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TULELAKE AREA DURUM WHEAT ACREAGE ALLOTMENTS

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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. 858

A BILL TO AMEND THE AGRICULTURAL ADJUSTMENT ACT
OF 1938 WITH RESPECT TO WHEAT

JULY 24, 1969

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TULELAKE AREA DURUM WHEAT ACREAGE ALLOTMENTS

THURSDAY, JULY 24, 1969

U.S. SENATE, SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,
MARKETING, AND STABILIZATION OF PRICES OF THE COM-
MITTEE ON AGRICULTURE AND FORESTRY.

Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 324, Old Senate Office Building, Senator Spessard L. Holland (chairman of the subcommittee) presiding.

Present: Senators Holland (presiding), Talmadge, Young of North Dakota, Curtis, and Miller.

Senator HOLLAND. The subcommittee will please come to order.

The subcommittee is holding hearings today on S. 858.

This bill would amend section 334(j) of the Agricultural Adjustment Act of 1938 to increase wheat acreage allotments in the irrigable portion of the Tulelake area each year to 12,000 acres. Wheat grown on the increased allotments would be eligible for price support, including marketing certificates.

Section 334(j) was previously applicable to the 1958 through 1963 crops, when marketing quotas were in effect. Wheat produced on the increased allotments was not then eligible for price support.

To qualify for an increase the entire farm allotment would have to be planted to Durum wheat. A farm receiving an increase would not be eligible for wheat diversion payments.

Copies of the bill and the report of the Department of Agriculture will be inserted in the record at this point.

(S. 858 and the report from the Department of Agriculture follow :)

[S. 858, 91st Cong., first sess.]

A BILL To amend the Agricultural Adjustment Act of 1938 with respect to wheat

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (j) of section 334 of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1334), is amended to read as follows:

"(j) Notwithstanding any other provision of this Act, the Secretary shall increase the acreage allotments for the 1969 and subsequent crops of wheat for privately owned farms in the irrigable portion of the area known as the Tulelake division of the Klamath project of California located in Modoc and Siskiyou Counties, California, as defined by the United States Department of the Interior, Bureau of Reclamation, and hereinafter referred to as the area. The increase for the area for each such crop shall be determined by adding, to the extent applications are made therefor, to the total allotments established for privately owned farms in the area for the particular crop without regard to this subsection (hereinafter referred to as the original allotments) an acreage sufficient to make available for each such crop a total allotment of twelve thousand acres for the area. The additional allotments made available by this subsection shall be in

addition to the National, State, and county allotments otherwise established under this section, and the acreage planted to wheat pursuant to such increases in allotments shall not be taken into account in establishing future State, county, and farm acreage allotments except as may be desirable in providing increases in allotments for subsequent years under this subsection for the production of Durum wheat (class II). The Secretary shall apportion the additional allotment acreage made available under this subsection between Modoc and Siskiyou Counties on the basis of the relative needs for additional allotments for the portion of the area in each county. The Secretary shall allot such additional acreage to individual farms in the area for which applications for increased acreages are made on the basis of tillable acres, crop rotation practices, type of soil and topography, and the original allotment for the farm, if any. The increase in the wheat acreage allotment for any farm under this subsection shall be conditioned upon the production of Durum wheat (class II) on the original allotment and on the increased acreage. The producers on a farm receiving an increased allotment under this subsection shall not be eligible for diversion payments under section 339."

DEPARTMENT OF AGRICULTURE,
Washington, D.C., March 25, 1969.

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

DEAR MR. CHAIRMAN: This is in reply to your request of February 5, 1969, for a report on S. 858, a bill "To amend the Agricultural Adjustment Act of 1938 with respect to wheat."

This bill would require the Secretary to increase the acreage allotments for the 1969 and subsequent crops of wheat for privately-owned farms in the irrigable portion of the Tulelake area in Modoc and Siskiyou counties of California. The increase for the area for each crop year shall be determined by adding, to the extent applications are made, to the total allotments established for privately-owned farms in the area an acreage sufficient to make a total allotment of twelve thousand acres for the area. The increase in the wheat acreage allotment for any farm under this subsection shall be conditioned upon the production of durum wheat (class II) on the original allotment and on the increased acreage. The additional allotments made available under provisions of this bill shall be in addition to the national, State and county allotments otherwise established and the acreage planted to wheat under the increases in allotments shall not be taken into account in establishing future State, county and farm acreage allotments. The producers on a farm receiving an increased allotment under this subsection shall not be eligible for diversion payments under section 339.

The Department of Agriculture does not favor legislation of this nature.

This bill would give preferential treatment to producers in a relatively small area in Modoc and Siskiyou counties of California. This would not be equitable to the many other areas of the Nation where farm wheat allotments are relatively small and the production of wheat is more profitable than any other crop.

Supplies of durum wheat are more than adequate to meet domestic and export requirements. Durum wheat production in 1968 totaled 98 million bushels. This added to 1967/68 carryover stocks of 23 million bushels resulted in a total durum wheat supply for the current marketing year of 121 million bushels. Domestic consumption is estimated at 40 million bushels. If exports continue at the same level as in 1967/68, the carryover into the 1969/70 marketing would be around 50 million bushels—more than enough to meet domestic requirements for a full year.

The 1969 wheat program is a voluntary program. Consequently, producers can elect to forego program benefits and plant as many acres of wheat as they desire. Although no program payments would be made in such case, all of the wheat produced could be marketed without restriction.

There is a considerable acreage of barley produced in the Tulelake area of California. Consequently, under the substitution provision of the 1969 wheat program recently announced, producers having both a wheat allotment and a barley base acreage can produce wheat in lieu of barley and still be eligible for wheat certificates on a specified percentage of their 1969 wheat allotments.

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

Sincerely yours,

J. PHIL CAMPBELL, *Under Secretary.*

Senator HOLLAND. I note that the Department disapproves of the bill, principally on the stated ground that the supplies of Durum wheat are more than adequate to meet domestic and export requirements.

Durum wheat production in 1968 totaled 98 million bushels. This added to the 1967-68 carryover stocks of 23 million bushels resulted in a total Durum wheat supply for the current marketing year of 121 million bushels. Domestic consumption is estimated at 40 million bushels. If exports continue at the same level as in 1967-68, the carryover into the 1969-70 marketing year would be around 50 million bushels—more than enough to meet domestic requirements for a full year.

The letter from Mr. J. Phil Campbell, Under Secretary, sent to this committee, Senator Ellender, has been placed in the record.

I find that the two California Senators who introduced this bill have supplied for the record written statements under date of July 22, 1969, in a letter addressed to me by Senator Murphy and in a formal statement submitted by Senator Cranston as of this date. I ask that the statements be copied in the record at this time as part of the record, unless there is objection.

Without objection, they will be copied in the record.

(The letter and statement referred to are as follows:)

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., July 22, 1969.

HON. SPESSARD L. HOLLAND,
Senate Committee on Agriculture and Forestry,
Washington, D.C.

DEAR MR. CHAIRMAN: Because of a previous commitment, I will not, unfortunately, be able to appear in person when your Subcommittee holds hearings on July 24 on S. 858, which I introduced on February 4 "to amend the Agricultural Adjustment Act of 1938 with respect to (durum) wheat" in the Tululake Irrigation District of Modoc and Siskiyou Counties of California.

I would appreciate it, therefore, if you and your colleagues on the subcommittee would consider the comments I am submitting in this letter and make them a part of the record of your hearing.

The facts and figures which will be presented to your Subcommittee by representatives of the Tululake durum growers are most persuasive and, in my opinion, are ample justification for approval of the measure in question. Consequently, I shall not repeat them. Instead, I shall point out briefly two points which I feel are of sufficient importance that they should be emphasized to you and your colleagues.

First, there is no opposition to my bill except for an adverse report from the Department of Agriculture which feels, I am told, that enactment of the measure would create a precedent. I submit, Mr. Chairman, that there are already similar precedents and that even if there were not, it is unjust to refrain from doing what is right and proper simply because of a fear that such action might be referred to at some later date in deliberations on similar cases in the same field of concern. The Tululake growers' case stands on its own because of the demonstrable facts and circumstances associated with it, and it should be judged accordingly.

Second, I would like to mention to the committee that our good friend and colleague Senator Milton Young, who is "Mr. Durum" as far as many wheat experts are concerned, has expressed his approval of this legislation, and I cannot think of any support that I myself feel would be more meaningful or more indicative of the worth of the proposal.

It is my hope that your Subcommittee, and eventually your entire Committee, will approve S. 858, and I respectfully urge that you do so as soon as possible.

Sincerely,

GEORGE MURPHY.

STATEMENT OF HON. ALAN CRANSTON, A U.S. SENATOR FROM THE STATE
OF CALIFORNIA

Mr. Chairman, the Tulelake division of the Klamath area of California is the only durum wheat producing region on the Pacific Coast. Current acreage allotments established by the Department of Agriculture have limited production in this area to a point where the durum wheat needs of the West are not being fulfilled. The bill before you would simply allow expanded durum wheat production in California to meet the California demand.

Durum wheat is used explicitly for pasta products and not for bread or other similar foods. The entire Western crop is used up every year. When this crop is exhausted, pasta manufacturers must import durum wheat from the mountain states or the midwest and incur higher prices to compensate for transportation charges. The proposed acreage allotment would increase the California allotment by about 6,000 acres, less than ten square miles. Pasta manufacturers in California would easily consume this crop, amounting to less than three per cent of the entire national durum wheat crop.

On March 25 of this year, the Department of Agriculture issued a statement to the Senate Agriculture Committee opposing S. 858. The United States Department of Agriculture said that expansion of the California allotments was not necessary because durum wheat supplies were sufficient to meet the needs of the country. The Department also claimed that increased allotments in California would give preferential treatment to growers on the Pacific Coast. I question such a conclusion. Where is the equity to California pasta producers who must incur higher costs because California crops are arbitrarily limited by a government agency? If California growers could easily meet California demand, why should government action force California purchasers to buy from midwest producers?

I believe it is imperative that we relax these acreage allotments to accommodate the need for expanded production in California. It seems to me that the U.S. Department of Agriculture has allowed its abundance of national statistics to overwhelm its normal good judgment of the exigencies of regional supply and demand. The proposed increase to 12 thousand acres is not new. It is time we permit durum wheat growers to produce a large enough crop to meet the demands of the local pasta manufacturers.

Senator HOLLAND. I note that the first witness is listed as Mr. Claude B. Freeman, Deputy Director, Grain Division of the Agricultural Stabilization and Conservation Service, Department of Agriculture.

Mr. Freeman, are you here?

Mr. FREEMAN. Yes, sir.

Senator HOLLAND. Please come forward and testify.

STATEMENT OF CLAUDE B. FREEMAN, DEPUTY DIRECTOR, GRAIN
DIVISION, AGRICULTURAL STABILIZATION AND CONSERVATION
SERVICE, DEPARTMENT OF AGRICULTURE

Mr. FREEMAN. Mr. Chairman and members of the subcommittee, my name is Claude B. Freeman. I am Deputy Director of the Grain Division, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture. I am accompanied this morning by Mr. Victor Senechal, also of the Grain Division, ASCS, and Mr. Wear K. Schoonover, Office of the General Counsel, USDA. I am glad to have the opportunity to discuss S. 858 with you.

Mr. Chairman, I have a prepared statement here, and the next paragraph of it which is rather lengthy, goes into rather lay language of what the bill includes. With your permission, if we could just put this into the record, I will skip it.

Senator HOLLAND. The whole statement will appear in the record, and such parts of it that you will read will be shown as stated by you and not in the part that is just simply submitted by you for the record.

(The paragraph referred to is as follows:)

This bill (S. 858) would require the Secretary to increase the acreage allotments for the 1969 and subsequent crops of wheat for privately-owned farms in the irrigable portion of the Tululake area in Modoc and Siskiyou Counties of California. The increase for the area for each crop year shall be determined by adding, to the extent applications are made, to the total allotments established for privately-owned farms in the area, an acreage sufficient to make a total allotment of twelve thousand acres for the area. The increase in the wheat acreage allotment for any farm under this subsection shall be conditioned upon the production of durum wheat (Class II) on the original allotment and on the increased acreage. The additional allotments made available under provisions of this bill shall be in addition to the national, State, and county allotments otherwise established and the acreage planted to wheat under the increase in allotments shall not be taken into account in establishing future State, county and farm allotments. The producers on a farm receiving an increased allotment under this subsection shall not be eligible for diversion payments under Section 339.

Mr. FREEMAN. Well, I will skip over and begin on page 2 of my statement.

The Department does not favor enactment of this bill.

Our reasons for taking this position are as follows:

First, this proposed legislation would give preferential treatment to producers in a relatively small area in Modoc and Siskiyou Counties. This would not be equitable to the many other areas of the nation where farm allotments are relatively small and the production of wheat is more profitable than any other crop.

Secondly, the current wheat program is a voluntary program. Consequently, producers can elect to forgo program benefits and plant as many acres of wheat as they desire. Although no program payments would be made in such a case all of the wheat produced could be marketed without restriction.

Furthermore, there is a considerable acreage of barley produced in the Tululake area of California. Consequently, under the substitution provisions of the wheat and feed grain program, producers having both a wheat allotment and a barley base acreage can produce wheat in lieu of barley and still be eligible for wheat certificates on a specified percentage of their wheat allotments.

The current outlook for wheat producers is very dismal. Supplies in the United States and in the world have been building up rapidly. Export markets have diminished. The Department has reduced the national wheat acreage allotment substantially since 1967.

More specifically, Durum wheat production in 1968 totaled 98 million bushels. This added to the 1967-68 carryover stocks of 23 million bushels results in a total Durum wheat supply for the current marketing year of 121 million bushels. Domestic consumption is estimated at about 32 million bushels. Some of these figures will differ from what was in our legislative report because of the passage of time and the trueing up of our statistics.

Senator HOLLAND. The legislative report stated that domestic consumption was about 40 million bushels. In other words, less was consumed in this last year than had been predicted. Is that it?

Mr. FREEMAN. Yes, sir.

With exports during the 1968-69 season of about 47 million bushels, the carryover into the 1969-70 marketing year will be around 42 million bushels—more than enough to meet the domestic requirements for a full year.

Another large crop is expected for 1969. The July 1 estimate by the Department was 88 million bushels.

Durum wheat stocks in all positions on April 1, 1969, totaled 67.5 million bushels, 46 percent above April 1, 1968, and 49 percent above 2 years ago. Durum wheat exports in 1969-70 may fall considerably below the high level, the 47 million bushels, reached in 1968-69.

In the face of the current supply situation for Durum, as well as all classes of wheat, we do not feel it should be advisable to increase allotments and production of any class of wheat, even though the acreage involved is minor.

Furthermore, it would seem that the Durum wheat producers in the Tulelake area are in an extremely fortunate position at the present time because the west coast production of that class of wheat is less than the demand in that area. This results in their receiving a more favorable price for this commodity. Other wheat producers in the Nation are not so fortunate.

There is risk that if the allotments were increased in the Tulelake area to the extent felt necessary to supply prospective demand, the prices received by farmers would fall.

The total supply of Durum in the Nation is substantially more than enough to satisfy all domestic and export requirements. While it is true that west coast processors would need to pay a higher price for Durum wheat produced in the traditional Durum-producing area, than for Durum wheat produced locally, or else substitute to some extent other classes of wheat, nevertheless an ample supply is available.

Under the provisions of this bill, producers in the Tulelake area would receive larger certificate payments in proportion to their increased allotments but without a commensurate increase in the domestic food use of wheat.

Therefore, since the bushel amount of domestic wheat certificates that can be issued nationally in any one year is limited to the quantity of wheat it is estimated will be used for domestic food, the issuance of additional domestic wheat certificates to Tulelake area producers would, of necessity, result in less certificates for other wheat producers in the Nation. Under the proposed bill, these growers would be offsetting, to some extent, the purposes of the overall wheat adjustment program while at the same time would be receiving an increased quantity of wheat certificates. Although the bushel amount of additional certificates involved under this bill would be relatively small, there are a number of other wheat-producing areas in the Nation where farmers have indicated a need for additional wheat allotments to assure a more economic operation. If all of these requests were approved, the bushel amount of certificates involved would be substantial.

We sincerely feel that the disadvantages which would result from favorable action on this bill outweigh the measures' potential advantages.

Senator HOLLAND. I think the committee would like to know what is happening in the several areas of the Nation where Durum wheat is produced.

Do you have a breakdown of the production of Durum wheat by areas?

Mr. FREEMAN. The only other area is a rather large area that would embrace production in Montana, North Dakota, South Dakota to some extent, and Minnesota. It is here that the bulk of the crop is produced.

Senator HOLLAND. Well, do you have figures showing the product of Durum wheat in those four States, or by States within that area, and production in the California area or any other areas where it is produced?

Mr. FREEMAN. I do not have it with me today. We could certainly furnish it for the record.

Senator HOLLAND. Are there any other areas except these two where Durum wheat is produced?

Mr. FREEMAN. Not that I know of.

Senator HOLLAND. I recall that this committee, some years ago, set up an area in California for the production of Durum wheat and approved the giving of the same special treatment to that area that we had already given to the Durum wheat producing area in the States which you mentioned.

When was that; at what time?

Mr. FREEMAN. I think we had—Well, the provisions asked for in this bill here, we had something very similar to it provided for this Tule-lake area during the period 1958 through 1963. But at that time we had an altogether different national wheat program. We had at that time a mandatory program; that is, if these people in this area wanted to produce excess wheat over and above their specified allotment, there was a marketing penalty which just prohibited them from producing it.

Senator HOLLAND. What were the provisions of that act?

I recall that we enacted it, but I do not recall the provisions.

Mr. FREEMAN. Well, if they had a history of producing Durum wheat they were granted increased allotments, and I think the acreage involved was to build the allotment in the particular area up to 8,000 in 1958 through 1962 and up to 12,000 acres in 1963.

Mr. YOUNG. Mr. Chairman, I have a special problem. I have to be at the Defense Appropriations subcommittee meeting at 10:30. I wonder if I could just add a few words now?

Senator HOLLAND. I will be glad to yield to you with one little delay.

I want to place in the record, if I can, the breakdown of the production of Durum wheat, total production, from the Crop Reporting Board. It is the annual crop summary of December 1968, appearing at the middle of page 56, showing the breakdown of production of Durum wheat between the States of Minnesota, North Dakota, South Dakota, Montana, and California. This is by both acreage and by the amount in thousands of bushels.

Mr. FREEMAN. Yes, sir.

Senator HOLLAND. I ask that that be included in the record.

(The table referred to follows:)

DURUM WHEAT

State	Acreage harvested (thousand acres)			Yield per acre (bushels)			Production (thousand bushels)		
	Average, 1962-66	1967	1968	Average, 1962-66	1967	1968	Average, 1962-66	1967	1968
Minnesota.....	78	63	82	29.6	35.0	34.0	2,319	2,205	2,788
North Dakota.....	1,922	2,287	2,927	28.7	24.0	28.0	55,216	54,883	81,956
South Dakota.....	122	158	179	17.8	28.0	27.0	2,182	4,424	4,833
Montana.....	181	240	365	23.8	19.0	21.0	4,282	4,560	7,665
California.....	8	6	7	59.4	61.0	65.0	469	366	455
Total, United States.....	2,310	2,754	3,560	27.9	24.1	27.4	64,467	66,443	97,697

Senator HOLLAND. Now, I will yield to you.

Senator YOUNG. Mr. Chairman, with 84 to 85 percent of all the Durum produced in North Dakota, ordinarily, I would be opposed to expanding Durum wheat acreage in other areas of the United States, but Durum is a wheat that can only grow—at least good Durum—in a very limited area of the United States. You have to have very cool nights. And this is why the Tulalake area can produce very good Durum. Durum is grown only in a very limited area. Durum cannot be produced in most all of the winter wheat areas, at least good Durum, and I doubt that they even could grow it successfully in terms of obtaining good yields.

There is a market out on the west coast that cannot be reached by our producers in North Dakota and surrounding States.

Also very important, Durum has found a big dollar market in the European countries. It has a better dollar market than any other type of wheat. I think Mr. Freeman will agree with me on that. Practically all of these exports are for dollars. There has been a great expansion of demand for Durum around the world in the last few years.

So, while production is about three times what it normally was 2 or 3 years ago, we have been able to sell most of it. I do not think we have anywhere near the problem with Durum wheat that we do with other classes of wheat.

It may be necessary to make some amendments to this bill, but, generally, Mr. Chairman, I think a good case can be made for it, as has been the case in past years.

Senator HOLLAND. You mean on the basis of the fact that the demand for Durum wheat in the Pacific area is so far away from the producing area where you know the facts?

Senator YOUNG. Yes, and Tulalake area is the only place it can be produced out there. The only reason it can be produced there is because they have real cool nights, nights like we have in northeastern North Dakota where our best Durum is produced. They get a frost about every month of the year in the Tulalake area, and this is the kind of weather that you have to have. They also have the soil conditions that you have to have for the production of Durum wheat. It is an entirely different wheat than any other kind.

Senator HOLLAND. Is there any difference in the provisions of this bill, so far as the use of the certificates and the support price from the provisions of the present law which applies to the principal of the Durum wheat area in your State and the three adjoining States?

Senator YOUNG. No, we have the same program prevailing.

Mr. FREEMAN. It would be the same, except that this area is asking for an increased allotment over and above and on a different basis.

Senator YOUNG. Yes, they are asking for an increase in the allotment out there. As I recall it, one time when they were granted extra acres, I think they had to forego price support protection.

Mr. FREEMAN. That was the program that was in effect for them before, yes, sir.

Senator YOUNG. Maybe some small change may be necessary, Mr. Chairman. It may seem strange that, coming from the big Durum-producing State, I am not opposed to it. However, most of our Durum wheat producers are familiar with this bill and support it.

Senator HOLLAND. Well, it occurs to me that the only change in the program made by this bill is a small increase in acreage. Is that correct?

Mr. FREEMAN. That is what they are asking for——

Senator HOLLAND. Is the matter of bringing that production under the price-support provisions which are already applicable to the principal Durum wheat producing areas; is that correct?

Mr. FREEMAN. It would provide for these people to share in the certificate allocation each year, which is the only thing that they cannot do under present law. You see, this is a voluntary program. They can plant whatever acres they want without penalty, but they do forgo the certificates. What this bill would do would give them an increased acreage and still be eligible for receiving domestic certificates.

Senator HOLLAND. Well, I think that comes down to the nub of the question.

Is it necessary to do that, in view of the large market for Durum wheat which is close to them in the Pacific area?

Is it necessary for them to be brought under the certificate system?

Mr. FREEMAN. Well, sir, we listen to the pleas from producers in almost all areas, and they also want more certificates to supplement their income. We do not feel, in fairness to all other wheat producers, that we ought to take this fixed-size pot, the certificate pool, and divide it up this way, additionally.

Senator HOLLAND. Your position is based on the fact that already the production of Durum wheat in the United States far exceeds the domestic consumption which is limited in the use of certificates to the traditional Durum wheat area in North Dakota and its adjoining States?

Mr. FREEMAN. If I might add, sir, I would say that I do not think there is any shortage of the products made from Durum wheat in any area of the United States.

Senator MILLER. Could I ask a question, Mr. Chairman, before Senator Young leaves?

Senator HOLLAND. Senator Miller.

Senator MILLER. I wanted to ask a question, before you left, Senator Young. I want you and I to be together on this. And do I understand your position, Mr. Freeman, to be that if this bill passes, there will be fewer certificates for Senator Young's wheat farmers than there are now?

Mr. FREEMAN. To the extent that we issue additional certificates to these people; yes, sir.

Senator HOLLAND. Certificates covering only the domestic use of Durum wheat?

Mr. FREEMAN. Of all wheat. That is right, of all wheat, but it is a fixed amount. I mean, this would just make us divide it more ways.

Senator MILLER. Well, I understand the Senator to say that his Durum wheat people would not particularly object to this, but I am wondering if they would object if they knew that the certificates that they would receive would be fewer as a result of this?

Senator YOUNG. Well, we have a very strong Durum Wheat Growers Association, and they are entirely familiar with the bill. They have worked with the Tulalake Durum producers, and they are supporting it.

I think the wheat certificate payments should be made on their normal production. It might be necessary to make some changes in the bill regarding certificate payments on the expanded acreage. As I pointed out before, your Durum Wheat Growers Association—and it is a strong one—supports this.

Senator MILLER. And they support it with the understanding that their certificates may be reduced?

Senator YOUNG. Yes. This is only a piddling amount of wheat.

Senator CURTIS. Does this do anything to the certificates of other wheat producers?

Mr. FREEMAN. To the extent that the total we can issue in any 1 year is defined by law; yes, sir. The certificates apply to all wheat producers that participate in the wheat program, regardless.

Senator CURTIS. The certificates are figured on the basis of all wheat?

Mr. FREEMAN. The total wheat for domestic food use, yes, sir; and it applies against all producers. We make no breakdown by class of wheat.

Senator CURTIS. But it is small, so no individual farmer would notice it; would he?

Mr. FREEMAN. Well, it is a small amount; yes, sir.

Senator CURTIS. What is it? Half a percent of the total; or what is it?

Senator YOUNG. That would be less than a tenth of a cent a bushel.

Mr. FREEMAN. It would be small on just this one exception alone.

Senator HOLLAND. Has the Tulelake production area had any difficulty in disposing profitably its production that the west coast uses?

Mr. FREEMAN. To the best of my knowledge—

Senator HOLLAND. Without having the certificate program apply to it?

Mr. FREEMAN. To the best of my knowledge, they have not had any problem; no, sir.

Senator HOLLAND. Why is it that we now feel they need a certificate system to apply to them?

Mr. FREEMAN. I cannot speak for them, Mr. Chairman.

Senator HOLLAND. Will they be here?

Mr. FREEMAN. Yes, sir; they are here.

Senator HOLLAND. Very well.

Senator CURTIS?

Senator CURTIS. This is macaroni wheat; is it not?

Mr. FREEMAN. Yes, sir; that type of product; yes, sir, macaroni.

Senator CURTIS. And what about our exports of Durum Wheat; have they increased?

Mr. FREEMAN. Yes, sir. We have run into reduced supplies around the world in recent years. Some of our indications presently indicate some of our big takers and some of our big competitors are looking for big crops in the coming year; namely, Italy and some of the rest, Algeria, and that we will not have, do not look forward to, unfortunately, the same level of exports in the year just started July 1 as the 47 million that we were able to obtain last year.

Senator CURTIS. Is the export outlook as gloomy as it is for all wheat?

Mr. FREEMAN. Yes, sir; it is—

Senator CURTIS. Probably not.

Mr. FREEMAN. Perhaps not as gloomy as some of our low-protein wheat; but it is, nonetheless, a gloomy picture.

Senator CURTIS. Who do we sell this to?

Mr. FREEMAN. Oh, we sell it to Italy; we sell it to practically all countries around the world.

There is no one real big taker of it, as such. It is a type of product that is very specialized, and you can get it only in a very few places, but our business goes up when the other countries have a crop failure, and it is strictly competition in other years.

Senator CURTIS. What has the export price been?

Mr. FREEMAN. We have had to subsidize it, pay an export payment, very substantial, and I do not recall the figure right off, as compared to other classes of wheat.

Senator HOLLAND. Please furnish that for the record.

That is important.

Mr. FREEMAN. All right. We will give you some history on the export payments on Durum wheat.

(The information is as follows:)

The export payment rate for durum wheat during the marketing year just ended averaged 23 cents per bushel on the Pacific Coast and 9 cents for the Atlantic and Great Lakes ports.

The payment rates announced July 23, for wheat to be exported from the Pacific Coast after August 1, are 28 cents for durum as compared with 12 cents for hard red winter, 13 percent protein.

Senator HOLLAND. The price for Durum wheat is higher; is it not, than that for other average wheat?

Mr. FREEMAN. Yes, sir; very much higher.

Senator MILLER. Could I ask a couple of questions, Mr. Chairman?

Senator HOLLAND. Yes, Senator Miller.

Senator MILLER. How much of a deficiency in the California area is there in this Durum wheat production so that they have to go to other areas to purchase?

Mr. FREEMAN. Well, that I do not know. I do not believe we have statistics in the Department to say.

Senator MILLER. Well, we have been talking about the fact that they have to go elsewhere to make up the deficiency in the west coast area.

Mr. FREEMAN. Well, from little I know of the area, sir, I would assume that certainly because of the transportation cost they do not ship Durum wheat from the traditional area into the west coast market. What I would say is that, through economic reasoning, what would probably happen is that products would be shipped in, products manufactured, closer to or somewhere between the traditional area and California. Certainly, we have no reports of any shortage of Durum products.

Senator MILLER. Well, then, for example, they might ship Durum wheat down from South Dakota to Omaha, and there they have a macaroni factory and they make it into macaroni, and then ship the macaroni out to the west coast.

Mr. FREEMAN. Well, I think that is what is happening; yes, sir.

Senator MILLER. It is not a case of shipping Durum wheat in bulk.

Mr. FREEMAN. No, sir. I think the economic situation would indicate that it would be more feasible to ship products.

Senator MILLER. But you do not have any idea how much that would amount to?

Mr. FREEMAN. No, sir; I do not.

Senator MILLER. Now, in your testimony on page 3 at the top, you say: "Domestic consumption is estimated at 32 million bushels," and then you point out that exports during 1968-69 amounted to 47 million, and that totals 79 million bushels. Then, you say down here at the bottom of the page that the total supply of Durum in the Nation is substantially more than enough to satisfy our domestic and export requirements, which would seem to me to indicate that the supply, the carryover supply, should be at least 70 million bushels and maybe greater. But you say up here that it is estimated that the—

Mr. FREEMAN. Carryover—

Senator MILLER. Durum wheat stocks in all positions in April 1969, totals 67.5 million bushels. That is less than 79.

Mr. FREEMAN. Yes, but we always have an additional crop coming on, and it is hazardous, as it is, to grow this Durum crop, but we have never had a year when we did not have a substantial production, enough when added to the carryover, of a level we are talking about, to more than meet our requirement.

Senator HOLLAND. I note from the statistics already inserted in the record that out of the total of 97,697 acres in Durum wheat in the Nation, only 455,000 out of the 97,697,000 bushels of Durum wheat produced in the Nation, or less than a half a million, were produced in California, which is considerably less than one-half of 1 percent of the production.

Mr. FREEMAN. Yes, sir.

Senator HOLLAND. Now, what is proposed by this bill, with reference to the increase of the Tulelake production?

Mr. FREEMAN. It would just about double the acreage and, I assume, the production that is in California now.

Senator HOLLAND. The acreage is shown for 1968 at 7,000 acres. What would the total be under this bill?

Mr. FREEMAN. They are asking to bring the total in the area up to 12,000 acres. They have allotments now for about 6,000.

Senator HOLLAND. And you think it would bring up the total production still less than 1 percent of the total nationally?

Mr. FREEMAN. If they took all of the increased allotment granted them; yes, sir.

Senator MILLER. Could I ask a further question, Mr. Chairman?

Senator HOLLAND. Yes.

Senator MILLER. Then, because of what you have said in response to my earlier questions, it appears what could happen if this bill is approved would be that the manufacture of macaroni might be shifted from Omaha to California?

Mr. FREEMAN. Yes, sir.

Senator MILLER. In other words, what they are interested in is the finished product, and they are getting it from maybe Omaha, Kansas City, or some place like that now, but, if they go into this program of doubling their acreage and they need spaghetti or macaroni, they will make it out there?

Mr. FREEMAN. I would assume that; yes, sir. That is what I assume would happen.

Senator MILLER. I wonder if this underlies some of the thinking behind the bill?

Mr. FREEMAN. It could well be.

Senator MILLER. Rather than just a deficiency in the wheat production itself, we might be getting into a manufacturing problem here.

Senator HOLLAND. I should think that the 455,000 bushels now produced out there would not support any heavy industry of macaroni and other similar products.

Senator MILLER. I do not know, Mr. Chairman, anything about the quantities used in the manufacture or what the macaroni or spaghetti trade looks like, but I wish we could get that clarified somehow.

Senator HOLLAND. If the total use of macaroni, domestically, was 32 million bushels last year, and only 455,000 was produced in California, there could not have been very heavy processing on the Pacific coast at all.

Mr. FREEMAN. I understand that they process all that they produce out there for food products, and then switch over into the manufacture of other products, because they do not have enough Durum wheat locally. But we do not have any consumption statistics by States or by areas on these types of products. I suppose we could reconstruct from our records how much Durum was milled at certain mills.

It would be a rather painstaking process to go back through, because of the processing certificate requirements under the present law.

But we could go back, I suppose, through individual records, however, as I say, we do not compile this, and we would have to go back and do it manually from what they had reported to us and our certificates that they had paid us on processing of wheat into food.

Senator MILLER. Well, let me make it clear that I do not have any spaghetti or macaroni factories that I know of in Iowa, but I do think that there are some in Senator Curtis' State, and I think there are some in Kansas City, and that is why I wanted to see if we could get some kind of a picture of that.

Do we have any people available who can give us a picture of the macaroni and spaghetti production, whether this could underlie part of the purposes of the bill?

Mr. FREEMAN. Well, I certainly think that an increased Durum production in this area would shift the manufacture of Durum flour out to this area, and unless there is something in it that I do not see, I do not see how it would increase the total consumption of Durum wheat products and it certainly would cause some translocation of Durum milling.

Senator MILLER. Are you saying that they cannot now economically, let us say in South Dakota and North Dakota, process it into flour and then ship the flour out to the west coast?

Mr. FREEMAN. Well, the flour would have a lot of the same—it would have some advantage over shipping Durum wheat as such, but still the most advantageous product to ship would be the finally manufactured product.

Senator CURTIS. Now, do they mill Durum wheat in the same mills that they mill other wheat?

Mr. FREEMAN. Yes, sir.

Senator CURTIS. It does not follow, for instance, that the macaroni companies, whether they are Skinner of Omaha or elsewhere, do not mill their own wheat, do they?

Mr. FREEMAN. No, sir.

Senator HOLLAND. Apparently, the difference between the Department and the Wheat Association in the traditional producing area is solely on the basis of whether this added production in California would be of any consequence or whether it would be inconsequential from the standpoint of the national picture.

Mr. FREEMAN. Mr. Chairman, I would—

Senator HOLLAND. And apparently the Durum Wheat Association of North Dakota and the sister State there thought the production would be inconsequential, and the Department's attitude is that you feel it would be consequential, that it would have substantial effect on the whole picture.

Mr. FREEMAN. Mr. Chairman, our objection to the bill is not so much—we admit that the production is relatively small, with this exception—what we object to is the beginning of a series of exceptions. This is a production adjustment program, and I am sure, if these people can make a good cause for want of this product in their area, there are innumerable other areas. I do not suppose you could talk to a wheat farmer who said that he had enough allotment or enough certificate payments now. We do not have any class of wheat differences in our program now, as far as the allotment goes. The present legislation gives the authority to the Secretary to increase the allotments for classes of wheat if there is an impending short supply, but no authority to do this on special area basis.

Senator HOLLAND. I noted the statement in the latter part of your proposal to the effect that there were various other requests for exemptions or for special treatment from other parts of the wheat producing areas of the Nation. Are they of consequence in the whole picture?

Mr. FREEMAN. Well, we have not had any from any organized group, as such, but each time we meet with farmers or talk with farmers—for instance, people close to ports will say that because of the increased importance of exports in wheat that they should be given increased allotments because we are closer to the export, and in a year like we are facing now with a shortage of high protein wheat we will certainly hear from some producer saying that "because of the shortage of this wheat, and we traditionally raise it, we should be given an increased allotment."

Senator HOLLAND. Referring to your statement on page 4, which I quote:

Although the bushel amount of additional certificates involved under this bill would be relatively small, there are a number of other wheat producing areas in the Nation where farmers have indicated a need for additional wheat allotments to assure a more economic operation. If all of these requests were approved, the bushel amount of certificates involved would be substantial.

Can you file for the record a list of those other areas where you anticipate trouble when you start making this additional exception in the Tulalake area for Durum wheat?

Mr. FREEMAN. We will, and, as I say, we have never had organized organizations of wheat producers ask for this. It has been normally

when we meet with farmers, talk with farmers, when they come in to see you, and we have hearings and appeals everyday from somebody that wants more allotment and feels that the State committee or the county committee has not dealt fairly with them and have given him an uneconomic-sized allotment, or else because of higher percentages of his wheat is used domestically than for another class of wheat, he should have an increase in his marketing certificates.

Senator HOLLAND. My question was whether you would file for the record a list of those various areas where you anticipate such trouble.

Mr. FREEMAN. We would make a statement about it for the record.

Senator HOLLAND. Please do so.

Mr. FREEMAN. All right.

(The statement is as follows:)

Requests for additional wheat allotment acreage have been filed with the Department during the past two years for the following counties:

Glacier, Toole, Lewis and Clark and Blaine Counties, Montana; Emmons County, North Dakota; and Norton County, Kansas. These requests were submitted to the ASCS Washington office. Many other requests for additional wheat acreage allotments are received by county and State ASC offices but were not granted at that level without reference to the Washington office.

In addition, requests have been received periodically in earlier years from various areas throughout the Nation because of this need for additional wheat allotment on farms to insure a more economic operation.

Senator HOLLAND. Senator Talmadge?

Senator TALMADGE. Mr. Freeman, as I understand your proposition, your testimony, people at Tululake now can plant all of the Durum wheat they see fit, sell it on the market as they see fit without benefit of any certificates; is that correct?

Mr. FREEMAN. That is correct.

Senator TALMADGE. Well, what is the reason then that they want this additional allotment?

Is it because they would get certificates that would give them additional price support?

Mr. FREEMAN. That is right, Senator.

Senator TALMADGE. You stated also, I believe—or did you—that there was a shortage of this Durum wheat on the west coast?

Mr. FREEMAN. Yes, sir, there is a shortage in that particular area.

Senator TALMADGE. They sell everything that they grow in the area now?

Mr. FREEMAN. To the best of my knowledge, yes, sir; that is right.

Senator TALMADGE. At what price?

Mr. FREEMAN. We have records that indicate they receive—I think the season average for Durum wheat out there last year was about \$1.69, or some such price as that.

Senator TALMADGE. \$1.69?

Mr. FREEMAN. Per bushel.

Senator TALMADGE. In addition to that, what did they get in the way of a certificate, anything?

Mr. FREEMAN. Yes, sir.

Senator TALMADGE. I believe that law has expired now and there is no certificate for Durum in California?

Mr. FREEMAN. Yes, sir; there are certificates.

Senator TALMADGE. All right.

They get \$1.69 plus—What is the certificate?

Mr. FREEMAN. Well, assuming they get the same price—I can recall the figures for the 1969 wheat program—they will get certificates on 43 percent of their production, valued at \$1.52 per bushel.

Senator TALMADGE. What would that amount, then?

Mr. FREEMAN. About 65 cents, on an average, apply to their production.

Senator TALMADGE. About 65 cents, plus \$1.69, that would give them—

Senator CURTIS. About 65 cents on total production?

Mr. FREEMAN. It would average that, Senator; yes, sir.

Senator TALMADGE. About \$2.34 a bushel, then, assuming the price in California would be the same?

Mr. FREEMAN. Yes, sir.

Senator TALMADGE. And without the special legislation, these farmers will get \$1.69?

Mr. FREEMAN. If they expand their acreage above their allotment.

Senator TALMADGE. So, what they are asking for, in effect, is the additional payment of about 65 cents per bushel that the wheat certificate would be worth; is that it?

Mr. FREEMAN. Yes, sir. Yes.

Senator TALMADGE. Now, you stated, I believe—Is there a surplus in Durum now?

Mr. FREEMAN. There is an adequate supply. I hesitate to get into—

Senator TALMADGE. Senator Miller in his interrogation indicated that the carryover was about 69 million bushels a year. Is that correct?

Mr. FREEMAN. On April 1, the stocks were about 67.5 million. April 1 of this year.

Senator MILLER. That is right.

Senator TALMADGE. 67.5.

Mr. FREEMAN. Yes, sir.

Senator TALMADGE. And what is the utilization?

Mr. FREEMAN. Domestically, about 30 to 35 million bushels. And export would vary significantly, but it was a record this last year, 47 million bushels.

Senator TALMADGE. The crop is fairly well in balance then on production and utilization at the moment?

Mr. FREEMAN. Yes, sir; it is in balance, but tending more toward the very adequate level.

Senator TALMADGE. Is your objection, then, to this legislation the fact that it makes an exception in this area, or is it the fear that there will be a surplus of this type wheat, or both?

Mr. FREEMAN. Well, it will certainly contribute to increasing the supplies of this, but the Department's main objection to the proposed bill is the exception, the beginning of an exception that, perhaps, can be expanded.

Senator TALMADGE. Thank you.

I have no further questions.

Senator HOLLAND. When we passed the other bill allowing them the acreage in the Tulelake area, it was with the understanding that they would not get the certificates, was it not?

Mr. FREEMAN. The program was different, but they did give up program benefits in the form of price support. It was all through loan at that time.

Senator HOLLAND. Now, if their allotment were increased under this bill, it would be with the extension of the certificate system to their program benefits?

Mr. FREEMAN. Yes, sir.

Senator HOLLAND. And it would be particularly the certificate system, to their entire production?

Mr. FREEMAN. Yes, sir.

Senator HOLLAND. Well, I think the committee understands the situation.

Thank you very much.

Mr. FREEMAN. Thank you.

Senator CURTIS. The price of \$1.69; is that an average price?

Mr. FREEMAN. It was reported to us as being the season average price. It is not an official Department figure. It came to us through our State office operation out in California.

Senator CURTIS. Wheat in western Nebraska yesterday was 97 cents, a dollar, in my home town.

Senator TALMADGE. Does the certificate bring it up another 65 cents, like on this Durum wheat?

Mr. FREEMAN. Yes, sir; it would. The return to the farmer would be that market price plus the certificate, and if you averaged it and said that this was the value of wheat production—

Senator HOLLAND. But the certificate would cover only that part of the production that is utilized domestically, would it not?

Mr. FREEMAN. Yes, sir; 43 percent, we apply across the board to the production of all classes, all types, of wheat.

Senator HOLLAND. Thank you, Mr. Freeman.

Mr. FREEMAN. Thank you, sir.

Senator HOLLAND. The next witness is Mr. Lyonel L. Nash, chairman, and Mr. Kenneth G. Baghott, grower I take it, of the Tulelake Durum Wheat Committee—a member of the Tulelake Durum Wheat Committee. Is that correct?

Mr. NASH. Yes, sir.

Senator HOLLAND. You gentlemen have a seat, please.

And you may proceed.

Mr. NASH. Thank you.

STATEMENT OF LYONEL L. NASH, CHAIRMAN, AND KENNETH G. BAGHOTT, TULELAKE DURUM WHEAT COMMITTEE, TULELAKE, CALIF.

Mr. NASH. Mr. Chairman, members of the committee. On yesterday, we had the honor of appearing before the House subcommittee of the Committee on Agriculture and received a favorable report from them.

We know you all are extremely busy, and we graciously appreciate this hearing which was scheduled while we are here for the House hearing.

We appreciate the opportunity to explain our problem to you. Our problem is small to everyone except us. It means a great deal to the Tulelake farmers.

For those of you who are not familiar with our area, we are located in the northeast corner of California where Siskiyou and Modoc

Counties join the State of Oregon. This is a high—slightly over 4,000 feet—mountainous desert area surrounded entirely by mountains. Frosts can, and all too often do, occur any month of the year. The soil is highly productive, but due to climatic conditions and distance from markets, only the hardy type of crops such as malting barley, Durum wheat, alfalfa hay, and potatoes can be raised.

Prior to the time we started growing Durum wheat, in 1953, the Tulelake basin farmers were famous for growing malting barley which was marketed throughout the United States, England, and South America. But with the advent of acreage allotment controls on cotton, rice, and wheat the acres previously producing these crops in the mid-west started raising malting barley on the diverted acres. We lost our midwest malting barley markets. Today, the market for what malting barley we produce is limited exclusively to the West Coast.

We are here to try to obtain legislation for the Tulelake basin for a permanent Durum wheat allotment of 12,000 acres.

Durum wheat can be raised in other areas of California, but it is not suitable for milling. Mr. Baghott, who is here with me today, is an agronomist with the University of California. He has sent seed to branch experiment stations throughout California and Oregon in an attempt to increase Durum wheat production for milling on the west coast. However, in no instance, has Durum wheat of millable quality been raised.

Senator HOLLAND. Does that mean that it is not hard enough?

Mr. NASH. Not hard enough, the right color, or the right protein, or anything else. The quality just simply is not there, sir.

In 1953, when Durum was first introduced into Tulelake it was determined to be a profitable crop. At that time, we asked the U.S. Department of Agriculture for a special Durum wheat allotment for the Tulelake basin. The Department informed us that first a west coast milling industry must be developed as a market for semoline or Durum flour. This has been done. However, the wheat allotments which have been granted have not been sufficient to take care of either the milling needs or semoline needs of the macaroni manufacturer.

To satisfy the west coast potential consumption would require almost 3 million hundredweight of Durum. At the present time, we are producing 240,000 hundredweight of Durum. The entire crop is sold on the west coast; none is shipped east or exported. In fact, one macaroni manufacturer, Golden Grain of San Leandro, Calif., stated in a letter to me dated March 27, 1968, that they could use the entire 12,000-acre production for which we are asking.

Another company, General Mills, Inc., in a letter addressed to me, stated: And here I would like to read this letter, if I may.

DEAR MR. NASH: In reply to your recent inquiry about a proposed increase in durum acreage in the Tulelake basin, it appears that an increase from the current four to five thousand acres to twelve thousand acres would be highly desirable. California is a deficient state with respect to durum. It is estimated that the potential usage of durum within the state of California is 1,400,000 bushels annually. Competitively, the Tulelake area is in good position to ship either to Portland or to the San Francisco Bay area. Freight rates presently are equal.

With specific reference to durum grown in the Tulelake area, we will continue to buy it as we have in the past 10 or 11 years, provided that the quality is suitable for use in the production of durum flour. The production of durum in the

Tulelake basin has been an interesting development, and we believe that the continued production of durum will be mutually beneficial to growers and consumers alike.

Very truly yours,

GENERAL MILLS, INC.,
PAUL P. TAYLOR,
Manager, California Grain.

In addition to that, I just received a telegram yesterday that says, and I quote:

Approval of H.R. 484 and S. 858 will have no overall detrimental effects on Durum consumption nationally.

This is signed by Thomas J. Lee, manager, Grain Division Sperry-West, General Mills, Inc., Palo Alto, Calif.

I would like to submit that.

We have received communications from other users of our Durum on the west coast expressing the same opinion.

Last year, 1968, approximately 5,000 acres of Durum was raised in the Tulelake basin. There is 40,840 acres of privately owned land in Tulelake owned by 570 farmers. The legislation we propose would increase existing allotments to 12,000 acres. This would double our existing production. Even if we planted the entire Tulelake basin to Durum we could not completely satisfy the west coast market needs.

Durum wheat is the only cereal crop that has consistently given the Tulelake farmers a reasonable net profit. In 1967, farmers netted an average of \$47.25 per acre on Durum; \$19.50 per acre on barley while they lost \$5.50 per acre on alfalfa and lost \$70.55 per acre on potatoes. Fortunately, 1968 was a better year for potatoes and alfalfa hay.

Our request for additional wheat allotment acreage increase will not cost the U.S. Government or the taxpayer a cent. Instead, more money will be taken in by the Government on wheat certificates from our area than is paid out to the farmers.

For example, if a farmer has a 20-acre allotment with an average yield of 80 bushels per acre and using the Agriculture Apportionment Base of \$1.36 times 80 bushels times 40 percent of his 20-acre allotment, on 8 acres, the Government will pay the farmer \$870.40, but the Government is paid by the miller at the rate of 75 cents a bushel. This farmer grew 1,600 bushels Durum wheat. For these 1,600 bushels of Durum wheat, the miller paid the Government \$1,200. The Government pays the farmer \$870.40; so, the Government is to the good \$329.60.

The Department of Agriculture has suggested the possibility of planting Durum on the barley substitution program provision. In order to do this, a farmer must leave 20 percent of his barley base idle. With our small farms we cannot afford to do this. Plus the fact the farmers do not get an allotment payment for the substituted acres which in reality is the profit made by the farmer.

Tulelake has a unique marketing situation for Durum wheat. The entire crop is always sold by the end of December of the year in which it is produced.

No Tulelake Durum has even been put under price support or Government loan. This is another example of not costing the taxpayer any money.

John Wright, president of the Durum Growers Association of the United States, in a letter to me dated March 30, 1968, states that the Durum Wheat Growers Association of the United States endorses our request for a permanent allotment of 12,000 acres for the Tulelake basin. This Association is made up of people from Montana, North Dakota, South Dakota, Minnesota, and myself, from California.

The Department of Agriculture has stated opposition to this legislation. Their primary concern, as I understand it, is setting a precedent. Precedence has already been established. Congress has given special acreage allotments to the Tulelake basin three different times, on a temporary basis, for the purpose of building acreage allotments for the Tulelake basin farmers. However, this has not been accomplished as Congress intended.

As a result, we have allotments for Durum wheat of 4,698.5 acres on privately owned land in the Tuleland basin.

We, therefore, ask for your favorable consideration of this bill since other Durum-producing areas approve of this legislation. It will not cost the taxpayer a cent; precedence has previously been established and an existing market is available.

Thank you for your time.

Senator HOLLAND. Is it your intention to go ahead and try to increase your Durum production to the 48,000 acres which comprise your entire Tulelake basin?

Mr. NASH. No, sir.

Senator HOLLAND. Well, you just stated that the Tulelake production is more profitable to you than other things that you are doing with your land.

Mr. NASH. This is true, sir. But in our case we have to follow Durum behind such things as potatoes. In other words, we cannot plant Durum behind barley or some other crop like that. It will do very poorly. You have to follow behind some low crop such as potatoes, and I think we raise around in the neighborhood of 12,500 to 15,000 acres of potatoes. And we have to follow the potatoes with our Durum. So, our intention is not that, sir.

Senator HOLLAND. You stated that the potato production was unprofitable in 1967.

Mr. NASH. Yes, sir.

Senator HOLLAND. What about 1968?

Mr. NASH. It was a good year; we did fairly well with potatoes.

Senator HOLLAND. How much per acre did you make out of your potato production?

Mr. NASH. Let me ask Mr. Baghott about that, because he knows more about potatoes than I do.

Senator HOLLAND. Mr. Baghott?

Mr. BAGHOTT. They grossed about \$700 an acre, and it cost them in the neighborhood of \$450 and \$550 an acre to raise potatoes, sir.

Senator HOLLAND. Then, in a good year potato production is more profitable than Durum wheat?

Mr. BAGHOTT. That is correct; yes.

Senator HOLLAND. Now, you said something about Durum following potatoes.

Do you mean that Durum cannot be raised every year on the same acreage.

Mr. NASH. No, sir.

Senator HOLLAND. How frequently can you raise Durum on acreage, assuming that you have the proper order of production so as to again permit production of Durum?

Mr. NASH. Well, normally, what we do is we plant potatoes and we follow this with Durum, and, as is the case now we do not have enough Durum, we will also plant some barley. But they will never plant Durum 2 years in a row on the same land.

Senator HOLLAND. Then, in the third year, what do you plant?

Mr. NASH. Barley.

Senator HOLLAND. You plant potatoes, Durum, and then barley?

Mr. NASH. Yes, sir.

Senator HOLLAND. And then what do you do?

Mr. NASH. And, then, back to potatoes again, probably.

Senator HOLLAND. Do you mean to say that your Durum production comes only every third year?

Mr. NASH. Yes, they would alternate it around, sir.

Senator HOLLAND. By a proper sequence of crops?

Mr. NASH. Yes, sir.

Senator HOLLAND. And you can count on producing Durum about every third year on the land?

Mr. NASH. On the land; yes, sir.

Senator HOLLAND. Is that your testimony also, Mr. Baghott?

Mr. BAGHOTT. Yes, sir. We would like to follow potatoes with Durum, because of the fact that we get high protein Durum with good quality. If we follow potatoes with malting barley, our protein goes too high, and it is not acceptable for malt. So, for this reason, following the rotation program of potatoes with Durum wheat, we obtain the quality we need for Durum, but we do not obtain the quality we need for malting barley.

Senator HOLLAND. And in the third year, you have malting barley?

Mr. BAGHOTT. And then we go into malting barley, because of the fact that it has been depleted from the soil, and we can get the protein now in the malting barley where it is acceptable in the malters.

Senator HOLLAND. And, then, you go back to potatoes?

Mr. BAGHOTT. And, then, we go into potatoes again. The potato acreage varies some. Again, it depends upon the price.

People, as you know, they will go up a little following a good price year, and then down a little following a poor price year.

Senator HOLLAND. This would indicate that your potentials for Durum production would never be more than about a third of your 48,000 acres; is that correct?

Mr. BAGHOTT. This would be the maximum that it ever could be, even without any type of controls, because it would not be profitable.

Senator HOLLAND. About 16,000 acres?

Mr. BAGHOTT. It would not be possible to do more than that.

Senator HOLLAND. But you are asking for 12,000?

Mr. BAGHOTT. Correct.

Senator HOLLAND. I note, by some of the magazines, that Tululake is receding, leaving more and more acreage for production; is that correct, or not?

Mr. BAGHOTT. Oh, no. There is no more land available for production. Everything is—

Senator HOLLAND. What about the recession of Tulelake?

Mr. BAGHOTT. Well, the lake is confined within dams right now—with dikes. We will say "dikes" rather than dams. And the Kuchel bill, which was passed a number of years ago, 4 or 5 years I guess, or maybe it was longer than that, definitely states the boundaries of this lake, and the lake cannot be made any smaller.

Senator HOLLAND. You mean you think that the recession that has taken place would be held now to the stable acres.

Mr. BAGHOTT. Oh, it has been this way for 25 years; yes, sir.

Senator HOLLAND. Well, now, I know that the magazines are not dreaming. They tell me that there has been—they state that there has been a material recession in the total area of Tulelake through the years. Is that correct, or not?

Mr. BAGHOTT. Well, I have been there 20 years, and there has been absolutely no change in the acreage during this time, and, as I said, the bill, the Kuchel bill, in cooperation with the Department of the Interior, specifies the acreage of the two former lakes, and it restricts these to be a certain acreage, and that is what is in existence today.

Senator HOLLAND. But that acreage is a good deal less than what was the original coverage of Tulelake?

Mr. BAGHOTT. Well, the original coverage of Tulelake when the entire area was under water, and then it was pumped off, in 1917.

Senator HOLLAND. Well, I thought I recalled just seeing something of that type, and there was a great deal of complaint about it from the conservationist groups and in the conservationist publications.

Do I understand that the situation has stabilized out there?

Mr. BAGHOTT. Oh, absolutely; right.

Senator HOLLAND. And that the total 48,000 acres of land that you testified concerning is your total producing area and may not be increased?

Mr. BAGHOTT. No; this is under private ownership. Now, there is lease land which is owned by the Bureau of Reclamation, owned by the Government, but we do not want this acreage to go under the Government lease law. There is probably 12,000 acres.

Mr. NASH. Yes.

Mr. BAGHOTT. About 12,000 acres, total, of lease land leased by the Government to farmers.

Senator HOLLAND. What is that used for?

Mr. BAGHOTT. It is used for barley, potato production—some potatoes, but mostly barley, just malting or seed types of barley.

Senator HOLLAND. This bill would confine the allotments to privately owned land?

Mr. BAGHOTT. Privately owned lands, yes, sir.

Senator MILLER. How many Durum wheat producers do you have in the Tulelake area?

Mr. NASH. 325, sir.

Senator MILLER. And how much do they produce—about?

Mr. NASH. Presently, about—

Mr. BAGHOTT. 240,000 bushels. They have this divided into 4,698 acres.

Senator MILLER. Now, of the 325, are they all in the program or are there any of them that are not in the program?

Mr. NASH. Almost all of them are, sir. There are a few outside the program.

Senator MILLER. Are those large producers?

Mr. NASH. Pardon me?

Senator MILLER. Are those large producers?

Mr. NASH. No, sir. We really do not have any large producers, because our farms are small. They average about 70 acres, each. So, we really do not have any large producers, and the allotments are small. In fact, some of the farmers that are not raising Durum have such small allotments that they simply do not plant. I know of one farmer that has an allotment of, I think, less than 1 acre.

Senator MILLER. Well, I was wondering: Out of the 325, how many of those are not in the program, and why? If they are relatively small farms, why would they not get into the program?

Mr. NASH. Well, this land was homesteaded, of course, after World War I and World War II, and the farms, as I say, averaged to about 70 acres each.

Senator MILLER. Yes, and since they do I am wondering why they are not all in the program.

Mr. BAGHOTT. Well, they are all in the program. I think Mr. Nash must have misunderstood.

You misunderstood what he means, Lyonel.

They have to be in the program, in order for them to survive, because, as was mentioned by Mr. Nash, we are paid between \$40 and \$50 an acre under the present program, and this actually is not profitable.

Senator MILLER. Well, the Department's witness testified that they did not have to be in the program, and you heard him.

Mr. BAGHOTT. This is correct.

Senator MILLER. And I was just wondering if there were any of them that were not in the program now?

Mr. BAGHOTT. There were a year ago. We had some people that were not in the program, but it was not the same program. It was a completely different type of program.

Senator MILLER. I am talking about this program with the certificates.

Mr. BAGHOTT. This year, I do not think there is anybody in Tulelake that is not under the program.

Senator MILLER. Now, you mentioned that other areas producing Durum do not object to this bill. I believe you said that.

Mr. NASH. Yes, sir.

Senator MILLER. And that apparently is true, even though there might be a little drain-off of the total overall certificates going out there to that Tulelake area?

Mr. NASH. Yes, sir.

Senator MILLER. Apparently, the other Durum producers say, "Well, it is so small, we do not care." Is that about it?

Mr. NASH. Yes, sir.

Senator MILLER. And I get back to the point that I was trying to develop here, which still concerns me, and that is that perhaps this goes beyond the Durum producers themselves and into the millers or into the macaroni or spaghetti manufacturers.

I do not know, but I could understand how the Durum producers in Nebraska, for example, might say: "No, we do not have any con-

cern about the fewer certificates, and it is so small it does not make any difference." And yet I can understand how a macaroni operator in Omaha might see a good chunk of his business going down the drain and moving out to California, or a miller in a similar situation.

Do you have any comments on that?

Mr. NASH. If I may, sir: The National Macaroni Manufacturers Association is also backing this legislation, and Mr. Lloyd Skinner, of Skinner Macaroni, manufacturers in Omaha, is a member of that, quite an active member.

Senator MILLER. Well, I know he is, but I do not know what his personal views on this are. As you know, you have associations and you have divided viewpoints, even though there may be a position taken.

Mr. NASH. Yes, sir. I talked to him a year ago in January, in Florida, down at the National Macaroni Manufacturers Convention, and he was in full agreement with our purpose.

Senator MILLER. I have no further questions.

Senator HOLLAND. I noted a little discrepancy between your statement as to the total amount of production and what is shown in this compilation that has already been placed in the record.

It shows that the production last year, 1968, in California, was 455,000 bushels.

Now, are there other areas than the Tulelake area that are producing Durum?

Mr. NASH. No, sir. We are the only one that produces Durum in the west coast—California.

Senator HOLLAND. You notice the compilation shows that in 1968 it was 455,000 bushels.

Mr. NASH. The only thing I can say, sir; is that is too high, way too high.

Senator HOLLAND. That was a little more than half of that?

Mr. NASH. Yes, sir.

Senator HOLLAND. What was your figure?

Mr. NASH. 240,000.

Mr. BAGHOTT. This cannot possibly be this high.

It is an impossibility.

Senator HOLLAND. Well—

Mr. BAGHOTT. With these gentlemen back here, we discussed this yesterday, and they agreed that there could be some discrepancies there.

Senator HOLLAND. Well, there is a very considerable discrepancy, because the figures say, in this official compilation, that there was substantially twice as much than the figure that you state.

Mr. NASH. It is way too high, sir.

Senator HOLLAND. As I understand it, this Tulelake area is all recovered area from the former breach of Tulelake?

Is that correct?

Mr. NASH. Yes, sir.

Senator HOLLAND. The lake was greatly reduced?

Mr. NASH. Yes, sir.

Senator HOLLAND. And is now contained within dikes, and all of this acreage of 48,000 acres was originally in the lake?

Mr. NASH. Yes, sir.

Senator HOLLAND. At least, at some time of the year?

Mr. NASH. Yes.

Senator HOLLAND. The lake varies, in times, as to the area it covered; did it not?

Mr. NASH. Well, yes, I guess until they finally contained it in its existing boundaries now. It has not changed in some time.

Mr. BAGHOTT. Mr. Chairman?

Senator HOLLAND. Yes.

Mr. BAGHOTT. If there were 455,000 bushels—is that bushels or is that hundredweight?

Mr. NASH. Bushels.

Mr. BAGHOTT. Bushels, this would be twice what we produced, and which would mean it would be in the neighborhood of 10,000 acres that would have to have been grown in Tulalake. It just is not there.

Senator HOLLAND. In other words, the production is something like 45 bushels per acre; is that right?

Mr. BAGHOTT. No, our production is higher in a normal year. The first report, 240,000, and we used a figure of 4,800 acres, I think, which, in some years it is this high; usually it is somewhat less, but we take a high figure so that when we talk in terms of production we are talking maximum production. In some way they have come up with a doubling of the acreage.

Mr. NASH. It is an impossibility, sir, really.

Mr. BAGHOTT. Now, on these certificates they say that there will be no possibility of there not being enough certificates available. Now, we have checked with the millers in different places, and we find that there has never been, never been, in history, a shortage of these certificates available, and, of course, we wonder why there is a great concern over this, because, for example, our wheat, which is all milled and sold by December, by Christmas each year, is clean out and milled in the year of production? Why the concern when there has never, ever been a shortage of the certificates available in any location in the United States as near as we can determine.

I would like to have this question answered by the Department, if they have ever turned anybody down.

Another thing that we do not understand—

Senator HOLLAND. Well, we will ask the Department to answer that question.

(The information is as follows:)

The Department has not stated that an increase in the durum allotment for farmers in the Tulalake area would result in a shortage of wheat certificates. Rather, it was pointed out in our earlier testimony that the issuance of additional certificates to Tulalake farmers under the provisions of S. 858 would result in less certificates being available for issuance to other wheat farmers in the Nation.

The certificate allocation for all wheat farmers in the Nation in any crop year is a fixed figure—based upon the Department's best estimate of the total number of bushels of wheat that will be utilized for domestic food in the marketing year. For 1969, the certificate allocation is 520 million bushels. This simply means that if Tulalake farmers receive an increased number of certificates there will be less certificates available for distribution to the balance of the wheat farmers in the Nation.

Senator HOLLAND. My understanding from you is that the total export of Durum wheat or Durum flour is from the traditional producing area, and none of your production is exported; it is all used up in the processing plants right there on the west coast?

Mr. NASH. Yes, sir.

Senator MILLER. May I ask one further question?

Senator HOLLAND. Yes.

Senator MILLER. Are there any of your Durum wheat requirements met by shipments from outside of the Tulalake area?

Mr. NASH. Not that I know of, sir.

Senator MILLER. Your mills out there do not receive anything from outside?

Mr. NASH. No. The only exception to that would be, for an example, I know that in the Los Angeles and San Francisco area, in the Italian area of the town they demand a real premium quality product, and the La Rosa ships from their Chicago warehouse out to these particular specific areas 100 percent semolina products, because they demand the ultimate in quality. This is a very, very small amount. And other than this, I do not know of any that comes in.

Senator MILLER. And what about flour?

Mr. NASH. Durum flour?

Senator MILLER. Yes.

Mr. NASH. No, sir. The freight rate from the Midwest to our area is just too high.

Senator MILLER. So, it is finished products, finished macaroni products?

Mr. NASH. Yes, sir.

Senator MILLER. Well, now, there is only one other base that we did not touch. The macaroni people have apparently OK'd this. Maybe a miller in Omaha or Kansas City who has been doing the milling previously might see that his milling business would now run out to California. What about that?

Mr. NASH. Well, sir, we have, in the past, raised as much as 12,000 acres, and I believe at one time—and correct me if I am wrong—in 1956, there was a 3-to-1 substitution because of some damage to the North Dakota crop. We even planted up to 15,000 acres that year, and we were able to market it and use it successfully on the coast there, and so I think there has ever been a concern of the people in the Midwest in that respect.

Senator MILLER. Do you have the milling capacity now to accommodate this, or would additional mills have to be built?

Mr. NASH. No, sir. In fact, as I stated in here, one company in San Leandro stated in a letter that they could use our entire production if we were fortunate enough to get the 12,000 acres.

Senator HOLLAND. All right, gentlemen.

Mr. BAGHOTT, do you have something to add?

Mr. BAGHOTT. Well, the only thing, sir, that I thought you might be interested in, since we mentioned high production and also our costs, and I know you gentlemen are real busy, and I just mention the fact, and I will submit this for the record—the university's cost studies on Durum wheat, and it costs \$2.15 a hundredweight, and we talk in terms of hundredweights, and I think that is about \$1.29 a bushel to produce Durum, and this averages out—

Senator HOLLAND. Do you wish to file in the record the showing of the cost of production for Durum wheat?

Mr. BAGHOTT. Yes, sir.

Senator HOLLAND. Now, what is the source of this?

Mr. BAGHOTT. This is the University of California.

Senator HOLLAND. I notice it is prepared by Dr. A. D. Reed, extension economist and K. G. Baghott—and that is yourself—

Mr. BAGHOTT. Yes, sir.

Senator HOLLAND. Tulelake farm adviser, University of California Agricultural Extension Service. Is that the source of these entire statements?

Mr. NASH. That is right.

Senator HOLLAND. They will be included in the record.

(A document entitled "Costs to Produce Durum Wheat" follows:)

Costs to produce Durum wheat,¹ Tulelake, Calif., 1968

[Yield: 4,800 pounds per acre]

Operation:	<i>Cost per acre</i>
Ditch.....	\$0. 50
Ridge.....	. 50
Preirrigate.....	1. 50
Disk—2 times (unless straw is removed or burned).....	2. 50
<hr/>	
Fertilize.....	1. 00
100 pounds nitrogen at 10 cents.....	10. 00
<hr/>	
Subtotal.....	11. 00
Harrow—2 times.....	2. 00
<hr/>	
Seeding.....	1. 00
150 pounds, at \$5.....	7. 50
<hr/>	
Subtotal.....	8. 50
Ridge.....	. 50
Irrigate:	
Labor.....	1. 50
Water.....	7. 50
<hr/>	
Subtotal.....	9. 00
Spray weeds—1 part 2,4-D.....	1. 65
<hr/>	
Total cultural cost.....	37. 65
Combine and haul 4,800 pounds at 35 cents.....	16. 80
<hr/>	
Management 5 percent of 4,800 pounds at \$3.....	7. 20
Miscellaneous overhead.....	1. 50
Rent.....	40. 00
<hr/>	
Total overhead.....	48. 70
<hr/>	
Total.....	103. 15
Cost per hundredweight at 4,800-pound yield.....	2. 15

¹ Prepared by Dr. A. D. Reed, extension economist, and K. G. Baghott, Tulelake farm adviser, University of California Agricultural Extension Service.

Mr. BAGHOTT. This averages to \$103.15 total cost per acre. Now, this is considerably higher than probably most areas, but this is because of the fact that we are an irrigated area and we have to irrigate, we have to have our land flat in order to get this irrigation, and, then, of course, we still fertilize, and we have expensive land, so to speak, so to get the production up we have these costs this high.

Now, considering this, we would probably make a profit of about \$20 to \$30 an acre maximum, but taking the wheat payments this would raise our profit on this up to, oh, \$70 an acre or so, and this is the reason why we have to have the wheat certificate payment, and the fact that it is an 70-acre homestead—and all of this land has been homesteaded by World War I or World War II veterans. You just cannot make it on \$1,400 or \$2,000 a year.

Senator CURTIS. This is what I was going to ask.

Are these farms economically feasible at 70 acres?

Mr. BAGHOTT. They are too small.

Now, these people—

Senator CURTIS. I live in an irrigated area, and it is six times that.

Senator HOLLAND. What was that? I did not catch it.

Senator CURTIS. Six times that large.

Mr. BAGHOTT. Most of these veterans who live on these farms work out. They work in Oregon; they work for the power companies. We have a big power line that goes through there, and a gas line, and they work for the gas line or something like this, but you are correct, Senator, a 70-acre average size is not an economical unit.

Senator CURTIS. Is that fixed in the law?

Mr. BAGHOTT. On the size?

Senator CURTIS. Yes.

Mr. BAGHOTT. Only to the limitations put on by the Bureau of Reclamation, the 160-acre limitation.

Senator CURTIS. I mean, do they have a special limitation below 160 there?

Mr. BAGHOTT. No. You see, these have already been let out. In other words, these have already been homesteaded actually, and they were homesteaded actually too small.

At the time they were homesteaded, it was an economical unit, right after World War II.

Senator CURTIS. Of course, what usually happens is that they are combined after the homestead period into an economical unit.

Mr. BAGHOTT. Well, this has occurred on some of them.

You see, we have 570 farmers in the area, but there are 740 farms, give and take a little bit; so, there has been some combining of these.

However, the original homesteads were as small as 42 acres—a lot of these—so they were not all 70 acres. But the average, we figured out, was 70—just a little over 71 acres.

Senator HOLLAND. Is any of the rest of this acreage in the lake bottom land diverted to such things as fruit production, or vegetable production, or dairy or poultry production?

Mr. BAGHOTT. No. First of all, there used to be dairies in this area prior to World War II, and there were dairies in the area. However, there is something in the soil that the cattle wouldn't breed. Now, we do not know what it was, but they just would not breed, and the dairy business went out real fast. The area is too cold, and we have frost, as Senator Young said, any month of the year, so we cannot raise fruit. We do not even have any backyard apple trees. We have them there, but they do not produce because they are frozen out.

We can raise more hardy-type vegetables such as broccoli or cauliflower, but we come on in the month of August, September, in production, and this is off-season to all of these vegetables because of the

melon crops, and so on, that are coming on in the valley, both in Oregon and California. We are about halfway between Portland and San Francisco. We have tried, and we know that we can raise these crops, because I have experimented with them, and I have worked with the people, but they cannot process this out because of transportation costs and off-season.

Senator HOLLAND. You are rather confined, then, to these three crops which you mention?

Mr. BAGHOTT. This is correct.

Senator MILLER. May I ask one more question?

Senator HOLLAND. Yes, sir.

Senator MILLER. I believe you said there were about 700 farms in the area?

Mr. BAGHOTT. I think it is 740 farms.

Senator MILLER. 740 farms. And they average out at 70 acres?

Mr. BAGHOTT. Right; about 70 acres.

Senator MILLER. However, of the 740 farms, 325 are engaged in Durum wheat production?

Mr. BAGHOTT. What did you say? There are 570 farmers?

Mr. NASH. Yes.

Mr. BAGHOTT. 570 farmers that make up this. Right.

Senator MILLER. Yes. Well, 570 farmers operating 740 farms.

Mr. BAGHOTT. Right. This is about the way it goes.

Senator MILLER. And 740 farms average about 70 acres?

Mr. BAGHOTT. Well, the average-size farm, as I said, which was let out after World War II, was about 70. Before World War II, after World War I, it was considerably less. It was from 40 acres, or along in that area.

Senator MILLER. Yes. But I am talking about today.

Mr. BAGHOTT. Today, I think it would average fairly close to that. I have not really figured it out. I do not know what it is.

Senator MILLER. Now, that covers the entire group of 740 farms, and they average 70 acres. What about the 325 farms engaged in Durum wheat production?

What would they average?

Mr. BAGHOTT. Oh, I would imagine there are some that have combined, say, two farms.

Senator MILLER. You see, we are not interested, really, for the purposes of this bill, in the other 400 farms which are not engaged in Durum wheat production. All we are interested in is the 325, as I understand it.

Mr. BAGHOTT. No, these people are interested in it, Senator. They are very interested in it, but they have not been able to obtain allotments. When this allotment program was made up, over the years, they either had their place in alfalfa, or it was figured on a temporary basis, or for some reason their crops that were planted this year did not qualify to the production of Durum wheat.

So, as a result there, they may have a 2- or 3-acre allotment, and you just cannot fool around with this small an acreage, even on our small farms.

Senator MILLER. Well, that is true, but I thought that what we were really talking about was the fact that those engaged in Durum wheat

production do not have enough allotments to really make an economical go of it.

Mr. BAGHOTT. Some of them do, and some of them do not.

Now, the ones who are not planting—

Senator MILLER. This is why I was curious in knowing about what the average size of a Durum wheat farm was, among those 325.

Mr. BAGHOTT. Well, I have a farm, and it is 72.6 acres. I have a 15-acre allotment, and I have one of the larger wheat allotments, and I have been raising wheat ever since I have been there, 20 years. I have been raising Durum ever since 1953.

Senator HOLLAND. Shifting it around on your farm?

Mr. BAGHOTT. Right. That is correct.

Senator HOLLAND. Does this figure of 700 farmers that you mentioned cover also the lease-operated farms, the farms operating on the leased land?

Mr. BAGHOTT. Well, most of the farmers in the lease area come from Tulelake or right across the line in Malin, Oreg., or in Merrill, Oreg. We have probably more from the Oregon side, because they are in a sandy land up there that does not raise the same crops.

Senator HOLLAND. You are saying that some of the Tulelake farm-owners also lease some land?

Mr. BAGHOTT. This is correct. Some of them do. That is right.

Senator HOLLAND. But they do not expect to produce Durum wheat on the leased land?

Mr. BAGHOTT. No.

Senator HOLLAND. It would not be permitted?

Mr. BAGHOTT. That is right. This bill specifies that we do not want this on the public lands.

Well, the reason for this, actually, Senator, is the fact that these are put up for lease on an annual basis.

Senator HOLLAND. Well, you obviously have a highly specialized problem.

I think the committee understands it.

Thank you very much.

Mr. BAGHOTT. Thank you very much for your time.

Senator HOLLAND. Are there other witnesses that want to be heard?

Do you wish to be heard?

All right, come forward.

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

Mr. GRAHAM. Mr. Chairman, I am Harry Graham, of the National Farmers Organization.

We do not have a prepared statement, but I want to make some comments on this legislation which is before the committee.

I will state, first of all, that we have a substantial membership among the Durum wheat producers in the traditional Durum wheat area.

Incidentally, we have a pretty good membership in the Tulelake area, as you were aware of in the potato hearings. I do not know whose figures are right, as to whether these people are opposed to this or not, in the traditional Durum area, but I know that a lot of our membership are opposed to this bill, and so I want to state that.

We have some other concerns in this :

One is the exemptions or exceptions that are made for this type of legislation from the agricultural legislation, but these also are exceptions or exemptions from the basic irrigation laws, which stated, at the time these reclamation projects were authorized, that they were not to be used to grow crops that were under support programs.

Now, this is true all the way across the board.

Senator CURTIS. When were these irrigation projects instituted?

Mr. GRAHAM. Well, this basic irrigation law goes way back. It is many, many years back.

Senator CURTIS. Most of those provisions were put in the authorization acts for the construction of projects?

Mr. GRAHAM. Well, yes; but there was some of it in the original law. For instance, the 160-acre limitation was way back there. But they were put in after we got into this price-support dealing with agriculture, and, of course, the 1901, I think—

Senator CURTIS. They were never put in retroactively?

Mr. GRAHAM. No, that is right.

Senator HOLLAND. Were those provisions applicable to the veterans' groups who were allowed to claim these rather small home steads in the Tulalake reclaimed area?

Mr. GRAHAM. Apparently, they were, or they would have had more acreage than they have.

Senator CURTIS. Mr. Chairman, the 160-acre limitation has always been there, but that applies to an individual. It does not apply to a family. Now, in irrigation projects that have been authorized in the last 10 or 15 years where there has been so much attention given to surpluses and the problems of surpluses, oftentimes in the act that authorizes a specific project there is a limitation that they cannot shift to a production of a crop that is under limitation or control. I do not mean to dispute the word of the witness but I think, as to this area, I would want to inquire about it.

Mr. GRAHAM. Well, this may be true of this area, but what I was trying to say is that we are getting many exceptions to the irrigation law, even the kind that was put in more recently, and certainly there are a great many exceptions to the 160-acre limitation, even after you give the family the extra 160, like in California, and, still, for instance, there would be 220,000 acres owned by one company in the Central Valley that is irrigated by Federal water.

Obviously, there is no need for additional wheat, but I want to ask this question, and I want to pose it to the committee :

If it is too expensive to send Durum wheat from North Dakota to California, then how do we get it from North Dakota to New York? The distance is almost the same. And if you go to Montana, it is less distance to California than it would be to the east coast, which consumes a good share of this. The fact is that we are shipping Durum to the west coast for transshipment to Asia. Now, if we can do it that way, I am not very much impressed with the argument that these people on the west coast cannot buy North Dakota Durum. I think they do buy it.

Senator HOLLAND. Well, I understood the statement, Mr. Graham, to be that they bought the processed product instead because they

could do so to far greater advantage under the transportation system than to buy the raw product at that distance. Maybe I misunderstood the situation.

Mr. GRAHAM. Well, as I understood Mr. Freeman he was using an economic argument but not necessarily quoting what was actually happening. The same thing is happening to the Durum that goes east, on a great deal of flour that goes east, and we have had a great deal of argument between the Buffalo area and the Hutchinson area, and that kind of thing. They mill it first.

Senator HOLLAND. Does the Durum go east as the raw product or as the processed product?

Mr. GRAHAM. A great share of it goes as processed.

And from the stink that the millers in Buffalo were raising a couple of years ago about the processing of flour, the flour getting a transportation break, they could move flour for less freight than they could wheat, and it was putting the millers up in the Buffalo area out of business.

Senator MILLER. In other words, you are saying that the flour is made in the middle west and shipped east rather than the wheat itself?

Mr. GRAHAM. Yes, but I think you will find, if anybody will really investigate it, that there is a good deal going to the west coast, too.

Senator HOLLAND. Does it move by water transportation when it moves east for most of the distance, or does it move by rail?

Mr. GRAHAM. Well, it could go by water from Duluth, but it certainly does not all go by water, some goes to Seattle for transshipment to the far east. It goes right up over the mountains on the northern U.S. railroads.

Senator MILLER. I think this is for commercial exports you are talking about?

Mr. GRAHAM. Right, and the same is true for PLAD export. We move the wheat up into the Seattle area.

Senator MILLER. Well, I can understand how, for purposes of exporting to Japan, Japan would want it that way. How is Japan going to get the Durum wheat unless it goes out to the west coast?

That is about the only way they could get it.

And then they are going to manufacture it in Japan with very low-priced labor.

Whereas, for California purposes, if you were a consumer out there, I can see where you might not want it done that way, because it can be done cheaper by having it milled, say in Omaha, and then made into macaroni or spaghetti and then the finished product shipped out there.

That would be my only reaction to using that export comparison.

Mr. GRAHAM. Well, let us go to another argument.

Senator HOLLAND. Well, let me ask you another question, and then you may proceed.

I was interested in your statement that you represent a sizeable number of people among the Tulalake farmers.

Do I understand that your membership in the Tulalake group opposes this legislation?

Mr. GRAHAM. No. But what I said was that the producers in the traditional Durum area, oppose this legislation, which traditional area is North Dakota, South Dakota—

Senator HOLLAND. Well, now, I am questioning you about that part

of your statement in which you said that you did also represent and had among your members—let us put it that way—a sizable membership in the Tulelake area.

Do you speak for them in opposing this legislation?

Mr. GRAHAM. Not in terms of this, because I have not had any contact with them on it, and I think we have had some pretty good contact with them on other things, but this has never come up from that group.

Senator HOLLAND. You have no reason to state that you are representing any opposition on their part?

Mr. GRAHAM. Not in Tulelake, no. I did not mean to imply that.

I am not at all persuaded by some of these arguments that all of these products must be produced in the area.

If we would use the same argument for Durum wheat, we could ask for an exemption or an exception and take it into the St. Lawrence Valley, for instance, which is much closer to the great market than North Dakota is. They have the same cold nights; frost gets out on the north side there in about the middle of August or the middle of July and starts again about the middle of August on some of that land, and I am simply saying that this is not quite such an exception as it can be, and I am disturbed about the exceptions that are being made to these laws when we already have enough production. We have got into some problems already on that one. The fact is they can plant outside of the program. There is a great deal of wheat that is planted outside of the program in the United States. Eleven percent of all of the wheat that grows in the United States is grown east of the Mississippi River, with the exception of Arkansas, which is in that same group, and it is grown outside of the programs, and where they have a favorable growing situation like down in the delta, the Mississippi Valley, they are growing wheat in substantial amounts. They figure they can make it without the certificates and, apparently, they are.

Senator MILLER. Could I ask a question on that, though? I tried to bring out that point in my previous questions to the witnesses from Tulelake, and the response was that the acreage of the farms was such that they could not go into that. It is understood that these people that did not go into the program generally have a large enough acreage so that it is profitable for them to grow much more, even though they are going to fail to receive the certificates.

Mr. GRAHAM. Well, that is not true of all in Iowa, Indiana, and to some extent Illinois. They do not have those large allotments, and they do not plant, necessarily, those large crops. The greater share of the producers in Iowa, for instance, are covered by the 15-acre exemption.

Senator MILLER. And they are not in the program?

Mr. GRAHAM. No.

Senator HOLLAND. We have something over a hundred small wheat producers in West Raleigh, and my understanding is that they consistently produce on small acreages of wheat, but they produce it mostly for feeding poultry.

Mr. GRAHAM. Bedding, too. The straw.

Senator MILLER. Yes. But what about Durum producers?

Do they produce Durum in Ohio?

Mr. GRAHAM. No. I am talking about the whole wheat production. But, incidentally, these certificates come off of total wheat production, not just with respect to Durum.

Senator MILLER. I understand that. But, you see, I got the point that we are talking about Durum wheat farms which have a relatively small acreage, and if they perhaps had three or four times the acreage on those farms out there, then, perhaps, there would be some of these 325 who would not go in the program and would elect to go ahead and produce as much as they could.

Mr. GRAHAM. I think they have practical limitations on what they can produce out there, and the limitations are imposed by the crop rotation program, and the necessity of planting. It is the same with wheat in a good share of the Midwest where this wheat is produced, not because it is the most profitable crop they can produce, but because it has a place in the rotation systems, and they simply have to have some kind of cover crop. On oats they always lose, but they have to have a cover crop to get into their clover, alfalfa, which is a part of the rotation. It has a value there that it would not have otherwise.

I think the gentlemen from Tulelake pointed out in their testimony, maybe inadvertently, the problem that they have out there, and that is that the crops upon which they are mainly dependent, primarily potatoes and the pastures, have not been a very profitable crop, because of the problems that were explained before this committee in the bill we had before you just recently, and the ability to market them properly. And in this last year, they did have a fairly good income, because they did use the market orders to take those potatoes off of the market. They got some money at that point. I think we ought to be concerned, just as concerned, that in that area they have a good price on potatoes by having proper marketing under legislation available for those people to use, rather than trying to answer it in terms of a little extra wheat out there which is not going to solve the problem anyway. Three or 4 acres, if you double it, you have not made any substantial contribution to the solution of the economic problem on the small farm. The concern I have right now is that we do not try to answer the Tulelake problem on the basis of wheat only, because I think we just cannot possibly answer it out there. Wheat is a part of their rotation system, and they have to use it to get from one crop to another. To go into alfalfa, they would use wheat, too.

So, these are the problems.

The other thing I am trying to say is that we are just not going to look with very much favor on exceptions to the present farm program which, with the increased production in one area of crop for which there is no available market at this point, because we really have not solved any problems at that point.

Senator HOLLAND. Well, I am sure that this committee looks with caution upon any exceptions. The question is whether this particular problem, because of the small acreage and peculiar qualifications and the small number of people, most of them veterans that came in there and homesteaded after World War II whether it deserves exceptional treatment, and I believe that the committee has heard the problem pretty well, had it pretty well explained.

Now, if you have some additional points, we will be glad to hear them.

Mr. GRAHAM. Well, I think, Senator—and I will quit with this—that if there is a situation in which there is some valid reason for exemptions like this, that it would not really dislocate the whole wheat market, but by the same token, if we start making exceptions for Tulelake, then, do we make it for Central Valley in California, do we make it for the Arizona project with \$100 million going into the development of that, and where do we quit making exceptions?

The smallest one in the future might be considered larger than the smallest one now. We are just concerned about setting these precedents that bring us in here all of the time trying to solve a little local problem which, in my judgment, we do not solve anyway, and at this point in Tulelake we will solve it by having some better marketing orders.

I think, really, Mr. Chairman, you are familiar with this, and Tulelake would be better served by a market order legislation that placed on potatoes market orders, and there would be a great deal more money in Tulelake than there would be by making this exception to the wheat bill.

Senator HOLLAND. Well, we thank you, Mr. Graham.

Now, are there any further witnesses that wish to be heard?

If not, the committee will rise and, so far as I am concerned, I am willing to have the subcommittee polled on this as soon as the record is completed.

It seems to me that this is a relatively small problem with very special facts, and in view of the attitude of the large group of Durum producers and the small implications of this problem that we would be justified in reporting out the bill. Of course, that is a personal opinion of my own, a personal opinion, and we will see the record when we have it.

Senator MILLER. Well, the Department is going to send you some additional information for the record.

Senator HOLLAND. Yes; they will have to furnish it. And the staff will please get right after them.

Senator MILLER. And could I suggest that we have the staff give us some dollars and cents on this, how much we are talking about?

Senator HOLLAND. All right. We will have the staff give us a little memo. The first thing I want to discover, though, is whether there is any unwillingness to have the committee polled on the matter, a matter of this size?

Senator CURTIS. No.

Senator HOLLAND. There is no unwillingness on your part?

Senator MILLER. No.

Senator HOLLAND. Well, I am willing to be polled on it, and the staff will furnish us a little memo on this situation.

(Whereupon, 11:45 a.m., the hearing in the above-entitled matter was concluded.)

