell us, is excluded from the definition of canning.

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. As presently promulgated by the Department of Agriculture?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. You may proceed.

Mr. RUNZLER. Thank you.

We do not use any potato that competes with the fresh market because we use the small U.S. No. 1 B size. We need a particular type of potato with regard to sugar content. In order for us to process and get the proper appearance and proper tasting products, the sugar content and the starch content in potatoes has to be at the proper standards. In order to achieve the proper sugar-starch relationship, this takes much advanced planning, and during the winter months when your potato normally would come out of the cellar or out of storage in Oregon, it is necessary for us to temper these potatoes by controlled temperature and humidity stored in our warehouses. This includes many, many carloads of products that are stored under the proper conditions to give us the proper product when we start to can.

Only certain types of potatoes—when you speak of a potato, one potato might cook on your stove and turn out to be beautiful. If we try to process it in our vegetable oils, this potato might turn out too dark, so it takes a particular type of potato. We just cannot pick them out and say, "Well, they will buy these." We cannot run them out like that. This just is not going to be done. We cannot use any type of potato because actually a potato is very delicate when it comes to the processing that we use.

Now, the processing we use is to peel the potato, wash it, slice it, wash it again and cut it up. It is immersed in cooking oil for 5 to 6 minutes. It is immersed at about 340°. It is immersed in that heat. After 5 minutes it is taken out. It is salted. It is cooled to room temperature and then we put it in our cans and seal it under a vacuum.

All water at this point has to be out of the product. There can be no water content left in our potato at all in order for it to remain crisp.

Under these conditions we say that our product is commercially sterile because it has been immersed in oil, as I said, 5 minutes or 6 minutes at 340° and is sterile because this product will retain its life for years provided the vacuum remains in the can.

Senator CURTIS. Mr. Chairman, could I ask a question?

Senator HOLLAND. Certainly.

Senator CURTIS. From 1939 up until this day arose in 1968, did you have any correspondence or ruling or any communication from the Department of Agriculture stating that your process was one of canning?

Mr. RUNZLER. The permit that we received gave us permission to ship our product. It was made out by the Department of Agriculture. They defined our process as canning on this permit. We received no direct communication from the department in Washington.

Senator CURTIS. But tell us again what they issued?

Mr. RUNZLER. A permit was issued from the Oregon-California Potato Growers Committee. I think we have a copy of it. That shows exactly our purpose and it refers to it as canning. If you will bear with me, I will try and dig it out.

Here is a copy of the permit, sir.

Senator CURTIS. What is your best judgment on the approval of this application by the administrative committee? Does it constitute a notice of the Department of Agriculture that this is what was going on?

Mr. RUNZLER. I do not understand.

Senator CURTIS. When the administrative committee approved this—

Mr. RUNZLER. Yes, sir; Mr. Merrill R. Webb, the Manager, signed it.

Senator CURTIS. Yes. Is it your contention that the Department of Agriculture had constructive notice that this was going on for almost 30 years?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. They also have an observer of the department present with the administrative committee, do they not, during your marketing agreements? Do they not have personnel down there representing the department?

Mr. RUNZLER. We understand that they are supposed to.

Senator HOLLAND. Do you wish to place this in the record, Senator Curtis?

Senator CURTIS. I think probably we should.

Senator HOLLAND. It will be admitted into the record unless there is an objection.

Senator TALMADGE. No; there is no objection here.

(The document referred to follows:)

Certificate of Privilege No. 1833

OREGON-CALIFORNIA POTATO COMMITTEE,
P.O. Box 788, Redmond, Oreg.

SHIPPERS APPLICATION TO THE ADMINISTRATIVE COMMITTEE ADMINISTERING
MARKETING ORDER No. 59

I ask that I be granted permission to ship and/or sell for use only for the specified purpose, and in the amounts as specified herein, potatoes that do not meet current regulatory requirements for fresh market distribution but are permissible for the purpose named.

In consideration of your granting this permission, I agree to the following stipulations:

1. That immediately upon the receipt of this form, I will sign all three copies and return the duplicate and triplicate copies to your office, retaining the original in my files. Failure to comply will cancel verbal permission to ship under the above certificate of privilege number.

2. That as shipments are made under this certificate of privilege, I will promptly mail a copy of the bill of lading or shipping order to your office.

3. That before making application for this certificate of privilege, I have made certain that the potatoes to be shipped under its provisions will be used only for the purpose named.

4. That I have read the current marketing order regulations, and that I make this application with a full understanding of them. That I realize the making of a false certification, knowing it to be false, is a violation of title 18, section 1001, of the United States Code, among other statutes which provides for fine or imprisonment, or both.

5. That the specified purpose for which these potatoes will be used is canning. The estimated amount is 80,000 cwt. of Russet variety, and they will fail meeting fresh market regulations because of maturity () grade () size (x).

6. That they will be shipped to Pic-Nic Food Products Co., whose P.O. address is 214 Dupont Street, San Jose 26, Calif., destination if different than P.O. address -----

7. Date Sept. 15, 1959, applicant's firm name John Giacomini.

JOHN GIACOMINI.

MERRILL, OREG.

ACTION BY THE ADMINISTRATIVE COMMITTEE—MARKETING ORDER NO. 59

Permission is hereby granted the above shipper to ship and/or sell potatoes as specified in the above application for the purpose and use only as specified and stated therein under certificate of privilege as numbered.

MERRILL R. WEBB (by F. P.), *Manager*.

SEPT. 15, 1959.

Senator TALMADGE. It is your belief or knowledge that at least a considerable portion of the time a representative of the Department of Agriculture would know about such documents as you have displayed here?

Mr. RUNZLER. Yes.

Senator TALMADGE. May I ask a question?

Senator HOLLAND. Off the record a minute.

(Discussion off the record.)

Senator HOLLAND. On the record. Without objection, the document in question will become part of the record.

Mr. GIACOMINI. I would like to point out that the record should show that it has on the back of this particular item a stamp. It says Pik-Nik.

Senator HOLLAND. A copy will be made of both sides of this. It has been furnished to the reporter. It will be incorporated into the record.

Senator CURTIS. What is the date of your original marketing act?

Mr. RUNZLER. I would like Mr. Giacomini to explain that.

Mr. GIACOMINI. The act, in its present form, as amended in 1955—but it was in effect under a market order agreement starting in the late forties, and the first regulations were published in the Federal Register for 1948, so it was in effect, as I recall, from about 1948 onward.

Senator CURTIS. So documents such as you have here would have been, therefore, used for about 1948 on?

Mr. GIACOMINI. Yes, during the period of time from about, as I recall—and, again, I am speaking from research that I made by checking with the Department of Agriculture personnel in Oregon—from about 1955 to about 1960 crop season. The special purpose shipment permit, which included various special purposes including canning and freezing, which was not brought under any regulation and was exempt under the statute, required that the permit specify the use to which the product was being put, and then the manager approved or disapproved it under the authority granted him by the committee and which, in turn, was granted him under the marketing order, and throughout all of this period of time the committee was assisted by a member of the Department of Agriculture who would be in the field as part of the administrative assistance to the marketing committee.

Senator CURTIS. Was this statute ever reenacted after 1948? Was it?

Mr. GIACOMINI. You mean the Marketing Order Agreement Act of 1937?

Senator CURTIS. Yes.

Mr. GIACOMINI. It has been amended since 1948. Now the act, itself, has been amended a number of times, sir. Every time it has been amended—

Senator CURTIS. Every time it was amended did it carry this same exclusion?

Mr. GIACOMINI. Yes, sir.

The latest amendment was made to the act in 1965 and it was 79 Stat. 1270 and it pertained to certain packages with reference to carrots and citrus fruits, but not potatoes.

Senator CURTIS. Was the act reenacted?

Mr. GIACOMINI. The act was not.

Senator TALMADGE. It was permanent legislation.

Senator CURTIS. I know it was amended. I want to know if they reenacted it.

Mr. GIACOMINI. The entire act? I believe that what they did was to make amendments to specific parts.

Senator HOLLAND. That is correct.

Mr. GIACOMINI. Not the entire act.

Senator CURTIS. Well, I will tell you what I am getting at. If the Department of Agriculture regarded these as canned potatoes and any time thereafter Congress reenacted the statute, Congress then

adopted the definition of canning potatoes. I do not think the Department of Agriculture could change it without an act of Congress.

Mr. GIACOMINI. Well, I am not prepared to speak on whether they reenacted the act. All I can tell from checking the statute is that from time to time it was amended, Senator, and specific parts were amended.

I think that, for example, in 1954 they extended canning and freezing, for example, to grapefruit, and that sort of thing.

Senator CURTIS. I will not take up any more time on it. I believe the contention is well founded that when the Congress reenacts specific language it does so in light of its then current interpretation.

Mr. GIACOMINI. The Department of Agriculture disavows any responsibility for these permits, stating first that they denied issuing them and, then after we were able to produce them—I am referring to 1965 in regard to records of the California-Oregon Potato Committee, they were destroyed. But we were able to find these in some old records. Then they said that they were issued for administrative reasons, but they never explained to us what it meant.

Senator CURTIS. That is all I have.

Senator TALMADGE. Let me ask you a question. Did you litigate the Department's decision in that?

Mr. GIACOMINI. No.

Senator TALMADGE. Have you considered it?

Mr. GIACOMINI. We have considered it. We felt that litigation was not the best solution to the problem.

Senator TALMADGE. Have the courts decided what canning is and what it is not?

Mr. GIACOMINI. No, sir.

Senator TALMADGE. In other words, it would be a new question to present to the courts?

Mr. GIACOMINI. That is right, generally.

Senator TALMADGE. You considered a legislative remedy rather than a judicial remedy?

Mr. GIACOMINI. Yes, sir.

Senator HOLLAND. It is a fact, isn't it, that the general terms of exempting products for canning and freezing have been used and have not been in the statute itself in any detailed definition of what was canning and what was freezing?

Mr. RUNZLER. That is correct, Senator.

The cases have dealt with the question of canning and they have been under other statutes in other matters and there has never been a definition for this purpose of Agricultural Marketing Agreement Act of 1937. There has been no definition of canning or freezing.

Senator HOLLAND. Senator Jordan, do you have some questions, sir?

Senator JORDAN. Would this type of product, potato shoestrings, come under dehydration?

Mr. RUNZLER. No, sir.

Senator JORDAN. Don't open it. It is not dinner time yet. They are very good. I have had some of them.

Senator HOLLAND. In the dehydration of potatoes, is that used for the mashed potato that is found in the kitchen?

Mr. RUNZLER. Yes. I am not in the dehydration business, but that is my understanding.

Senator HOLLAND. That is my understanding.

Senator JORDAN. What I want to know is what do you mean by dehydration. I know that means that all the water is taken out of a product. I wonder if that comes under the same classification?

Mr. RUNZLER. No, not to your interpretation.

Senator JORDAN. What happens to those potatoes if you do not buy them? Is there any market to take up that No. 2 A, B grade? I believe it is the B grade.

Mr. RUNZLER. They were sold to other people that were exempt.

Senator JORDAN. What would they be exempted for?

Mr. RUNZLER. Freezing, canning, freezing, canning, starch.

Mr. GIACOMINI. The regulation for 1968 excludes export canning, freezing, and potato chipping. I believe that was it. We were not in the position to purchase the product, but it was sold to others.

Senator JORDAN. You cannot purchase it? You were out of the market area where they controlled the definition of canning process. Now, I believe in New York that it would come under the marketing area.

Mr. RUNZLER. That is right.

Senator JORDAN. Has this helped the producers of potatoes or hurt them?

Mr. RUNZLER. We do not know, sir. I could not answer that.

Senator TALMADGE. You buy the cheapest potato you can, I presume, to process this product? Most canners do.

Mr. RUNZLER. Yes.

Senator TALMADGE. That is the reason you buy the small grade and the larger grade?

Mr. RUNZLER. Yes.

Senator TALMADGE. It would not be the premium prices that housewives would ordinarily pay.

Mr. RUNZLER. The only thing that I want to make clear, Senator, is that the larger grade has been a part of our problem. We have never gone to the large B that we call cuts, because we literally cut them up before we —

Senator TALMADGE. What is the highest price you have paid for potatoes and the lowest that you have paid?

Mr. RUNZLER. Mr. Giacomini has the price statistics that will give you the complete story on this.

Now, we purchase them on a delivery basis.

Mr. GIACOMINI. The lowest price we paid is \$1.60 and we have been paying as high as \$2.74.

Senator TALMADGE. You are not buying any now. I believe you testified —

Mr. RUNZLER. No. I said we were temporarily closed. We are back in business. We are operating, but we really are not a business as a business is normally looked upon.

Senator HOLLAND. You were buying from the areas south of the counties in California that are covered by this marketing agreement?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. Is there sufficient production in those other counties to enable you to operate at full strength?

Mr. RUNZLER. No, sir; not for the type of potato that we use.

I said that we used a particular type. The special type of the potato is the Russet variety. During the winter months there are none in California. This is the type that we found gives us the best product.

Senator HOLLAND. Well, how many counties in northern California are covered by the Oregon-California marketing agreement in all?

Mr. RUNZLER. Two.

Senator HOLLAND. And how many are not covered by the marketing order?

Mr. RUNZLER. All the rest.

Senator HOLLAND. Well, of course, all the counties do not produce potatoes. There is a great production of potatoes in California. As I recall, south of these two counties extending down through central California, there is a tremendous amount of it.

Mr. RUNZLER. Yes, sir; into southern California there is. It is my understanding that California did have a marketing order back in the fifties but the growers found out that they were no longer able to operate under one.

Senator HOLLAND. That was the State market?

Mr. RUNZLER. State market order; yes.

Senator HOLLAND. Did you buy your potatoes that you use from any other source than from the other counties in California not covered by the Oregon-California potato marketing agreement?

Mr. RUNZLER. No, sir. They are all grown in California.

Senator HOLLAND. There are no other nearby producing areas to which you can turn for your potato to be processed?

Mr. RUNZLER. If they get too far away, Senator, the freight costs are too great.

Senator HOLLAND. These permits, of which we have had one placed in the record, were necessary before you could buy potatoes out of Oregon to be shipped across the State line to you in San Jose?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. They were, of course, permits approved by the Federal authorities because they permitted the movement in interstate commerce?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. Of the product?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. And the whole operation of the committee and of the order is under the regulation and under the supervision and under the control of the Department of Agriculture?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. There are other operators who process white potatoes in the United States who have been subjected to somewhat the same problem that you have?

Mr. RUNZLER. Not to my knowledge, sir.

Senator HOLLAND. What was your total annual production under your national operation?

Mr. RUNZLER. In pounds of potatoes used?

Senator HOLLAND. In terms of pounds of potatoes.

Mr. RUNZLER. Approximately 14 million pounds.

Senator TALMADGE. Fresh potatoes or canned?

Mr. RUNZLER. Fresh potatoes.

Senator TALMADGE. I see.

Senator HOLLAND. That makes you, then, a very sizable one in business. That makes you very sizable as a producer?

Mr. RUNZLER. As a shoestringer. That is not much in the chip business, though. For a shoestringer, it is sizable.

Senator HOLLAND. Are there other questions from the committee?

Senator JORDAN. Just what is dehydration? I know, but where does this all fall out of the category with making orders that is affecting you?

Mr. RUNZLER. The same order affecting us is affecting the dehydrator.

Mr. GIACOMINI. That is correct.

Senator JORDAN. What do they do to the potato?

Mr. RUNZLER. I am not qualified to answer that, Senator. I could have someone from the potato dehydration business answer that question.

Mr. HARDING. Mr. Chairman, my name is Ralph Harding. I yielded to Mr. Runzler. I would like to request that I join him now and speak for the dehydration industry at this time and submit my statement for the record at this point.

Senator HOLLAND. All right. If that is agreeable to the committee, we will receive your testimony and it will be heard at this time, so as to cover now only the potato processing, but also the dehydration.

I see that your statement is short.

Senator TALMADGE. I think that the members of the committee know that Mr. Harding is a former Member of the House from the State of Idaho.

Senator HOLLAND. I am glad to have you with us, Mr. Harding.

STATEMENT OF RALPH HARDING, DEHYDRATED FOODS INDUSTRY COUNCIL, BLACKFOOT, IDAHO

Mr. HARDING. Thank you, Mr. Chairman. I would like to ask unanimous consent that my statement be included in the record at this point and then I will elaborate on a few points.

Senator HOLLAND. The statement will be included in the record. (The prepared statement of Mr. Harding is as follows:)

Mr. Chairman, I wish to thank you and the members of your committee for the opportunity I have of appearing before this committee in support of S. 2214 which has been introduced by Senator Murphy and Senator Cranston from California.

Mr. Chairman, I was raised on a farm in Idaho and have been associated with Idaho farmers and their problems throughout my life. I served one term in the Idaho House of Representatives in 1955-56 and two terms in the U.S. Congress from 1961 through 1965. I am presently a vice president of the American Potato Co. with main offices in San Francisco, Calif. and processing plants in Blackfoot, Idaho and Moses Lake, Wash. I am a director of the Dehydrated Foods Industry Council, and it is in this capacity that I appear here today to testify for S. 2214. Our executive secretary has polled the potato members of our council and found them to be unanimous in their support of this legislation.

It is our feeling that this legislation merely updates the historical exemption that canners of fruits and vegetables were granted from the original Marketing Order Act of 1937. We understand that when freezing had become a major factor in the preservation of fruits and vegetables that Congress in its wisdom extended to freezers of fruits and vegetables in 1946 the same exemption that had previously been enjoyed by the canners. The legislation that you are considering today will extend to dehydrators of potatoes the same exemption that is presently enjoyed by canners and freezers.

Mr. Chairman, we feel that this is good legislation and that its passage is necessary for dehydrators of potatoes to compete with canners and freezers on a fair and equitable basis. Some may suggest that this could be accomplished

by removing the exemption which the canners and freezers currently enjoy. This would be a terrible mistake. As I understand it, the original reason for this legislation was to correct an injustice that was done to the Pik-Nik Co. of San Jose, Calif., which resulted in their plant being closed temporarily because of restrictions resulting from a potato marketing order which applied to Pik-Nik, but did not apply to other shoestring manufacturers with whom they were competing because they purchased their potatoes in different section of the country.

Therefore, the removal of the canning and freezing exemption would certainly not have prevented this unfortunate occurrence. Further, it is important to understand that potato marketing orders, where in existence, are regional. Many potato producing areas do not have marketing orders. In other areas they are inactive and in those areas where they are in existence, they have different regulations and provisions.

Members of our association have no objection to potato marketing orders as long as they continue to operate as they have in the past and are applied only to potatoes for the fresh market. However, we are definitely opposed to marketing orders being applied to processors because this cannot help but give one processor an unfair advantage over another processor because of the difference in marketing order regulations in the many areas in which competing processing plants are located.

Therefore, we urge early passage of this legislation in order to insure that dehydrators of potatoes will enjoy in the future as a legal right, the freedom from marketing orders that we have historically enjoyed in the past.

Senator HOLLAND. What we are talking about here is to the question that the Senator from North Carolina has brought up, and that is what the difference is between the dehydration covered by the use of the word "dehydrated," and the dehydration process accompanied by other processing that takes place in the case of the shoestring potato.

Mr. HARDING. Correct.

In the dehydration process the potatoes are peeled, cooked and dried in hot air dryers until the finished product contains only about 7 percent moisture.

There are various products in the dehydrated line. Granules, flakes, hashbrowns, slices, and dices are the most common. In the shoestring process the potatoes are peeled, cut into shoestrings and cooked in hot oil similar to the potato chip process.

Mr. Runzler, in the shoestring business, got into trouble because a marketing order was applied to his company (Pik-Nik Foods) that was not applied to their competitors in New York or Arkansas, and we, as dehydrators, are concerned because we have dehydrators in Washington, Idaho, and in the Red River Valley of Minnesota that make the same products and are very competitive.

A marketing order regulation can be applied in any one of those areas that could put the dehydrator in that area in exactly the same position that Pik Nik is in regarding competition.

These marketing orders, where they exist, are regional and many regions do not even have them. They voted them out in California, in Minnesota, and North Dakota. The Maine order is inactive.

In Idaho, we are very happy with our order, but it controls only the fresh and that is why processing including dehydration has risen to such great heights in Idaho. It is vital that all processors be put on an equal competitive basis. This can be done only by enacting this legislation you are now considering. To go the other way and remove the canning and freezing exemption from the marketing orders is going to hinder the farmer in the marketing of his crop. The experi-

ence of the past proves that the farmer gets the most from his crop when he has the most possible sales outlets for his crop. The Idaho farmer today can sell on the fresh market or he can sell to a canner or a freezer or a dehydrator or for potato chips or potato shoestrings.

That is all we want in this bill, Mr. Chairman, is for every farmer not only in Idaho, but anywhere in the United States to have this right. I say when you start controlling potatoes going to processors that you are going to magnify what happened to Pik Nik many times over.

Senator HOLLAND. Do I understand that in Idaho there are standards under which they would sell potatoes in the fresh vegetable market and would not apply to the sale of potatoes for these various types of processing?

Mr. HARDING. That is absolutely right, Mr. Chairman.

Mr. HOLLAND. In other words, there is no control, public control, over the quality of potatoes acquired by the various processors from the various producers and handlers of Idaho potatoes, meaning that the handlers and the producers themselves have to determine what products it is that they think they would satisfy their needs.

Mr. HARDING. That is correct.

Yesterday, I was very disappointed in the House hearings to hear witnesses testify that we were processing junk into processed potatoes. This is absolutely false. Neither the competitive situation nor the Food and Drug Administration would let us use junk and we would not use other than good processing potatoes, anyway.

We want a potato that is of top quality for processing and size does not mean any difference.

We have to make a very good product or we lose our customers. The competition between processors is very keen and each tries to make his potatoes the best.

Senator HOLLAND. Your mashed potatoes are dehydrated?

Mr. HARDING. Yes, sir, we have dehydrated mashed potatoes and we have dehydrated hashbrowns, and dehydrated slices.

Senator HOLLAND. Then the only one that I have had any personal knowledge about is the instant mashed potato. I have understood that that is a dehydrated product. Is that correct, sir?

Mr. HARDING. That is true, Mr. Chairman.

One other thing we are concerned about is the definition of canning. You have spent some time on that definition today. It is true we put some of our products in cans, but we can put it in other containers that are less expensive than cans.

Senator JORDAN. Plastic?

Mr. HARDING. Plastic bags, milk cartons, boxes, and other containers.

At this point the legislative history should make it clear that the term "other processing" in this legislation is intended to refer to operations which commonly involve the application of heat or cold to such an extent that the natural form or stability of the commodity undergoes a substantial change. This happens in dehydration, shoestring manufacturing, and in the manufacturing of potato chips.

Senator TALMADGE. Will you yield at this point?

You have a case against the Department that they have misconstrued the act and legislative history-and-remedy tradition.

Mr. HARDING. No. We would not have, Mr. Chairman, because without the adoption of this legislation the law is unclear and discriminatory. We make dehydrated hash-brown potatoes and we have other people in Idaho who can or freeze hash-brown potatoes.

Senator TALMADGE. They are under that order?

Mr. HARDING. Dehydration is under the order. The canned hash-brown potato and the frozen hash-brown potatoes are exempt.

Senator TALMADGE. What you are saying is that people in similar businesses get different treatment under the same order?

Mr. HARDING. That is correct. To date, canners and freezers are exempt. Dehydrators are covered.

Now, Mr. Hedlund testified that there were two ways to put us all in the same boat. One is to go right ahead and to include all processors. That would be a terrible mistake because of the regional nature of potato production. All the present marketing orders are regional and in many areas they are still not in existence. So if you include all processors, to be fair, they should all operate under the same marketing order. The growers and the Department have already rejected a national marketing order, therefore the widely different and nonexistant regional orders would still discriminate. That is why we say the only logical, fair, and equitable way is to exempt all processors and let them be competitive on an equal footing.

Senator TALMADGE. Covering only the fresh market?

Mr. HARDING. Let it cover the fresh market where it is needed and where the growers want it and will support it.

Senator HOLLAND. Senator Curtis?

Senator CURTIS. No, I am just puzzled here. Something is put in a can and it is sold and you have to open the can to get it out. It has been canned, hasn't it?

Mr. HARDING. Yes, sir.

Senator HOLLAND. Not according to the Department of Agriculture.

Senator CURTIS. Well, what happened to it?

Mr. GIACOMINI. You are right, but that is what they told us.

Senator HOLLAND. Has Mr. Hedlund left the hearing?

Senator CURTIS. Yes.

Mr. GIACOMINI. Mr. Smith is here. He probably could tell us.

Mr. HARDING. Senator, the point I wanted to make is we are merely updating the act of 1937. In 1937 canning was the only known method of preserving foods. In 1946, when freezing had become a major factor, Congress amended the Agricultural Marketing Act to exempt freezing. I am saying here today that dehydration is a major factor and dehydration and chipping and shoestring manufacturing should also be exempt.

Senator CURTIS. You cover that by other processes. This is the only new language.

Mr. HARDING. That is right. Other processing is the only new language.

Senator TALMADGE. What about the people that make alcohol from the potatoes, are they covered?

Mr. HARDING. If they are substantially treating their potatoes with heat or cold I am sure they would be covered.

Senator JORDAN. What do they use to purify it?

Mr. HARDING. That I do not know. We do not have any alcohol plants.

Senator JORDAN. We use corn in North Carolina.

Senator HOLLAND. Off the record.

[Discussion off the record.]

Senator HOLLAND. Back on the record.

Mr. HARDING. Mr. Chairman, I know that there is opposition here today, and I want them to have a chance to state their case, too, and you have been most fair with us. I thank this outstanding subcommittee for hearing this problem.

Mr. Runzler here needs this bill. We need it. After you have heard all sides of it I am sure the committee will act in its wisdom.

Senator JORDAN. Where are you from in Idaho?

Mr. HARDING. I am from Blackfoot, Idaho.

Senator JORDAN. Well, it is a great State. Fine potatoes.

You do put these things up in a plastic bag?

Mr. HARDING. That is correct. The same products, potato granules in the institutional market are packed in a No. 10 can. It is canned.

Our competition in the R. T. French Co. pack put similar granules in a foil pouch for sale in the grocery stores.

Senator JORDAN. I thought I had seen some plastic bags in our kitchen.

Senator HOLLAND. Thank you very much, gentlemen.

Off the record.

(Discussion off the record.)

Senator HOLLAND. Back on the record.

Senator TALMADGE. Would a legislative definition of canning solve your problem?

Mr. HARDING. No! Dehydrated products, chips and shoestrings should be exempt the same as canned or frozen potatoes. Otherwise a potato chipper in one area that has a marketing order is going to be subject to high cost raw material while his competitor just across the State line, who is not subject to the marketing order, may have much lower cost raw material and you realize the disruption of the competitiveness of free enterprise with this type of artificial interference.

Senator HOLLAND. Off the record.

(Discussion off the record.)

Senator HOLLAND. Back on the record.

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

(A supplemental statement filed by Mr. Runzler is as follows:)

To further inform this Sub-Committee, I present the following facts in addition to my oral testimony at the hearings held on June 10, 1969:

1. Average estimated net payments to farmers for US No. 1 B size Russet potatoes from the Klamath Basin for canning and freezing use (as distinguished from cow-feed or starch use) from the 1967 crop were 25 cents to 40 cents cwt. The net prices paid these farmers for Russet type potatoes for the same use from the 1968 crop ranged from 35 cents to 60 cents cwt. These payments resulted in 1967 average delivered prices to San Jose, California of \$1.60 to \$1.85 cwt. Projected delivered prices to San Jose, California for these same potatoes from the 1968 crop would have been \$1.60 to \$2.05 cwt.

2. Average prices paid to Klamath Basin farmers for US No. 1 A size Russet potatoes from the 1967 crop were \$1.76 cwt. as compared to \$3.25 cwt. for the 1968 crop potatoes. With a break-even point of \$2.50 cwt. delivered cost to PIK-NIK CO. in San Jose, California we could not have purchased this size of Russet potato because 1967 costs would have been at least \$2.62 cwt. Average and projected average costs for the 1968 crop would have been a low of \$4.07 cwt. with a high of \$4.67 cwt.

3. The potatoes used by PIK-NIK CO. must be of a suitable composition possessing good cooking quality in the trade sense (not in the housewife's sense). This cooking quality is determined by the composition and type of potato—not its appearance nor grade except, of course, rot must not be present. For our specific business a Russet type potato is essential. Our requirements of a US No. 1 B size are based solely upon price. As the size of the potato goes up, the price increases. So, also, do the brokerage costs because more outlay by the broker is required involving larger expenditures and greater interest factors. Brokerage cost for US No. 1 B size potato is 10 cents per cwt., while the same cost for US No. 1 A potato is 20 cents per cwt. Loss factors are 5 cents per cwt., average freight of 45 cents per cwt., and bag cost for used bags of 12 cents per cwt. remains the same, regardless of the size of the potato.

4. Our sources for the above information are as follows:

(a) Farmer prices for US No. 1 B size potatoes: Cecil Ullom, Statistician, Statistical Reporting Service; U. S. Department of Agriculture, Portland, Oregon (unpublished data including cull sales); Wesley McKaig, Handler Member, Oregon-California Potato Committee; Cecil Cheyne, President, Klamath Potato Distributors, Inc.

(b) Farmer prices of US No. 1 A potatoes: Cecil Ullom, Statistician, Statistical Reporting Service.

(c) Delivered prices for US No. 1 A's and brokerage costs: George L. Burger, Potato Broker, 52 Valajo Street, San Francisco, California.

Senator HOLLAND. I understand that our next witness is Mr. John W. Scott, master, National Grange. I understand he was not able to attend and has asked Mr. Robert M. Frederick to testify in his place.

Now, in order that we may save some time here, I would like some information about my list. I did not prepare this list, but it was prepared as the requests came in to testify.

Off the record.

(Discussion off the record.)

Senator HOLLAND. Back on the record.

Will Mr. Frederick come forward?

STATEMENT OF ROBERT M. FREDERICK, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE

Mr. FREDERICK. I have prepared a statement which I would like to have inserted into the record.

Senator HOLLAND. Without objection it will be.

Mr. FREDERICK. My name is Robert M. Frederick, and I am the legislative representative of the National Grange, with offices at 1616 H Street, NW., Washington, D.C. The Grange was instrumental in the passage of the original marketing order legislation and appears before you today adding to a history of 32 years of support for marketing order legislation without a single exception.

However, today our support for marketing order legislation assumes a negative role, as we are opposed to the enactment of S. 2214, to amend section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, as amended.

We suggest that what is being attempted today by the proposed legislation is not in keeping with the declaration of policy of Congress.

Briefly, I would say, that rather than taking the course of exempting the "other processing" from the act, that we wish to recommend that it go the other way and include all forms of processing to be covered by the marketing orders.

Senator HOLLAND. You would appeal the present exemption for canning or freezing?

Mr. FREDERICK. Yes, sir. What we are supporting is an increase in the bargaining opportunity of the American farmer and to increase his effect upon the price he receives. We would equalize the difference between the present law and what is proposed by removing all exemptions.

Senator TALMADGE. If you did that, Mr. Frederick, wouldn't these people who are in that business simply re-rotate the plan in an area where you don't have them making the orders?

Mr. FREDERICK. That perhaps would be one of their thoughts; however, in this connection, the marketing orders that have been in effect in the Red River Valley and in Maine, are no longer in effect because of the freezing and canning exemptions.

They were hard pressed for funds at the time and when they exempted freezing and canning from the order they just closed the order down and left it lay there dominantly, but not because plants moved from the area.

I think we have to go back and review the legislative history of marketing orders, and as we look at it, it was too regulate the market in such a way that forces within the market would not destroy itself.

It is an attempt to give farmers an opportunity to effect price by regulating quality.

Second was to provide an abundance of high quality produce for the market but that marketing order cannot be used only as a means to increase price; however, as I stated earlier by regulating quality and other terms of sale the farmer can, to some extent, affect prices which he could not obtain without the order.

We also feel that marketing orders protect the interest of consumers.

The interest of the consumer were preserved in the market order legislation and the regulations imposed in marketing orders assures the consumer of a much higher quality product at fair and reasonable prices. The use of market orders does not mean the monopolistic manipulation of the market, as some people have erroneously concluded.

The Grange feels that the consumer's interest will be better served if potatoes for processing are included under Federal marketing orders. The housewife has just as much right to expect that the processed potato products she purchases have been made from the same high quality potatoes as she would buy for table use. This is not to say that the present potato products are not made from good potatoes. They are, but the housewife would have more assurance of high quality if the potatoes were supplied to the processor under the regulation of a Federal marketing order.

We also feel that the best interests of the processors is adequately served by the knowledge that there is an abundant supply of the product at a high uniform quality available to the processor, that it will be delivered when most desirable from his standpoint, and that the problems of purchasing can be largely eliminated by the proper functioning of the Federal marketing order. Therefore, from the standpoint of the historical operations of the market order, we do not believe that processors have any reasonable gains to accomplish by adoption of this kind of legislation.

At our 1968 annual session, the delegate body reaffirmed basic Grange policy of legislation to enable producers to conduct referen-

dums, to establish facilities for orderly marketing of agricultural commodities, thus continuing our strong support for the self-help farm programs.

We, therefore, urge this committee to adopt, not S. 2214, but legislation that will extend Federal marketing orders to potatoes for all forms of processing in keeping with the purpose in declared policy of Congress as expressed in the act of 1937.

We appreciate the opportunity to come and speak before this distinguished congressional committee to once more support legislation to increase the farmers' control over their own destiny.

Thank you.

(The prepared statement of Mr. Frederick follows:)

Mr. Chairman and Members of the Subcommittee: I am Robert M. Frederick, Legislative Representative of the National Grange, with offices at 1616 H Street, N.W., Washington, D.C.

Although this is my first appearance before this distinguished Committee, I am sure that most, if not all of you are familiar with the National Grange and our long history of support for self-help farm programs, including marketing orders for fruits and vegetables for all forms of processing.

The Grange is a family farm, rural-urban organization, representing over 600,000 members located in 40 of our 50 states. It is because of our heterologous membership that we have a wide range of legislative interests and address you today representing both the producers of potatoes as well as the ultimate consumers of this excellent product of our land.

The Grange was instrumental in the passage of the original marketing order legislation and appears before you today adding to a history of thirty-two years of support for market order legislation without a single exception.

However today our support for marketing order legislation assumes a negative role, as we are opposed to the enactment of S. 2214, to amend section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended.

The provisions of S. 2214 would exempt from Federal marketing orders "potatoes for canning, freezing, or other processing". It is our understanding that the present Agricultural Marketing Agreement Act of 1937, as amended, already exempts potatoes from marketing orders for canning or freezing in both subparagraphs (A) and (B) of section 608(c) (2). Potatoes for canning were exempt in 1937 and for freezing in 1947; therefore, the only new provision of S. 2214 would be to exempt potatoes for "other processing", which would include dehydrating, chipping, etc.

The fact that all potatoes for processing, except those for dehydrating and chipping, are exempt from the provisions of Federal marketing orders is discriminatory against this particular form of processed potatoes. However, we do not agree with the proponents of S. 2214, that the way to make all things equal is to exempt all forms of potatoes for processing from Federal marketing orders. This is too strong a cure and will kill the patient—Federal marketing orders for potatoes.

The Grange would be in strong support of legislation to equalize the treatment of potatoes under Federal marketing orders by eliminating the present exemption provided for potatoes for canning or freezing in subparagraphs A and B of the Act. In the Grange view, this would be in keeping with the original intent and purpose of the Agricultural Marketing Agreement Act of 1937, as amended, and would be a far better cure for the patient.

The Federal marketing orders in North California, Oregon, Washington, Idaho and Colorado, represent 52% of the total fall production of potatoes, or 120 million hundredweight. Of this total amount, approximately 10% to 12% are removed from the fresh market and are diverted into processing because of the quality restrictions under the terms of the Federal marketing orders. Therefore, under the provisions of S. 2214, this amount of off-grade, sub-standard quality potatoes, would be placed in the fresh market in competition with high quality potatoes, which would have an adverse effect on the price of the fresh market potatoes. The other alternative would be the elimination of the marketing order, with even a greater disruption of the fresh market price and orderly marketing, one of the prime objectives of a marketing order.

This increased amount of off-grade potatoes would have the greatest price-depressing effect in the immediate market area, but it also would have an effect on the entire market structure of table stock potatoes. I fail to see why any grower of potatoes in the marketing area of the Federal orders would want to see off-grade potatoes that had previously been diverted into processing be placed on the fresh market. In our opinion, and in the opinion of our members and others in the affected states, that is just what would take place.

In fact, several marketing orders have been dropped because of their inability to regulate potatoes for processing. Marketing orders are lying dormant in the Red River Valley and in Maine because of the earlier exemptions, and the enactment of S. 2214 will surely be the death blow to the remaining orders.

We believe it would be well for this Committee, Mr. Chairman, to review the reasons for the enactment of the Agricultural Marketing Agreement Act of 1937 and the purpose and intent of Federal marketing orders.

In section 1 of the Act under "Declaration" it states:

"[It is hereby declared that the disruption of the orderly exchange of commodities in interstate commerce impairs the purchasing power of farmers and destroys the value of agricultural assets which support the national credit structure and that these conditions affect transactions in agricultural commodities with a national public interest, and burden and obstruct the normal channels of interstate commerce. (7 U.S.C. 601.)]" In section 2, relating to Declaration of Policy it states:

"DECLARATION OF POLICY

"[Section 2, It is hereby declared to be the policy of Congress—

(1) Through the exercise of the powers conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for agricultural commodities in interstate commerce as will establish, as the prices to farmers, parity prices as defined by section 301(a)(1) of the Agricultural Adjustment Act of 1938.²

(2) To protect the interest of the consumer by (a) approaching the level of prices which it is declared to be the policy of Congress to establish in subsection (1) of this section by gradual correction of the current level at as rapid a rate as the Secretary of Agriculture deems to be in the public interest and feasible in view of the current consumptive demand in domestic and foreign markets, and (b) authorizing no action under this title which has for its purpose the maintenance of prices to farmers above the level which it is declared to be the policy of Congress to establish in subsection (1) of this section.

(3) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to establish and maintain such container and pack requirements provided in section 8(c)(6)(H)³ such minimum standards of quality and maturity and such grading and inspection requirements for agricultural commodities enumerated in section 8c(2), other than milk and its products, in interstate commerce as will effectuate such orderly marketing of such agricultural commodities as will be in the public interest.

(4) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for any agricultural commodity enumerated in section 8c(2) as will provide, in the interests of producers and consumers, an orderly flow of the supply thereof to market throughout its normal marketing season to avoid unreasonable fluctuations in supplies and prices.⁴

(5) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to continue for the remainder of any marketing season or marketing year, such regulation pursuant to any order as will tend to avoid a disruption of the orderly marketing of any commodity and be in the public interest, if the regulation of such commodity under such order has been initiated during such marketing season or marketing year on the basis of its need to effectuate the policy of this title.⁵ (7 U.S.C. 602.)]"

² Amended by section 302 of the Agricultural Act of 1948 (July 3, 1948, 62 Stat. 1247) to refer to parity prices as defined in the Agricultural Adjustment Act of 1938.

³ The words "such container and pack requirements provided in section 8(c)(6)(H)" were added by Pub. L. 89-330, 79 Stat. 1270, approved November 8, 1965.

⁴ Subsection (4) added by section 401 of the Agricultural Act of 1954, 68 Stat. 906.

⁵ Subsection (5) added by section 141 of the Agricultural Act of 1961 (Aug. 8, 1961, 75 Stat. 303).

We suggest that what is being attempted today by the proposed legislation is not in keeping with the declaration of the policy of Congress.

As farmers or producers of a commodity, we look at the purpose of marketing orders to:

First—regulate the market in such a way that the forces within the market will not destroy the market itself. We have applied the principles of this kind of legislation successfully to many crops, primarily to the perishable fruits and milk. In addition, it has been duplicated by state marketing orders many times and in many states.

Second—to provide an abundance of the product for the market at a reasonable price. It has long been held that market orders themselves cannot be used as a means of only raising prices. However, through regulating quality and other terms of sale, farmers can to some extent effectuate price increases above that which would be obtained without the marketing order.

The interests of the consumer are well preserved in the market order legislation and the regulations imposed in marketing orders assures the consumer of a much higher quality product at fair and reasonable prices. The use of market orders does not mean the monopolistic manipulation of the market, as some people have erroneously concluded.

The Grange feels that the consumer's interest will be better served if potatoes for processing are included under Federal marketing orders. The housewife has just as much right to expect that the processed potato products she purchases have been made from the same high quality potatoes as she would buy for table use. This is not to say that present potato products are not made from good potatoes. They are, but the housewife would have more assurance of high quality if the potatoes were supplied to the processor under the regulation of a Federal marketing order.

We also feel that the best interests of the processors is adequately served by the knowledge that there is an abundant supply of the product at a high uniform quality available to the processor, that it will be delivered when most desirable from his standpoint, and that the problems of purchasing can be largely eliminated by the proper functioning of the Federal marketing order. Therefore, from the standpoint of the historical operations of the market order, we do not believe that processors have any reasonable gains to accomplish by adoption of this kind of legislation.

The Grange would like to state our early position that it is desirable to amend the marketing order legislation to include potatoes for all forms of processing and to prevent processors from having any voice in the developing of a market order, and then to prevent the producers from having any voice in the sale of the product after it has been processed. To do otherwise regarding coverage of marketing orders, is like giving a carpenter a hammer to build a house and then breaking the handle.

What we are saying is what we think is a matter of commonsense and justice. Stated simply, it is that the farmer should be allowed to regulate his market according to his best interest with proper regard being paid to the consuming public and that the processor should be free from interference from the producer in marketing of his finished product. It appears to us that this is the basis of mutual assignment of responsibility and mutual cooperation that can build a strong industry, regardless of whether it is potatoes, pears, peaches, cherries or milk.

The growing need for farmers to develop stronger joint programs in order to maintain a healthy, efficient food marketing system has been stressed by the June, 1966, report of the National Commission on Food Marketing, which pointed out that:

"Farmers as independent operators have not been able to coordinate quality improvement programs or to schedule more even flows of products to the extent demanded by today's food industry . . . Some form of governmental sanction for collective action will be needed, at least for a substantial period of time. Federal and State marketing orders and agreements are long-standing examples of instruments of this kind . . . (As an approach which is often complementary to cooperative organizations) they should be authorized for any agricultural commodity produced in a local area or regional subdivision of the United States. This is even more true today than in 1966."

In conclusion, Mr. Chairman, please permit me to re-state some basic Grange policy regarding farm marketing.

Our Journal of Proceedings for 1961 stated :

MARKETING ENABLING LEGISLATION

"The Grange has long advocated the commodity-by-commodity approach in the development of farm programs, and recognized the marketing order as a useful tool in developing such programs. Under existing Federal law, however, this and similar tools are not available to the producers of many commodities. If it becomes apparent that there is a broad desire on the part of the producers of any such commodity now excluded by law to have the opportunity to develop and vote on marketing-order type measures, we will support their efforts to obtain necessary enabling legislation."

In addition, in 1959, Grange policy regarding marketing orders was expressed as follows :

"Increased producer bargaining power. The Grange believes that farmers are entitled to bargaining power comparable to that enjoyed by 'labor' and 'business'. Farmers are both. Our programs would, therefore, seek to place responsibility for—and the control of—excess production in the hands of producers themselves.

"Provide producer-managed marketing programs. Through legislation, government has helped develop the bargaining power of organized labor. Other Federal laws often enable 'business' to regulate and control production and marketing of its products and services. Likewise, government should provide the framework for producer-managed commodity marketing programs, where necessary, to enhance producer-bargaining power."

At our 1968 Annual Session, the Delegate Body reaffirmed basic Grange policy of legislation to enable producers, through referenda, to establish facilities for orderly marketing of agricultural commodities, thus continuing our strong support for self-help farm programs.

We, therefore, urge this Committee to adopt, not S. 2214, but legislation that will extend Federal marketing orders to potatoes for all forms of processing, in keeping with the purpose and declared policy of Congress as expressed in the Act of 1937.

We appreciate this opportunity to appear before this distinguished Congressional Committee to once more support legislation to increase the farmer's control over his own destiny. Thank you, Mr. Chairman, for permitting the National Grange this privilege.

Senator HOLLAND. Mr. Frederick, I appreciate the shortening of your statement because it saves us some time.

I do want to call your attention to the fact, however, that the point raised by Senator Talmadge certainly has some validity, that if you exempt, if you cut out the exemptions of freezing and canning, you could have no exemption unless it were through exemptions with those who produce nonfood products. That may be a difference. It will, necessarily, produce a competitive situation between regions and regions which will not stretch such things as canners, freezers, dehydrators, and all of the others that are operating in this use of such a large percentage.

The total production of potatoes at that time would be receiving endorsements from communities which would say that in this region we do not have a marketing agreement; therefore, you will pick up your stakes and go somewhere else. People say that they can come there with them and they will give them a chance to continue to operate where there is a marketing agreement order.

It seems to me that this would operate perhaps in two ways. It will give an unfair competitive position perhaps to certain regions who simply would refrain from having marketing industry and orders or might operate the other way, and it might operate so much in their favor that areas which now have marketing agreements and orders would discontinue their use of them, which certainly would not pro-

vide any result other than greater confusion to the producer. I think that both of these points should be considered by those who are primarily interested, as your organization is, in helping the producers.

Mr. FREDERICK. May I point out that another result may be that if all potato products were under the marketing order, the price of potatoes would be increased in market areas that are under an order, therefore encouraging all growing areas to adopt marketing orders.

Senator HOLLAND. How would that operate as far as your general consumption public is concerned?

Mr. FREDERICK. Well, I am not here to advocate that consumers should be paying higher prices, but I am here to say that producers need to receive higher prices and marketing orders will permit that to do just that.

Senator HOLLAND. You can see that it is a complex situation.

Mr. FREDERICK. Mr. Chairman, it is a very complex and technical piece of legislation, and it has a lot of problems.

Senator HOLLAND. It becomes most complex when you try to make it operate in a producing field that really covers the whole Nation.

It is much less complex when it operates in a relatively small producing field. One area or three or four areas. It is much simpler as applied to that kind of a field. I think you will agree.

Mr. FREDERICK. I will agree to this.

Senator HOLLAND. The trouble is this field we are talking about is practically nationwide. There is hardly a State that does not—that is of the continent of the United States—that does not produce Irish potatoes.

Mr. FREDERICK. It covers a large number of States, but there is such a tremendous amount of, as Mr. Hedlund has testified. There is a tremendous amount of potato production going on into processing that we would think that if the exemptions were removed from the act that marketing orders would be used in practically all areas. All we are asking for is that the producer of the product, up to the point of his selling, has the most invested in the product and has the right to control the marketing of that product.

Senator HOLLAND. In general, that has been my position also, to strongly support the marketing agreement order procedure as much preferable to some of the other procedures used to help the farmers, and certainly in our State it has worked out better. It has worked out there as to production of commodity not produced nationwide. We are now talking about its operation in a field which is nationwide, and we are involved in a different situation. There are different subjects to be taken into consideration. There is the new potato, the shoestring potato.

Produced in my State is the hard potato that is produced later in the year. Let's take Maine and the Red River Valley and Idaho. There are other areas, too. There is very little comparable between those two productions. These are as to the cost of production. The cost of production is much greater in the United States or as to the value of the product in connection with its loss in quality, and the new potato does not last very long.

Mr. FREDERICK. That is right.

Senator HOLLAND. Hard potatoes can last under strong conditions and very—and can last a very long time and does so. The difference is very great.

The difference in the marketplace is very great.

Mr. FREDERICK. I would like to point out that in the United States there is about 52 percent of the fall production covered by marketing orders; 10 or 12 percent are going into processing of the type of potato in question.

If the orders continue, then this 10 to 12 percent will be deferred into the fresh market or they would try to find a market somewhere. I contacted the Florida Fruit & Vegetable Association, which I have previously worked with when I was working for the Vegetable Growers Association of America, and I discussed it with them, and they feel that perhaps this 10 or 12 percent would end up in the marketplace in competition with the Florida grown winter crop and they are in opposition to the enactment of this bill.

Senator HOLLAND. I am not surprised if they do because it would seem to me that because of the nature of their production that would be their position.

It calls attention to the fact that, again, that a nationwide product produced in different qualities and different areas present a very difficult problem under the marketing agreement.

Mr. FREDERICK. And currently that this—currently these potatoes would end up in the fresh market in competition with the Florida product.

Senator CURTIS. Would the producer of the U.S. 1-A potato—if you followed the best and most efficient method of production—normally produce a certain amount of U.S. 1-B potato?

Mr. FREDERICK. Well, it has been a long time since I followed a potato digger. Back in the days when I was producing there would be a certain amount of U.S. 1-B potatoes produced and there would be a larger amount of U.S. 1 potatoes produced and I am sure the same conditions exist today.

Senator CURTIS. Is it your position that those should not be sold for food purposes?

Mr. FREDERICK. I think this would be—here again, we get into the technicalities and the techniques of the marketing order. I think this would have to be determined by the producers themselves who would vote at a referendum for the regulation of that order to determine the grades that could be sold under the order.

Senator CURTIS. Under the program that you proposed would the B size potatoes have any outlet for food purposes?

Mr. FREDERICK. Perhaps they would, and most certainly under certain conditions they would. I think it would be again up to the producers in the area of the marketing order covered to determine whether they wanted them to go to market or not in competition with No. 1 potatoes or whether they wanted them to be diverted into other food uses or nonfood uses under the order and whether they should be dumped.

Senator CURTIS. That is all, Mr. Chairman.

Senator HOLLAND. Senator Jordan, any questions?

Senator JORDAN. No questions.

Senator HOLLAND. Thank you, Mr. Frederick.

Mr. Harry L. Graham, legislative representative, the National Farmers Organization.

Proceed, Mr. Graham. I am going to ask you to please file your statement. I am sure that meets with your approval.

Mr. GRAHAM. It does, Mr. Chairman. However, it is a short statement. I will go ahead and summarize it.

Senator HOLLAND. You go ahead and summarize it or read it as whatever you think will be to the best of your advantage.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL FARMERS ORGANIZATION

Mr. GRAHAM. I just want to pick out a couple of points here, and then I will leave time for the people who are on the list. They are the producers of potatoes who can answer most of the questions that are asked. They can answer them much better than anybody else.

We have here two people who are producing in this Oregon-California market area. One is from Washington and the other one is from Maine.

May I point out quickly, and Mr. Frederick touched on this, that in the history of potato marketing orders, the first mistake was made when there was a substantial part of this production that was exempted, and this reason that the market orders are not in these areas is because they have been terminated, and almost invariably because of the problem that has arisen because of the exemptions that were written into the original order.

Now, Mr. Chairman, if there is any one man in the Senate that is an expert on marketing order. I think it is you, and you understand what I am talking about on this.

Now, to point out some of the problems. If you exempted manufactured milk from the milk marketing orders, you would have a terrible time making those orders work if you could make them work at all.

Almost all of the milk that is marketed under Federal orders is on the basis of regulating all of the production and this should be done with potatoes.

The statement was made by Mr. Harding about the processor in Idaho; but he did not say that no processors are manufacturing in the market other than in Idaho and they are exempt from the Idaho order. This holds no relationship to what is being talked about.

What we would like to have is the right of the farmer to have marketing orders that would be over all potatoes. With your permission, I would like to submit the language of a bill that was introduced in 1962, which is to include all of the orders in these.

Senator HOLLAND. Do you wish this to be copied into the record?

Mr. GRAHAM. Yes, if you will, please.

Senator HOLLAND. Without objection.

(The bill referred to follows:)

[H.R. 497, 88th Cong., first sess.]

A BILL To amend the Agricultural Adjustment Act as reenacted and amended by the Agricultural Marketing Agreement Act of 1937

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended as follows:

"Section 8c(2) is amended (a) by inserting before 'grapefruit,' where it first appears 'potatoes,' and (b) by striking out 'asparagus,' and inserting in lieu thereof 'asparagus and potatoes,'"

Mr. GRAHAM. Now, I would like to say that there are two other reasons for my being here. One is that the NFO was the major marketing force in potatoes last year. We moved a tremendous amount of potatoes and we got a great deal involved in it.

The second is that I would like to point out that I think the committee has a right to be concerned with the unemployment of some 30 people and a small plant in California. We are also talking now about the production of 300,000 farmers. They have some rights and privileges, and it seems to us they are just as important as those we have heard about from the other side.

Now, Mr. Chairman, I do not know what these witnesses will have to say. They have been talking among themselves. Obviously they are going to have to shorten things up, but I do want Mr. Edwards of California and Mr. Bruce Nicholes from Oregon to speak. Mrs. Voss, from Washington, and Mr. Mooers from Maine need to at least submit their statements here and to answer some of the questions that have been asked.

Senator Curtis, one of your last questions can be answered very accurately by the people who are involved in this. I would like for them especially to tell you what they have been receiving for their B potatoes on the farm and some of these prices will astound you. You will understand very well why the processors want to eliminate all potatoes from the market orders.

If they could buy them at a price as low as 10 cents a ton, of course, they would want to eliminate them. That is what has happened.

That is all the time I am going to take this morning, Mr. Chairman. These producers have come a long way.

(The prepared statement of Mr. Graham is as follows:)

Mr. Chairman and members of the committee. I am Harry L. Graham, Legislative Representative of the National Farmers Organization.

The N.F.O. is an association of farmers whose purpose and program is to block together enough of their production of any and all agricultural production that they can collectively bargain together for improved prices.

Although we are convinced that the ultimate victory in the perpetual battle for farm prices is to be found in the use of the proven techniques of collective bargaining, we are very much aware of the contribution which can be made by the proper use of the powers and the authority of the state and federal governments to maintain some stability in the highly volatile agricultural markets.

This is especially true in relationship to those markets where it is easy for the giant processing industries to bring unwarranted economic pressure on segments of the production and thereby destroy any possibility the farmers may have had to obtain a fair return for their production.

Certain commodities are particularly vulnerable because parts of their production are put to different uses. Oranges, apples, milk and potatoes fall within this category because they are used both in their natural state and for processing into forms which are partially or completely prepared for use.

Before the passage of the Agricultural Act of 1937, even when only a minor section of the production went into the processing uses, this was always priced at the so-called "surplus" prices which was almost invariably lower than the prices paid for the product when it was used in its original form. The net effect of this system was to drive the prices for all of the production of a given commodity to the level paid for that which went into surplus or manufacturing usage.

The Agricultural Act of 1937 provided a method which could be used when desired to isolate the production which went into processing from that which was used in its original form. This was by using market orders, developed through a "hearing" process at which all segments of the industry was represented, including the general welfare, and which could be instituted only after a two-thirds majority of the producers approved of the projected order through a referendum.

Such market orders function by classifying the product according to usage, pricing it according to this use classification, and thus permitting that which goes into manufacturing usage to carry a different and lower price when the necessity for this is indicated in the evidence presented at the hearings.

Such orders can also be used to control grade and quality and to indicate the usages to which each can be put and to prohibit the use of some grades and quality which would not be in the general interest.

At the present time, about one-half of the potatoes being marketed in the U.S. are moving under either state or federal market orders or both. Other areas have used market orders and have rejected them when they did not seem to answer the particular problems of their areas.

The N.F.O. does not pretend to suggest that all of any commodity should come under a market order. In fact, we would not contend that any part of some commodities should be so ordered. What we do contend is that this method should be available when it is needed to solve the problems of disorderly marketing.

We recognize that there is a certain unfairness in the present law which excludes potatoes used for canning and freezing from the provisions of the order. However, the most obvious solution is to extend the provisions of the order to include these, and thus put all potatoes used for processing on an equal basis. This committee has been the necessity of eliminating some of the exclusion written into the original legislation, and we trust that the very desirable trend which we have witnessed during the past few years will continue.

We would note to the committee and to the agricultural producers that there is considerable evidence that the processing industry is using this potato bill as a test case. If they are successful in turning back the clock of economic legislation on this issue, they will return repeatedly with requests to eliminate from market orders all vegetables and fruits and dairy products now used for manufacturing purposes.

At a time when the producers of agricultural products are under terrific and increasing pressure from the so-called "cost-price squeeze," farmers can ill afford to permit even one breach in their carefully developed marketing programs.

In this case the issue is clear as it comes before the Congress. Either the Congress takes the side of the farmer who are already extremely hard hit financially, or it takes the side of the processors in their external struggle to exploit the farmers. We do not fault them for trying to gain an extra economic advantage. The N.F.O. is engaged all of the time in negotiating with them concerning the conditions of the sale of agricultural commodities, including potatoes. We are not surprised by this move nor are we overwhelmed.

We are prepared to fight for adequate farm prices on every front which the processors choose. We are not unaware of their financial and political power. But we trust the fairness of the Congress which it has repeatedly demonstrated to not further upset the already unequal balance of power by ruling in favor of the concentrated economic might which does not consider either the welfare of the farmers or of the consuming public.

Senator HOLLAND. I will have to call these names as they are listed. The next one is Raymond Jones, Instant Potato Products Association. Mr. Jones?

A VOICE. May I make a request that there are some growers who have come a long way, and we have got some growers on our side that have come a long way and I would hope that the time could be divided up to give the growers a chance to just make a statement and answer questions. We would agree with Mr. Graham.

Senator HOLLAND. Well, we will go ahead until 12:30. We do not have a meeting of the Senate today, but I have to be at other hearings.

A VOICE. May I point out that the proponents already took an hour and a half in their statement of the case, and now want to divide the last 15 minutes.

Senator HOLLAND. In 40 minutes from now it will be 12:30, as I heard at the clock. Do you wish to file your statements?

Mr. JONES. I would like to be heard.

Senator HOLLAND. Well, I am going to permit this witness to be heard, and after this I am going to go to the extreme of calling some growers further down the line, because I do not believe we have heard any of the bona fide growers as yet, and let others justify their statements.

All right, go ahead, please, as quickly as possible.

STATEMENT OF RAYMOND D. JONES, INSTANT POTATO PRODUCTS ASSOCIATION, MINNEAPOLIS, MINN.

Mr. Jones. Thank you.

My name is Raymond D. Jones, operations manager, Grocery Products Division, the Pillsbury Co., Pillsbury Building, Minneapolis, Minn. I am past president of the Instant Potato Products Association, which has designated me to voice its unanimous support of H.R. 11243 and S. 2214.

The Agricultural Marketing Agreement Act of 1937, as amended, needs updating to reflect today's industry conditions and the intent of the act.

1. The "U.S. Standards for Potatoes," effective July 15, 1958, lists the following grades of potatoes; U.S. fancy, U.S. No. 1, U.S. commercial, and U.S. No. 2. These grades are further broken down into three sizes: A, B, and C. Other potatoes are termed "unclassified."

An "unclassified" potato with rough skin, knobby configuration, or over or under sized, may be unacceptable for fresh market sale, but may create a superior instant mashed potato.

On the other hand, a U.S. fancy potato, perfectly formed, smooth skinned and medium sized, possessing high reducing sugar or low specific gravity, would be completely unacceptable to the instant mashed potato processor.

Fresh and processing segments of the potato industry have separate problems and should be treated separately.

2. An example of the inequity of the present act is as follows: The Red River Valley of Minnesota and North Dakota is divided by the Red River of the north. There are five potato dehydration plants in this area; two on the east side of the river and three on the west. If, by referendum, the Minnesota growers voted in favor of a marketing agreement, under present law, 58 percent of Pillsbury's present grower-suppliers would lose one of their prime outlets. Exempting potato processors from the act would overcome this type of economic inequity.

3. Finally, potato consumption had declined steadily over the past 50 years until potato processing became prevalent. Now, since the late fifties potato consumption increased about 15 percent. Present law threatens this trend and H.R. 11243 and S. 2214 will eliminate this

threat. The Instant Potato Products Association urges passage of this legislation.

I would like to comment on three remarks that came up here this morning in earlier testimony.

Reference was made to regulation of quality. Quality is one thing in a fresh market and it is another thing in a processing market. I stated that in my initial remarks.

Secondly, it is normal to grow B quality in a normal field run. It is required to use B size for slices such as are used in schools and in au gratin potatoes because we do not want to have squares of large potatoes cut in quarters.

Thirdly, instead of 300,000 farmers as Mr. Graham stated there earlier, there are only about 22,000 farmers growing about 93 percent of the commercial crop, so we are not dealing with that large number of growers. We are dealing with commercial farmers that are supplying the Nation's potato requirements.

That is all I have to say, sir.

Senator HOLLAND. Of course, you understand that under the marketing agreement there is no chance of preventing processors from having access to the crop and from purchasing. The question is whether they are willing to compete by paying what the farmers regard as a fair price for their product, isn't it?

Mr. JONES. There is no argument to that. It is just that we do not feel that regulations as to what grade of potatoes, as defined in the U.S. standards, are the criteria for the processor's requirements.

Senator HOLLAND. Well, of course the farmer has a right to decide what he wants to sell and what he does not want to sell, and he also has a right to decide what the price is that he wants to sell it for.

Mr. JONES. True.

Senator HOLLAND. Isn't the fact of the matter that the processing industry pays far less per hundredweight for its potatoes than does the fresh vegetable end of the industry?

Mr. JONES. The fresh vegetable end of industry creams off the 1's and 2's which go into fresh market because appearance is one of the primary prerequisites of consumer's desire to purchase.

Senator HOLLAND. A good deal more per hundredweight?

Mr. JONES. For the potatoes that are creamed off, yes, because there are a small percentage of the 1's and 2's that is versus the total field run which otherwise has perfectly good high quality edible material.

Senator HOLLAND. Your point is that since it does have high quality, edible material, that the farmers should have the right of decision as to whether he wants that to move in the market?

Mr. JONES. I think that as Mr. Harding stated earlier today, the farmer should have the ability to use any market he chooses.

Senator HOLLAND. Exactly. And if he chooses not to offer it at all, because of the price differentials, that is his privilege, too.

Mr. JONES. It is today.

Senator HOLLAND. Don't you think it should be?

Mr. JONES. Yes, but not by artificial regulations of what can or cannot move.

Senator HOLLAND. Is it artificial if two-thirds or more than two-thirds of the producers—and that is what is required—enter into the marketing agreement structure as a matter of making a deliberate

choice of how they want their production to be sold and therefore at what sort of a price level, because it is how much that is sold that ultimately determines the price level, isn't it?

Mr. JONES. As the act reads today, exempting freezers and canners and as has been suggested, eliminating that exception, you still have the possibility and a very real responsibility between the processors in various sections of the country.

Senator HOLLAND. I recognize that there is a difference between the various kinds of processors, but I think that the basic question is whether or not it is wise and appropriate to give to the growers the right to decide what kind of potato they want to sell, how many, and therefore to have that important privilege in determining something about the price structure. They cannot price it out of reach of the people who buy and depend on the potato to a large extent for their daily food. They have to consider the ability of the consumer and the customer to pay it.

Don't you think they ought to have the right to decide also what they need to get to pay their cost of production?

Mr. JONES. Well, it is our studied opinion over several years, in living with these various problems in the various sections of the country, that such artificial regulation is unworkable and is unadministratable.

Senator HOLLAND. Well, thank you very much.

Senator CURTIS. One brief question. This 15 percent increase in consumption, is that per capita?

Mr. JONES. Per capita.

Senator CURTIS. That is all. Thank you.

Senator HOLLAND. All right.

Now, the first grower that I see listed here is listed as being against the bill. His name is Mr. Wilbur Edwards, and the second one listed as against is Mr. John Mooers. I notice that there are several growers listed that are stated to be for it, Mr. Oliver Lovins and Mr. Rolland Jones.

Well, I am going to pick two that are against and two that are for, because I cannot do anything else. I think that is about all we are going to have a chance to hear. I will call out two names. Mr. Wilbur Edwards and Mr. Bruce Nicholes.

Off the record.

(Discussion off the record.)

Senator HOLLAND. Back on the record.

Now, we have got this set up. We will listen to those four named people. The rest of you will have an opportunity to file your statement. I am going to divide the time into 15 minutes to each side. I am going to call the time when you get to the end of 15 minutes.

STATEMENT OF WILBUR EDWARDS, TULELAKE GROWERS ASSOCIATION, TULELAKE, CALIF.; ALSO REPRESENTING THE KLAMATH COUNTY POTATO GROWERS ASSOCIATION AND THE MODOC AND SISKIYOU COUNTY CHAPTERS OF THE CALIFORNIA FARM BUREAU FEDERATION

Mr. EDWARDS. I would like to briefly give you my conclusion with one of the paragraphs from my testimony which reads even though some 30 processors in California alone have built large and profitable processing businesses on the use of undesirable fresh potatoes, the producer usually receives no more than 5 or 10 percent of the actual production cost. These processed potatoes then go into direct competition with the desirable grades of fresh potatoes.

Senator HOLLAND. Do you wish your entire statement to be filed?

Mr. EDWARDS. Yes, I would.

Senator HOLLAND. It will be filed.

(The statement referred to follows:)

In 1937 the Agricultural Marketing Agreement Act set up the marketing agreement program. The Oregon-California marketing agreement was enacted at hearings held in Portland, Oregon, on January 31 and February 1, 1955 at which Order No. 947 was accepted, as amended. It was established for regulating the handling of Irish potatoes grown in Crook, Deschutes, Jefferson, Klamath and Lake counties in Oregon, and Modoc and Siskiyou counties in California.

The purpose of the order was to effectuate the declared policy of the act with respect to potatoes produced in the specified Oregon-California area—by controlling size, shape and condition of the potatoes leaving the area and thereby establishing and maintaining orderly marketing conditions that tend to establish reasonable prices for the producers (parity prices) and at the same time protect the consumer interest. These standards are administered at a marketing area office, enforced by Federal-state inspectors and financially self-sustaining by the potato producers alone.

The Agricultural Marketing Agreement does not impose regulations, it merely provides the authority under which growers can develop regulations to fit their own situation and solve their own marketing problems when their commodity is over-produced. This is done, under the authority of the Act, to put supply in line with demand, by the elimination of lesser grades of potatoes, such as culls, a percent of small U.S. No. 2's (usually under 6 oz.) and some U.S. No. 1's (usually under 2" or 4 oz.).

By being able to put the supply in line with demand the potato producers have the same advantage as other business organizations. Manufacturers keep supply in accordance with the consumer's demand for a product by shutting down or slowing down production. This regulates prices and keeps the economy better balanced. The potato producer or potato manufacturer must keep his production at a maximum at all times, to give this nation a guaranteed supply of one of the most widely used, most nourishing commodities—which is still economical in comparison to other foods, and to combat the unpredictable elements of nature.

This inevitable over-production must then be controlled through marketing orders or the more expensive diversion program. Either of the two methods have the effect of diverting the undesirable grades of the commodity from human consumption.

Even though a marketing order for potatoes is in effect in Oregon and California (and many other states) some years a Federal diversion program has been necessary to eliminate large surpluses of potatoes at a great expense.

This diversion program could be eliminated through marketing orders, if more reliable information could be obtained on potato stocks-on-hand.

The 1967-1968 crop year began with a surplus of potatoes. The United States Department of Agriculture would not give a diversion program early in the season when they were asked for one. However, later help was received through the diversion program—but too late. Many farmers did not receive a price that was above the cost of production, because of the late diversion.

In the 1968-1969 crop year the growers in the Oregon-California marketing area decided to eliminate culls, "B" size potatoes, and the small U.S. No. 2 grades (from 4 oz. to 6 oz.) from the market. This had the same effect as a diversion program but did not cost the consumer-taxpayer any money. The farmers even received a better price than expected because of this method of handling the production problem. This is why HR 11243 and S 2214 are so damaging to the consumer, producer and the complete economy.

Because the potato producers desired to use their self-help program provided under the marketing agreement, some processors were unable to receive their usual supply of culls and undesirable grade potatoes in the 1968-69 shipping season of the fall harvested potatoes.

Even though some 30 processors in California alone have built large and profitable processing businesses on the use of undesirable fresh potatoes, the producer usually received no more than 5% to 10% of the actual production cost. These processed potatoes then go into direct competition with the desirable grades of fresh potatoes.

These prices may have been favorable in the 1940's or 1950's, but in the late 1960's this is ridiculous—for potato producers to keep supplying potato processors with their commodity, at a loss, and then have these same low grade potatoes in direct competition with the best quality fresh potatoes in the markets.

Most of the people in the Oregon-California production area believe canners and freezers should no longer be exempt from the marketing agreement regulations either. With *all* types of processors under marketing agreement jurisdiction, all potato buyers would be on an equal basis in fair competition—and this would ease the cost-price squeeze the grower faces. In low production years the marketing agreement standards could be lowered accordingly, by use of the marketing order, so that culls and "B's" could be processed or sold fresh, if necessary.

It is felt by the potato producers in the Klamath Basin that HR 11243 and S 2214 were purposely introduced at this time—during the producers busy planting season. There was no official publicity and a majority of the growers across these United States know nothing about the two bills. Producers have not had adequate notice for proper preparation and presentation of their testimony so that all true facts might be disclosed. It is therefore important that HR 11243 and S 2214 be either defeated here and now, or given adequate time for the producers to prepare a proper testimony.

(The attachments to the statement are as follows:)

To whom it may concern:

Greetings, the Tulalake Growers Association, Tulalake, California and the Klamath Potato Growers Association, Klamath Falls, Oregon, hereby authorize Wilbur (NMI) Edwards, also known as "Willie" Edwards, Post Office Box 426, Tulalake, California 96134, to represent their membership at the hearings on HR 11243 before the subcommittee on domestic marketing and consumer relations of the United States of America House of Representatives agriculture committee and on S 2214 before the subcommittee #3, agricultural production, marketing and stabilization of prices of the United States of America Senate Committee on agriculture and forestry and in any conferences and/or meetings related to HR 11243 and/or S 2214, in or near Washington, District of Columbia, on or about June 8, 1969 A.D. through June 11, 1969 A.D.

Dated this 6th day of June, 1969 A.D. in Tulalake, California by Larry C. Haynes, president, Tulalake Growers Association and in Malin, Oregon by George Rajnus, president, Klamath Potato Growers Association.

LARRY C. HAYNES,

President, Tulalake Growers Association, Tulalake, California.

GEORGE RAJNUS,

President, Klamath Potato Growers Association, Klamath Falls, Oregon.

To whom it may concern:

Greetings, the Modoc and Siskiyou County, California, chapters of the California Farm Bureau Federation hereby authorize Wilbur (NMI) Edwards, also known as "Willie" Edwards, Post Office Box 426, Tulelake, California 96134, to represent their membership at the hearings on HR 11243 before the sub-committee on domestic marketing and consumer relations of the United States of America House of Representatives Agriculture Committee and on S 2214 before the sub-committee #3, Agricultural Production, Marketing and Stabilization of Prices of the United States of America Senate Committee on Agriculture and Forestry and in any conferences and/or meetings related to HR 11243 and/or S 2214, in or near Washington, District of Columbia, on or about June 8, 1969 A.D. through June 11, 1969 A.D.

Dated this 6th day of June, 1969 A.D. in Tulelake, California by Don E. Hurlburt, director, Modoc County Chapter, and authorized representative of the Siskiyou County Chapter, of the California Farm Bureau Federation.

DON E. HURLBURT,

*Director, Modoc County, Authorized Representative, Siskiyou County,
California Farm Bureau Federation, Tulelake, California.*

Mr. EDWARDS. In conclusion, it is felt by the potato producers in the Klamath Basin that S. 2214 was purposely introduced at this time—during the producers' busy planting season. There is no official publicity and a majority of the growers across these United States know nothing about the two bills. Producers have not had adequate notice or proper preparation and presentation of their testimony that all true facts might be disclosed. It is therefore important that S. 2214 be either defeated here and now, or given adequate time for the producers to prepare a proper testimony.

Senator HOLLAND. Well, I am interested particularly in what you said about the level of pay that producers get for the inferior-grade potato which goes to the processor. Now, please give that again a little more fully.

Mr. EDWARDS. Well, in most cases, except for a very, very unusual year, the producer usually receives, maybe 10 or 20 cents net per hundredweight in B-sized potatoes which go to processing.

Senator HOLLAND. Well, is that the cost of production?

Mr. EDWARDS. That is about 5 to 10 percent of the cost of production.

Senator HOLLAND. Then it is your position, is it, that you think that either they should receive more or should have the right to withhold that portion of their crop which, as you have said, goes into competition with the better part of their crop which moves as fresh potatoes?

Mr. EDWARDS. That is correct. In years when the production of potatoes is down and the lower grades are needed for consumption, the grade standards can be lowered to where these potatoes can go fresh or processed, but the main purpose of the market order is to put supply in line with the demand whereby farmers can receive a fair price for the commodity.

Senator HOLLAND. I notice that you pointed out that there are two counties that are covered by this Oregon-California marketing agreement.

Mr. EDWARDS. Yes, sir, in California.

Senator CURTIS. Are some better potatoes produced in the normal course of producing U.S. 1-B?

Mr. EDWARDS. Yes, sir.

Senator CURTIS. And it is your position that U.S. No. 1-B's should not be channeled into the food market?

Mr. EDWARDS. Only if needed. If they are needed to supply the public with an adequate amount of potatoes, even the grading regulations can be lowered whereby they can go into channels for fresh or processing of potatoes.

Senator CURTIS. Is it your position that the competitive disadvantage from selling B's for food outweighs the gains?

Mr. EDWARDS. That is correct.

We have had experiences his year in just exactly this. There has been a higher demand in the No. 2 potato, which put our No. 1 potato into a moderate demand and we saw the better price.

Senator CURTIS. That is all.

Senator HOLLAND. All right.

Mr. EDWARDS. May I make one statement?

Senator HOLLAND. I want to ask you something. Has there been any shortage to the consumer of potatoes in the Pacific area of the Nation?

Mr. EDWARDS. No, sir. At the present time, even though we did eliminate the B size potato from being available, at the present time there are about 50,000 sacks of field run potatoes in the Klamath Basin unsold.

Senator HOLLAND. What percentage of California production of Irish potatoes is produced in the two counties in the Klamath Basin and in the Oregon-California marketing agreement area?

Mr. EDWARDS. What percentage of what, sir?

Senator HOLLAND. Of the total California production?

Mr. EDWARDS. I am not prepared to tell you that. I think the Kern County area is around 40,000 acres, which is a major producing area.

The Klamath Basin, in California and Oregon area, would produce between 20,000 and 25,000 acres a year.

Senator HOLLAND. Well, the two California counties that are in the Oregon-California organization marketing order area, are by no means the producers of a major part of the California potato crop?

Mr. EDWARDS. They are the producers of the major amount of winter potatoes.

Senator HOLLAND. But not of the rest?

Mr. EDWARDS. That is correct.

Senator HOLLAND. Yes. In other words —

Mr. EDWARDS. Our competition is in a different area. It is in an area that harvests their potatoes in the fall of the year. The rest is in competition with the southern State, which we call the summer potato.

Senator HOLLAND. Thank you, sir.

Mr. EDWARDS. Thank you.

Senator HOLLAND. I will call the first of the two witnesses who are for the bill. I will remind the opponents you have used some 8 minutes so far and have 7 minutes left.

STATEMENT OF REED HUNTER, LEWISVILLE, IDAHO

Mr. HUNTER. My name is Reed Hunter. I am a potato grower and shipper from Lewisville, Idaho. I am here to support S. 2214.

I have here petitions and a letter that I would like to enter into evidence.

Senator HOLLAND. It will all be received in the record.

(The documents referred to follow :)

HON. CLIFFORD M. HARDIN,
Secretary of Agriculture,
Department of Agriculture,
Washington, D.C.

HON. ALLEN ELLENDER,
Chairman, Committee on Agriculture & Forestry,
U.S. Senate,
Washington, D.C.

HON. ROBERT POAGE,
Chairman, Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

We, the undersigned potato growers, feel that the Marketing Order Act of 1937 as amended discriminates against the growers who produce potatoes for dehydration. We feel that dehydration should have the same exemption as potatoes for canning and freezing.

We produce potatoes that are processed. It is our feeling that all potatoes—whether for canning, freezing, dehydration, chipping, or shoestring manufacture, regardless where they are processed, be it in Idaho, Washington, Oregon, California, the Red River Valley Maine, or elsewhere—should enjoy the same marketing order exemption.

It is for this reason that we support legislation to accomplish the above.

(NOTE.—The above petition was signed by 267 potato growers in Idaho.)

The signatures below are those of potato growers who believe that dehydrated potato products should receive the same exemptions from federal marketing orders as those now enjoyed by frozen and canned foods. Since dehydration is now also a major method of preserving food we respectfully petition your support of House Bill 11243 and Senate Bill 2214 which will provide an equitable competitive position for the dehydrated potato.

(NOTE.—The above petition was signed 29 persons.)

MARSING, IDAHO.

Mr. FORREST SEVERE,
Idaho Farm Bureau,
Pocatello, Idaho

DEAR MR. SEVERE: Hearings will be held this month regarding HR 11243 and SB 2214, bills amending the Agricultural Marketing Act of 1937 to include all potatoes for processing.

In that original Act was aimed primarily at all fresh fruits and vegetables, including potatoes, they were all exempted for canning. In keeping with the original intent, all fruits and vegetables for freezing were also exempted in 1946, as this method of processing improved and expanded.

Today dehydration is an accepted method of food preservation and is one of the major consumers of the potato crop, as well as other fruits and vegetables. Since dehydrated products compete directly with canned and frozen in the marketplace, I feel the same exemption should be extended to dehydrators as to canners and freezers. In this way, all processors of fruits and vegetables would be competing equally.

A regional marketing order could place growers in one area in a very unfavorable economic condition, while potatoes used for dehydration in another area would not be affected.

We urge you to lend your support to the passage of HR 11243 and SB 2214, to maintain continued growth in the potato industry.

Sincerely yours,

JAMES KENT.

(NOTE.—Letters identical to the above from 14 other persons in Idaho were received by the subcommittee for the record.

Mr. HUNTER. Last year my brother and I raised over 1,000 acres of potatoes in the Lewistown and Osgood area. We sold potatoes to R. T. French, American Potato Co., Simplot, Rogers Bros., and Idaho Fresh Pak for processing. The balance, which was less than 10 percent of the crop, we packed and shipped on the fresh potato market.

That portion of my crop that was sold on the fresh market was sold under the grade and size regulations of the Idaho Malheur County marketing order. I support the continuation of a marketing order for fresh potatoes. I feel it is necessary to promote quality and, as a result, premium price for Idaho potatoes.

However, for the portion of my crop that I sell to processors, I do not want to be restricted or penalized by any regulations that do not apply to potato growers or processors in other areas.

I urge you and the members of this committee to support this legislation that will guarantee that all processors will be on an equal competitive basis, and the processors who buy my potatoes will not be faced with restrictions that do not apply to processors in other areas.

I feel the passage of this legislation will accomplish this and is therefore in my best interest as a potato grower.

Thank you, Mr. Chairman.

Senator HOLLAND. Do you have a figure showing what was the average price of the potato that it sold in the fresh potato market and average price of your potato sold to be processed?

Mr. HUNTER. Yes, I have. I remember them off the top of my head.

Senator HOLLAND. State those for the record, please.

Mr. HUNTER. The first potatoes we sold were for \$2 scooped in the fall of 1968. Later, they varied in price from \$2 to \$3.50 scooped up.

Our No. 1 potato sold on the market at \$4 per hundred, and the price was approximately \$2 for No. 2 potatoes.

Senator HOLLAND. That was the fresh potato?

Mr. HUNTER. Fresh potato market.

That was for the few that I sold there.

Now, for comparison, I might say this—

Senator HOLLAND. I believe you said that you sold only 10 percent of your total crop on the fresh potato, is that correct?

Mr. HUNTER. That is correct.

Senator HOLLAND. What was the average, sir?

Mr. HUNTER. The average price for potatoes I sold on the fresh market was below the price I received from processors at the time that I sold to them. That is the reason I did not sell any more than 10 percent of my crop on the fresh market because the processor would give me a higher price.

Senator CURTIS. That was the field run?

Mr. HUNTER. It was for field run.

Senator HOLLAND. What was the average price of the potatoes that you sold to processors?

Mr. HUNTER. Average price? Well, I would have to guess. It was on an average from \$2 to \$3.50. Let's say \$2.75.

Senator HOLLAND. And you sold 90 percent of your crop to the processors?

Mr. HUNTER. Yes.

Senator HOLLAND. I see.

Senator CURTIS. Did you sell 90 percent to the processors because you felt you would make more money?

Mr. HUNTER. Yes, and I had my own shed, too, and we closed the doors and sold to the processors because we could get more money this way.

I do not want any of these fine companies to be hurt. Pik-Nik was such a fine company.

Senator CURTIS. That is all.

Senator HOLLAND. Thank you.

Next I will call the second one of the growers who is said to be against the bill. That is Bruce Nicholes.

STATEMENT OF BRUCE O. NICHOLAS, MADRAS, OREG.

Mr. NICHOLAS. I would like to just read a small portion of my prepared brief, and then I will file it with you, Mr. Chairman.

Senator HOLLAND. The whole statement will appear in the record. (The statement referred to follows:)

Mr. Chairman: I am Bruce O. Nicholes. My address is Route 2, Box 1402, Madras, Oregon. My occupation is farming. I farm 380 acres of irrigated, diversified farm ground in the north unit irrigation project at Madras, Oregon. I have been raising potatoes every year since 1954. I am also President of the Scotty Potato Distributing Company, Inc., an Oregon corporation dealing in potatoes, packing and shipping as well as growing an average acreage of 200 acres of potatoes on these grounds. Scotty Potato Distributing Company also buys potatoes to pack from other growers in the area. Scotty Potato Distributing Company or myself as an individual have been in the packing and shipping of potatoes since 1956. I have been a member for two years on the control committee of the Oregon, California marketing order as a handler. I am a member of the National Farmers Organization. Past president of the Jefferson County Chapter of NFO. Past chairman of the National Farmers Organization National Potato Program. I am at the present, coordinator for the NFO in marketing order programs. We of NFO feel that the Federal Marketing Order Act is one of the best laws on the books at this time for farmers to add some control in how potatoes are marketed. It is a fair law for both producer and consumer. Though the producer has control over the marketing of their products, the Secretary of Agriculture must approve of each and every action the control committee takes. He is there to see that the grower uses the program only to get a fair and equitable price. He is also there to see that they do not abuse the power and restrict the market to the point to causing the consumers to be short of food or cause the price to react to a point to be more than the average of parity in any one crop year. We are here today. Mr. Chairman, to consider legislation that has been introduced to amend the powers of the marketing order act, which growers have voted in by at least a 66% majority to control the marketing of potatoes in many sections of this great nation.

Let's look at the past record of potato prices from years behind us. Let's consider whether these marketing orders have abused the law which has given them their right to control quality and volume of the potato crop they have produced. The winter crop is the crop which is now under marketing orders. The following is an average price growers receive for potatoes during the winter crop which is covered by marketing orders.

Year:	Average in the 9 western States	Average fall production	Average in the United States
1960.....	\$1.99	\$1.79	\$2.00
1961.....	1.14	1.22	1.36
1962.....	1.48	1.48	1.67
1963.....	1.57	1.70	1.78
1964.....	3.40	3.63	3.50
1965.....	1.92	2.10	2.53
1966.....	1.87	1.97	2.04
1967.....	1.71	1.68	1.86
1968.....			

These figures are from the U.S. Department of Agriculture. Now Mr. Chairman, you can see by this table that those growers of potatoes under marketing order control have not abused the use of the marketing order. Only once in this period of 1960 through 1968 did they even receive the average on the prices of potatoes in the United States and that was only in 1964, when they received 13¢ over the average price. At that time, every usable potato in the growers hands was used and the marketing order only controlled the quality which could be put on the market. Quality is what marketing orders control most of the time. This assures that the consumer receives that grade of potatoes he purchases at the retail level. Why do processors want out from under the control of the act. Not because of lack of quality potatoes to use in their processing, but because they want to use that potato that has been removed from the market because it is of such poor quality it cannot be shipped to the market by fresh shippers or because either the marketing order has taken it off because of quality or the order is trying to control the volume of potatoes which will go to the market.

There is just so much demand for any product on the consumers market whether it be in processed potatoes or fresh, with each year more of the crop being processed. If a processor can take the potatoes which are removed by the marketing order and place them on the market anyway, there is nothing taken off. Growers must receive a fair price for that which they produce. Much of the potatoes purchased for processing are called potatoes purchased at a price of 10¢ per hundredweight or even 10¢ per ton. Can this be fair? Where else can a manufacturer purchase his supplies of raw products to manufacture his product at such a ridiculous price? This is less than 5% of the cost of production. The product is bought cheap because it is of low quality on the fresh market. After moving through a processing plant, it is marked US No. 1 Potato.

There is no room at today's consumption rate to move 100% of the potato crop into the market at a fair price to growers. Growers must be able to control that percentage of the crop that can be used, otherwise there will be chaos in at least 4 years out of 5. For 1% of excess production kills any hope of growers receiving a fair and equitable price for his production. The USDA Crop Reporting Service sees to this. Yet, if we have a short crop and people do not have sufficient supply, prices will skyrocket. Under the marketing order we are able to adjust an overproduction so that growers may receive a fair price for that percentage of his crop he sells. The balance must be withheld from the market, or you will still have an oversupply. We feel that we should now have control of freezers and canners if we are to do a complete job of being able to control our market ourselves. This past season we of the Oregon, California Marketing Order, because of the USDA report showing approximately 8 million hundredweight over production, removed from human consumption our low quality potatoes from the market. We as growers were able to show a profit on our production which the USDA said would be a disaster for potato producers. They recommend we ask for a diversion program which would cost many government dollars. We controlled our volume with the marketing order with no government help needed. This assists producers in bargaining in a fair manner. We believe all types of processors should be on a fair, equal and competitive base. To buy their raw products at a price level which growers of this product can make a legitimate profit. But we feel it would be wrong to place dehydrating processors in a position which would allow him to steal his raw products from the producer. Therefore, we the potato growers of Oregon and this nation, ask you to please defeat this legislation and pass legislation which would put canners and freezers under the control of the federal marketing order. This would then make all of them on a fair, equal and competitive base.

Mr. NICHOLS. Why do processors want out from under the control of the act? Not because of lack of quality potatoes to use in processing, but because they want to use that potato that has been removed from the market because it is of such poor quality it cannot be shipped to the market by fresh shippers or because either the marketing order has taken it off because of quality or the order is trying to control the volume of potatoes which go to the market.

I gathered up some potatoes here in Washington, and was unable to get, in fact, what I really wanted, because these are not white potatoes and are shipped from somewhere other than our area. They are not from a marketing order area.

These are what I would class as B size potatoes. This is what processors buy. I think we should look at these. These are a cheap potato. You have no control over them in most areas. They can process everything, and under a marketing order it can be removed.

This, in turn, ends up in the grocer's store in little boxes marked U.S. No. 1 potato, and they go against your good fresh potato.

Now these are red potatoes—they could be dyed I think. They have dyed potatoes, and housewives here on the streets of Washington have been fooled. They think they are red potatoes, but they are white, dyed red.

This is an Idaho potato.

It is impossible to sell 100 percent of a crop each year. We would like to get a profit from them. We would like to get a profit from the production of the percentage of the crop that we do sell, and make it a profitable picture, and if we allow a 100-percent total to go to the market, which most generally happens, we can have a legitimate price for our crop only when our crop is short.

I, as a producer, found that I could not make enough money, considering the support of my family and everything, growing only. I had to get into the shipping end of the business. I was able to stay in the growing business this way. This is the type of business that I am now in.

Senator HOLLAND. You are still a producer, but you are also a shipper?

Mr. NICHOLS. I now have the position of being a shipper as well as a producer.

Now, there is a potato, that when it is this size it is called a stripper. They are available to the housewife in the 10-pound bags. They are generally sold all throughout the Nation. We have an overabundance of them. Last year they sold for about 50 percent of the price of the better potato, and even lower than that at times, but they were sold to the housewife a high prices because the market could sell them to her.

Because we had an overabundance of the 10-pound bag, it was selling as low as \$2 a hundredweight.

We had an oversupply of those, and that is why we took these little potatoes off and asked the processor in California to use the strippers. It was available to him. You could take 50 cents off the 10-pound bag prices because they can use them in the 100 bag and it would cost them less than \$2 per hundredweight.

The State of Washington grower was selling them at 10 cents a ton to processors because the marketing order had not taken them off because the marketing order was then controlled by the processors, and they want this merchandise at 10 cents a ton, which is a steal in anybody's market.

Senator CURTIS. Is the smaller potato a poorer quality potato?

Mr. NICHOLS. No, it is not, but it is not desirable on the fresh market to the housewife. The housewife does not like to peel a smaller potato, and that is why we took it off. We took it off because it was small and would bring little money not because of the quality.

Senator CURTIS. As far as you know, it has the same nutrition?

Mr. NICHOLS. I am sure it has.

Senator CURTIS. Well, these were actually selling for 10 cents a ton?
Mr. NICHOLAS. In the State of Washington they were. Many of them were purchased at 10 cents a ton from growers and then processed.

Senator CURTIS. By whom?

Mr. NICHOLAS. By processors.

A VOICE. May I rebut that, please?

Senator HOLLAND. We are on controlled time.

Mr. NICHOLAS. In Washington the price was 10 cents a ton.

Senator HOLLAND. Your time is up.

Senator CURTIS. I would just like to know who bought them at 10 cents a ton and who sold them.

Mr. NICHOLAS. Growers in the State of Washington sold at 10 cents a ton. They had no control over it and this was moved at this price.

Senator CURTIS. You may be right, but I want to know who would sell them for this price. Can you give the names for the record at a later time before the record is closed of who sold the potatoes and to whom. Give me the name of a buyer and a seller of the potatoes for 10 cents a ton.

Mr. NICHOLAS. I will.

(The information is as follows:)

The names of the firms who offered 10¢ per ton in their contracts with growers for culls (irregular-sized large potatoes, and those under 1½" minimum sizes—all usable potatoes) are as follows:

Prosser Packing, Inc., Prosser, Wash.; Pronto Foods, Inc., Moses Lake, Wash.; Lamb-Weston, Quincy, Wash.

All farmers who had contracts with the firms sold at this price. Others sold on the open market.

(Additional information filed for the record is as follows:)

QUINCY, WASH., June 12, 1969.

Senator HOLLAND,

Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Old Senate Office Building, Washington, D.C.:

I am Amos Hayes, NFO member of Amos Hayes and son, potato growers. Sold my potatoes to Lamb and Weston in 1968. On Norgolds they paid me \$19.00 per ton across the board for No. 1's and No. 2's, and ten cents a ton for processors grade (culls). *Make this a part of the Congressional Record* as per request of Mrs. Voss testifying on S. 2144 and H.R. 11243.

AMOS HAYES.

(NOTE.—Telegrams similar to the above were received from 18 other growers in Washington, Oregon, Idaho, and Colorado, and are on file with the Committee.)

TULELAKE, CALIF., June 11, 1969.

Hon. SPESSARD L. HOLLAND,

Chairman, Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.:

Oppose H.R. 11243 and S. 2214 and be advised that our B grade and cull potatoes have averaged for 8 years approximately 5 to 10 percent of production cost. These two bills will kill the potato farmer for sure.

WAYNE HOLBROOK.

(NOTE.—Telegrams similar to the above were received from 25 other growers in California and Oregon, and are on file with the Committee.)

ANTHONY, IDAHO, June 13, 1969.

Senator SPESSARD L. HOLLAND,
Old Senate Building, Washington, D.C.:

I am definitely opposed to S. 2214. If allowed, the potato grower loses his bargaining power with the processor. It will be the end of the fresh shipper in Idaho and a catastrophe for the grower. If a potato is a cull and unfit for human consumption to the farmer, it should also be for the processor. Help us if you can.

MAX E. OTOSEN.

(NOTE.—Telegrams similar to the above were received from 53 other growers in Idaho, California, Washington, Oregon, Colorado, North Dakota, Maine, and Texas, and are on file with the Committee.)

Senator HOLLAND. You mean 10 cents a ton or 10 cents a hundredweight?

Mr. NICHOLS. 10 cents a hundredweight in Idaho. In Washington it is 10 cents a ton.

Senator HOLLAND. Your time is up.

There is one other witness here. Mr. Rolland Jones.

STATEMENT OF ROLLAND JONES, RUPERT, IDAHO

Mr. JONES. My name is Rolland Jones. I reside in Rupert, Idaho, where I have grown potatoes for over 20 years. I am presently growing 900 acres of potatoes, operate a potato packing warehouse, and have an interest in a potato flake manufacturing plant in Rupert. I am presently a member of the Idaho Potato Commission, a director of the Idaho Grower Shippers Association, and a former member of the Idaho & Eastern Oregon Marketing Order Control Committee. I am strongly in favor of S. 2214 because the Marketing Order Act of 1937, as amended, discriminates against growers who produce potatoes for dehydration. There is presently an active movement in Idaho to amend our marketing order so that potato supplies for dehydration can be controlled. Many of my neighbors grow potatoes for freezing and are exempt from marketing order control. Because dehydration is a means of preserving food, just as is freezing, I strongly urge this committee to favorably consider H.R. 11243 and S. 2114 so that I can operate on an equal footing with my fellow growers in Idaho.

I should also like to point out that only certain potato growing areas are subject to marketing order regulations. My potato growing and processing operations are designed to support the manufacture of potato flakes. My potato flakes are in direct competition with flakes produced in the Red River Valley, Maine, Michigan, Washington, Colorado, or any other area where sufficient potatoes are produced to support a flake plant. A local marketing order which could restrict my supply of potatoes for flake manufacture could place me in an impossible competitive situation with other potato producing areas, as well as with other types of foods which consumers have available to them.

The potato industry has grown rapidly and prospered since the advent of processing during the fifties. Growers who have operated an efficient growing operation have prospered also. All of this has been accomplished without marketing order controls on dehydration. The potato industry will continue to prosper if given the freedom and the competitive equality which is essential to free enterprise.

I would like to point out that in Idaho approximately 50 percent of the potatoes grown are subject to market order—B-1's and B-2's—the balance going to the processors, under what we call a processor's grade.

Nowhere in my memory can I think of 10 cents a ton or 10 cents even a hundredweight. This year the processor paid from 90 cents to \$1.90 on delivery. That is delivered at—and the grade has been met, just like the 1 and 2 grade. Since the events of processing in Idaho have gone about, our production has almost increased 50 percent.

I would like to make a statement about 10 cents a ton. I am not from the State of Washington, but I understand this, that from conversations with people that are in the business there, that apparently there is a law in the State of Washington that you have to pay something for the potatoes. The potatoes they are talking about are the rot and the green that is taken out of the field run potatoes.

Senator HOLLAND. What are they used for?

Mr. JONES. They are probably used—nothing that I can think of that would be worth anything, unless it might be sold at salvage as cattle food, but in the processing industry they would be worthless.

Senator HOLLAND. Has there been any considerable volume of sale at that price?

Mr. JONES. I would doubt it very much, but I could not say for sure.

Senator HOLLAND. Well, now, thank you very much.

Senator CURTIS. Are you primarily a potato processor and warehouse or primarily a potato grower?

Mr. JONES. We make most of our income from growing.

Senator CURTIS. Growing?

Mr. JONES. We also ship.

Senator CURTIS. Well, I am not clear, and it may be a point that is important. We started this hearing this morning talking about U.S. No. 1 size B potatoes. Do you know of any U.S. No. 1 size B potatoes sold for 10 cents a ton?

Mr. JONES. Not in our State.

Senator CURTIS. But there would be in some place?

Mr. JONES. I have no knowledge of it. I cannot imagine it being so, but I have no knowledge of it.

The No. 1 size B potatoes are regulated in our State under the marketing order. We do not ship them out.

Senator CURTIS. That is all we have.

Senator HOLLAND. Now, gentlemen, thank you for your cooperation. I am sorry we cannot hear all of you. I invite all of you who have not had a chance to be heard to please submit your statements to the officers of the committee. There are three members of the staff here. You can talk to them and straighten it out with them.

(The statements are as follows:)

STATEMENT OF F. W. "BILL" BERGESON, MANAGER, POTATO PROCESSORS OF IDAHO ASSOCIATION, POCATELLO, IDAHO

I'd like to commend the members of this Committee for your willingness to hear all aspects of this important legislative proposal. Having served two terms in the Idaho Senate, I'm somewhat aware that your task in evaluating the many problems coming before your Committee is not easy.

Having owned and operated a potato farm, I'm also aware of problems facing the potato grower, and I fully understand their concern and their sincere interest in finding long term solutions to their potato marketing problems.

I sometimes think, in our anxiety to find immediate answers, we have a tendency to discount the consumer demands wherein lies our long term solution. To be more specific, the potato processing industry is now tapping an entirely new potato market which can solve our long range potato marketing problem. Short range objectives can kill a budding solution in its infancy.

I do appreciate this opportunity to speak briefly in behalf of the Potato Processors of Idaho, who today are processing better than 65% of all the raw potatoes produced in Idaho. In as much as this Association processes more than the raw product total in any other state, it is one of the largest single voices in the national potato industry.

In addition to my brief remarks, I've distributed a brochure about the Idaho potato processing industry, a copy of economic facts about potato processing and the processor's analysis as to why HR 11243 and S 2214 are vitally needed in order to place the dehydration industry in an equal competitive position with other segments of the potato industry.

The potato processors of Idaho strongly feel that the prepared amendment to the Agricultural Marketing Act of 1937, is essential to correct a current legislative oversight. The original Act exempted canning because it was then the only major method of preserving food. In 1946, freezing had become a major factor in the preservation of food. Therefore, Congress amended the law to give freezing the same exemption from marketing orders. During the past ten years, dehydration has increased 500% and has now become a major method of preserving food. Now, it is only logical to amend the law to keep it up to date with the progress of the industry.

The brochure shows how a regional marketing order can be used as an economic weapon against isolated dehydrators competing for the nationwide market. Without realizing it, the Marketing Order Control Committee can cause a processing plant to close its doors, and the results of the action defeat the very purpose of the law. Also, the Marketing Order discriminates against the dehydrator who must compete against the canner and freezer.

Although the Association of Potato Processors in Idaho includes companies which have the advantage of being exempt from the Act because of their status as a freezer or canner, the Association is unanimous in its endorsement of HR 11243 and S 2214.

(A supplemental statement filed by Mr. Bergeson is as follows:)

I have already submitted a statement with respect to the above, but wish to file this supplemental statement to make certain that the record is clear in one respect.

There have been various references to "quality" of potatoes for processing, together with references to U.S. Standards for potatoes. It should be made perfectly clear that the Standards are applicable to table use shipments, where size, shape and appearance, in other words eye appeal, are important factors.

Potatoes for processing are of the same quality as potatoes for table use insofar as soundness and edibility are concerned. Quality for processing varies from the standards for table use only insofar as size, shape and appearance are concerned.

A small or misshaped potato which has no eye appeal for table use is just as good as a larger, better shaped potato when it is processed into flakes, granules, shoestrings or chips.

STATEMENT OF ART GREENBERG, GREENBERGS, GRAND FORKS, N. DAK.

Gentlemen, I believe that there has to be a change made to the Agricultural Agreement Act of 1937. As you may note, only canners and freezers are exempt from this marketing order. This was fine in 1937 and 1956, but today it is old-fashioned.

The potato processing industry is growing at a rapid rate and we cannot afford to have this kind of marketing agreements stand in the way of progress. Farmers who grow potatoes for processors understand what processors can use. For example, we grow potatoes, as many farmers do, for the chipping trade. The potatoes are stored at very warm temperatures and tend to go out of condition rapidly.

The chippers have been very good about taking potatoes that were out of grade, as long as they make satisfactory potato chips, and this is a big market

for our area. If this marketing agreement were enacted, we would be barred from shipping these potatoes to our potato chip contract customers. The potatoes would be out of condition so badly that we could not grade them and sell them on the fresh market to meet the marketing order. Most of these potatoes for processing are of a different type than the fresh market demands, which is another hindrance to our types of operations.

So I would appreciate anything you can do to help get this amendment made to the Agricultural Marketing Agreement Act of 1937. I believe it will help bring more processors into the Red River Valley.

STATEMENT OF LEON JONES, PRESIDENT, POTATO GRANULE ASSOCIATION,
SAN FRANCISCO, CALIF.

Mr. Chairman, my name is Leon Jones and I am here today to testify in behalf of the Potato Granule Association. I am President of the Association and our membership comprises 100 percent of the potato granule manufacturers in the United States. My home is in Caldwell, Idaho, where I am President of the Food Products Division of the J. R. Simplot Company. I have been associated with the J. R. Simplot Company since 1942 and have been active in the growth of the potato processing industry since that time. I have served as president of the National Association of Frozen Food Packers and on two occasions as president of the Northwest Cannery and Freezers. I have also served as a Director of the National Cannery Association. In addition, I was one of the founders and have served three times as president of the Frozen Potato Products Institute.

I am here today to testify in support of S 2214. I know that this legislation is in the best interest of the entire potato industry. This includes potato growers, potato processors, people who work in potato processing plants, as well as the consumers of our finished products. This legislation will expand the exemption from marketing orders to exempt all processors of potatoes. This is the same exemption that is presently enjoyed by freezers of potatoes. I feel that one of the reasons that the frozen potato industry has achieved the great growth and success that it enjoys today is because we have not been restricted and controlled by unworkable marketing orders. Frozen french fry plants are located in all the major potato producing areas of the United States. The varieties and grades of potatoes in these different production areas vary widely and as a result the prices paid for potatoes also are subject to considerable variation. Therefore, it is impossible to have a marketing order controlling potatoes going to the freezers in one area that would not place the freezers in another area in either a more favorable or a less favorable raw material position. This is why freezers of potatoes have been exempt from marketing orders. As a result of this exemption, not only the freezers, but also the growers of potatoes for freezing have benefited.

However, Mr. Chairman, dehydration is not exempt from marketing orders, and therefore, the same discrimination that occurred in the potato shoestring industry in which one shoestring manufacturer was placed in an impossible competitive situation by being subject to restrictions that did not apply to their competitors could happen in the potato dehydration industry. It is true that to date there have been no marketing orders applied to dehydration. We merely want to be sure that we will have the freedom in the future to produce potato granules as we have in the past without unnatural and artificial restrictions that would create chaos in our industry.

Therefore, Mr. Chairman, the Potato Granule Association strongly urges the passage of S. 2214 which is supported unanimously by our members.

TESTIMONY OF OLIVER LOVINS, WASHINGTON POTATO COUNCIL,
MOSES LAKE, WASH.

Mr. Chairman, my name is Oliver Lovins and I reside at 831 South Evergreen Drive, Moses Lake, Washington. I wish to thank the Committee for the privilege of appearing today and presenting my testimony.

I have lived in the Columbia Basin for 14 years, and have witnessed the growth and development of the potato industry in our Great State during this period of time from the standpoint of grower, fresh shipper, and processor interests. I have been in the potato business for 25 years.

I am the official representative in this matter for the Washington Potato Association, whose address is Building 2321, Andrews Street, Grant County Airport, Moses Lake, Washington. The Washington Potato Association is a voluntary non-profit corporation operating in the State of Washington for the mutual benefit of its members and the industry. The membership is composed of the great majority of the fresh shippers and processors in the State of Washington, and particularly the Columbia Basin area. Attached to this testimony is a list of the voting membership of the Association.

Many of the fresh shippers and processors are also large growers in the industry.

In the 1968 crop year, Washington produced 24,173,000 cwt of potatoes, according to Government estimates, and 74% of this production was handled by members of this Association.

This Association gives its support to legislation to extend to the potato dehydration and chipping industries the same exemptions under the Agricultural Marketing Agreement Act of 1937, as amended, as is now enjoyed by freezers and canners in our industry. We feel that discrimination now exists against the potato dehydration and chipping industries and can endanger the welfare of those industries. The financial interests of the growers, fresh shippers and processors can best be safeguarded and enhanced by allowing the potato dehydration and chipping industries the same exemptions as exist for freezing and canning.

We feel it is in the best interests of the Consumers of America to be able to buy good wholesome potato products at reasonable prices. Placing restrictions on the potato dehydration and chipping industries will not accomplish this end.

If the potato processing industry is allowed to operate in a free enterprise climate, it will develop new wholesome food products; find new markets, and expand the economic benefits of the industry to the consumers, growers, shippers and processors alike.

WASHINGTON STATE POTATO ASSOCIATION MEMBERSHIP LIST

American Potato Company	Lovins Produce Inc.
Anderson Feed & Produce Co.	McGeorge Produce Co.
Andrus-Roberts Produce Co.	Mojonnier & Sons, Inc.
Baker Produce Co.	Norman W. Nelson, Inc.
Balcom & Moe	Pacific Fruit & Produce Co.
Basin Produce	Pomme de Terre, Inc.
Better Taters	Pronto Pacific, Inc.
Blue Ribbon Produce Co.	Quality Growers, Inc.
Bonanza Produce Co.	Quincy Produce Co., Inc.
Chef Reddy Foods, Inc.	R. E. Lewis
Elmer Hansen	Skone & Connors
Forney Fruit & Produce Co.	Spada Distributing Co.
Franklin Growers, Inc.	Sunglor Producers
General Potato & Onion Distributors	Sunspiced, Inc.
Gerry Dodge	Taggares Produce Co.
Golden Produce	Walla Walla Gardeners Association
Gordon Bedlington	Walla Walla Produce Co.
Harry Masto Produce	Western Cold Storage Co.
Lamb-Weston of Washington	Yoshino-Western, Inc.
Livingston Produce Co.	

(A supplemental statement filed by Mr. Lovins is as follows:)

I have already filed a statement with respect to the above, but wish to file this supplemental statement to clarify two matters which were mentioned but not clarified because of lack of time.

First, reference was made to a sale of potatoes for 10 cents per ton. Obviously, this is not a normal commercial transaction. The facts are: potatoes may be bought on a field run basis with different prices named for different grades. A nominal price is named for the purely waste material in the field run, which is not edible nor usable except for starch, cattle feed or dumping. A nominal price is merely named for this waste material so that all parts of the field run delivery are covered and transferred. The important factor is not what the grower gets for the waste material but the total he gets for the field run per ton.

Secondly, it was stated by one or more witnesses that the administrative committee under the marketing order in the State of Washington was controlled or dominated by processors. The facts are: the Committee of 15 members is elected by potato growers. The 1968-1969 Committee consisted of 15 members of which 10 members were strictly and exclusively growers and 5 members were fresh shippers and/or growers. There were no processors on the Committee. The implication that the Committee members were processor-controlled is negated by the fact that they were elected by the growers to represent the growers.

STATEMENT OF ALBERT E. MERCKER, EXECUTIVE SECRETARY, VEGETABLE GROWERS ASSOCIATION OF AMERICA

I want to thank the Committee for the opportunity to appear before you in connection with S. 2214. My name is Albert E. Mercker and since 1965 I have been Executive Secretary of the Vegetable Growers Association of America.

The Vegetable Growers Association of America takes exception to this Bill as it would preclude potatoes for dehydration and other processing, from being included under regulations by Marketing Orders. During the 1930's Marketing Orders were in effect for many commodities for a crop year. However, after World War II Marketing Orders were again adopted by many of the potato producing areas. The Orders have been very helpful in bringing producers in all segments of the industry together and that is hard to come by.

Vegetable and potato growers must be alert and efficient businessmen. They must know chemistry, physics, genetics and mathematics and must be plant nutrient experts. No only that, but they must be well versed in many other fields, including marketing policies and crop production. Their individual and collective investment is now tremendous. Because they are more alert businessmen they have worked under Marketing Orders in these many areas. For instance, in Idaho they have operated continuously under a Marketing Order since August 6, 1948.

Per capita potato consumption decreased, reaching a low of 102 lbs. per person in 1956. We must give the processor credit for during and after World War II they learned how to process a good product, so that per capita consumption is now estimated at about 112 lbs. per person. Consumption of potatoes in the fresh form, however, declined to 64 lbs. per person and increased to 48 lbs. per person in the processed form, which resulted in an increase of 55.8 million CWT in total consumption or about one-third more than was used for food in 1956.

Marketing Orders have taught growers, handlers and processors to work together keeping in mind their own interests, needs and responsibilities of all concerned so that they developed a close relationship and generally have worked in harmony, discussing their mutual problems and formulating a policy whereby the marketing of their product would meet the consumptive requirements. This has been most worthwhile and helpful.

I am sure the processors want good potatoes but to restrict the authority of the Marketing Orders Committee through this legislation would merely result in harm to the industry as a whole and may break up the harmonious relationship that exists. This, in turn, may bring about price chiseling between processors to buy the commodity on the basis of lower grades and reduce the price to the producer, resulting in a reduction of his income from potatoes. This would be most harmful to the industry as a whole for we have seen chiselers in many areas use the ammunition of the producer to conduct his own warfare and result in lowered incomes for the product.

Vegetable crops, including potatoes and sweet potatoes, are not price supported.

At its February 1969 meeting the Vegetable Growers Association of America unanimously adopted its Resolution No. 17 entitled "Marketing Agreements," which reads as follows:

"With an increasing interest in marketing agreements, and where it appears that a considerable segment of the growers of any given commodity in a homogeneous producing area desire the adoption of such an agreement, this Association will make available its staff and facilities in affording information and assistance to the local state member associations in establishing the proper contacts and procedures with the U.S. Department of Agriculture. We

believe these marketing agreements should be confined to local, state, or compact regional producing areas of the specific commodity only".

For these reasons the Vegetable Growers Association of America strongly disapproves of S. 2214. This Bill, as well as House Bill H.R. 11243, is contrary to the policies adopted by the 90th Congress, which has passed legislation to strengthen the bargaining power of growers, as set forth in Public Law No. 90-288, 90th Congress, S. 109, April 16, 1968, To Prohibit Unfair Trade Practices Affecting Producers of Agricultural Products, and for other purposes.

In addition, many bills have been introduced in the 91st Congress to strengthen the legislation previously enacted and it is difficult to understand what the purpose can be to have legislation enacted that would have a counter-effect on already enacted legislation.

Under a Marketing Order or a controlled program it is impractical to control one segment, namely the fresh product, without controlling all segments, including the processed product. The programs can only be successful if the regulations under the Order are administered with equal justice to each segment. The Congress has fully supported this type of program under Public Law No. 288, which requires government administration and which promotes equality. This Bill precludes growers from assuming regulatory functions which necessarily is the responsibility of the Government. On the other hand, if you take out all processing it would be contrary to the ideas set up under Public Law No. 288 to prohibit unfair trade practices brought about by price cutting and unfair competition between growers and handlers selling to the fresh market or to the processing segment.

When Marketing Orders were first initiated most of the fresh market vegetables and other farm products were sold in the fresh form. Processing was generally much removed from the general procedures and the marketing of fresh products. Things have changed whereby per capita consumption of the fresh products has declined while the per capita consumption of the processed vegetables has increased.

In conclusion it appears that revamping of the marketing order laws should be carefully studied and changed to bring them up to date to meet the important changes mentioned above.

The Vegetable Growers Association of America opposes this Bill but would work with the Committee in setting up much needed marketing procedure. It is impractical to let one segment of an industry carry the load, particularly when competing in the market place.

Thank you, gentlemen, for your time and attention.

STATEMENT OF JOHN MOOERS, PRESIDENT, MAINE POTATO COUNCIL, HOULTON,
MAINE

My name is John Mooers. I live in Houlton, Maine. I am President of the Maine Potato Council and I am appearing here today on behalf of this organization.

The Agricultural Marketing Agreement Act of 1937 as amended was established to provide the farmers with the tools with which to control the quality and movement of their crop going to market.

Marketing Orders were in effect for many years in Maine but a set of circumstances developed which caused the farmers to become dissatisfied with the Order and it was removed. Part of that dissatisfaction stemmed from the fact that the canning and freezing exemption existed and these outlets could not be regulated.

In the Declaration of Policy of the Act it states that the policy shall be to assist the farmers to get a fair price for their product and to protect the interest of the consumer. This legislation would be in direct conflict with that policy. How can farmers get a fair price if they are denied the right to regulate the quality of the product they sell? How can a Marketing Order protect the interest of the consumer if it is deprived of the right to regulate the quality of raw product that goes into the processed product that the consumer will buy?

Processors want to use culls and other low grades of potatoes because they can get them for practically nothing. These low grades often include rotten, damaged and otherwise unusable potatoes, but by the time they are put through the process they have changed form. The unsuspecting consumer buys a finished product that she would refuse to buy if she could see the raw product that it was made from.

The fresh potato industry of this country is already in trouble. The quality of the potatoes found in retail stores is driving the consumer to other foods. Yet if this Bill becomes law we will see all Marketing Orders for potatoes voted out by the farmers and the quality of fresh potatoes can be expected to deteriorate even more.

We cannot argue the unfairness of some processors being under Orders and others being out. There is some inequality involved, but the answer to this problem is to remove all exemptions. Give the farmer back the whole package. Remove the canning-freezing exemption and help the farmer to help himself.

You can rest assured the farmers will not do anything under an Order that will hurt their market; they would be foolish to destroy a legitimate market for potatoes.

I strongly urge that this legislation, which would destroy Marketing Orders for potatoes, be killed and serious consideration be given to the removal of the canning-freezing exemptions.

(A supplemental statement filed by Mr. Mooers is as follows:)

Responsible potato growers in my state know and understand the value of Marketing Orders as a self-help tool. They also know that whatever steps are taken to improve their quality through use of Marketing Orders will make that many more potatoes available to the processor at starch factory prices. When potatoes go to the starch factory they are removed from the competitive stream; when the processor gets them, the grower finds himself in an unenviable position of helping to put himself out of the fresh business. He realizes that the only real hedge he has from total captivity is the fresh market.

Harvesting and storage costs alone will run close to eighty cents per barrel. For processors to be able to obtain a considerable portion of their raw product continually for half this amount seems to border on the ridiculous.

I feel that the proponents of this bill have drawn some convincing conclusions from questionable premises.

If this Bill, S. 2214, was to pass, it would only aggravate an imperfection, not cure it. At the rate growers are going broke in my area, I don't see how they can be expected to subsidize processors.

STATEMENT OF FRANCIS X. RICE, POTATO CHIP INSTITUTE INTERNATIONAL,
HANOVER, PA.

My name is Francis X. Rice and I am the President and Treasurer of the Utz Potato Chip Co., Inc. of Hanover, Pennsylvania.

I am the President of the Potato Chip Institute International on whose behalf I am making this statement, to submit its views with respect to S. 2214. This is a bill to exempt potatoes for processing from the provisions of the Agricultural Marketing Agreement Act of 1937, as amended.

The Potato Chip Institute International is a trade association of manufacturers of potato chips and includes in its membership the producers of approximately 90% to 95% of the entire production of potato chips in this country.

The importance of the potato chip industry in the use of potatoes is demonstrated by the Irish Potato Utilization Report issued September 10, 1968 by the Statistical Reporting Service of the United States Department of Agriculture, which shows that in the fiscal year July 1, 1967 to June 30, 1968, potato chips used 32,454,000 cwt. of potatoes.

Under these circumstances, no argument is necessary to demonstrate that the potato chip industry constitutes a large and important outlet to growers for their potato crops.

The potato chip industry competes with dehydrators, freezers and to some extent with canners and other processors in purchasing potatoes from growers. As the law now stands, potatoes for canning and freezing are exempt from marketing order controls, but potatoes for chipping and other processing are not exempt. This is discriminatory against potato chip manufacturers and processors other than canners and freezers.

Under marketing orders, sizes which chippers can buy may be restricted, without such restrictions being applicable to canners and freezers. Size restrictions are unduly burdensome. Potato chips, particularly for the smaller packages, may be made from potatoes as small as 1 $\frac{5}{8}$ inches in diameter. In fact, for small packages such as those that go in a school child's lunch box, chips made from the

smaller potatoes are more practical and desirable. Assuming the potatoes to be of equal quality in their raw state, the smaller potato will make just as good potato chips as the larger potato. But size restrictions under a marketing order may prevent these smaller potatoes from being available.

Further, under marketing orders, incoming raw potatoes purchased by chippers will be subjected to compulsory inspection. This causes undue delays in shipments since chip suppliers are frequently not in concentrated production areas and the availability of inspectors is somewhat uncertain.

Inspection serves little or no purpose as far as potatoes for chips are concerned. Size may be determined by inspection, but as already pointed out, potatoes as small as 1½ inches should be permitted to be used. Inspection for quality is essentially meaningless. The appearance of the potato is completely unimportant for chipping, although it might be important for potatoes for table use. Quality for chipping cannot be determined by visual inspection, since quality for chipping is largely dependent on storage conditions and storage temperatures, rather than on any condition visually apparent.

Further, it is quite apparent that increased costs to chippers may well have to be passed on to consumers. Costs of the control of potatoes for chipping, costs of delays and inspections and possible increases in cost due to prohibition of the use of certain sizes, might necessitate increased prices to consumers.

Therefore, because of the fact that the proposed legislation removes the discrimination between chippers on the one hand and canners and freezers on the other and for the reasons already stated, the Potato Chip Institute International supports the proposed amendment.

STATEMENT OF J. "BUDD" TIBERT, L. E. TIBERT CO., VOSS, N. DAK.

Gentlemen, we are certified potato growers, located at Voss, North Dakota. We grow approximately 800 Acres of Seed Potatoes each year. A large percent of our seed sales are to growers who grow for the processing industry.

If the marketing order of 1937 with the amendment of 1956 were enacted this could cause many of our customers to go out of business. I would appreciate all the consideration that you gentlemen can give to the proposed amendment to the marketing order of 1937 so that it would exempt all processors.

STATEMENT OF MRS. RAY VOSS, PASCO, WASH.

Honorable members of the Senate and distinguished guests, I am Mrs. Ray Voss, speaking against S. 2214, which would remove the Federal Marketing Order on potatoes.

My husband and I, together with our family, farm 500 acres of land in the South end of the Columbia Basin Project, Franklin County, in the State of Washington. This year we are raising 300 acres of potatoes, 29 acres of wheat and the remainder is in alfalfa hay.

We were among the first settlers in Block 16, and have developed all our land from sage brush. In the last twelve years on the farm our children have become teenagers; and do you know, not one of them could manage to become a full fledged "hippie", although they do consider themselves to be fully in the mainstream of life.

The cool early mornings raking hay, the discipline instilled by the frustration of mowing first cutting hay, the experience of driving truck under a potato combine, all seem to have had an indelible effect. As a result, our children have a confidence and a knowledge of themselves that their friends in town very much admire.

We value our life just the way it is and we value our position in the community as independent business people.

The only problem is that we lost \$40,000 last year in our operation due to low prices. We sold our early norgold potatoes to one of the largest chains in the United States, for 1¢ per pound. These beautiful potatoes were eventually sold at the supermarkets for never less than 6¢ per pound for the small ones called "strippers" in the trade, at 59¢ for a 10# bag. Bakers would have cost the housewife in the neighborhood of 10¢ per pound.

If we had had our State Marketing Order activated to remove cull potatoes from human consumption, and had removed the 4 to 8 ounce potatoes, which are

the "strippers" from the fresh market, I am sure we could have been able to get 3¢ per pound for the 75% majority of our production which would have remained on the fresh market. Had that been the case, Ray Voss and I would not have had to take out another mortgage with Prudential Insurance Company in order to pay our production loan deficit with the Production Credit Association.

Federal and State Marketing Orders are very effective tools for growers to use to regulate quality and quantity in the potato market.

At the time we were being paid 1¢ per pound for our Norgolds, the processors in our State were buying our cull potatoes from our fresh packers to supply their dehydrating plants.

It is common in our area for the integrated grower-shipper-processor to raise very large acreages. He then runs a fresh line which "creams" off the best potatoes, running his dehydrating plant on culls and his own strippers. In cases we know of, where corporations and integrates grow their own, they get a very large percentage of off grade potatoes. If they don't raise them, they buy them from fresh packing sheds which do not run their own dehydrating plants.

In any case, the processor is using our culls, and his against us in the market place. The grower has ten to 20 per cent of his total production cost in these culls, and in Washington State last year he was paid about 10¢ per ton for them.

Taking into account the weight loss for dehydration, these potatoes eventually sold for from 7¢ to 20¢ per pound as a processed product, which competed directly with the quality graded potatoes in the "fresh" stand—the one the farmer got paid for.

The processor was not nearly as worried about depressing the fresh market as was the independent farmer. The integrate was getting a far better price in wholesaling a packaged product from his fresh line; and he had a bonanza in processing free culls. He could also get rid of his strippers in his processing plant.

The grower-shipper-dehydrator can usually wait out a poor market, where the individual farmer is being pressured by his banker and creditors to dump, and recover at least a part of his cost.

We need a Federal Marketing Order which would apply to all processors, including freezers and canners. It could be activated State by State, according to a vote of all participating growers, to remove a certain percentage of off grade potatoes from the market. We could remove all culls from human consumption (A cull is defined by the U.S.D.A. standards). Growers, through the Marketing Order could decide to open their digger chains and leave the "marbles" on the ground at digging time. Processors then could buy strippers at market price from the fresh sheds; thereby stabilizing our potato industry.

The consumer would be getting a quality product and it would not cost the taxpayer a dime—or even a penny.

For the price the consumer pays, I think she deserves to get good potatoes.

We independent growers feel that Federal and State Marketing Orders are an indispensable tool to maintain quality for the consumer and equality for the grower. The independent farmer cannot provide the processing industry with its raw product free of charge, and continue in business to provide the housewife with the quality potato she desires.

Independent commercial family farms can produce this quality better and cheaper than corporations with multi-thousand acre tracts. You know, at a critical time, the difference in one or two days watering can ruin the quality of a crop. In irrigated areas, management is so crucial as to verge on the impossible, unless, of course, you aren't worried because you know you can get a price for your junk, running it through your own plant.

I think the comparative experience of Russia and the United States in farming should have shown us that a family, loving their own land, can produce a miracle. Disinterested farm workers and highly paid managers cannot.

The miracle of production and quality accomplished by farmers farming their own land deserves protection for its service to our United States of America.

I sincerely hope that the Congress will cast a vote to save the commercial family farm by voting to save our Federal Marketing Order for potatoes.

(A supplemental statement filed by Mrs. Voss is as follows:)

As a housewife who buys her potatoes at the supermarket, I must argue to say that all potatoes compete with each other. By putting culls in a more marketable form processors are committing a real hardship on the grower in his quest for a decent price. Since 42% of potatoes retail in other than fresh form, this has to be a fact.

I would be sure that, through the Marketing Order, farmers would vote to sell all usable potatoes, should that condition ever exist where the U.S.D.A. did not publish a statement of over production.

As to the supposed waste incurred in removing part of our product from human consumption, I must say that we deplore waste. But we want to stay in business. If we could manage to abandon our crops when they need us, this hearing would be full of farmers saying the same thing that I, a farmer's wife, came to Washington to say. Anytime farmers could get paid a fair price for their whole product, they would not think of leaving any of it on the ground. And as soon as it can possibly be managed, the American farmer's surplus will be given, by the farmers, to the poor of the world.

I would like to remind the Congress that, under a Federal Marketing Order, we farmers would still be bound by the decisions of the Secretary of Agriculture, Clifford Hardin, who is a fair man. There is no reason to believe the farmer will charge more to grow food than would the corporations which will replace us when we are forced out of business by poor prices.

Because farmers have not availed themselves of their Federal Marketing Order tool does not mean that they will not use it, or that the need does not exist. Keeping the Marketing Order will make it possible to market at a price, and will remove the bug-a-boo of over production, which sets the price for all potatoes regardless of grade. The country needs our potatoes, and with communication between growers of all areas, no grower need worry about a processor going around him to buy because of his Marketing Order. Growers of Washington, Oregon and Idaho are in the process of cooperating in the marketing of each other's potatoes at this time.

Transportation is not such an important item to either buyer or grower when the price is at 2¢ or more per pound. A \$2.00 bag (100 pounds) of potatoes will ship from Washington to Idaho for about 40¢ or less.

I believe we should also have equality for buyers in the potato industry. When the intent of a Marketing Order is to bring stability to the farmer, the consumer, and the buyer, why should there be exceptions? The only fair way is to cover all buyers and all farmers.

The conditions of sale, i.e., the matter of selling "scoop-up" or 100% of the product in a chipping area could be provided for on a regional basis, removing potatoes from the market by mechanical sizing. Particular problems could be worked out from region to region within the Federal Marketing Order. A Federal Order may contain identical, as well as individual, rules from area to area. In their wisdom, the originators of the Order provided for this.

In this hearing, we are talking about the whole potato industry and I believe the isolated instance of the Pic-Nic Company confuses the issue. We are considering abolishing a Marketing Order in any effective form. This affects all the growers in the nation, and indirectly, all the buyers.

People I know personally in the Red River Valley, in the Yakima Valley, and the Columbia Basin in Washington have signed pre-season contracts for about 1¢ per pound, as a normal price. I know these people must do better in order to stay in business and regardless of the convenience of the processors, we must keep our Federal Marketing Order as it is, and expand it if possible. Farmers cannot afford for the processor to stabilize his business by writing pre-season contracts at less than the farmer's cost of production.

The situation existing in Washington State now, with an inactive Marketing Order, is forcing growers to sign these contracts because of the uncertainty created by an open market that cannot deal with its surplus. In many cases these farmer's bankers will not loan on anything but a contract, any kind of contract. Only with absolute record-breaking production and perfect management can a farmer hope to pay his bills.

On the average, in the major producing areas of the U.S., the National Farmer's Organization has determined that farmers have at least 1.7¢ per pound in their costs. Washington State's costs (roughly, in round figures) are:

Seed -----	\$100
Fertilizer and insecticides -----	100
Watering costs -----	100
Interest (\$1,000 real estate and op. @ 7.5) -----	75
Harvest -----	100
Tilling and planting -----	25
Total -----	500

Seventeen ton average production @ \$25.00 per ton equals a net loss of \$75.00 per acre.

As a Washington grower I would like to explain that our Marketing Order is not doing the growers any good at the moment because the committee has been processor-oriented. There are reasons for these things, but I would not venture to guess why our old committeemen, with one exception, refused to act according to the farmers wishes last summer to remove culls from human consumption. Growers have elected two new members to the committee this year and plan for our Marketing Order to do some good as soon as the farmer's interests can regain their position on the committee.

The Idaho independent farmers have tried to activate their Order to regulate within the State but have met with such fierce opposition from the dehydrators that the movement was defeated. I understand from Mr. Kent Remington of St. Anthony, Idaho, that they are prepared to try again. I am sure they will gain their objective if given time. Maine and the Red River Valley are also working to activate their Orders in order to cooperate with other producers in the nation.

Our farmers are in a much more depressed condition than they have ever been, expressed as debt and a lack of profit. Untrammelled free enterprise in the matter of processors buying potatoes from independent growers will put a majority of family commercial farms out of the potato business.

Thank you very much, gentlemen.

Senator HOLLAND. I am very sorry. I am 30 minutes late for an appointment that I had at 12 o'clock. I barely have time to grab lunch. I have a hearing with my Public Works and Appropriations Committees. I have to preside over that this afternoon. I trust you understand our situation.

You are invited to submit your statements for the record, and that is the best that we can do at this time.

The hearing is adjourned.

Thank you, gentlemen.

(Whereupon, at 12:30 p.m., the hearing in the above-entitled matter was adjourned.)

(Additional statements filed for the record are as follows:)

STATEMENT OF HON. MARK O. HATFIELD, A U.S. SENATOR
FROM THE STATE OF OREGON

A casual study of the prices paid to Oregon farmers for their potato production and the conditions under which they are sold will convince any objective observer that the returns received by the producers are extremely inadequate.

Among the price depressing provisions are:

1. Culls—10¢ per ton delivered to plant. (Culls are usable potatoes not graded No. 1 or No. 2.) Delivery costs from \$1.25 per ton up.
2. Delayed payment by as much as 135 days after delivery.
3. Requirement that No. 2 potatoes for processing contain 50% No. 1 potatoes.
4. Tonnage computed by cubic measurement, minimum dirt dockage of 3%, 15% dirt and cull dockage, and 10% shrink applied to estimated tonnage. (A total automatic dockage of 28%.)
5. Requiring delivery of field run potatoes including the culls even though these are paid for at a minimum price of 10¢ per ton. Some pay 10¢ per hundred-weight.

It is obvious that growers must have the assistance which market orders provide in improving their prices and income. The action in 1968 for removing the exemptions from market orders of potatoes being canned after being cooked—which created the legislative proposal in S. 2214—is consistent with such need for assistance.

The suggestion that all potatoes used for processing be exempted from market orders simply makes market orders useless and leaves the producer exposed to market forces over which he has no control. No producer should be forced to give away a substantial part of his crop in order to sell the rest at a minimum price. This is the situation which now prevails and it would be intensified if this legislation were to become law.

Therefore, permit me to express to the Committee my opposition to this proposal by this statement and the following correspondence. It is hoped that the committee action will be unfavorable.

(The attachments are as follows:)

MADRAS, OREG., June 4, 1969.

Senator MARK O. HATFIELD,
Senate Office Building, Washington, D.C.

DEAR SIR: Please be advised that the undersigned are totally opposed to recent legislation introduced to amend marketing order to exclude potato processors from control. If anything is done those parties now excluded should be included as are the rest concerned. We feel this is one of the few workable tools available for farmers to obtain a fair price for their potatoes by controlling what is placed on the market.

Wesley R. Graves, Jerry Drazil, Louis Olson, Lee Williams, Garth Bowman, Walter Bliven, Clarence Vanorsow, Glen Eidemiller, Jr., Lloyd Houts, Lynn C. Hyder, Charles Kissler, J. J. Quinn, Mel Lewis, O. S. Terry, Wm. B. Green, Lalda Roff, John E. Campbell, Wayne M. Campbell, Allen L. Clowers, Vernon L. Wodcock.

REDMOND, OREG., June 3, 1969.

Hon. MARK O. HATFIELD,
U.S. Senate, Washington, D.C.:

For years Oregon-California Potato Committee has served potato industry by setting grade size and maturity requirements. At times committee has set regulations on potatoes moving to processing other than canning or freezing. If bills H.R. 11243 and S.2214 pass, authority to regulate potatoes to processing will no longer exist. Committee feels it would place hardship on progress we have made in orderly marketing. * * *

OREGON-CALIFORNIA POTATO COMMITTEE,
JOHN COULSON, *Chairman*,
ROBERT BEESLEY, *Vice Chairman*.

KLAMATH FALLS, OREG., June 3, 1969.

Hon. MARK O. HATFIELD,
U.S. Senate, Washington, D.C.

DEAR MR. HATFIELD: An attempt is being made through HR 11243, introduced by Representative Don Edwards of California, to weaken Marketing Order Legislation by exempting all processing uses from grade and size regulation.

Marketing Orders are the only tool potato producers have by which periodic surplus production can be managed. It has been the practice to siphon off a fraction of surplus crops by restricting movement to specified minimum grades and sizes, thereby providing consumers with the best quality portion of the crop.

Canning & frezing is presently exempt from marketing order regulation. Other processors now apparently want the same exemption.

From a potato producer standpoint, a more logical procedure would be to eliminate exemption for canners and freezers rather than grant exemption to additional processors.

Agriculture desperately needs bargaining power. Bargaining power cannot be strengthened by granting the exemptions proposed by HR 11243.

Per capital consumption of potatoes in processed forms continues to increase. If these products are worth having, the raw product that is their base must return costs of production to the farmers who produce it.

The processing industry is no longer an infant that requires a raw product at salvage prices. The potato processing industry cannot justify existence based on "sweat shop" prices for the raw potatoes processed.

Exempting potato processors other than canners & freezers farm marketing order regulation would be a step backward, rather than forward, in efforts to improve farm bargaining power.

This Association will appreciate your vigorous opposition to HR 11243.

Yours very truly,

GEORGE RAJNUS,

President, Klamath Potato Growers Association.

WASHINGTON, D.C., June 12, 1969.

HON. SPESSARD L. HOLLAND,
Chairman, Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.

DEAR SENATOR HOLLAND: The National Council of Farmer Cooperatives is in opposition to S. 2214, the proposed amendment to Section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, which would further limit eligibility of processing potatoes for federal marketing orders.

Our current policy statement on Marketing Agreements and Orders includes the following: "The National Council favors legislation for the continuation and liberalization of the marketing agreement and order type authority to provide for inclusion of additional commodities under the marketing agreement and order authority, and to specifically provide that fruits and vegetables for processing now excluded may make use of federal marketing orders and agreements whenever such orders or agreements affect the farmer-producer primarily and are approved by a majority of these producers affected. Whenever they regulate the processed product, such orders or agreements become effective only upon the voluntary assent of a majority of the handlers affected, and should be administered jointly by producers and handlers."

We recognize that problems do arise from different treatment for different types of handlers or processors, and endorse the suggestion of the U.S. Department of Agriculture spokesman before your Committee that "An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing, thereby including all potatoes under the Act."

We would appreciate it if you will include this statement as part of the hearing record on S. 2214.

Sincerely,

ROBERT N. HAMPTON,
Director of Marketing and International Trade, National Council of Farmer Cooperatives.

WASHINGTON, D.C., June 12, 1969.

HON. SPESSARD L. HOLLAND,
Chairman, Agricultural Production, Marketing, and Stabilization of Prices Subcommittee, Senate Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.

DEAR SENATOR HOLLAND: On June 4 we wrote you concerning S. 2214 and asked to file a statement after our Board of Directors had reviewed this legislation at their meeting this week.

This legislation would amend the Agricultural Marketing Agreement Act of 1937 to exempt potatoes for all types of processing from federal marketing orders. Obviously, the legislation has far-reaching implications to all potato growers—whether they produce potatoes for the fresh market or for processing.

Because of this fact the AFBF Board of Directors recommends that the Subcommittee delay action on this bill until potato producers have been given more opportunity to review its effect on them and the marketing order program. The Farm Bureau will make this legislation a subject for consideration by our members in our organization's policy development process during the coming months.

We therefore urge that any action on this legislation be delayed until early next year.

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

Sincerely yours,

MARVIN L. McLAIN,
Legislative Director, American Farm Bureau Federation.

ORLANDO, FLA., June 4, 1969.

Senator SPESSARD L. HOLLAND,
Chairman Subcommittee Agricultural Production, Marketing, and Stabilization of Prices, Committee on Agriculture and Forestry, Old Senate Office Building, Washington, D.C.:

The Florida Potato Council, a division of the Florida Fruit & Vegetable Association, requests that the record reflect its opposition to S. 2214 which if enacted would exempt all potatoes for processing from Federal marketing orders.

Due to the characteristics of the marketing of fresh Florida potatoes, changes proposed will have a detrimental effect upon marketing by Florida producers in competition with storage products from various sections of the country. For this and other reasons, we strongly oppose such legislation.

JAMES T. DUNCAN,
Florida Fruit & Vegetable Association.

CENTER, COLO., May 28, 1969.

Senator SPESSARD L. HOLLAND,
Chairman Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Washington, D.C.:

We feel you should oppose senate bill S. 2214 as it would be detrimental to the whole potato growing and marketing industry.

JAMES TONSO,
President, San Luis Valley Potato Shippers Association.

MONTE VISTA, COLO., June 6, 1969.

HON. SPESSARD L. HOLLAND,
Chairman, Subcommittee No. 3 on Agricultural Production, Marketing, and Stabilization of Prices, U.S. Senate, Washington, D.C.

DEAR SENATOR HOLLAND: The San Luis Valley Potato Administrative Committee, which administers both State and Federal Marketing Orders in Colorado, is on record opposing S-2214.

This Committee, elected annually at a duly called meeting of all growers, represents the thinking of 600 potato growers in the San Luis Valley representing 70% of the potato production in Colorado.

Marketing Orders were given to growers to help themselves achieve parity for their crop by self regulation of what can be sold on the market. At the time Marketing Orders were put into effect, canning was given an exemption. In 1946 freezers felt they too needed one. When these exemptions were granted only a very small percent of the potatoes were canned or frozen. Today a large percent is canned and frozen.

We strongly feel instead of granting further exemption to the Agricultural Marketing Act of 1937 you should be eliminating the now present exemptions. To grant further exemptions will surely destroy marketing orders throughout the nation. We feel these orders have been a help to us, but to try and do any job with only one arm is a real handicap and that is what you will be doing if you allow this amendment to pass.

Fifty percent of the potatoes are now processed in one form or another to be able to regulate in years of surplus, which have been quite frequent in the potato business. On the remaining fifty percent then you have surely tied one hand of the potato producer behind his back.

Due to the press of farm work we are unable to send anyone to testify. We do request that you make this letter a part of the Hearing record with reference to the growers position.

Sincerely,

M. B. SMITH,
Manager, San Luis Valley Potato Administrative Committee.

SAN FRANCISCO, CALIF., June 6, 1969.

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

DEAR SENATOR HOLLAND: It is our understanding that Congress is presently considering a bill to give processors of dehydrated potatoes exemption from provisions of the Agricultural Marketing Order Act of 1937. We are aware that both canned potatoes and frozen potatoes are exempt from provisions of the Agricultural Marketing Order Act of 1937. If dehydrated potatoes are to continue to be successful in competing with similar products that are canned and frozen, we feel that it is essential that dehydrators be given the same exemption from marketing orders as is presently granted to canners and freezers.

Our company is one of the largest distributors of dehydrated potatoes in the country today, and our area of distribution stretches throughout the whole of the mainland. We are very concerned about the effect that possible potato marketing orders could have on the dehydrated potato business, and we would like to add our support for the proposed new legislation.

Sincerely yours,

D. F. CAMPBELL,
Vice President, Balfour, Guthrie & Co., Ltd.

BOISE, IDAHO, June 5, 1969.

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

DEAR SENATOR HOLLAND: Congress enacted the Agricultural Marketing Act in 1937. Fruits and vegetables for canning were exempt from the provisions of that act. Later, as the freezing process became popular, an amendment was enacted to make it exempt also. Now we have come to a point where dehydrated foods are a factor, and they also should be exempt in order to be on an equal footing with the other forms of vegetable processing.

Seventy per cent of all mashed potatoes served in restaurants and institutions are prepared from dehydrated potatoes, and this market is increasing. Home consumption of dehydrated potatoes is also very large and growing every year.

Under the present law, the potato dehydrator is subject to regional marketing orders and is at a disadvantage with the non-dehydrating potato processor with whom he must compete. The results of this inequity can literally force the dehydrator out of business. As an example: The Pik-Nik Company of San Jose, California, has been producing shoestring potatoes for thirty years using Klamath Basin Area (Oregon) russet potatoes. During the past season, a group of potato growers, hoping to materially increase the price of potatoes, invoked provisions of Marketing Order No. 947 to completely stop shipment of U.S. #1 size "B" potatoes. Subsequently, the USDA ruled that according to the established criteria for canning, the Pik-Nik process could not be subject to the canning, exemption under the existing statute, and thereby, instead of increasing the price of grade "B" potatoes, the potato growers killed their market outlet. *Pik-Nik was forced to close down.* Pik-Nik's major competitors, Durkee, located in New York and HLH in Arkansas, were not subject to Marketing Order No. 947. They continued to purchase potatoes as usual, and proceeded to take Pik-Nik's customers and future.

A regional Marketing Order can be used as an economic weapon against a dehydrator, and its indiscriminate use is a constant threat to all producers of dehydrated potatoes. Ohe-Ida Foods, Inc. has thousands of dollars of dehydration equipment in Idaho, Oregon, and Michigan. Since the mid 50's we have spent considerable time, money, and effort in developing quality dehydrated potato products and creating a market for them. We need the passage of HR 11243 and S 2214 to protect this investment. The public needs this legislation to assure the continued availability of these well-accepted products.

We respectfully urge your affirmative support of these bills.

Cordially,

DALE B. McLANE,
Director, Public Relations, Ore-Ida Foods, Inc.

LEWISVILLE, IDAHO, June 3, 1969.

HON. HOLLAND,
Agricultural and Marketing Stabilization of Prices, Senate Office Building,
Washington, D.C.

DEAR SENATOR HOLLAND: In reference to the June 10th hearing involving Senate Bill S 2214 as it relates to allowing the potato dehydrator processor the same exemption that is now in effect for the frozen and canned potato processor.

Senator, I urge you to support the passage of Senate Bill S 2214, for actually, dehydrated potatoes are at a very distinct disadvantage. It is a fact that between

70 and 80 percent of all the potatoes dehydrated in Idaho are manufactured in the ten or twelve most eastern counties in the State of Idaho.

In my opinion, if the same exemption is not extended to the dehydrated manufacturers, it is very possible that this whole industry could be lost and result in economic chaos. It's not only the processing plants but their employees, the farmers, and all those depending on farming in Eastern Idaho and the United States that would be affected.

Senator, would you please lend your support to give the dehydrating potato industry the same opportunities that frozen and canned potato products have. Please vote for passage of Senate Bill S 2214. Thank you.

Very truly yours,

GALE CLEMENT, *Clement Bros.*

BLACKFOOT, IDAHO, *June 9, 1969.*

Hon. SPESSARD L. HOLLAND,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HOLLAND: I would like to call your special attention to HR 11243 and Senate Bill 2214 recently introduced in the House and the Senate. These Bills have been introduced to amend the Agricultural Marketing Act of 1937 and must be passed to prevent the economic discrimination against, and possible failure, of the young and vital dehydrated potato industry.

In this age of rapid advancing food technology, dehydration has become a major method of preserving foods. The potato industry points up a most graphic example in that approximately 70% of all mashed potatoes served in restaurants and institutions are prepared from dehydrated potatoes. The dehydrated potato has become a very important part of the school lunch program and all government programs involved in food service.

However, the potato dehydration industry finds itself at a very marked disadvantage under the Agricultural Marketing Act of 1937. In 1937 when the Act was passed, canning was the only major method of preserving food. When, by 1946, freezing had become a major factor in preservation of food, the Act was amended to give freezers the same exemptions as had been enjoyed by canners. Today, the dehydrated facet of the potato industry is the only facet still subject to the authority of the Agricultural Marketing Act of 1937 as amended.

It is apparent that the intention of post revisions of the Act was to keep it up to date by assuring new processors of equal consideration. Now the only just and logical next step is to allow the same exemptions provided for the canners and freezers to the dehydrators. The passage of House Bill 11243 and Senate Bill 2214 will do nothing more than allow the dehydrated processed potato producer to be competitive with the canner and freezer.

There is a certain amount of misunderstanding regarding the potato processing industry on the part of the potato growers. Because it is a fairly new industry and has been scrambling to keep up with the demands it has created, it has not always been successful in informing the other segments of the industry of the purpose and need of the processing industry. As the demand in the market place change all industries find themselves faced with producing products which fill these demands. With the tremendous growth of the convenience product, many of the traditional product forms are finding less acceptance in the market place and new convenient forms must be produced to maintain a position. This is exactly what has happened in the potato industry and what many growers feel is a serious threat to their future is really an effort to maintain the potato industry by producing products which meet the needs and desires of the consumer. Without the advancing technology in the processing industry the potato industry would quickly find itself in a downward spiral. In order to function efficiently and at maximum benefit for all concerned, each segment of the industry must respect and appreciate the position of the others and realize that all are an integral part of one industry basically interested in the same end result but that none can operate under a disadvantage such as the dehydrators have in the Agricultural Marketing Act of 1937 and do their part in maintaining existing markets or contributing to future growth and prosperity.

Since our competitive system is the basis of our country's tremendous industrial resource, I am sure that you can appreciate the unjust position in which the

dehydrator is now placed and will give your support to the proposed Bills. The enclosed pamphlet further illustrates the very real need for the passage of these amendments.

Your understanding and cooperation is appreciated.

Respectfully yours,

A. J. EVANS,
General Manager, Idaho Potato Starch Co.

(The pamphlet referred to above is on file with the committee.)

CINCINNATI, OHIO, June 10, 1969.

The Honorable Senator HOLLAND,
Chairman, Senator from Florida,
Washington, D.C.

DEAR SIR: Our company is a distributor of dehydrated potato products. We are against potato marketing orders because of the effect it can have on the dehydrated potato business!

Since both canned and frozen potatoes are exempt from the provisions of the Agricultural Marketing Order Act of 1937, we feel that dehydrated potato products should also be exempt.

If dehydrated potato products are to be in an equal competitive position, it is imperative that they be given the same marketing exemption.

We understand that Congress is now considering a bill to exempt dehydrated potato products and we want to add our support for this bill.

Sincerely yours,

G. RICHARD THOMAS,
President, Thomas Foods, Inc.

COCKEYSVILLE, MD., June 11, 1969.

Hon. SPESSARD LINDSEY HOLLAND,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR HOLLAND: McCormick & Company, Incorporated is a manufacturer and distributor of various food products, including dehydrated potatoes. We feel that the future of the dehydrated potato business is in jeopardy, unless it is granted an exemption under the provisions of the Agricultural Marketing Order Act of 1937.

As you well know, both canned potatoes and frozen potatoes are exempt from marketing orders. We feel that in order to foster the free competitive atmosphere, as between the different types of potato processors, it is only right and proper that they all be afforded the same exemptions.

It is our understanding the Congress is presently considering a bill to give dehydrated potatoes this exemption. We would like to add our support for this legislation.

Sincerely yours,

JOHN N. CURLETT,
President, McCormick & Co.

WASHINGTON, D.C., June 11, 1969.

Hon. SPESSARD L. HOLLAND,
Chairman, Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Senate Committee on Agriculture and Forestry, Old Senate Office Building, Washington, D.C.

DEAR CHAIRMAN HOLLAND: It is our understanding that in testimony presented at the recent hearings on legislation to extend the canning and freezing exemption from marketing order controls to all methods of processing of potatoes, the suggestion was made that the present exemption be removed. Should your Subcommittee consider this to be an issue, the National Cannery Association requests that the hearings be reopened and that we be given the opportunity to review the economic reasons and philosophy behind the statutory exemption applicable to canning that has been in existence since 1937.

Very truly yours,

R. B. HEINEY,
Director, National Cannery Association.



