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STRATEGIC STORABLE AGRICULTURAL COMMODITIES
ACT OF 1971

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON LIVESTOCK AND GRAINS

OF THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 1163

SEPTEMBER 15 AND 16, 1971

Serial 92-I

Printed for the use of the Committee on Agriculture



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1971

68-349



11/8/81 : 11/8 p.m. NY

STRATEGIC STORABLE AGRICULTURAL COMMODITIES
ACT OF 1971
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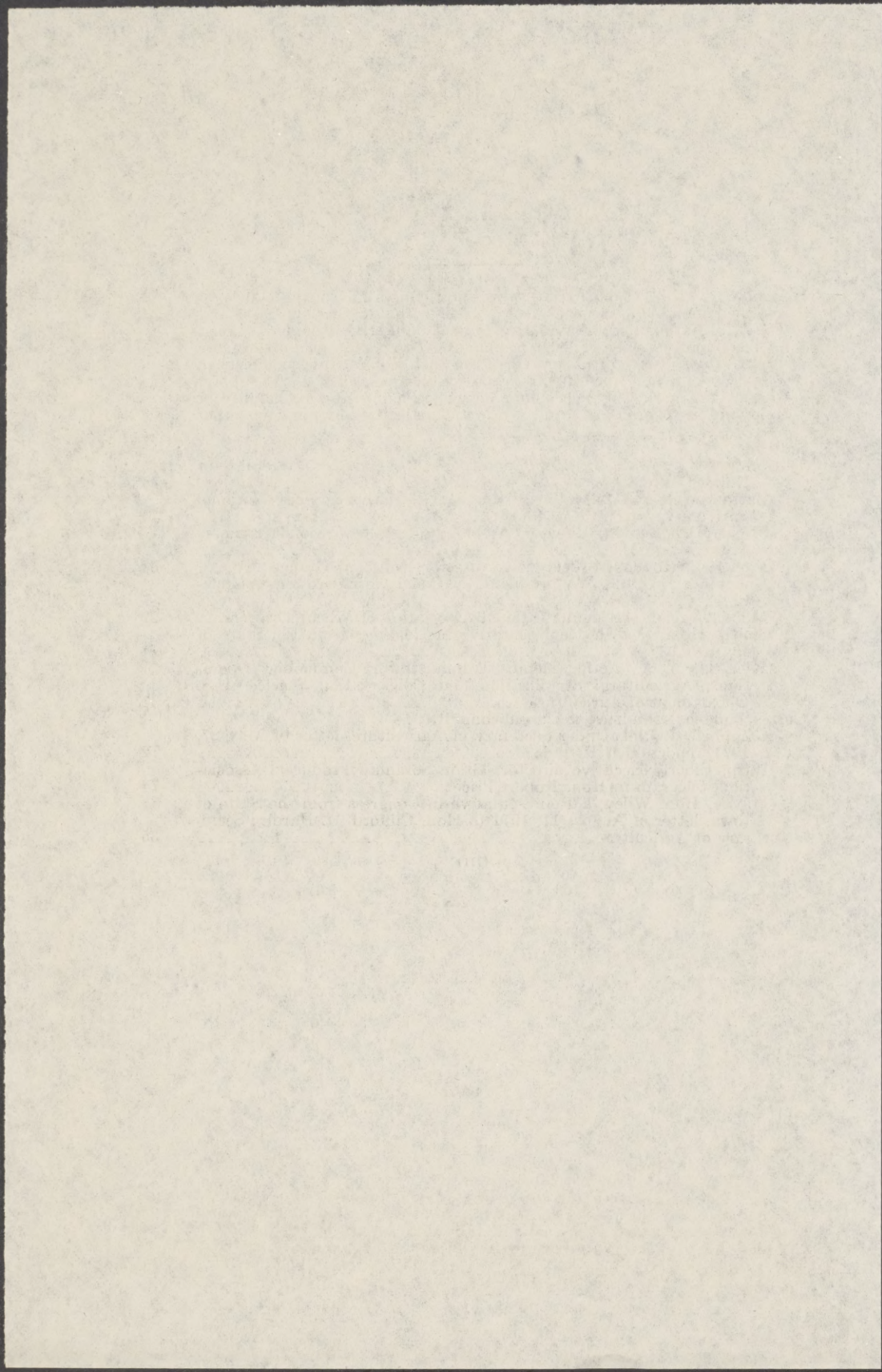
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STRATEGIC STORABLE AGRICULTURAL COMMODITIES ACT OF 1971

WEDNESDAY, SEPTEMBER 15, 1971

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

The subcommittee met, pursuant to notice, at 2 p.m., in room 1302, Longworth Office Building. Hon. Graham Purcell, chairman of the subcommittee, presiding.

Present: Representatives Purcell, Foley, Rarick, Jones, Melcher, Bergland, Link, Denholm, Mayne, Zwach, Price, Sebelius and Kyl.

Staff present: Hyde Murray, associate counsel; L. T. Easley, staff consultant; and Martha Hannah, subcommittee clerk.

Mr. PURCELL. The subcommittee will please come to order.

We have a group of very important witnesses. We will start off with our colleague, Mr. Neal Smith, of Iowa, on the general subject of strategic storage of agricultural commodities.

(The bill, H.R. 1163, introduced by Mr. Smith of Iowa, and the departmental report, follow:)

[H.R. 1163, 92d Cong., first sess.]

A BILL To authorize the establishment and maintenance of reserve supplies of soybeans, corn, grain sorghum, barley, oats, and wheat for national security and to protect domestic consumers against an inadequate supply of such commodities; to maintain and promote foreign trade; to protect producers of such commodities against an unfair loss of income resulting from the establishment of a reserve supply; to assist in marketing such commodities; to assure the availability of commodities to promote world peace and understanding; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be cited as the "Strategic Storable Agricultural Commodities Act of 1971".

SEC. 2. Notwithstanding the provisions of any other law, the Secretary of Agriculture shall establish, maintain, and dispose of a separate reserve of inventories of wheat, feed grains, and soybeans as provided in this Act.

Such reserve inventories shall include not more than the following quantities: (1) three hundred million bushels of wheat; (2) a total of twenty-five million tons of feed grains; (3) one hundred million bushels of soybeans. The Secretary is authorized to proportion reserve stocks of feed grains to correspond to usual marketing demands.

SEC. 3. The maximum price the Secretary shall pay for any commodity shall be the average price farmers received for such commodities during the preceding five marketing years adjusted to reflect the customary location and grade price differentials.

The net additional quantity of any commodity procured under this Act in any marketing year shall be the lesser of the following:

(a) 80 per centum of the net additional estimated total carryover for the marketing year; or

(b) the amount the maximum reserve inventory specified in section 2 above exceeds the total stocks of such commodity owned by the Commodity Credit Corporation at the beginning of the marketing year.

Such maximum prices and the quantity to be procured during the marketing year and the estimates used in arriving at the same shall be announced during such marketing year on the last Friday of July for wheat, on the last Friday of October for feed grains, and on the last Friday of September for soybeans.

The Secretary is authorized to proportion purchases of the various varieties and grades of each of the above commodities to correspond to usual marketing demands.

SEC. 4. Except when a state of emergency has been proclaimed by the President or by concurrent resolution of Congress declaring that such reserves should not be sold, the Secretary shall offer each commodity in the reserve for sale at a price of 120 per centum of the average price farmers received in the United States during the preceding five marketing years for the commodity involved adjusted to reflect the customary location and grade price differential or at such greater amount as may be obtained through normal market channels: *Provided, however*, That sales during any marketing year shall be limited to the net quantities by which estimated domestic consumption and exports exceed estimated domestic production and imports.

The Secretary is also hereby authorized to dispose of commodities in such reserve as follows:

(1) For use in relieving distress (a) in any area of the United States, including the Virgin Islands, declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (b) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855 et seq.).

(2) For use in connection with a state of civil defense emergency as proclaimed by the President or by concurrent resolution of the Congress in accordance with the provisions of the Federal Civil Defense Act of 1950, as amended (50 U.S.C. App. 2251-2297).

(3) For sale in assistance in the preservation and maintenance of foundation herds of cattle (including producing dairy cattle), sheep, and goats and their offspring, under section 407 of the Agricultural Act of 1949, as amended (7 U.S.C. 1427), and to provide feed for livestock in any emergency area under the Act of September 21, 1959, as amended (7 U.S.C. 1427, note).

The Secretary may buy and sell at an equivalent price, allowing for the customary location and grade price differentials, substantially equivalent quantities in different locations or warehouses to the extent needed to properly handle, rotate, distribute, and locate such reserve. Such purchases to offset sales shall be made within two market days.

The Secretary may accept warehouse receipts in lieu of taking physical possession of the grain, but in such cases the obligor under the warehouse receipt shall be required at all times to have the grade stated on the warehouse receipt or a better grade available for delivery.

The Secretary shall make a daily list available showing the price, location, and quantity of the transactions entered into hereunder.

SEC. 5. The Secretary shall use the Commodity Credit Corporation to the extent feasible to fulfill the purposes of this Act; and to the maximum extent practicable consistent with the fulfillment of the purposes of this Act and the effective and efficient administration of this Act shall utilize the usual and customary channels, facilities, and arrangements of trade and commerce.

SEC. 6. There is hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this Act.

SEC. 7. The purchase authority under sections 2 and 3 of this Act with respect to each of the commodities specified shall expire at the end of the marketing year for the 1973 crop of such commodity.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., May 27, 1971.

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

DEAR MR. CHAIRMAN: This is in reply to your request of February 1 for a report on H.R. 1163, a bill "To authorize the establishment and maintenance of reserve supplies of soybeans, corn, grain sorghum, barley, oats and wheat for national security and to protect domestic consumers against an inadequate supply of such commodities; to maintain and promote foreign trade; to protect producers of such commodities against an unfair loss of income resulting from the establishment of a reserve supply; to assist in marketing such commodities; to assure the availability of commodities to promote world peace and understanding and for other purposes."

The Department recommends against enactment of legislation of this nature.

This bill would authorize the Secretary of Agriculture to establish a national reserve of agricultural commodities consisting of up to 300 million bushels of wheat, 25 million tons of feed grains and 100 million bushels of soybeans. This reserve would be acquired through direct purchase. The purchase price would be the lower of the market price or the average price farmers received for such commodities during the preceding 5 marketing years adjusted for location and grade differentials.

The net additional quantity of any commodity that could be procured in any marketing year would be the lesser of (1) 80 per centum of the estimated increase in carryover stocks at the end of the marketing year, or (2) the amount the maximum reserve inventory for a commodity exceeds the total stocks of that commodity owned by the Commodity Credit Corporation.

The maximum purchase price and quantity of each commodity that could be acquired during the marketing year would be announced during such marketing year on the last Friday of July for wheat, the last Friday of October for feed grains and the last Friday of September for soybeans.

Except when prohibited by presidential proclamation or joint resolution of Congress, the Secretary would offer each commodity in the reserve for sale at a price not less than 120 per centum of the average price received by farmers during the five preceding marketing years for the commodity involved, adjusted for location and grade differential. The maximum amount of such sales for each commodity would be limited to the quantity by which domestic and export utilization exceeds the production and imports.

The Secretary would also be authorized to dispose of reserve commodities for use in relieving distress in any area of the United States, for use in connection with a civil defense emergency and to provide feed for livestock in any emergency area.

Reserve of these commodities could be sold for purposes of conditioning and relocation provided such sales were offset by purchases within two days. The purchase authority would expire at the end of the 1973 marketing year.

We support the objective of assuring adequate stocks of soybeans and grains and recognize that dependable supplies at competitive and reasonably stable prices are essential to expanding export markets which are so important to producers of these commodities. We cannot, however, support legislation which would have a tendency to be counterproductive to the extensive efforts being made to expand exports and domestic use.

Substantial reserves, no matter how well insulated, overhang the market and depress prices to farmers. Also, this bill might have the effect of virtually freezing large stocks of grains and soybeans in Government ownership and preventing such reserves from serving the purpose for which they were established. It might require purchases to be made at times when sound farm policy would dictate sales. Large storage and carrying charges would, of course, be incurred on the reserve stocks. We believe the interests of both producers and consumers will best be served by minimizing rather than increasing Government-owned stocks and by encouraging producer ownership and control of a substantial part of our carry-over stocks of these commodities as provided currently through resale loans.

The Agricultural Act of 1970 and related price support and commodity disposition legislation provide the necessary authority for adjusting the annual programs in a manner designed to provide adequate supplies and carryover stocks. Loan programs are available to encourage orderly marketing and to absorb occasional surpluses. Sales of CCC commodities already are restricted by law in a manner designed to protect producers and encourage private rather than Government marketing of these commodities.

The precise formulae prescribed by H.R. 1163 do not take into consideration the extent to which reserve stocks of these commodities may be held and should be held under producer ownership and control, the fact that some classes or qualities may be in surplus, and the fact that regional shortages and surpluses may occur simultaneously for a single commodity.

Enclosed is the cost statement for the legislation.

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

Sincerely,

J. PHIL CAMPBELL,
Under Secretary.

Enclosure.

COST STATEMENT FOR H.R. 1163

The cost of acquiring the reserve inventories that would be established under this bill would depend on the total quantity purchased during the 3 years and the purchase price for such acquisitions. The purchase price for any commodity would be the lower of (a) the market price, or (b) the average price received by farmers during the preceding 5 marketing years, adjusted for location and grade differentials. Acquisition costs for reserves of 300 million bushels of wheat, 25 million tons of feed grains and 100 million bushels of soybeans could range from a low of about \$1.5 billion (based on purchase prices equal to 1971-crop national average loan rates) to a high of about \$1.7 billion (based on purchase prices equal to the average price received by farmers during the past 5 years—1966-70 crop years).

Any estimate of the costs of maintaining the reserve inventories are necessarily only rough approximations. The costs would depend on such factors as location, frequency of turnover and transportation as well as rate of interest and storage charges. The Commodity Credit Corporation currently pays 4 percent for borrowings and 13 cents per bushel annually for warehouse storage. Assuming these rates, no other expenses and an investment equivalent to the national average loan rates, annual costs per 100 million bushels would be about \$18 million for wheat, \$17 million for feed grains and over \$22 million for soybeans. Thus, interest and storage alone would total close to \$250 million a year for reserves of 300 million bushels of wheat, 25 million tons of feed grains and 100 million bushels of soybeans.

The costs that would be incurred during each of the next five years in implementing the program that would be established under this bill depend upon a number of factors which are not foreseeable. While the special purchase authority expires at the end of the 1973 marketing year, neither the total quantity that would be acquired nor the timing and unit costs of such acquisitions are currently perceivable. Thus, any distribution of acquisition costs over that period would be arbitrary. With respect to the cost of maintaining reserve inventories, it might be assumed that the annual programs will be designed so as to avoid substantial fluctuations from a balanced supply situation, assuming normal weather. Assuming no wide fluctuations in the level of reserve inventories and reasonably stable interest rates, the annual maintenance costs on the maximum reserve levels should not vary significantly from a level of about \$250 million annually.

MR. PURCELL. There are several bills in this general area but Mr. Smith is certainly the Member of Congress who takes the lead in trying to look after the best interests of the producers in this and other items that he is interested in. This is also a subject that we will spend as much time on as our calendar will permit. I apologize to all of you for having hearings this afternoon, but there doesn't seem to be time slots during the morning for us and there may have to be considerably more of these afternoon meetings in order for us to get our hearings started and/or concluded.

Mr. Smith, we are delighted to have you and are anxious to hear what you have to say.

**STATEMENT OF HON. NEAL SMITH, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF IOWA**

MR. SMITH. Mr. Chairman and members of the committee, I want to say first I very much appreciate your scheduling this bill for hearings. I am aware of your very crowded schedule and your working afternoons and mornings and every hour you can on the important bills out of this committee and I am appreciative of your providing me with this opportunity to appear in support of this bill to authorize the establishment and maintenance of a strategic reserve of feed grains, wheat, and soybeans.

As some of you know, I have sponsored and supported this proposition for 7 years. While I believe we should have established the reserve years ago to protect our markets, it has never been so important to feed grain producers as it is at the present time.

FEED GRAIN SITUATION

The most recent estimates of the Department of Agriculture estimate a 1971 corn crop of 5.345 billion bushels and a carryover of 700 million bushels from 1970. With imports of 1 million bushels, this makes a total estimated supply for the 1971 marketing year of 6.046 billion bushels. Utilization last year totaled 4.14 billion bushels. That means that in the coming year there will be a supply of more than 1.6 billion bushels of corn available in excess of the amounts used in the past year and the carryover will probably more than double in 1 year. Also the carryover will be more than one-third of a normal crop. Therefore, there is no question about the fact that there is going to be a reserve—the only question is who is going to pay the cost of carrying the reserve and of producing the reserve.

The grain market has set a price of about \$5.3 billion for the 1971 crop regardless of its size. When it was estimated that the production might be as low as 4 million bushels the market price was such that farmers would have received about the same total number of dollars for their crop that they are now being bid for 5.3 billion bushels. Under these circumstances, I assume everyone agrees that the producers of feed grains face a severe economic situation. Their money problems do not result from a strike, from failure to work hard enough, from bad weather or anything they could have done as individuals. Their severe problem results from having done so much so well and with the cooperation of good weather. Feed grains producers in 1971 are to be penalized for success and as it now stands they will absorb the full risk and the losses resulting from producing bumper crops on more acres of feed grains in order to make sure that there would be no shortage. There is something wrong with a system which penalizes the good farmers of America for success and hard work to the extent that many will face bankruptcy. Perhaps we cannot by Federal legislation cure everything that is wrong with farm income; but we can at least take the step provided in this bill to help alleviate the hardship. I think it is obvious that if the Government were to buy about 500 million bushels of feed grains at harvest time or to announce that it will be purchased during the marketing year and placed in an insulated reserve, farmers would not only be paid for the 500 million bushels but also receive for the remaining 4.8 billion bushels about the same amount they would have otherwise received for the total crop of 5.3 billion bushels. Farm income might be increased by more than \$600 million. H.R. 1163 authorizes the Department of Agriculture to make those purchases necessary to increase farm income under certain definite guidelines for acquisition and eventual distribution.

In their negative report, the Department states that "substantial reserves, no matter how well insulated, overhang the market and depress prices to farmers." The fact is the reserve will be present whether this bill passes or not; and an uninsulated reserve depresses the market more than an insulated reserve. So I sincerely believe this reason for opposing the bill falls of its own weight under the present surplus situation.

HOW IT WOULD WORK IN 1971

In the 1971 marketing year, as it is related to corn under H.R. 1163, the bill would work this way. The Secretary could buy a maximum of 720 million bushels of corn and other feed grains. This is 80 percent of the net additional estimated total carryover for the 1971 marketing year and is less than the maximum reserve inventory of 875 million bushels. For this 1971 corn, the Department could pay a maximum of \$1.17 using local grain dealer's prices and this compares to about 97 cents currently being bid. If the local price were to increase by 20 cents to \$1.17, the Department would stop buying until it came back down to \$1.17.

This acquired corn would be held in a strategic reserve and stocks would not be sold in excess of those purchased during any succeeding year unless it is a year when demand actually exceeds supply. If corn supplies were short this year, which they are not, the minimum selling price using farm prices would be \$1.41. The Commodity Credit Corporation acquired stocks can be sold under existing law for considerably less than this amount, they sold for \$1.23 last year, and their sales are not limited to the amount needed to make supply equal demand.

GOVERNMENT HELD STOCKS AND SPECULATORS

If this reserve is not established, the Government will eventually receive much of this corn through the CCC defaults on nonrecourse loans anyway. Therefore the argument that the Government should not lay out the money for this corn is not valid because they will eventually lay out the money for it anyway. However, corn acquired through the CCC route will hang over the market for the entire marketing year and depress the price of the entire crop down to the loan rate which was reduced this year. If the supply acquired for the reserve is substantial, the controlling factor which will influence the market is the condition under which it can be released or sold. H.R. 1163 provides that price alone shall not be a criteria for sales as it is under existing law. In addition to a minimum price of 120 percent of the average of the preceding 5 years—for 1971 this would be \$1.41 compared to the \$1.23 at which CCC sold corn last year—sales shall not exceed the quantity by which estimated domestic consumption of exports exceed domestic consumption in imports. There is now abundant evidence that price alone should not be a criteria for making sales of Government-held grains. Price alone is the only criteria under the regular CCC route.

In recent years vast numbers of speculators have been getting in and out of the grain market and using it as a gambling device. Under these conditions, it cannot reflect supply and demand accurately and price alone can no longer be an accurate barometer for the need of increased supply. Many of the speculators are buying and selling on a basis of whether they think other speculators will enter the market either on the short or the long side rather than buying or selling on a basis of whether supply and demand justify the price movement, the same thing they do in the stock market. A lot of them get in the stock market. They are speculators. They get in and pay no attention to what the yield is on the stock. They think it might go up so they

are in the market. The same way with the grain market now. They stop it after lunch and it is a great game. You stop at the brokerage house and gamble a little bit. Some of them even sell before they leave.

These people do not intend to take the delivery of grain and the higher they push the futures market, the further it will drop, thus overreactions both ways become excessive. The downward overreaction occurs at the time grain is being delivered and that is when farmers need a strong cash market. In both 1966 and 1970, officials of the CCC sold grain just because speculators temporarily had pushed the price up and even though the marketable supply situation did not justify the huge sales being made. In 1969 there was a justification for 150 million bushels and they sold 400 million and last year there wasn't a justification at all.

Thus the CCC was really acting as a speculator and reacting to price only rather than as a supply adjuster. We have never had this kind of provision for Government-held stocks before and I want to emphasize that I think it is terribly important that at least some of this year's crop be carried under such restrictions on sales.

The Department's report on this bill states that the bill "might require purchases to be made at times when sound farm policy would dictate sales." This statement actually scares me. It indicates that in spite of the mistakes that have been made by the Commodity Credit Corporation in the past 10 years in the selling when they should not have been selling, they still think they should sell under conditions such as were present last year when they sold at an average price of \$1.23 into a market where their own figures indicated there was no supply shortage. The fact that they evidently still have not learned this lesson is a strong additional reason for establishing the definite provisions in H.R. 1163 for handling at least part of the new reserve which will be created this year.

SETTING ACREAGE GOALS

We got into this situation partly because the Department was afraid—and with some justification—that with blight or a drought there might be a shortage; therefore, they set the program for an increased acreage. If a reserve had been held under a situation where it were insulated from the market until needed, that grain could have been used to relieve the fear of the shortage and therefore the program could have provided this year for more diverted acres. This is an additional reason why we need a strategic reserve. I do not think the leaf-blight scare was a unique situation. In fact, in this year of surplus, I want to state flatly that we will again surely see a year when we produce less than we use. I do not know when, but it will occur. When we produce so much grain, then the conditions are right for those diseases that feed upon grain. The laws of the balance of nature are more powerful than man—we only manipulate and temporarily change the conditions under those laws. Whenever one form of life flourishes, other forms of life and diseases which feed upon such abundance will increase and drag it down. We have manipulated the resources of this country so much in violation of the basic laws of survival and the law of the balance of nature, that we have created the very conditions that will permit a quick and severe shortage. We have built up the

need for grain and are growing it in large fields to such an extent that one can drive through several States without leaving the sight of a corn field more than a few minutes. Under these conditions, new grain diseases, new resistant corn borers, insects and weeds will be coming forward in future years which can spread rapidly across the United States.

If we stopped developing new chemicals to meet new situations, there would be new uncontrollable weeds, diseases or insects within a few years and a shortage of grain. Even a 10 percent reduction in a corn crop when so many people live in cities and the volume consumed is so great, can cause a severe problem both domestically and to our export customers. This makes it even more imperative than ever before that we establish a strategic reserve which can be called upon for the protection of consumers and our export customers. Last year we had a scare from the corn blight. This year there has been detected a new disease known as "pysoderma" which has destroyed as much as 30 percent of corn yield in isolated fields in Illinois. We depend almost completely upon mechanical picking these days and we are going to have more of these stock diseases. Even though they don't destroy the corn they make it so you can't pick the corn and it is the same thing, the stock becomes rotten and you can't pick the corn. Other diseases will start and spread rapidly in future years.

LIVESTOCK INCOME

As members of this committee are aware, the livestock industry has been riding piggyback on our feed grains programs. Although we have not had direct aid programs other than a purchase program for pork and beef products, their numbers and tonnage to a considerable extent is regulated by the total tonnage of feed grains available for conversion into red meats. The hog market suffered a tremendous decrease during the past 2 years and is just now showing signs of recovery. With a 900 million bushel increase in the supply of corn, obviously a huge increase in the tonnage of pork could be expected and the hog market would be severely affected by next year at this time. Since cattle are on a longer cycle and increases in the production of pork can occur more quickly, the effect on the cattle market would be delayed but it would certainly also occur a little later.

MISCELLANEOUS PROVISIONS

There are some other provisions of the bill which I think are important and should be enacted which are largely for the purpose of correcting situations which have arisen in the CCC's handling of grain. One is the provision at the bottom of page 4 to buy and sell the same quantity of grain on the same date where this would result in better handling and location of a reserve. Such purchases to offset sales must be made within 2 market days. This would permit the Government to use the grain industry to locate grain where there is a market instead of having to move particular bushels of grain from one location to another which can take so much time that a sale is lost. It also would save having Government personnel doing work that the grain trade itself can do.

Another provision on page 5 requires that a holder of grain against a warehouse receipt must at all times have the grade stated on the warehouse receipt or a better grade available for delivery. This is to correct an abuse which occurred for many years where obligors on warehouse receipts held low-grade grain and even trash against warehouse receipts and then paid the difference between the two grades upon delivery. Sometimes the grain was not fit for the purpose it was sold for and besides the investment was less and the warehouseman was almost given an incentive to hold low value grain. We want high value grain in the strategic reserve.

The bill also provides for a definite time at which the Department will announce the amount of grain that will be acquired during the marketing year. In the case of corn this would be done on the last Friday in October. This gives them 3 weeks of the new market year in which to use their own statistic-gathering services to determine the amount the carryover will increase for each commodity involved. By announcing on a particular date the quantity they will be buying during the year, the industry can know exactly what the reserve policy will be for the entire year and make its business judgments accordingly. When such decisions and announcements are delayed, as is permissible by CCC for their stocks, the delay in announcements always hurt the farmers.

I do not want to detract from the principal purpose of the bill by pointing out other provisions on pages 4 and 5 of less importance, but would be glad to answer any questions concerning them.

I realize the Department gave a negative report saying in effect they do not want the authority to buy grain, but I remind you also that the President said when he signed the price freeze control legislation he would not use it but he changed his mind, and I think that they might change their mind if they had this authority given the situation we have coming up this fall. And again, Mr. Chairman, I appreciate the opportunity to present this testimony in support of H.R. 1163 and for the protection of consumers, to promote and protect our export markets to assure that we can respond to unexpected demands anywhere in the world, to help stabilize livestock prices and for the sake of a badly needed increase in farm income, I sincerely urge this committee to take favorable action to establish a strategic reserve this year.

Thank you.

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

Off the record.

(Discussion off the record.)

Mr. PURCELL. All right, Mr. Mayne.

Mr. MAYNE. It is always a great pleasure to have Congressman Smith appear before the subcommittee.

There was one thing you said, Mr. Congressman, I believe on page 3 of your testimony. In the fifth from the last line you state the loan rate was reduced this year.

That doesn't square with my recollection of the facts. I believe the loan rate was \$1.05 last year and has been continued at that this year. Is that the case?

Mr. SMITH. One or the other of us is mistaken because I thought the effective loan rate in Iowa was reduced almost a nickel. Maybe I am in error. If I am, I stand corrected.

Mr. MAYNE. When you say the effective loan rate that introduces another element, but the national rate is the figure which was used in the bill—

Mr. SMITH. Yes.

Mr. MAYNE. And in the announcement of the program I believe it was \$1.05 in each instance. I realize that in central Iowa \$1.05 is translated into something less at the elevator.

Mr. SMITH. I was using the loan rates that are being announced now for the counties in Iowa and I thought they were reduced this year.

Mr. MAYNE. Well, I think you will find as far as the national rate was concerned, they are both \$1.05 and there will be some attrition in that in both years and depending on market conditions there might be some variation.

Mr. SMITH. Yes.

Mr. MAYNE. Now, one thing that seems to me would be an improvement in your bill, which I would like to offer to you as a suggestion, I don't find any provision in it that would give the farmer himself an opportunity to share in these storage fees.

On page 5 you say the Secretary may accept warehouse receipts in lieu of taking physical possession of the grain and so forth, but nowhere in the bill do I find any language which will guarantee the producer, who I am sure we are both most interested in, along with the consumer, from being able to store the grain on his own place and get in on this Government storage fee.

I am wondering if you would be willing to accept a perfecting amendment which would make it clear that the farmer too could store this grain that the Government would purchase on his own place and participate?

Mr. SMITH. That would be fine with me. There is no limitation in the bill on who they can rent storage from and I assume they will rent it from farmers as well as anybody else, but the grain that is in this strategic reserve could only be sold under certain conditions which is not true of other CCC grain.

Mr. MAYNE. Well, my reading of the bill, and I have read it carefully, does not satisfy me that without some additional language it would be clear that the farmer could participate in storage fees.

There is no question at all that it does protect the commercial warehouse operator.

Mr. SMITH. I don't think there is any limitation on who they can get the storage from. It is whoever has it.

I don't claim this is a perfect bill and I am sure the committee can improve the bill and if something like that would make it more clear that would be fine.

Mr. MAYNE. Well, you would be glad to join in an amendment to guarantee that the farmer, too, would get the benefit of storage fees?

Mr. SMITH. Certainly.

Mr. MAYNE. Equally with the commercial operator?

Mr. SMITH. Certainly. And I point out too that this is not intended to completely replace other existing programs under which the farmer seals and reseals his grain.

Mr. MAYNE. I think that I would like to offer such an amendment and I would be glad to join with you in the offering of such an amendment which would make that clear.

Mr. SMITH. Right.

Mr. MAYNE. Now, when the first August 11 crops forecast was made predicting some 5.34 billion bushels for this year, I contacted the Department and urged them to purchase by coincidence the same amount that you mentioned in your testimony of 500 million bushels, which I agree with you would have, I think, a definite bolstering effect on the market price of corn, and I have continued to urge the Department to enter the market and buy corn. It now appears from their most recent estimate, they are revising that downward somewhat, but I still feel that we are on the right track in urging them to purchase substantial amounts of this year's corn crop in order to bolster the price and stabilize the market, and I think it should be pretty close to 500 million bushels under the present information that we have.

Now, I am also urging them to have a much larger diversion next year and to announce this new program with a much larger diversion than 20 percent, very promptly, within the next 2 or 3 weeks.

Mr. SMITH. I agree completely with that.

Mr. MAYNE. Do you agree that the mere announcement of an attractive program with greater diversion for next year should also have a beneficial psychological effect on the price of corn this fall?

Mr. SMITH. It should have, and if the diversion announced is large enough so that next year's crop will be estimated as an amount less than will be consumed in the 1972 marketing year, then this year's crop prices could be the estimated value for 1972 less the cost of storage until then and that would definitely be more than it is now.

Mr. MAYNE. Well, it does seem to me that the danger we have to face in the next year is overproduction of corn and that there must be a much larger diversion and under attractive terms which will bring even greater participation than the 92 percent of the farmers who participated in the program this year in Iowa, and I do think that it is going to take bipartisan cooperation on both sides of the aisle to achieve the results that we are both looking for.

Incidentally, I will have to report to the subcommittee and to you, Mr. Congressman, that I have not been able to get any commitment out of the Department to make purchases on the scale that I very strongly feel are necessary, but I am continually urging them to do so.

Mr. SMITH. Have they agreed they do have the authority to do it under existing law?

Mr. MAYNE. I feel that they have the authority but I have not been able to get a clearcut commitment they will make the purchases which we both think are necessary.

Just one other point. When you say that—I believe it is on page 5—the blight scare was not a unique situation—and then in the next sentence you say: "I want to state flatly that we will again surely see a year when we produce less than we use."

I am sure you didn't mean to just limit that to reduction in production because of blight?

Mr. SMITH. No; I think that we are going to have in future years new diseases and new things come along that cause us to have a lot less crop than we expected in that year.

Mr. MAYNE. And, of course, we always have the danger of drought.

Mr. SMITH. That is right.

Mr. MAYNE. That has certainly cut into our prospects in Iowa this year.

Mr. SMITH. Yes, sir.

Mr. MAYNE. Much, much more drastically than any blight.

Mr. SMITH. We have set up a situation here which is just ripe for new diseases and new things to come long that will greatly reduce our crops.

Mr. MAYNE. I do think, however, Mr. Congressman, and this is the last observation that I have to make, that the likelihood of blight, at least this type of blight, in the future is minimal for next year because we do now have adequate supplies of blight resistant seed available for next year's crop; do we not?

Mr. SMITH. That probably would apply to the four major forms of blight, but there will be a fifth one and a sixth one, and that is my point.

Mr. MAYNE. A major factor in this year's planting was the fact that there was not sufficient blight resistant seed.

Mr. SMITH. Right.

Mr. MAYNE. And that isn't something we have to worry about next year, so that is something which should make it imperative to have a much larger diversion.

Mr. SMITH. I agree.

Mr. MAYNE. Thank you.

Mr. SMITH. And I appreciate the statements of my colleague and I agree with most everything that you said. I do think this should be pointed out, though. That 500 million bushels purchased under the existing authority of CCC, if they have it, would not have the same effect upon the market as 500 million bushels purchased under this program, because that corn would not be insulated the way this corn would be.

Mr. FOLEY (presiding). Mr. Melcher.

Mr. MELCHER. Thank you, Mr. Chairman. Congressman Smith, you testified that the \$5.3 billion corn crop, even though it is a great crop, may end up bringing less net return to the producers than last year's crop.

Mr. SMITH. Yes. According to Iowa State University figures, corn is now selling at less than it costs to produce it, and last year it sold at more than the basic cost. We had an average price last year of \$1.36, and so they made a profit on each bushel. That cost does not include the cost of labor. But whenever you get down below a dollar, that is less than it actually costs to produce the corn. So, for the extra corn produced they will receive nothing.

Mr. MELCHER. Then the abundance of the crop isn't necessarily going to mean any abundance in income; there could be less income this coming year for the corn producer than he got last year?

Mr. SMITH. That is correct.

Mr. MELCHER. Was last year a bonanza for them, or how was it?

Mr. SMITH. No; I would say that, at 30 cents a bushel or 20 or 25 cents a bushel above cost excluding labor, a farmer received for his labor approximately comparable to what people working in occupations in the city would get. He needs that. He needs at least that much.

Mr. MELCHER. It was a successful year but not one that built up any particular financial margin for him that he could cushion—

Mr. SMITH. That is correct.

Mr. MELCHER (continuing). His loss this year.

Mr. SMITH. I think that is correct.

Mr. MELCHER. He could get in pretty bad straits this year. I know that you have read the report given by the Department on your bill and you are thinking, since the report was given earlier, that they might have a change of viewpoint in consideration of the current situation.

Mr. SMITH. I am hoping so. I understand at the time this report was given some of them in the Department were even saying that regardless of the size of the crop we will have a strong market all fall, but things have changed since then and I am hoping they will take a new look at the facts and circumstances and change their position.

Mr. MELCHER. How much has the market changed since that time?

Mr. SMITH. Corn sold at one time in Iowa, for \$1.40 a bushel, new crop corn, and now it is less than a dollar.

Mr. MELCHER. Was this about the time the Department gave their report?

Mr. SMITH. Yes, it was within a week or 10 days of the time.

Mr. MELCHER. Corn has dropped over 40 cents in that time?

Mr. SMITH. Yes, sir; I would say easily 30 cents.

Mr. MELCHER. I have a bill before this subcommittee too, it is H.R. 8290, that would bolster income for grain producers. It did not receive a favorable report from the Department either, so you and I have something in common. But I think you are familiar with that bill. Do you think they are compatible, the two bills?

Mr. SMITH. Yes; I think they are. My bill is not intended to completely replace the regular CCC operation. I think a sealing program, the holding of some corn on the farms is good, but we do have to recognize that unlike the 1930's when the ever-normal grainery was founded, we now sell 25 percent of our corn overseas and we have unusual world situations and demands that arise quickly and I think that it is just in our own interest and in the interest of farmers that we have in an export position at all times a reasonable quantity of corn. My bill would not give our CCC the kind of authority that the Canadian Grain Board has but at least it would give it some opportunity to respond to export demands. They could buy and place in export position some grains to be held in an insulated position but whenever the demand is great enough they could fill it immediately. There could be drought in other countries too and with us shipping so much corn it would be important, but this would be compatible with your bill and I would think that we would need both because we are going to consume 75 percent of the corn on the farm and that is where the regular loan program works the best, and 25 percent overseas, so we need both.

Mr. MELCHER. I have noted your reply to Congressman Mayne concerning the possibility of farm storage of a portion or perhaps all of the strategic reserve, which I am glad to know. I want to commend you, Congressman Smith, for bringing to this subcommittee a bill that would, I think, do as you outlined, stabilize the market, strengthen the market and increase farm income. Despite the adverse report of the Department on your bill and also on mine I think that this subcommittee has the duty and the obligation to continue to strive to work out some means of strengthening farm income.

Mr. SMITH. I appreciate what you say and compatible with that I would also point out that in the Department's report they stress that they think that, and I quote:

We cannot, however, support legislation which would have a tendency to be counterproductive to the extensive efforts being made to expand exports and domestic use.

So what we are trying to do in your bill and in my bill is to say that our goal is not just to expand exports but to do so in a manner that lets the farmer get at least paid for his labor in doing so. The goal isn't just simply to expand exports, it is to do it in a profitable way.

Mr. MELCHER. Exactly. Thank you, Congressman Smith, and thank you, Mr. Chairman.

Mr. FOLEY. Any further questions?

Mr. PRICE. Mr. Smith, I would like to know if you have any figures on what the price of corn has been since last December to the present time?

Mr. SMITH. I have them in my head. I don't have the statistics here. But last December in Iowa, and I am giving farm prices, because that is what we use, backed off Chicago price, farm prices last December were in the neighborhood of \$1.30. Then they varied from as low as \$1.21 or \$1.22 up to \$1.42 on the cash market, up until late July. Then they started on a slide and they have been on the way down ever since and they are now below \$1.

Mr. PRICE. Unless I am mistaken I think the average of corn during that period of time to the present time has been higher than it was the year before?

Mr. SMITH. It has been, that is correct.

Mr. PRICE. Now, in my part of the country, grain sorghum has been running about \$2.50, \$2.60, this winter, which is probably the highest it has been in many years up to this point. I think anyone who has been in farming all their life knows when production of a crop comes on to the market in the fall the market always drops, it has always dropped and it probably always will drop.

Mr. SMITH. But this drop didn't come on when the new crop came on, this drop came on in July and August when we traditionally have our highest price for corn in the Midwest.

Mr. PRICE. Not necessarily. You take the influence of grain being produced in the South that starts entering the market, it has a direct effect on what corn brings in Iowa.

Mr. SMITH. Corn in Iowa.

Mr. PRICE. When it starts hitting the market and starts being fed it has a direct effect upon the corn.

Mr. SMITH. The corn in Iowa in late summer brings the cash price at the previous harvest time plus storage costs, generally speaking, unless there is some other factor involved, such as an estimated change in carryover.

Mr. PRICE. What I am getting at, Mr. Smith, is that you know as well as I do that when these crops are coming off, grain has a big effect on your corn up North because we start harvesting a lot earlier down in south Texas and the Southern States than you do your corn, and as it moves north naturally the price starts to fluctuate and starts to go down.

Mr. SMITH. It is interchangeable, that is the reason I refer in the bill to feed grains in numbers of tons because we are including—

Mr. PRICE. The fears my people have, and I am sure the fears that your people have, is the Government steps in and buys 1 million bushels of corn and wheat and milo and stores it. There has never been to this point that I know of a device that has been thought up to prevent Commodity Credit from at some time, whether this year or next year, next summer or next fall, from getting rid of the corn or maize or wheat. They have to get rid of it in a length of time or it will all rot. It has been the experience over the last 3 or 4 years they lose \$3 billion, \$2 billion a year.

Mr. SMITH. You are correct, there has never been up to this point, but you have never had this bill which permits them to buy and sell the same day the same quantity of grain and permits them to handle this in a way that they can avoid those problems that you are referring to.

Mr. PRICE. Do you think your bill and Mr. Melcher's bill to prevent Commodity Credit holding this grain, so-called? You know as well as I do the fears of farmers, they are going to dump their grain on them and this is the charge that has been made time and time again every year, Commodity Credit is holding this grain over their head and holding the prices down.

Personally I would be for some kind of reserve, I think it is needed, whether you call it a reserve, strategic reserve or whatever, but I am fearful that if the Government holds large stocks of grain that it will hang over the market and they have to get rid of it because it is tax money they have involved in it, and if someone could assure me of a way, a method to dispose of this grain eventually without hurting the market I would be very interested in seeing it.

Mr. SMITH. Well, it is right in this bill and you are quite right, that is the way it happens, and I am fearful if we don't have this bill they will acquire this grain under CCC and do just what you are afraid of. But under this bill, whatever they acquire under this bill they cannot "dump" because they cannot sell more than their own statistics show is needed. In other words, they can't dump into a grain market that can't absorb it. They can only sell when the price is a certain level and when the statistics show they need the supply and the cattle feeders will be glad to have the supply in that instance, they would rather have it then than have it dumped some other year, and that is in the bill.

Mr. PRICE. Have you any percentage in the bill at which the Government could not dump or not dispose of 115 percent?

Mr. SMITH. 120 percent of the preceding 5 years price.

Mr. PRICE. You have 120 percent.

Mr. SMITH. That is one factor.

Mr. PRICE. Preceding 5-year price.

Mr. SMITH. That is one factor. And the other factor is you cannot sell more than their statistics show demand exceeds supply.

Mr. PRICE. Do you think that 120 percent is a realistic figure that they would be able to dispose of? Would it be put too high where they could never dispose of the grain?

Mr. SMITH. I think it is realistic. It figures out right now at 141. As a matter of fact, corn did get to 1.42 although it wasn't being priced completely under normal conditions. There was a lot of speculation in that. But I think 1.41 is not too high for consumption of corn and it wouldn't make a penny's difference on the European market because their variable adjustments would take care of that.

Mr. PRICE. I had complaints last year when they started moving grain out of the storage into ports this was a depressant to people who own grain, the storage or milo, when it reaches a high point they wanted to dispose of it and here was the Government competing with them and making it available for feeders, and we run into this every year.

Do you think there is under present law, sufficient money appropriated for the Department of Agriculture to carry out what you are proposing in this bill?

Mr. SMITH. This would be carried out under the authority in the bill through the regular operation of the Commodity Credit operation. They do have funds and authority without additional appropriations at this time. As you know, the way CCC operates we replace their money at a later time and we will have to do that whether they acquire this corn under this approach or whether they take it over under the regular CCC approach. In either event they are going to acquire a good share of this corn and we will have to replenish the funds of CCC to make up for what they spent for it.

Mr. PRICE. In other words, it would have to be an additional appropriations by the Congress to supplement or make up what the Commodity Credit had spent to take all of this grain?

Mr. SMITH. That would probably come in about 2 years but it would eventually have to be done unless by that time they found a market for the corn or other commodities and sold them.

Mr. PRICE. Would you care to estimate how much you think the Commodity Credit is going to have to take over of corn this year in this year's market?

Mr. SMITH. They won't take any over this year.

Mr. PRICE. Well—

Mr. SMITH. Well, they will take a little, they always do, but it is in the manner of only 5 million.

Mr. PRICE. What is it in your area, 1.05?

Mr. SMITH. Cash corn. The effective loan rate is about \$1.

Mr. PRICE. All right. I have heard cases now that are offering corn in our area at 80 cents. Wouldn't it stand to reason that the Federal Government is going to, in other words, they are not going to sell it at 80 cents in my area if they can get a loan for it at a dollar?

Mr. SMITH. Are you talking about 1971 corn, now?

Mr. PRICE. I am talking about this fall's crop.

Mr. SMITH. I agree. This fall's crop will go under loan and if we don't have a program to buy some of the corn and put it in strategic reserve, a lot of that next summer will be delivered in default on a non-recourse loan and the Government will acquire the corn.

Mr. PRICE. In other words, the Government is going to acquire probably millions of bushels of corn this fall under the loan.

Mr. SMITH. They will acquire it next summer, hundreds of millions of bushels.

Mr. PRICE. I am wondering if the Department is going to have enough money to buy all of this corn without a supplemental appropriation?

Mr. SMITH. Well, that appropriation would come about a year and a half from now, but they will eventually have to have it. Whether you have this bill or you have no bill they will still have to have money to acquire corn.

Mr. PRICE. Is the strike effecting your area, the one on the west coast?

Mr. SMITH. There was fear that it would. I understand that the situation has been alleviated but I am not positive about that.

Mr. PRICE. There is great fear now of the movement of agricultural products, September 31 the gulf coast goes on strike and possibly the east coast and we have lost millions of markets for the movement of this grain also.

That is all the questions I have.

Mr. PURCELL (presiding). Mr. Zwach.

Mr. ZWACH. You provide, don't you, that this commodity stock can be rotated?

Mr. SMITH. Yes; I do. I provide that as long as they do it within 2 days they can buy and sell the same amount and they can buy in one location and sell in another and they can rotate the stock.

Mr. ZWACH. Wouldn't you agree that, perhaps, a major thrust of your legislation would help to make the Department's supply management program work better?

Mr. SMITH. No question about it, it will make the set-aside program and regular programs they have had for years.

Mr. ZWACH. Go to 1966, then we were going to feed the world and we opened the doors and we had no reserves so the doors were opened. Now came the blight and again the doors were opened wide. Had there been a strategic reserve each time there could have been a much better management control on the acres retired.

Mr. SMITH. Right.

Mr. ZWACH. With safety, and in a sense we would have had an insurance policy on an adequate supply.

Mr. SMITH. And insulated reserves would have counted as part of the carryover available in the event of need without being a burden on the market.

Mr. ZWACH. I have introduced similar legislation in previous sessions. I still think that it can be made to work, and after 1966 and 1970, and the lack of correctness down in the Department, it seems to me it is the only direction we can go. It gives them an insurance policy to go on with regard to supply.

Mr. SMITH. That is correct.

Mr. ZWACH. Now, I think that this year again, that there are rosy predictions of the corn crop. I drove out to Minnesota, 1,300 miles, the 5th and 6th of August and the corn looked terrific right through Maryland, through Pennsylvania, through Indiana, through Ohio, through Illinois, and through Minnesota. I came back the 5th and 6th of September, drove the same route, and consistently right down the line the corn crop had deteriorated a great deal, and yet, for instance, now the new projection is hardly less than was the projection in August based on the August 1 situation. I think the corn crop right today is below 5 million bushels, and yet we have got a report that it is 5.26. I don't know what kind of projection we got but I think they are 3 weeks late. I think when we start pushing out this corn and weighing it out, certainly through Minnesota and certainly through much of northern Illinois—I was through John Anderson's district, and a lot of it is dried up, and coming through Indiana, Ohio, and Pennsylvania, I found the same situation.

Mr. SMITH. But even at 5 billion bushels, and I agree it may be less than what the current projection is, but even at 5 billion bushels the price would bump the loan rate.

Mr. ZWACH. And we still need a reserve program.

Mr. SMITH. That is right.

Mr. ZWACH. I agree.

Mr. SMITH. They would buy less but still need to buy some.

Mr. ZWACH. That is all.

Mr. PURCELL. Mr. Denholm.

Mr. DENHOLM. I want to commend our colleague, Mr. Smith, from the State of Iowa for not only the work he has done in preparing this bill but what he has done in the interest of agriculture in the past.

I would like to ask the gentleman from Iowa a few questions and have him explain them for the record. We have heard a lot about reserves such as budgetary reserves and other new nomenclature recently. I wonder if you could define what you mean by "insulated reserves" and "strategic reserves"? What is a strategic reserve of corn?

Mr. SMITH. Well, I guess that insulated and strategic is the same. It means it is a reserve, that is, actually used as a reserve and only called upon when it is needed rather than just held by somebody to be dumped as they decide they should. In other words, we would establish guidelines set forth under which it will be used, and, therefore, the trade and everybody knows under what condition the reserve will be sold.

Mr. DENHOLM. It isn't any secret that the way the Commodity Credit Corporation program has been administered from time to time that it has not always been cooperative with producers and is becoming a competitor of producers.

Mr. SMITH. At times it seems to get that way.

Mr. DENHOLM. I completed a study on this subject this spring which was carried in the New York Times—policies of "dumping" to depress the market. In this respect I would like to pursue what our colleague from Minnesota has said about the reporting service. This has caused a down price of corn before the farmers oiled the corn pickers for harvest—do you agree that over optimistic reporting has caused such a result?

Mr. SMITH. It has in some instances. However, I do understand that before we had Government reporting we depended upon private reporting. Sometimes it was even worse, caused a worse situation than Government reporting does. But to the extent it is inaccurate, and a lot of people think that the carryover figures from last year are way low and that has an effect on the market too.

Mr. DENHOLM. I am very concerned about the credibility of it and I would like to join in the remarks of our colleague from the State of Minnesota, Mr. Zwach. The corn crop in South Dakota is substantially deteriorated but the crop reporting service is still indicating there is going to be an abundant harvest. A frost on the 31st of July destroyed much corn in South Dakota and a drought wiped out the rest of it in many areas over the State. But still corn is removed from Government storage in South Dakota and our people are obligated to pay the in-freight on corn to meet the domestic demand this year.

I am wondering if there is anything in your bill, Congressman Smith, that would compel the Secretary of Agriculture, the U.S. Department

of Agriculture, to actually act, and, if so, if it does compel them to act—what would you do when there is a short crop?

Mr. SMITH. When there is a short crop? It provides that they can sell. It doesn't compel them to do so but they can sell up to that amount which their statistics indicate that demand exceeds the marketable supply excluding the amount in the reserve. And so when that situation arises they can sell, and I am sure they would, because under those circumstances, the price would exceed 1.41, so they would sell.

Mr. DENHOLM. Is there anything in your bill that would compel them to buy?

Mr. SMITH. No, it doesn't really compel them, it authorizes them to buy, sets forth the limits that they may buy and provides that they must buy at market price or up to the average of the preceding 5 years. It sets forth definite guidelines but it is an authority, it doesn't compel them to buy.

Mr. DENHOLM. It is an authority granted but not compelling legislation for action.

Mr. SMITH. That is correct.

Mr. DENHOLM. But, of course, that is the problem, isn't it?

Mr. SMITH. I think you have to depend upon the Department to some extent. However, it does remove from the Department some of the authority that they now have over sales through CCC acquired corn. It limits the times that they can sell and places a minimum on the prices at which they can sell.

Mr. DENHOLM. And is that based upon the reporting service prediction and statistical data?

Mr. SMITH. Partly. But it would apply even at the most pessimistic prediction of what the October 10 report will be. We will still need this bill.

Mr. DENHOLM. Do you see this as a short-term policy for producers, or as a long term policy?

Mr. SMITH. I think it is a long-term policy not only for producers but for consumers, for livestock producers, for our world problems, and I just think it is something that is long past due and I would think this would be one step toward a world strategic reserve.

Mr. DENHOLM. Thank you, Mr. Chairman.

Mr. PURCELL. Any other questions?

Mr. KYL. Thank you, Mr. Chairman, just a couple of questions at this time. Later this afternoon we will apparently get some additional recommendations. One of them is the bill should be broadened to include other commodities including rice, cotton, peanuts, and milk products.

What is your attitude toward that?

Mr. SMITH. Well, I would think, and I haven't really thought this through, I would think that milk has a fairly good program and I am not sure that it should be in there. I don't know that much about peanuts and cotton nor rice, as far as that is concerned. I don't really have a definite opinion on that.

Mr. KYL. There is another also in the same statement. We urge the provision for the sale at 120 percent of average market price as proposed in 1963 changed to require full parity price.

Mr. SMITH. This gets to be a matter of judgment. I think that we must set a price that it will sell at when it is needed and I think

we must also recognize that there is a limit on how high we can have it go and still have it operate as an operative reserve. In addition to that livestock producers do have some interest in it and I have no hesitancy in saying that the feed grain producers are entitled to a bigger share of the livestock dollar than they are now getting, but, on the other hand, in the event of a shortage I think there is a limit on how much livestock producers should have to pay for corn out of this reserve.

Mr. KYL. In another statement we would like to encourage emphasis on farm storage and any favorable action the committee may take on these bills.

Mr. SMITH. I am in favor of farm storage and I think through the regular CCC program where we have sealing and resealing that we do get good farm storage but I think we have to recognize that not all of the grain which we are raising today can be stored on the farm and some of it is stored with grain dealers and more of it should be stored in export position where we don't have enough storage capacity right now.

Mr. KYL. I will yield to Mr. Price.

Mr. PRICE. I want to ask you now, you said that when the Commodity Credit buys the grain, they can sell it at the same time.

Mr. SMITH. In handling the amount that is in the reserve, they can buy and sell the same number of bushels within 2 days. Now, suppose they have a demand for corn in one location and they have a surplus in another, they can sell it in one location and buy in another.

Mr. PRICE. What if this wouldn't exist?

Mr. SMITH. They don't have to.

Mr. PRICE. You mean this amount of grain today and maybe they couldn't sell it for a month or two, or maybe not until an opportune time in the foreign market.

Mr. SMITH. They will have it in the reserve. They can't increase or decrease the reserve except under the conditions that are set forth in the bill but they can buy and sell the same day grain in different locations. This is to permit them to operate their reserves better than they have been doing.

Mr. PRICE. Let's say now they start buying milo or corn as it is harvested now, how long do you think they are going to have to hold that grain before they can move it, or if they buy it 500 million and they are stopped; is that right?

Mr. SMITH. No.

Mr. PRICE. Whatever figure you might put in there.

Mr. SMITH. Yes.

Mr. PRICE. Now, when are they going to dispose of this grain?

Mr. SMITH. They will dispose of none of it this year—they will dispose of it in a year when the need exceeds the supply. The only grain that they would sell within this year would be in the event that they wanted to sell some in one location and buy in another the same amount.

Mr. PRICE. All right. If they bought all of this grain up then you say that they can't sell it this fall.

Mr. SMITH. That is right.

Mr. PRICE. If they had an opportunity, well, say, Japan wanted so many billion bushels, would they be allowed to meet that demand by foreign countries?

Mr. SMITH. Only if the estimated supply will not permit the free market to meet that demand and if the price they can get for the grain is 120 percent of the preceding 5 marketing years.

Mr. PRICE. Let's say that on a world market milo would be bringing 1.60 cents, just as a figure, but milo in this country was bringing \$25 then they would be restricted from selling that milo at 1.68 for export if they had it in reserve?

Mr. SMITH. Well, I don't know what the price on milo would be but they have to get 120 percent of what it brought the preceding 5 marketing years on an average in order to sell it.

Mr. PRICE. I see. So then if they did have the opportunity to export, this would in an instance prevent them from doing so?

Mr. SMITH. If they had the opportunity to export at a low price the free market can furnish it. Under those conditions there must be plenty available in the free market and the Government should not be furnishing it under those conditions.

Mr. PRICE. There would be many instances when we are going to be required to trade at the net world market price or we are not going to sell anything, and I am wondering if this should be looked into in your bill where it would prevent us from getting rid of large amounts of surplus grain in the world market.

Mr. SMITH. Well, it could be. I would point out that under the CCC held stocks they can do that. There is nothing in the bill that permits them to sell in the world market at lower price than they can sell in the domestic market, and one reason for that, and I thought of it, one reason for that was that I figured the free market ought to be supplying that grain.

Mr. PRICE. I agree; in fact, in many instances the free market has found the market and Commodity Credit comes along and undercuts them. I have seen this happen.

Mr. SMITH. This bill would prevent that. The way it is in the bill, I figure that if they can't get what amounts to 1.41 for corn or equivalent for the grain, they shouldn't be selling it because it must be available in the free market.

Mr. PRICE. We are talking about unknown things, but I just can't quite understand how if they buy all of this grain this fall and then sell it, say next January and February, they probably wouldn't be any grain to replenish that because it is in the winter, and I am not quite sure how this would work.

Mr. SMITH. Well, one way, maybe I can explain it this way: For example, we have a lot of frozen ports and it can very well be that we can get a sale for grain we had not anticipated and it may come in January or February and the regular market can't get the grain out of location in Iowa or Minnesota until April. They could in those conditions sell their dockside grain and buy in Iowa the same number of bushels. This permits delivery when it is needed for the world market. They cannot do that at the present time under CCC policies.

Mr. PRICE. Thank you, Mr. Chairman.

Mr. PURCELL. Any other questions?

Mr. BERGLAND. Mr. Chairman, I would like to commend our colleague from Iowa, Mr. Smith, for putting together a proposition that had it been in effect this year I think would have done much to prevent the disastrous drop in grain prices which are a disgrace, and

I want to associate myself with his remarks. I, too, would like to work with our colleague from Iowa, Mr. Wayne, in developing some perfecting amendments. I am awaiting the Department witnesses to find out how they would propose to raise prices and prevent another disaster.

Mr. SMITH. Thank you, Mr. Bergland, very much, and Mr. Chairman, I want to thank all of my colleagues because I want to work with all of you in any way. This is not a partisan matter at all. I think good commonsense indicates that we need to do something about getting a strategic reserve. Now is the time to do it when there is a big surplus and farmers are going to be penalized if we don't do it.

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

Our next witness is Mr. Eugene Moos, president of the National Association of Wheat Growers.

Mr. Moos is accompanied by Mr. Jerry Rees, executive vice president of the National Association of Wheat Growers.

STATEMENT OF EUGENE MOOS, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS; ACCOMPANIED BY JERRY REES, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. Moos. Thank you very much, Chairman Purcell and committee members.

I am Gene Moos, a wheat producer from Edwall, Wash., and the current president of the National Association of Wheat Growers. I am accompanied today by Jerry Rees, our executive vice president. Our association represents wheat producers in our member States of Washington, Oregon, Idaho, Montana, Colorado, South Dakota, Nebraska, Kansas, Oklahoma, and Texas.

NAWG supports the establishment of a strategic reserve. By resolution of the membership we urge that a strategic reserve of wheat be maintained for purpose of national defense, an adequate food supply and emergency distribution; provided that the stocks will be isolated from the market at 100 percent of parity. The cost of such reserves should be charged to national defense and other appropriate agencies serving the public interest, and not alone to the cost of farm programs.

In the discussion of the need for a reserve, I feel it is important to review the first-year performance of the set-aside farm program and its impact on production and prices. Perhaps the single most distinguishing feature of the set-aside program is its flexibility—the options it provides allow the individual producer to utilize his acreage in a variety of ways. As Secretary Hardin told the Senate Agricultural Appropriations Subcommittee during hearings on USDA's 1972 budget:

We seek to make farm products more competitive and to help farmers reduce production costs through more efficient use of their total resources. Under the new programs, many farmers will have increased opportunities to make decisions on their own about what and how much they produce.

There can be little question that this guiding principle of the new programs has, in effect, given many producers the option of putting many more acres into production than previously—and, even more important, that may producers have exercised this option. Just how

much additional acreage will be brought back into production as a result of this feature remains unknown, but the most recent crop reports strongly indicate a dramatic increase in production.

All wheat production in 1971 is forecast to be 18 percent above 1970. The harvested acreage of all wheat was up approximately 9 percent despite the fact that winter wheat which represents 60 percent of all wheat produced actually showed a decline in harvested acreage. This clearly illustrates that Spring wheat and Durum which had a chance to respond to the flexibility of the set-aside program, responded with a 40 percent increase in harvested acreage. Does this mean then that the United States will have a similar increase in winter wheat harvested in 1972? Let us hope not, even though a survey of member states of NAWG taken at a late August meeting of the executive committee in Denver shows a significant increase in planting intentions—something in excess of 20 percent. This could mean 60 million acres of wheat harvested in 1972 even despite the increased set-aside requirement for the 1972 wheat crop. Multiplying 60 million acres by an average yield of 30 bushels an acre results in a potential wheat crop for 1972 of 1.8 billion bushels.

The case for feedgrains is quite similar with a significant increase in estimated production for 1971, partly due to increased acreage and partly due to higher than anticipated yields. As for estimating feed-grain production for 1972 there is little reason to believe there will be any less acreage planted in 1972 unless there is a significant increase in the set-aside requirement for 1972.

In terms of supply—carryover stocks of wheat at the end of the crop marketing year July 1, 1972, could be as high as a billion bushels. As for feedgrains, October 1, 1972, carryover stocks could be 50 million tons or higher. Although these carryover stocks of wheat and feedgrains will not set new national records, they could well set off a new generation of farm surpluses. Certainly they will be high enough to be a major market depressant, and there is little prospect that either wheat or feedgrain prices will be much above loan support levels during this marketing year. Set-aside exponents are on record indicating that guaranteed price supports are to be calculated at a level to support the cost of production. What this means then is that wheat and feed grain producers would be condemned to total reliance on direct Government payments for their living costs.

These supply figures for 1971 are depressing enough but nothing like what they could be if production under the set-aside program in 1972 shows another significant increase. If the United States continues to build surplus stocks in 1972 under this program, it will take years of stringent acreage controls to absorb these excess stocks.

It is not hard to forecast the economic consequences to an industry already suffering from a severe cost-price squeeze.

A comparison of 1970 and 1971 wheat production in five major wheat exporting countries indicates the 1971 crop could be up about 575 bushels—18 percent larger than a year earlier. The following comparisons are in millions of bushels with the 1971 estimates in parentheses: Canada 332 (520) up 56.6 percent; United States 1,378 (1,625) up 18 percent; Argentina 156 (180) up 15.4 percent; Australia 293 (330) up 12.6 percent; and the European Economic Community 1,088 (1,170) up 7.5 percent.

These production developments take on added significance when they are considered in conjunction with the "green revolution." Efforts to increase production in many underdeveloped countries through use of improved varieties and new cultural practices have been successful, and several nations now claim to have achieved self-sufficiency in grains. For example, India, who at one time imported nearly 200 million bushels a year from the United States expects to stop food grain imports by December 1971 and does not plan to enter into any new Public Law 480 agreements after her current commitment expires next June.

Competition for available markets from our major competitors—Australia, Canada, Argentina and European Community—is certain to be intense during the current marketing year. The Foreign Agriculture Service indicate U.S. exports of wheat may decline by as much as 10 or 15 percent.

Unfortunately, this bleak outlook for U.S. wheat exports comes at a time when our supplies are expected to increase substantially.

These then are the concerns of NAWG and all producers. Can the 1970 Agriculture Act be administered in such a way during the next 2 years as to reverse this accumulation of surplus stocks of wheat and feed grains? NAWG believes this accumulation of stocks can be reversed but not unless the following things happen:

1. The feed grain set-aside requirement must be raised to at least 35 percent with proportionate increases in the support payment while at the same time voluntary diversion payments must be made available for both wheat and feed grains for 1972. The above recommendations will probably cost an additional billion dollars over and above anticipated farm program costs for 1972. We agree this is very expensive and difficult considering the present budget difficulties confronted by the administration. However, we have to point out that in the absence of such an emergency effort to control the size of the 1972 crop, the United States will accumulate stocks of wheat and feed grains to the point that economic disaster will threaten the farm community.

2. The basic philosophy of the set-aside farm program must be changed from one of increased program flexibility designed to stimulate increased production to a policy that recognizes that the U.S. agricultural plant has the capacity to far overproduce domestic and export requirements for the foreseeable future. Adequate production controls continue to be a must, in fact with the increased use of both fertilizer and higher yielding varieties adequate production regulation of wheat becomes even more critical. In our opinion it was a major misjudgment to feel that management decisions can be reached individually by almost a million U.S. wheat producers to regulate production to demand. With this approach each producer must strive to produce a little more than his neighbor—more acres, better cultural practices, better varieties and more fertilizer.

3. A major effort is needed to develop economical industrial uses for wheat and to promote these uses for industrial acceptance and utilization. This includes research, promotion teams and financial incentives.

4. It is important that the United States present a more positive position in behalf of agriculture in negotiating trade rights with other countries and asserting these rights under current agreements.

5. Positive action is needed to open west coast ports for shipping and prevent a tie-up of gulf and east coast ports.

6. Finally and certainly not the least in importance is the need for some type of reserve supply program for the regulated commodities. H.R. 1163 or some similar type of legislation must be enacted to protect both the consumer interest and the taxpayers' interests. The USDA experience this year in trying to anticipate the ups and downs of Mother Nature is the latest of a series of sorry experiences of this sort and pinpoints the need for an adequate reserve program. Cost-wise a reserve program would be much less costly than the billion dollars NAWG believes is necessary to stabilize the production-supply situation in 1972. And of course that extra billion dollars would only buy production control for 1 year. Another point that must be considered is that an adequate reserve program would stabilize farm prices to the point where there would be some hope for producers being able to live off of what they receive in the market place rather than being dependent on the Federal treasury.

Mr. Purcell, I sincerely appreciate this opportunity to appear before your subcommittee and to share with you the concerns and recommendations of the National Association of Wheat Growers with regard to the serious problems now facing agriculture. Mr. Rees and I will be pleased to respond to any questions you or other members of the subcommittee might have at this time.

Thank you very much.

Mr. PURCELL. We thank both of you very much.

At this time I will call on Mr. Foley.

Mr. FOLEY. Mr. Chairman, I am sorry I was out of the room when Mr. Moos presented the bulk of his testimony. I, of course, read his statement carefully before it was given. I wanted to have the opportunity to introduce him to the committee. Mr. Moos is not only a distinguished constituent of mine, but a man I consider a very good personal friend. He is a former chairman and president of the Washington State Wheat Growers and now, of course, holds a national office. Having consulted over many years with Gene Moos about the problems of agriculture in general and wheat in particular, and feed grain, I know what a careful, determined student he is of the trends and problems in these areas. His statement represents an extremely important overview of some of the problems that we are facing and of supply conditions next year.

All members of Congress like to go back to point out that they have viewed with alarm or recognized problems early. But I think many of us, and I know many of the organizations, including the wheat growers, were very deeply concerned about the possible impact of the set-aside program in increased planting. Our concern was: unless proper administrative caution was taken there would be a very real threat of a disastrous oversupply.

I just wonder, Mr. Chairman, if I could ask Mr. Moos if you have any estimate of the possible range of acreage planting this fall?

Mr. Moos. You are referring to the 1972 wheat crop, including both spring and winter wheats?

Mr. FOLEY. Yes.

Mr. Moos. As I indicated in my testimony, we feel it could be as high as 60 million acres. Of course, this just frightens us no end to think that there could be that volume of wheat produced in this country next year. Hopefully, we would like to see this down, you know, very close to the acreage that was seeded for this year's crop,

and since the details for the 1972 wheat crop have already been announced, although the set-aside was increased, it seems to the wheat growers, at least, that it is far too late to change any of this part of it. We have the increase and the set-aside requirement; there is nothing that can be done in this regard. The only possible way that we could decrease the amount of acreage for next year's wheat crop would be through some form of paid voluntary diversion program.

Mr. FOLEY. Do you see the need for possible additional legislation to give broad authority to the Department, or do you feel that the existing authority is adequate?

Mr. Moos. I think the existing authority for voluntary diversion is within the present farm program.

Mr. FOLEY. I gather you don't see any other mechanism at this time except for increases in voluntary diversion that could limit this threat of oversupply?

Mr. Moos. This is how we analyze it as far as wheat is concerned. For feed grains there are still opportunities to—

Mr. FOLEY. We are facing a very large carryover as a result of large crop and transportation problems and so on.

Mr. Moos. Yes, sir.

Mr. FOLEY. Thank you, Mr. Chairman.

Mr. PURCELL. Any other questions?

Mr. DENHOLM. What do you foresee, Mr. Moos, in the long run if such a program as 1163 was law and the contemplated reserves established? You indicated that it would cost about \$1 billion to finance it for next year.

What would happen if all of the circumstances remained the same and production was increased, as you anticipate—how much do you think it would cost to finance it next year and what are we going to do with the grain that is in reserve?

Mr. Moos. If I understand your question right, you indicated that I thought that the reserve program would cost \$1 billion?

Mr. DENHOLM. Maybe I misunderstood you.

Mr. Moos. What I meant was that the emergency program to increase the set-aside requirement for feed grains with a proportionate increase in the price support payments to provide the incentive to be a part of that feed grain program, plus the voluntary diversion payments necessary to regulate, to help assist in the regulation of wheat and feed grain production, probably could cost at least \$1 billion to effectively stabilize the amount of wheat and feed grains that could be produced next year as it refers to and compares to the anticipated disappearance.

Mr. DENHOLM. I have land in South Dakota; I farm there, and we have grown wheat for years. It is wheat country, spring wheat country, and on a half section I have a 3.4 acre allotment on one-quarter and 11.8 on the other quarter. It doesn't make much difference to me what the price support on wheat is because they won't let me grow it—the real problem is income to producers and not whether we are juggling the acres or bushels, isn't it?

Mr. Moos. Yes, sir; of course this is our overriding concern here in building up large carryover stocks, that we will have this hanging over our heads and over the market for years to come and there is no hope for producers to have an equitable return.

Mr. DENHOLM. Now, you can't have price supports without acreage and production controls, can you?

Mr. Moos. No.

Mr. DENHOLM. And as long as we have price supports we always wind up with surpluses; don't we?

Mr. Moos. Are you asking me now if—

Mr. DENHOLM. Is the answer "yes," or "no?"

Mr. Moos. That if we have price supports?

Mr. DENHOLM. Yes.

Mr. Moos. With acreage control, that we will always have a surplus? Is that the question?

Mr. DENHOLM. As long as we have price supports on any of the major commodities we have problems with surpluses.

Mr. Moos. Well—

Mr. REES. The National Association of Wheat Growers believes in price supports and believe they can be effective with production controls. That has been one of our basic association principles and it has worked very good throughout the years.

One of the things that this bill focuses on is establishing a reserve and that is one of the problems with production controls. The Department of Agriculture is afraid to let the supply come into proper relation with the demand. They want to be on the safe side, so that at any time the supply and demand start to balance out, increased acreages are implemented, the triggering mechanism to increase supplies, and this is the exact thing that happened this year and happened under the previous programs.

So, what we are saying: If we have a reserve bill then someone will be telling the administration what a safe reserve is and then we wouldn't have the safe philosophy threatening in the marketplace.

Mr. DENHOLM. I understand all of that, but what I am concerned about is the income to the producers when they own land and equipment and are set for production and they get into a set-aside program and you well know that it doesn't pay as well as it does if you can produce it and have an adequate price for the commodity. You are not in that kind of business to stand idle.

Now, the question I put to you is: That as long as you pursue price supports you must have production controls, don't you, and it doesn't make much difference what level the price support is, if you can't grow the commodity, as far as income to the producer is concerned?

Mr. REES. Well, we are working from a different philosophy on this.

Mr. DENHOLM. I don't disagree with your philosophy. I am a wheat farmer and I know what happens to a producers income when he is restricted in production.

I appreciate what our distinguished colleague from Iowa is doing here on a temporary basis. But I am concerned about what do you foresee in the next year or year-and-a-half?

Mr. REES. Overproduction and lower prices. This is why in our testimony we have tried to broaden out from the reserve question to reflect other needs. The reserve would only temporarily solve the problem. There has to be responsive administration of any farm bill to balance production to the demand, and this is why we were reflecting in our testimony the need for extensive action. Reserves are a needed temporary stopgap to help the American wheat producers and corn producers.

Mr. DENHOLM. I think if they work on a temporary basis it will help this year's crop and next year's crop, but I am wondering what suggestion you gentlemen can make to the committee, establishing long-term policy.

Mr. Moos. We are convinced, as far as wheat is concerned, and I am sure the same case applies to feed grains, that under all production with no controls whatsoever the wheat and feed grain producers have the ability to produce far more than the market can absorb and we feel there is no future in that and we feel there is a need for some production regulation, and if there is to be a production regulation then there has to be some reward for being a part of that production regulation or production control.

And, as difficult as it is, there still should be some way to regulate production so that there is some stability in the amount of grains that are produced to stabilize prices that they can be in the interest of the producer economically.

Mr. DENHOLM. Do you agree with the basic economic principle that the only time you suffer an economic loss is when you fail to use or abuse your natural resources and fail to grow and harvest a crop. Actually it does not matter whether the money is paid from some other source or not; isn't that a basic law of economics?

Mr. Moos. Yes.

Mr. DENHOLM. What do you recommend for a national policy in the long run? When a producer of any commodity can not grow wheat he must produce something else. If I grow corn that presents a problem of overproduction of corn.

Mr. Moos. I should expect that you have a history of a certain type of grain production on your farm and if it is a grain-producing farm—

Mr. DENHOLM. It was wheat. I have a farm history. It is less every year and we are worse off now than in any prior year or years.

Mr. Moos. This I don't quite understand myself.

Mr. DENHOLM. Thank you very much.

Mr. FOLEY. Mr. Chairman, let us go back for a moment to the question which this gentleman raised: how many wheat producers do we have in the United States, in round figures?

Mr. Moos. The figure is tossed around about 600,000 commercial wheat producers. Then of course, if you count everybody that produces wheat, the Nation across, there are probably a million or more.

Mr. FOLEY. And these individual producers are producing various types of grain, some for export and some for domestic use of various kinds?

Mr. Moos. Yes. They are limited to the area and climatic conditions of the type they can produce and that in turn is limited by its in-use capabilities.

Mr. FOLEY. Are they highly organized for bargaining and marketing purposes as a group?

Mr. Moos. Throughout the United States, no.

Mr. FOLEY. Isn't it then inevitable that as long as we have no production controls, the technological capacity of the American wheat grower is going to produce catastrophic surpluses?

Mr. Moos. Yes; I am sure of this. This is one of the reasons that we argue with the philosophy of set-aside programs, that it is in the makeup of a farmer that he is going to utilize very acre he possibly can every year, to produce a crop, and that the economics of it is

not the determining factor of whether he produces or not, particularly in the commercial wheat areas, and in the dryer summer-fall areas there are not very many alternatives to the production of wheat.

The additional acres that a wheat producer can put into crop under this set-aside farm program, even as attractive as that program may be, that individuals result in producing that many more bushels of wheat as far as total United States stocks are concerned. The difficult effect then is on the price situation, the marketing situation, and all producers really suffer from this.

Mr. FOLEY. You mentioned the fact that the Department tends to be extremely cautious about being in a short-supply situation and tends to divide the issue more on the side of adequate supplies versus short supplies. We had the problem in the previous administration in 1966, as well.

But, haven't we had two major movements toward expanded acreage planting?

Mr. Moos. Yes, sir.

Mr. FOLEY. Is that response, in your judgment, primarily for the threat of oversupply that we face?

Mr. REES. Yes; it would be, Congressman Foley. The remarkable thing is that we have noticed in visiting with our producers the psychology of production that it shows, also the fact that they know that there is going to be an over-abundant supply, surpluses, and they, as individual producers, have to relate themselves to how they are going to survive under the cost-price squeeze. So, instead of the Department setting production goals we have producers imagine, that many producers individually trying to preguess world needs when they are preparing land, fertilizing a year ahead of their crop harvest. The psychology created by the set-aside is to produce more on our land, more acres, more fertilizer, to get more production because if we, as individuals, are going to survive, we have to produce more than anyone else around us, so the psychology is wrong and that is what has to be turned around.

Mr. FOLEY. Instead of encouraging restraint and adaptation of production to marketing situations, it really forces the wheat farmer to keep moving ahead to expand production just to keep a relative stability with this surplus condition.

Mr. REES. This is the fear we had in the program from its conception when it came before this committee and went through about 16 and a half months of deliberation. Working with the coalition, and in our own opinion, we did not see sufficient supply-demand control in the farm bill.

We were afraid of this at every step of the bill's development and as we went down the line working with you and many members of this committee and on the Senate side, to try to get some supply management in the farm bill. We were not successful and in the end we supported the bill because we felt it was the best thing possible at the time, but I am sorry to say some of our fears and many of the coalition's are being borne out.

Mr. Moos. The first part of Mr. Foley's question, I think there is, in the judgment of most farmers, they feel it is impossible for the USDA to guesstimate how much wheat or feed grains can be produced in any 1 given year on any given amount of acres; that the weather, disease and all of these factors make it very difficult, and when we

get into those kinds of situations in farm programs where we have to do this, then we get into the difficulty that we are in again this year, and so this is the basis for the reasoning and the wheat growers, for the need of some sort of reserve supply program to bump up against during these periods of stress or overproduction or underproduction, if you will, and it only seems to pinpoint the urgency that this subcommittee should use in considering some sort of reserve supply program.

Mr. FOLEY. Thank you very much.

Mr. PURCELL. Mr. Melcher.

Mr. MELCHER. Mr. Moos, I appreciate your statement here today and I just have a couple of questions that I think should be incorporated in our record. They are in regard to the price of wheat.

Will you relate to us the current price of wheat and last year's average. I think this will be helpful to the subcommittee.

Mr. Moos. The current national average?

Mr. MELCHER. The current price in your area, nationally or anywhere.

Mr. Moos. First, in my area the current price is about \$1.30 a bushel. In June of this year it was \$1.60 a bushel. Last year at this time it would probably—I am guessing now—probably would have been in the area of \$1.40 a bushel.

Nationally, I would have to refer to Glenn Weir on this, he being the expert, but I think the national average market price will probably be in the range of \$1.26 or \$1.27.

In June it was \$1.46 per bushel as compared to \$1.26, \$1.27 today.

Mr. MELCHER. What, then, would be the projected price for next year, assuming that there is an increase in the crop?

Mr. Moos. I would be very doubtful if the price for wheat would be very much above the net loan. I can't imagine what would make it higher with that kind of carryover supply, what could possibly make it go up much higher than loan.

It would be only as farmers utilize the Government loan to get a return on their wheat and tie up stocks that there would be any kind of an artificial shortage whatsoever which could elevate prices above loan values.

Mr. MELCHER. Then at \$1.25, the national loan average, what would be the position of the producer; would he be producing wheat at a profitable figure or would he be above or below the cost of production?

Mr. Moos. Again, this is a difficult question to answer, depending on what producer you are talking to in what particular area of the United States.

There have been many studies conducted in all of the different areas. I think a study in Nebraska of a year or two ago showed that the cost of production was in the area of about \$1.50 a bushel and ranged on up, depending on the circumstance, land, water, and what have you.

In the Pacific Northwest, a survey was also conducted, a study made and our cost of production out in the Pacific Northwest would probably be in the range of \$1.25 on up, depending on size of farm again, and location. So, it is very difficult to do this on a national basis.

I think you would be fairly safe in saying that there would be very few spots in the United States where we can be produced for loan price and show any kind of profit whatsoever.

Mr. MELCHER. Then, faced with the set-aside program, apparently out of hand with regard to wheat and feed grains, we had better be anticipating some method of bolstering farm incomes.

I notice that you recommend an increase in the set-aside for feed grain, but you leave wheat out of that. Is this because wheat has already been set for this year?

Mr. Moos. Yes, sir. First of all, of course it is limited by the language of the new law that the set-aside diversion requirement for 1972 can be no higher than it is at this 83 percent unless the Secretary were to proclaim acreage controls. We have been told that this becomes almost physically impossible, particularly at this stage of time, where the producers have already put most of their capital inputs into the preparation for seeding of the 1972 crop, and physically and probably politically it is impossible to perhaps change the diversion or the idling of acres for wheat on a mandatory basis.

Mr. MELCHER. The real thrust, then, of your presentation here, is that cost of production is climbing?

Mr. Moos. Yes.

Mr. MELCHER. That actually farmers, wheat or feed grain farmers, could end up with lower net returns next year, despite raising more bushels of their respective crops?

Mr. Moos. I would have to agree with that, unfortunately.

Mr. MELCHER. Therefore, we had better be doing something about strengthening the farm net income?

Mr. Moos. Yes.

Mr. MELCHER. I thank you, Mr. Moos, and Mr. Chairman.

Mr. DENHOLM. Do you know the total wheat production in bushels for the current crop year and last year?

Mr. Moos. Yes. The latest crop estimate for this year is 1.625 million bushels and the figure for last year was 1.378 million bushels.

Mr. DENHOLM. Thank you, Mr. Moos, and thank you for an excellent statement before the committee.

Mr. PURCELL. Thank you, sir.

Mr. FOLEY. To follow up Mr. Denholm's question, if we have 60 million acres planted this year, and we get an average of about 30 bushels an acre, which would be conservative, perhaps, that is 1.8 billion bushels of wheat next year.

Mr. Moos. Yes, sir. That is a whale-of-a-lot of wheat.

Mr. PURCELL. Thank you very much.

Our next witness is Mr. Glenn A. Weir, Director of the Grain Division, U.S. Department of Agriculture. Mr. Weir is accompanied by Mr. Coffman with whom we are all well acquainted.

STATEMENT OF GLENN A. WEIR, ACTING DEPUTY ADMINISTRATOR, COMMODITY OPERATIONS, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE; ACCOMPANIED BY CLAUDE T. COFFMAN, OFFICE OF THE GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Mr. WEIR. Thank you, Mr. Chairman.

Mr. Chairman, I am Glenn A. Weir, Acting Deputy Administrator, Commodity Operations, Agricultural Stabilization and Conservation Service, USDA. I have with me Claude T. Coffman from the Office of the General Counsel.

We appreciate the opportunity of presenting the Department's views on H.R. 1163, a bill designed to establish and maintain reserve supplies of soybeans, feed grains (corn, grain sorghum, barley, oats) and wheat. In presenting the Department's position I will discuss five points: (1) the specific provisions of the bill, (2) the rigidities they would impose, (3) the relationships between the proposed legislation and (a) the program provided by the Agricultural Act of 1970 and (b) the CCC's present extended loan program, (4) certain areas not considered in the bill although related in nature, and (5) costs.

The Department's objective is strong farm prices, but the imposition of large, frozen inventories over the market is counterproductive to this goal. It is recognized that dependable supplies are essential to maintaining or expanding markets. This is particularly true for export markets which appear to afford the greatest opportunity for expansion and, therefore, are so important to producers of these commodities. Clearly, however, any additional programs relating to production, prices, and stocks of grains and soybeans should supplement the present programs.

This bill would require a separate reserve of up to 300 million bushels of wheat, 25 million tons of feed grains (in terms of corn about 900 million bushels) and 100 million bushels of soybeans. The reserve would be established through direct purchase at a price not to exceed the average price farmers received for such commodities during the 5 preceding market years. Net additional procurement of any commodity in any marketing year would be the lesser of (1) 80 percent of the estimated increase in carryover for the marketing year, or (2) the amount the maximum reserve inventory of a commodity as specified in this bill exceeds the quantity of that commodity owned by CCC at the beginning of the marketing year.

The maximum purchase prices and the quantity to be procured during the marketing year would be announced on the last Friday of (a) July for wheat, (b) September in the case of soybeans, and (c) October for feed grains.

Each commodity in the reserve would be offered for sale at not less than 120 percent of the average price received by farmers during the preceding 5 years except when the sale of reserves is prohibited by Presidential proclamation or concurrent resolution of Congress. Sales would be limited to the estimated reduction in total carryover for the marketing year. Dispositions would also be authorized to relieve distress, for use in a civil defense emergency and for the livestock feed program.

While the stated purpose of H.R. 1163 is in part to establish and maintain reserves to protect domestic consumers against inadequate supplies, to promote foreign trade and to assist in marketing, it would virtually freeze large stocks of feed grains, wheat and soybeans in Government ownership. It contemplates purchases and sales on the basis of anticipated supply situations at specified price levels. It would deny the Secretary of Agriculture any flexibility with respect to the levels of the reserves or for unforeseen developments. In maintaining the prescribed reserves, purchases might be required to be made at a time when sound policy dictated that sales be made, or vice versa.

The bill appears to be intended to remove substantial quantities of grains and soybeans from the market and one of the stated purposes

is to protect producers against an unfair loss of income. In the longer run, H.R. 1163 would tend to have the opposite effect on income because substantial reserves however isolated, would be price depressing. In addition, and importantly, the maintenance of part of the stocks as a separate reserve could discourage exports and thwart the extensive efforts that are being made to expand exports and at a time when they are most needed. If markets are lost the effect is lower incomes for farmers.

It seems inappropriate in our judgment to consider a proposal relating to the supply-use balance of major crops in isolation from current programs having the same purpose. Namely the production adjustment programs—the set-aside program provided by the Agricultural Act of 1970—are annual programs designed and operated to maintain balance between supplies and use of the various commodities. Supplementing these production adjustment programs is the loan and purchase and extended loan programs. These programs permit Government-owned and/or Government financed (loan) stocks to increase in years when production exceeds utilization because of unforeseen circumstances. Similarly, as during the past year, these stocks are used to augment supplies in the free market in years when unforeseen circumstances result in use exceeding production.

Loan programs are available to contribute to orderly marketing and to absorb surpluses. Sales of Government-owned commodities already are restricted by legislation to protect producers and to encourage private rather than Government marketing of these commodities. At the same time, the margin between loan rates and minimum CCC sales prices is not such as to virtually freeze Government-owned stocks and prevent them from being available when needed.

While H.R. 1163 provides a precise formula for establishing and maintaining reserve stocks, it is silent on certain related factors. For example, it does not consider the stocks under loan (including extended loan) or the extent to which the proposed reserves might or should be held other than in Government ownership. Neither does it fully recognize the continuously shifting situation in which some classes or qualities of wheat may be in surplus and others in short supply. Similarly, it ignores the fact that surpluses and shortages may occur at the same time in different areas for a single commodity.

The costs that would be incurred in implementing the program which this bill would establish depend on a number of unforeseeable factors. Although the purchase authority would expire at the end of the 1973 marketing year, neither the quantity that would be acquired nor the timing and unit costs of such purchases are perceivable. Assuming purchase prices equal to 1971 national average loan rates, about \$1.5 billion would be required to purchase 300 million bushels of wheat, 25 million tons of feed grains, and 100 million bushels of soybeans. Acquisition costs would be about \$200 million greater with purchase prices equal to the average prices received by farmers during the 5 marketing years 1966–70.

Similarly, the costs of maintaining the reserve can be no more than roughly approximated. Such costs would depend on such unknown factors as the rate of turnover, transportation, rate of interest and storage charges. Assuming a 4-percent interest rate, the present

warehouse storage charges and purchases at the national average loan rates, interest and storage alone would be close to \$250 million annually for the reserves that would be authorized.

Existing legislation and the programs established pursuant thereto, including particularly the resale and set-aside programs, provide a good basis for assuring adequate supplies and maintaining reserve stocks of wheat, feed grains, and soybeans. In addition with set-aside payments, commodity loans, and storage payments the producer has substantive price and income protection. Thus, while the bill is not in conflict with present programs, it is definitely overlapping and in our judgment, unnecessary. The Department recommends against enactment.

Mr. Chairman, I will be glad to answer questions.

Mr. MAYNE. Mr. Weir—

Mr. WEIR. Yes, sir.

Mr. MAYNE. Mr. Smith's bill provides for the purchases of soybeans as well as of corn and other feed grains, and wheat, and I have some serious reservations about the inclusion of soybeans. It seems to me we have had a pretty good record on soybeans in recent years, and whatever may be the case for Government purchases of corn and wheat, I myself, am unable to see any compelling reason why soybeans should be included.

Do you have any comments on that?

Mr. WEIR. Yes, sir. In fact, one of the big worries about 1971 and 1972 is the fact that we may not be able to get enough soybeans planted even at a price in excess of \$3 in order to satisfy a growing market, let alone maintain a market for a usage that we have seen in the last year or 2 years.

Mr. MAYNE. Isn't it true that the demand for soybeans and soybean products has been increasing annually for the last 20 years?

Mr. WEIR. True.

Mr. MAYNE. And that to meet this increased demand our soybean production has, in turn, been increased every single year, with one exception, since 1949?

Mr. WEIR. That sounds reasonable. At least in recent years it has; yes, sir.

Mr. MAYNE. And there is a continuing demand for more soybean production; is there not?

Mr. WEIR. Yes, sir.

Mr. MAYNE. So, on the surface it seems to me rather pointless to to be proposing going into the market and reducing our available supply of soybeans by making Government purchases.

Am I missing something on this that doesn't appear on the surface?

Mr. WEIR. Yes, sir; I think it is 100 million bushels of soybeans that is in this bill.

Mr. MAYNE. Well, now, our soybean prices are right at \$3 now in Iowa and they have been recently in the neighborhood of \$3.25 compared with an average of \$2.31 in 1969 and \$2.43 in 1968.

All of these things considered, it seems to me that we have been experiencing a reasonably orderly marketing of our soybeans with greater production and improved prices.

I am quite concerned that the Smith bill, if enacted, would disrupt this orderly marketing of our soybean crop and result in lower soybean prices for the farmer.

What do you say to that?

Mr. WEIR. That could be entirely possible as well as the loss of market, because of filling the requirement of the bill with soybeans.

Mr. MAYNE. The loss of what market?

Mr. WEIR. The export and domestic markets because of the shortage of soybeans, Commodity Credit hasn't any soybeans and haven't had for a period of quite some time and there is just a bigger demand than there is supply of soybeans.

Mr. MAYNE. Using the formula which is set out on page 2 of the Smith bill, I have tried to figure what the maximum purchase price for soybeans would be this fall as permitted by the Smith bill. As I figure it, it would be only \$2.57. The figures that I use are for 1970: \$2.85; 1969: \$2.31; 1968: \$2.43; 1967: \$2.49, and 1966: \$2.75, a total of \$12.83 divided by 5, which comes out to \$2.57. That is the average price during those preceding 5 marketing years.

Now, am I correct in my interpretation of this, this portion of the bill as it relates to soybeans, that the only way that the Government could purchase any soybeans this fall under the conditions of the Smith bill would be if the market price fell below \$2.57?

Mr. WEIR. That is correct, Mr. Wayne.

Mr. MAYNE. That is almost 50 cents below the present price of soybeans in Iowa?

Mr. WEIR. That is correct.

Mr. MAYNE. Well, this, at least as far as soybeans, seems to me to be a very, very strong argument against the necessity of interfering with the soybean marketing record which, I think, has been quite favorable.

Mr. WEIR. If I might comment further on the implication that you made. We only took over, or are taking over, about 12,000 bushels of soybeans that were not redeemed because of the high price, and this, I think, is in the State of New York. All other soybeans have been redeemed at a profit above the loan.

Mr. MAYNE. Now, Mr. Weir, I don't know whether you are aware of this or not, but as soon as I received word on August 11 of the corn crop forecast announced that day, I wrote a letter to the Secretary, which was hand-delivered that day, urging him to take certain actions to stabilize and prove the price of corn this fall.

Have you seen that letter?

Mr. WEIR. I have not seen the letter. I am aware, I think, in general of the provisions you had recommended to the Secretary.

Mr. MAYNE. Just to refresh your recollection—and I will ask unanimous consent that my letter of August 11 to Secretary Hardin be included in the record at this point.

Mr. PURCELL. Without objection, so ordered.

(The letter referred to follows:)

AUGUST 11, 1971.

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

DEAR MR. SECRETARY: In view of the record corn crop which is forecast for this year, I believe it is vitally important that the Nixon Administration take action to stabilize the prices of feed grains. The Department's forecast this afternoon follows recent declines in cash corn prices, which have tumbled from an average of \$1.38 per bushel in mid-June to \$1.10 this week in Iowa. While it is true the threat of southern corn leaf blight remains high, it would be in the best interests of all concerned for the Department to prevent the price from declining further.

A review of the situation leads me to believe that any or all of the following courses of action would help stabilize the price of corn:

(1) Reopen the sign-up period for sealing the 1970 corn crop. Many eligible farmers elected not to seal their 1970 crop with the anticipation of selling the corn at the highest possible market price. The market price has since declined sharply and these farmers are still holding their corn. Reopening the signup period, which expired July 1, would prevent this corn from further glutting the market.

(2) Offer a resale option on 1967 and 1968 corn. The Department previously announced that this corn would not be eligible for resale. The availability of this option would prevent prices from being depressed even further.

(3) Make market purchases of corn at harvest time. The purchase of 500 million bushels this fall by the government would certainly help stabilize prices. This grain could later be slowly fed back into the market with hopefully little effect on price.

This is a matter which I feel deserves your immediate attention. I trust you will give these proposals careful consideration.

Sincerely,

WILEY MAYNE,
Member of Congress.

Mr. MAYNE. I won't read the entire letter, but I start out by stating that in view of the record corn crop which is forecast for this year, I believe it is vitally important that the Nixon administration take action to stabilize the price of feed grains; and I suggested three specific steps be taken:

First, reopen the signup period for sealing the 1970 corn crop; second, offer a resale option on 1967 and 1968 corn; and, third, make market purchases of corn at harvest time. The purchase of 500 million bushels this fall by the Government would certainly help stabilize prices.

Now, you say you are generally aware of my urging the Department to do this?

Mr. WEIR. Yes, sir.

Mr. MAYNE. Do you know that I have continued to ask for these steps in recent weeks and the Department hasn't done any of these things up to the present time; have they?

Mr. WEIR. None.

Mr. MAYNE. And, as far as the first ones are concerned, the sealing, reopening the signup period for sealing the 1970 corn crop, the resealing option on 1967 and 1968 corn, with a month having elapsed the value of those steps has been greatly reduced over what it would have been if you had acted promptly. Isn't that true?

Mr. WEIR. I think that is right; yes, sir.

Mr. MAYNE. Well, I want you to know now, Mr. Weir, and I want you to take this message back to Secretary Hardin: I am still urging you in every way I can to make purchases of corn this fall, to enter this market and buy corn to help stabilize the price, and I am going to continue to urge that, and I think it is something that the Department certainly should do.

Do you have any comment on that?

Mr. WEIR. No, sir; I am not aware of any judgment or final decision that has been made on your suggestion.

Mr. MAYNE. Now, I have also been urging that the new program for 1972 be announced very promptly, within the next couple of weeks, and that this program provide for a much larger diversion in 1972 than the 20 percent set-aside that was provided for in the 1971 program, and I have urged and again urge you to make the terms of this program so attractive that there will be a larger participation by feed grain farmers in the 1972 program than there was this year.

Can you give me any idea as to when this new program is going to be announced? How soon are you planning to announce it?

Mr. WEIR. We are going to announce the program as soon as we feel the crop, the corn crop, is of a nature that we can more accurately than at the present time, determine what the end product is going to be.

Today and tomorrow we have the Secretary's Grain Advisory Committee and farmers from all over the United States, actual farmers in feed grains and wheat, and we are asking their advice as to such things as you have mentioned.

Next week we are having some of our state ASCS committeemen in to do the same thing: To endeavor to get all of the information as to the kind of program that would get the participation that you mentioned, to endeavor to get a better handle on the planting intention of farmers for 1972, and in reality to keep up to date on the corn crop, and the grain sorghum crop that is now coming in.

As far as being able to say the date that it will be announced, I have heard an October date, but I am not sure at this point that we can say definitely on such and such a date that it will be announced.

Mr. MAYNE. Well, the sooner it is announced, providing that there is greatly increased diversion, the sooner there will be some psychological help for this corn market—don't you agree?

Mr. WEIR. We realize that very much and that is one of the things that we are looking at daily, trying to get all of the information.

Mr. MAYNE. I realize that in planting the 1971 program, in view of the short corn crop last year and the great damage inflicted by the blight last year and the shortage of adequate supplies of blight-resistant seed, that those things had to be taken into consideration in planning the program this year, but certainly those factors have been removed from next year's program; have they not?

Mr. WEIR. That is true.

Mr. MAYNE. You have more than an adequate supply of blight-resistant seed for next year?

Mr. WEIR. We are assured from the seed companies that there will be adequate seed available for the plantings.

Mr. MAYNE. I will close, Mr. Chairman, by again urging Mr. Weir, and through him, the Secretary and everyone who has any responsibility for this program in the Department to please consider the purchase of corn this fall and also to come up promptly with an attractive program with much, much greater diversion than the present 20-percent set-aside, and to announce it soon so that it will be of real value.

Thank you.

Mr. PURCELL. Do you have any questions?

Mr. MELCHER. Yes.

Mr. Weir, on the bottom of the second page of your statement there is something that is a little confusing to me, but perhaps you can straighten it out for me.

"In maintaining the prescribed reserves, purchases might be required to be made at a time when sound policy dictated that sales be made, or vice versa."

How do you envision this happening?

Mr. WEIR. Well, I think the soybean question is a case in point there that could be used.

There are some classes of wheat where this might be true.

Mr. MELCHER. How would the soybean proposition—

Mr. WEIR. If we had to purchase—I think what I am saying is—if we had to purchase 100 million bushels of soybeans—

Mr. MELCHER. At what price?

Mr. WEIR. At any price really. Under the present circumstances when we don't have enough soybeans to supply the demand, that this would then be taking that 100—

Mr. MELCHER. At what price would you be purchasing soybeans?

Mr. WEIR. Well, the market now is \$3 a bushel.

Mr. MELCHER. Under the bill, at what price would you be purchasing them?

Mr. WEIR. The figures, I believe, Mr. Mayne mentioned.

Mr. MAYNE. If the gentleman would yield, my addition showed \$2.57.

Mr. MELCHER. Do you think you could purchase soybeans at \$2.57 now?

Mr. WEIR. No.

Mr. MELCHER. What has this to do with it, then?

Mr. WEIR. If we are required to purchase them in the law, I think we are saying here that this might be a case in point. That is what I am saying: That if we were required to purchase these soybeans it wouldn't be possible to do so.

Mr. MELCHER. Well, now, if you can't purchase them, you wouldn't be purchasing them.

Mr. WEIR. That is right.

Mr. MELCHER. How is that an example? That is what puzzles me. I followed that dialog before. Under the bill you purchase them at \$2.57, and you stated you couldn't do it at \$2.57, so I guess you won't be purchasing them.

Mr. WEIR. As we read it, the bill requires us to purchase that amount of soybeans.

Mr. MELCHER. Well, if under the law you couldn't offer \$2.57, I guess you wouldn't be in the market, though, would you?

Mr. WEIR. I don't see how we could be.

Mr. FOLEY. Just note for the record that the author of the bill, Congressman Smith, is shaking his head "no" on the requirement that you would have to purchase—

Mr. MELCHER. Give me another example of some class of wheat you might have to purchase, because I want to test the validity of your statement under market conditions.

Mr. WEIR. In some areas in the soft red winter wheat, at certain times of the year the mills were having a hard time getting soft red wheat. If we were forced to get in the market for a mix of wheat and purchase soft red wheat we would be denying those millers that class of wheat.

Mr. MELCHER. Do you think we would reach a happy state, then, when the millers would actually be going after this wheat and really bolstering the price? Do you envision that? Do you envision yourself, under the bill, making it competitive to raise the price of wheat?

Mr. WEIR. I am not saying we are competitive. Apparently there is a difference between the author of the bill and the way our attorneys have read the bill as to the requirement to purchase. But, if we were required to purchase wheat in that area we would be in direct competition, I think, with those mills.

Mr. MELCHER. Yes. Well, is that bad?

Mr. WEIR. It would be if we had to purchase the wheat.

Mr. MELCHER. Well, I will rephrase it.

Mr. WEIR. What I am saying——

Mr. MELCHER. Wouldn't this raise the price of wheat, then?

Mr. WEIR. One of the problems is: There is not as much soft red wheat in that area as there has been in past years to satisfy the millers' demands at certain times of the year.

Mr. MELCHER. Well, I will accept that and I will drop that line of questioning

I just have a couple questions that I think are more serious than this particular point, and that is: You object to this bill and have so testified, and have objected to a bill that four of us on this subcommittee have introduced; H.R. 8290 and the companion bill, H.R. 8564. Both of these bills are designed, as is Mr. Smith's bill that we are discussing today, to bolster income for grain producers, in view of what appears to be a sure-fire net decline in their income for the coming year.

You have listened to Mr. Moos and Mr. Smith this afternoon. Both testified that in the case of corn producers they think their net income is likely to be lower, and Mr. Moos testified to the same point about wheat producers.

Since you don't favor what has been offered, what do you have to suggest to avoid a lower net income for grain producers next year?

Mr. WEIR. We would suggest that wherever possible they plant the best crop that would afford them the greatest net income, and in many parts of the country there are alternative crops that if, in the case of wheat, does not afford them that opportunity, there are soybeans or some of the feed grains that would.

Mr. MELCHER. The people Mr. Moos represents, and the Montana wheat producers, are not in the position to raise soybeans.

Mr. WEIR. I realize that.

Mr. MELCHER. Do you have any other suggestions?

Mr. WEIR. A lot of people are raising barley in the Pacific Northwest and find that it is an acceptable or profitable crop as in the case of wheat.

Mr. MELCHER. We are raising a lot of barley and we are finding that the price is horrible. Our projection is that it is going to be produced and sold at much below the cost of production per bushel right now and next year, both.

Now, there is nothing else that you can suggest then, to the subcommittee, other than raising the most profitable crop they can find?

Mr. WEIR. I think that is the only opportunity that is available.

I have differed with Mr. Moos on many occasions, having known him over many years. I agreed with him on a lot of occasions and I think he would realize the strike in the Pacific Northwest has had an effect on the markets. The Pacific Northwest has the highest yielding wheats, and if their income hasn't been satisfactory, I wouldn't know what to suggest for him to grow.

Mr. MELCHER. Well, I guess, Mr. Weir, our problem here on the subcommittee is to find something to suggest and something to do that will avoid this catastrophe of lower net income for the grain producers.

I thank you and thank the chairman.

Mr. PURCELL. Mr. Zwach.

Mr. ZWACH. Thank you, Mr. Chairman.

Mr. WEIR, just over a month ago, before we went into recess, were you here when we had the discussion on the increased loan rate?

Mr. WEIR. No; I think that was Mr. Carl Farrington, who has since passed away.

Mr. ZWACH. You were not here?

Mr. WEIR. No; I was not here.

Mr. ZWACH. Have you read the testimony?

Mr. WEIR. I have read it, but it was at the time that we were presenting it.

Mr. ZWACH. Wasn't it in many respects, a prelude to what—the situation we have now?

In your testimony in the second paragraph you make the statement that the Department favors strong farm prices; is that correct?

Mr. WEIR. That is very correct.

Mr. ZWACH. That is your testimony?

Mr. WEIR. Yes, sir.

Mr. ZWACH. Do you want strong, improved farm prices?

Mr. WEIR. That is true.

Mr. ZWACH. But you then say the imposition of large frozen inventories over the market is counterproductive.

Mr. WEIR. That is correct.

Mr. ZWACH. To this goal.

Mr. WEIR. That is right.

Mr. ZWACH. Now, what we have now is large unfrozen inventories over the market; is that correct?

Mr. WEIR. I wouldn't call them large inventories in any case.

Mr. ZWACH. Well, you know what has happened to corn.

Mr. WEIR. We don't have this corn crop in an inventory situation at the moment.

Mr. ZWACH. I know we don't. But the psychology of it has knocked the very bottom out of prices.

Mr. WEIR. I would say two things have played a big part: psychology of the big corn crop and psychology of the gulf east coast and west coast dock strikes has played a big part.

Mr. ZWACH. A month ago I read into the record a letter to the Secretary of Agriculture that I, as a longtime farmer living in a rural area sent to the Secretary with regard to the passage of the present farm program, the 1970 act, which everybody knows I fought and fought and fought to improve. It did put in a great deal of flexibility to give the Department chances to maneuver. It was a very flexible program. I asked that they should have the loan rate above \$1.05 on corn. This is in November 1970 now. I asked that they should announce additional set-aside of 20 percent voluntary and not release any commodities unless the price got to parity.

Now, I saw this thing coming and my heart sank the day that the 20 percent set-aside was announced.

How much did you have to do with that?

Mr. WEIR. At that time, Mr. Zwach, I was director of the Grain Division.

Mr. ZWACH. You are the director of the Grain Division?

Mr. WEIR. I was at that time; yes, sir.

Mr. ZWACH. You were at that time?

Mr. WEIR. Yes, sir.

Mr. ZWACH. So you had a major part in making the decision to make only a 20-percent set-aside?

Mr. WEIR. I wouldn't say a major part. I had a part in the decision-making.

Mr. ZWACH. It was made there?

Mr. WEIR. Yes, sir.

Mr. ZWACH. It was very wrong, wasn't it?

Mr. WEIR. Only if you could have looked in the future and forecast this big corn crop. However in listening to some of the gentlemen in the subcommittee this afternoon, I wonder whether it is going to be that large or not.

Mr. ZWACH. Well, I wonder. I am coming to that part of it next.

Mr. WEIR. But at the time we were looking at a 4.1 corn crop of the year before and with the pathologists, the scientists, the seed companies saying we would have at least as good a chance to have the same kind of corn crop or a similar one in 1971, I think the Secretary had no choice but to allow to be planted enough corn to get into the 4.5 range of a corn crop for 1971.

Now, in using hindsight and looking back to Mother Nature, you can say that there was too much corn planted and the farmers, we spent quite a lot of the Department's money in going out in December and trying to find out what the farmers were thinking; again in March. But, Mother Nature again intervened and by the quirk of nature, the planting weather at the time of corn planting was absolutely ideal over the corn belts.

Now, all of these factors, I think, encouraged a much larger planting of corn.

Mr. ZWACH. Had you had a strategic reserve bill on feed grains then—when I say "feed grains," it applies also to wheat—wouldn't you have been able to gamble a little more on some additional retirement and come closer, if you had had that assurance?

Mr. WEIR. That is true, but I think there are very few people who could say you could count right on the mark as far as estimating any kind of a crop.

Mr. ZWACH. Had you had a strategic reserve, you would perhaps have been able to safely require more retirement of land?

Mr. WEIR. I think that that may have been true. If the stocks that we had available to us in Commodity Credit, which we used through the year to supply the processors and livestock people who had made commitments for grain, I suppose that you could say that with the additional amount of stocks that would have been in a reserve, then that could have been taken into consideration in setting the set-aside; it would have been a factor to consider.

Mr. ZWACH. Did you take that into consideration?

Mr. WEIR. Of course we had no strategic reserve.

Mr. ZWACH. You did take the commodity and the amount stored on the farms, you took, that all into consideration and still asked only for 20 percent retirement?

Mr. WEIR. That is right, and had we had a per acre yield comparable to what we had in 1970, we would have had a situation in corn now where we would have had no extra corn coming in in this crop; in fact we would have had a short supply situation during this coming year because we have exhausted to a major extent, our stocks in Commodity Credit.

Mr. ZWACH. You asked for too much. We have been after you, pushing, and what are you going to do now to try to improve the prices to our producers? You have asked for the big production. They have delivered the goods. They are going to face a terrible situation if there isn't an improvement.

I asked the Secretary, before I went home in August, I wrote him a letter again, to renew the same situation I presented in November of 1970, but still I haven't gotten an answer to my letter written over a month ago. I haven't gotten an answer.

Mr. WEIR. If you will permit me——

Mr. ZWACH. What are we doing now?

Mr. WEIR. If you will permit me, I would like to trace your letter and see that you do get a reply.

Mr. ZWACH. I would appreciate that. It is now a month and an extra week old and I would like a reply and I would like you now to state what you are planning, the steps you are planning to try to improve the corn prices.

Mr. WEIR. Well, of course we haven't arrived at the provisions of the 1972 feed grain provisions, which is where the value, I think, of the improvements could come in the immediate future. We haven't arrived at those decisions as to what those provisions would be. This is the way we are working to get the provisions announced at a time when they will have a good effect on the 1972 outlook as well as the 1971 crop.

Mr. ZWACH. I think from what I have been able to gather, calling around the country to farm organizations, and from what I have seen, I think your estimate of 5.3 something and 5.2 now is very high. Either your August report is wrong or your September report is wrong. One or the other is wrong because there has been a great deal of deterioration.

How up to date is this recent announcement of 5.26?

Mr. WEIR. As of September 1.

Mr. ZWACH. September 1. Is it as recent as September 1?

Mr. WEIR. Yes.

Mr. ZWACH. No data gathered before that?

Mr. WEIR. The last few days. I am not sure how the days broke. It is gathered the first week.

Mr. ZWACH. You used every ASCS office?

Mr. WEIR. ASCS does not enter into this crop report at all.

Mr. ZWACH. You don't at all consult the ASCS Committees throughout the United States?

Mr. WEIR. SRS, Statistical Reporting Service, over the years has performed inservice for the Department of Agriculture using farmers in all States.

Mr. ZWACH. Are these letters that go out?

Mr. WEIR. These are questionnaires that go out to the same people year after year and report after report analyzed for the statistical clarity and continuity over the years.

Mr. ZWACH. But that is all you use?

Mr. WEIR. That is what the statistical——

Mr. ZWACH. No ASCS Committee people are available to you or anything else; you just use that service?

Mr. WEIR. SRS is the official reporting service of the Department of Agriculture.

We realize that the statistics that we have to work with are all-important in situations such as we are in and have been over the years, but have become more important in such situations as we are in as in the case of corn and in such situations as we are in in the case of wheat for next year.

The track record of SRS has been good and all at once do we disbelieve the reports of SRS?

We have learned over the years, or the people who have been in the Department longer than I have learned that they are nearer right in some cases than we would like to believe. Personally, I am on your side as far as the corn crop is concerned. We have no proof and no statistical information that would back that up.

Mr. ZWACH. Do you feel it is perhaps less than the 5.2?

Mr. WEIR. Perhaps it is optimism or pessimism, but I think that the deterioration that you and some of the other gentlemen have spoken of has taken place in some areas.

Mr. ZWACH. You see, if this isn't reflected in this last report, you can see this means so many, many millions of dollars to my constituents, and I am fighting for the economy of Rural America, and those estimates ought to be accurate and ought not to be on the optimistic side; they ought to be, as far as possible, on the nose.

Mr. WEIR. Congressman Zwach, at the Crop Reporting Board, as you know, they are collected in sealed envelopes from the areas within the State and sent in here sealed and opened in a locked area in the Department, and last week we asked several farmers from the corn belt area to come in and sit in that Crop Reporting Board action during that day to dispel any fears that it might be a number that was taken out of a hat.

I think some of the stories I have heard in talking to those people, they came away realizing that it was a statistical service and the validity was certainly by them not open to question.

Mr. ZWACH. How many farmers did you have come in?

Mr. WEIR. I am not sure, but I think it was eight or 10. I had nothing to do with that.

Mr. ZWACH. You don't review the county agents' reports that are made?

Mr. WEIR. No; this does not come in. This does not come into the monthly crop report; no, sir.

Mr. ZWACH. Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Bergland.

Mr. BERGLAND. Mr. Weir, I understand you farm in Kansas.

Mr. WEIR. I have farmed in Kansas. I, of course, am not allowed to work since working for the Department of Agriculture; no, sir.

Mr. BERGLAND. How long have you been with the Department?

Mr. WEIR. Two and a half years; not quite two and a half years.

Mr. BERGLAND. I understand from our colleague from Kansas, Mr. Sebelius, that the weather out there from time to time is hard to predict, and I have been told that Kansas frequently loses its crops five times in 1 year. I suspect that is not an accurate statement.

When you planted your crop did you have any idea what kind of a yield you would get?

Mr. WEIR. Only eternal optimism.

Mr. BERGLAND. That seems to keep most of us alive.

Mr. WEIR. That is right.

Mr. BERGLAND. The fact is: Of course, this is true of every crop in every part of the United States. We have weather, disease, what have you. It is impossible for any farmer to even more than guess what his yield might be because of these factors?

Mr. WEIR. That is right.

Mr. BERGLAND. Is it possible, those of you in the Department, during the course of the winter months, in making plans and preparations for decisions on the program for the year coming, to make any prediction with any degree of accuracy as to what the yield will be, given the vagaries of weather and disease?

Mr. WEIR. Only from past experience, and I think over the years, without being forced to take a particular area, and this is where the problem really comes, when the crunch comes down to predicting the vagaries of weather for 1972, for example, I think statistics, with statistics you can go over the yield of past years within a certain area or within certain parameters, and come pretty close to the yield, but this doesn't say that the same thing doesn't happen that happened to wheat this year, a record yield in many places.

Mr. BERGLAND. Well, when you were making decisions for the program this year, you did not intend to deliberately design a program that would stimulate production beyond demand; did you?

Mr. WEIR. Not in any way.

Mr. BERGLAND. So this huge crop was a product of good weather and ideal climatic conditions in the United States?

Mr. WEIR. From Oklahoma to Canada, really in the case of weather.

Mr. BERGLAND. And so the price decline we see as a result of a big crop is not a result of your deliberate planning?

Mr. WEIR. That is right.

Mr. BERGLAND. It is an error in judgment that can happen to anybody?

Mr. WEIR. Yes, sir.

Mr. BERGLAND. I am rather perplexed. Given the fact that we can't predict with any degree of accuracy or reliability what the yields are going to be in the wintertime for the ensuing year, how can the Department, therefore, be opposed to a reserve program that would give a cushion so that if there was an error in judgment, and this is bound to happen, I care not who the people are—there is nobody on this earth that can predict what the yields are going to be—how can the Department oppose this program that would provide a reserve from which we could draw should the crop be short?

We know we cannot run out of grain and should the crop be short there would be a place from which the grain could be drawn, which would be an improvement over the present situation.

My granary this year, and the grain buyers know it, is overflowing and it is available for sale at the loan rate or a few cents above. My point is, Mr. Weir, that I can't understand how the Department can be opposed to a program like this that would certainly better enable them to make decisions that would bring about a near balance between supply and demand and avoid this rollercoaster effect with these disastrously low prices, where you misjudged the yield and misjudged on the low side.

Mr. WEIR. Of course, Congressman, it is our philosophy, and we apparently differ in our philosophy, that to put a reserve on top of our

loan program and our reseal program just does increase the supplies that do hang over the market in addition to what we would normally have in our current loan and reseal programs.

Mr. BERGLAND. Well, last spring I was talking with a number of program people in the Department and they were all up tight about the corn blight and this was the reason given for the set-aside rates at the level chosen. They were fearful that the corn blight would recur and we would wind up with a shortage of corn.

I can't argue with that reasoning. But if we had 800 million bushels of corn on hand in a reserve that was insulated from the market as proposed in the Smith bill, with the amendment that has been discussed by Mr. Mayne, which I think makes good sense, you would not be confronted with this terrible choice, it seems to me, because you would have this grain in reserve to draw upon in the event the blight was more severe than we could afford, it would seem to me it would make good sense that a program that we are considering today would aid the program administrators in their decision; and, of course have a tremendous value to the growers of grain who are suffering terribly at the hands of this disastrous market.

You express a concern over the possible shortage of soybeans for next year. I would suggest you raise the price on the loan rate 50 cents a bushel and you would have enough soybeans produced and the increase would come at the expense of corn acreage and we certainly don't need more corn next year.

Thank you very much.

Mr. PURCELL. Mr. Kyl.

Mr. KYL. No questions.

Mr. PURCELL. Mr. Link.

Mr. LINK. No questions.

Mr. PURCELL. Mr. Denholm.

Mr. DENHOLM. Statistical findings in the final analysis are no better than the random samples, are they?

Mr. WEIR. That is true.

Mr. DENHOLM. Congressman Zwach's inquiry indicated objection to the method of random sampling.

Mr. WEIR. You mean in the number of samples that we use?

Mr. DENHOLM. The number of samples is immaterial. I think the question is relevancy and reliability. I understood that the gentleman from Minnesota didn't agree with the method you used in sampling. Therefore, the findings couldn't be correct. Are you now admitting personally, at least, but not speaking for the Department, that you are not satisfied with the findings of the statistical analysis?

Mr. WEIR. No; I certainly didn't intend to say that. I said, or meant to say, at least, Congressman, that the statistical methods that we used can be improved and I don't think there is any doubt that anyone would disagree with that, but over the years the statistical reporting service has been accurate, and while we may not always agree with it, they end up in the final estimate on many of the crops, much closer than they were given credit for during the time that the crop was being made and harvested and in turn, the final estimates made.

Mr. DENHOLM. May I now refer you to the testimony of Congressman Mayne, our colleague from the State of Iowa, and your dialog on the soybean issue?

As I understand the proposed bill by Congressman Smith from the State of Iowa, it would in no way pertain to soybeans in calendar year 1971 production, is that correct, sir?

Mr. COFFMAN. Well, I don't know.

Mr. DENHOLM. Have you read it?

Mr. COFFMAN. We had read it to mean there had to be a reserve. There is a maximum on the price at which we could pay which would eliminate any purchases now, of course. I assume, however, that this bill would continue in effect. I don't know what the situation would be next year.

Mr. DENHOLM. Mr. Weir, did you prepare your statement for testimony today?

Mr. WEIR. Yes, sir.

Mr. DENHOLM. How can you oppose something you don't understand?

Mr. COFFMAN. We thought we did understand it, but I find the Congressman has stated his intent was not as expressed in the bill. The language could be easily changed, of course. I think the important thing is what he intended, because the language can be adjusted rather simply.

Mr. DENHOLM. You understand it now, do you not?

Mr. COFFMAN. I understand the language and I think I understand what he says his intent was.

Mr. DENHOLM. Are you still opposed to it?

Mr. WEIR. The intent of the bill—my testimony was prepared on how we understood the bill.

Mr. DENHOLM. Did you have any counsel with the author of the bill prior to preparing your testimony?

Mr. WEIR. No.

Mr. DENHOLM. Did you contact him?

Mr. WEIR. No; we thought the language was plain as far as we were concerned.

Mr. DENHOLM. If the bill was passed over your objection, it is not mandatory, would you (USDA) administer it?

Mr. WEIR. That would be up to the Secretary and the intent of the legislation would be taken into account there.

Mr. DENHOLM. Who makes policy in your Department?

Mr. WEIR. The Secretary of Agriculture.

Mr. DENHOLM. Do you recall the meeting we had with him in early May of 1971 when a group of farmers and a group of Congressmen met with him in his office?

Mr. WEIR. I wasn't there.

Mr. DENHOLM. Did you hear anything about that meeting?

Mr. WEIR. Not that I recall.

Mr. DENHOLM. Very well. Permit me to inform you as to what then occurred. Rural people, businessmen, farmers, and ranchers were distressed about the outlook of the future income this year. On that occasion I personally talked with the Secretary of Agriculture. I told him personally that the Agricultural Act of 1970 placed an undue burden on the Secretary of Agriculture, as one man, to make difficult decisions. I asked Mr. Hardin if it would be of assistance to him if this Congress would assume some of the responsibility for raising the prices received on commodities produced by farmers and he indicated that he would appreciate the support of Congress on that issue.

But each time, gentlemen, that we have tried to do that the personnel of the U.S. Department of Agriculture come down here and oppose it.

What is your explanation of that position?

Mr. WEIR. Well, Mr. Denholm, we just don't believe that the reserve fit in with the philosophy of the operation of the farm program and it is another layer of supply that would be laying over the market. I think it is just as simple as that.

Mr. DENHOLM. I refer again to the testimony of Congressman Mayne, our distinguished colleague from the State of Iowa. He indicated that he sent a letter to you sometime ago and that he has never received an answer.

I sent a telegram to the President of the United States, following his message on August 15, 1971, and I also sent a copy of that telegram to the Secretary of Agriculture, urging them when freezing prices, to freeze the prices received by farmers.

Do you know anything about that telegram?

Mr. WEIR. No.

Mr. DENHOLM. The record may show that the telegram has not been answered either by the Secretary of Agriculture or anybody under the President of the United States.

We are concerned about excess profits. If prices received by packers and processors on finished products are frozen and nothing is done about the raw materials required to produce the finished product—who benefits from the difference between the two, when prices received by producers are substantially lowered, hogs go down at the rate of \$1.25 per hundredweight, per week? Who receives the monetary gain?

Mr. WEIR. I am sorry; I didn't get the point of your question? (The pending question was read by the reporter).

Mr. WEIR. I am afraid I am not competent enough in the livestock area to answer that question.

Mr. DENHOLM. Just relate it to grain. Did you freeze the prices received by farmers for grain as of August 15?

Mr. WEIR. No.

Mr. DENHOLM. But you did freeze the prices the retailer would get for his finished product; did you not?

Mr. WEIR. Yes, sir; except for raw agricultural products.

Mr. DENHOLM. Suppose corn goes down to \$1 a bushel. Who, in your judgment, and I am asking you for a personal opinion, is going to get the benefit of the difference between the cost price and the price received by the people who have control over the finished product?

Mr. WEIR. The price of the pork on the hoof is not frozen, as I understand it.

Mr. DENHOLM. That answer, Mr. Chairman, is not responsive. If there is to be a freeze on prices, why didn't the prices received by farmers become stabilized as of August 15? Packers and processors presumably were receiving a margin of profit on that day or buying the raw materials at a cost level consistent with acceptable standards of business profits. What happened to the interests of farmers, ranchers and rural people on that occasion and what was the Secretary of Agriculture doing in the interest of farmers on August 15, 1971, and during the time the President and his advisors were deliberating thereon?

Mr. WEIR. Of course this is out of the area that I have any competency in, but the Secretary was one man on the Cost-of-Living Council in the period that those decisions were made in.

Mr. DENHOLM. Has there been any discussion of this issue in the Department?

Mr. WEIR. Not in my area; no, sir.

Mr. DENHOLM. Do you agree they could relate to grain as well as livestock?

Mr. WEIR. Certainly; grain and livestock are closely related.

Mr. DENHOLM. I want to commend you for making an excellent statement in opposition to any attempt to increase the income of farmers-ranchers and the people of rural America. I note with interest your conclusions wherein you say in your testimony that you think the present policies and programs are adequate to solve the problems of income for people in the rural communities of our country.

How do you equate that with what Congressman Zwach indicated, which was the second paragraph of your statement? It seems to me that it is inconsistent, if not outright doubletalk.

Mr. WEIR. In the second paragraph we are in favor—

Mr. DENHOLM. Of doing everything you can to improve farm prices, and you know what farm prices are today—then you conclude by asserting that you are going to continue to do what you have been doing. How do you equate the two, Mr. Weir?

Mr. WEIR. I suppose we would say that with the 1972 feed grain provisions, which have not yet been announced, that every effort will be made to increase the income for farmers.

Mr. DENHOLM. Just how do you expect and how much would you anticipate raising the income to producers?

Mr. WEIR. As much as possible. I would say this: There could be a substantial increase, depending on the fees that would be announced.

Mr. DENHOLM. Is it the philosophy in the Department of Agriculture—

Mr. WEIR. No, sir; and I haven't heard it expressed and it is not true to my knowledge.

Mr. DENHOLM. Is it true in the basic—

Mr. WEIR. I am not an economist and I wouldn't comment on something that I think you should be an economist to do so.

Mr. DENHOLM. Is there any interest on the part of the administration or the people in the Department of Agriculture to propose any new programs?

Mr. WEIR. Do you mean new farm legislation?

Mr. DENHOLM. Yes. What is being proposed to increase the income of the farmers and the people of rural America?

Mr. WEIR. I think the feed grain provisions we are talking about will do everything that is possible to increase the income to farmers.

Mr. DENHOLM. Is that a new proposed program?

Mr. WEIR. Certainly it is new for 1972 and I think that it will be different from the provisions of 1971.

Mr. DENHOLM. You have previously stated that you don't have any idea what that will do to increase income to farm families.

Mr. WEIR. No; I can't say that. It seems to me it leaves us with a status quo.

Mr. DENHOLM. Mr. Weir, farm families are in need of policies and programs that will increase their income—not more status quo.

Mr. WEIR. I am not sure what you mean by "more."

Mr. DENHOLM. No matter what you do with the existing programs to reduce production in an attempt to raise prices—whether feed grain or something else, it is the deficiency of farm income that is the continuing economic force that adversely effect farm families.

Mr. WEIR. It is wheat, and—

Mr. DENHOLM. You know what the income level of farm families is at the present time. You know it is severely depressed. You don't have any new programs to offer and you obviously do not have any new proposals. Yet, you are in opposition to a plan to increase the income for farm people.

Mr. WEIR. And I think in my statement I hope that it was very plain that the acquisition of a reserve of grain would have—

Mr. DENHOLM. It would increase farm income now—

Mr. WEIR. I am not sure. I would not comment one way or the other on that.

Mr. DENHOLM. You are not really prepared to testify then, on that point? How did you decide to oppose the proposed legislation?

Mr. WEIR. Do you mean by markets or merely by income?

Mr. DENHOLM. I mean by income. If you raise the price of grains it would certainly raise the income of producers; would it not?

Mr. WEIR. Do you mean by isolating this range from the market and taking it off the 1971 crop?

Mr. DENHOLM. You can answer the question "yes," or "no".

Mr. WEIR. It would stand a chance of increasing the prices in the short run.

Mr. DENHOLM. Are you willing to do that?

Mr. WEIR. To do what?

Mr. DENHOLM. To increase the prices received by farm families on a short-run basis?

Mr. WEIR. Not at the expense of the long-term income to farmers.

Mr. DENHOLM. Well, now, are you willing to forego the long-term risk if we can do something about increasing income to producers this year? Are you willing to do it on this year's crop?

Mr. WEIR. I am saying we are going to do the same thing with our feed grain provisions and with the loans that are available to farmers.

Mr. DENHOLM. Would you explain for the record, as briefly as you can, exactly how you are going to raise the income for the farmers on the grains harvested this year by adjusting the feed grain payment for next year?

Mr. WEIR. I think the announcement for the provision of the 1972 feed grain crop will have an effect on the market prices as they go into harvest.

Mr. DENHOLM. When—this year or next year?

Mr. WEIR. This year: September, October, November, if it is announced in October for the corn crop that will be coming in.

Mr. DENHOLM. I fail to understand how that will substantially help the great majority of farmers on this year's crop. Maybe you can explain it to my satisfaction.

I don't see how it will help producers on this year's crop regardless of what is announced for next year in October of this year.

Mr. WEIR. The provisions that would be announced for the 1972 crop we think will have an immediate effect on the markets for the 1971 feed grain crop as it comes into market by telling the farmer earlier

than has been in the past what the feed grain prospects as far as program provisions are concerned, let him know what the regulations are going to be for the 1972 feed grain much in advance of what has been done in past years.

Mr. DENHOLM. Then you conclude—with reasonable certainty that markets will be firmed up and income to farm families will be increased before the turn of the year? Permit me to respectfully disagree on the basis that I find nothing in your testimony today to justify that conclusion.

Mr. WEIR. I would hope that the provisions would have a strengthening influence on the market; yes, sir.

Mr. DENHOLM. I am hopeful that you are correct. I have no further questions.

Thank you, Mr. Chairman.

Mr. PURCELL. Thank you.

Any other questions?

Gentlemen, without consultation we are going to just quit at this time. I have noticed that the other witnesses are here in Washington, with one exception, and so unless someone is planning to testify that cannot be here tomorrow, we will stop at this time, the reason being we are a little bit later than some of us thought we were going to be in getting other calls to the floor and I am sure it will only be a matter of a few minutes until we have to go over there.

Unless there is someone terribly inconvenienced we will recess at this time and begin at 2 o'clock tomorrow afternoon.

I apologize for not being able to meet tomorrow morning, but we can't.

STATEMENT OF WELDON V. BARTON, ASSISTANT DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. BARTON. Could we give our statement today rather than tomorrow?

Mr. PURCELL. Certainly. You can proceed.

Mr. BARTON. Mr. Chairman, members of the committee I am Weldon V. Barton, assistant director of legislative services of the National Farmers Union. I am pleased to have the opportunity to testify before this subcommittee today on H.R. 1163, the Strategic Storable Agricultural Commodities Act of 1971.

The National Farmers Union has recognized the need and has worked for a national strategic food reserve policy for the last 25 years. The delegates to our most recent national convention, meeting in Washington, D.C., February 24-27, 1971, adopted the following policy statement in support of a food and fiber reserve:

We support the establishment of a National Food and Fiber Reserve, embracing the principle of an ever-normal granary, to assure that our domestic food and fiber needs and commitments overseas can be met in any emergency. Commodities stored under this reserve policy should include, but not be limited to, wheat, feed grains, rice, cotton, peanuts, milk products, edible fats and oils and soybeans.

Use of these reserves should be limited to international or domestic emergency disaster and relief purposes and the cost should be charged to appropriate agencies such as Defense or Welfare and no release of these reserve stocks should be permitted into commercial markets at less than parity price.

Mr. Chairman, we think the argument for a strategic food reserve is just as compelling, or even more compelling, now than it ever has been.

The need for a food reserve should be obvious any year, since unpredictable weather conditions can cause food and fiber production to move substantially above or below normal yields during any given production year. But the need is especially apparent this year. In large part because of weaknesses in the supply management provisions of the set-aside farm program, we now appear to be faced with serious overproduction of several basic crops. The U.S. Department of Agriculture is now predicting record crops of corn, wheat, soybeans, and sorghum grain. As compared to last year, production of corn and grain sorghum is expected to be up 30 percent; wheat up 16 percent; and soybeans up 9 percent.

There is no better time than now to establish a food and fiber reserve, to afford some protection to farmers from the low prices resulting from any overproduction in 1971 and subsequent years.

We strongly support enactment of legislation based upon H.R. 1163. We offer the following recommendations for the committee's consideration in marking up H.R. 1163:

(1) The bill should be broadened to include other commodities, including rice, cotton, peanuts, and milk products.

(2) The reserves are moderate in size as provided in H.R. 1163. Since the reserve stocks of the commodities can be rotated to keep them in good condition, there is no reason to unduly hold down the amount held at any given time. We urge the committee to provide that a minimum percentage of at least 25 percent of the normal annual yield of each commodity to be held in reserve.

(3) Except in a declared national emergency, the reserve should be insulated from the market, and no stocks should be sold into the open market at less than full parity price for the commodity. We urge that the provision for sale at 120 percent of average market price, as proposed in H.R. 1163, be changed to require full parity price.

(4) The nonmarket disposition of food held in reserve could be broadened somewhat. Authorization should be made from use of the food in the case of crises (droughts, earthquakes, et cetera) in foreign nations, with the approval of the President or Congress. Within the United States, the food should be authorized for use under the Disaster Relief Act of 1970 (Public Law 91-606), in addition to the statutes mentioned in H.R. 1163.

Thank you.

STATEMENT OF ROBERT M. FREDERICK, LEGISLATIVE DIRECTOR, THE NATIONAL GRANGE

Mr. FREDERICK. We would also like to give our statement today.

Mr. PURCELL. Without objection, you may proceed.

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

The Grange is the oldest farm organization, having been organized in 1867. During our over 100 years of service to agriculture and rural America, we have seen the rise and fall of many programs that were designed to bring prosperity to American farmers and an equal opportunity for them to share in the Nation's economic growth—all have met mixed success.

In our judgment, one of the reasons that our supply-management programs have failed to work as well as we had anticipated has been

the failure to establish a reserve of our basic agricultural commodities. We therefore welcome this opportunity to support H.R. 1163, the Strategic Storable Agricultural Commodities Act of 1971, introduced by Representative Smith of Iowa.

Following the call for expansion of wheat and feed grains acreage for the 1967 crop, the delegate body of the National Grange, meeting in November of 1966, adopted the following resolution:

SURPLUSES AND RESERVES

The Grange viewed with reluctance the expansion of wheat and corn acreage for the 1967 crop except to the extent that such expansion might be required to stop the rate of draw down of existing stocks below prudent levels.

The generally accepted idea that such stocks should reflect a carryover level of one year's domestic demand seems to be unrealistic and contributory to the depression of farm prices. Certainly, no such level is needed for the normal domestic and export markets.

If strategic reserves for the United States national interest and our international commitments are needed or inadvertently accumulated, then these reserves should be isolated from the market in such a way that their release will not be triggered by price alone. In no instance should these reserves be released below parity level. However, if such reserves are deemed to be required in the national interest, then they should be purchased by the Government at existing market prices, plus other payments, including the certificates available for the domestically consumed portion of the wheat crop and diversion and other payments for other supported crops, so that the farmer will receive a price reflecting 100 percent of parity for all crops being stored by the United States as reserves against unusual and emergency requirements.

To do other than this is to ask American agriculture to continue to subsidize both the foreign agricultural export trade of the United States, amounting to \$5.1 billion of cash and \$1.6 billion in concessional sales and relief distribution in 1965-66—earning a net of \$2.2 billion in gold—and also to subsidize the strategic national defense needs of the United States. The recent history of low farm income has not been conducive to the building of sufficient capital reserves to make this economically possible. It is unfair for American farmers to be required to sell their production used for the reserve required for the general welfare for only 50 percent of parity.

The National Grange reaffirmed that position in 1967, and each year thereafter and we still are in strong support of this type of legislation.

Early in 1968 the National Grange, the National Farmers Union and several commodity organizations met to draft a strategic reserve bill that would meet the requirements of the Nation, the consumer and agriculture. The bill was introduced by several members of Congress but failed to gain sufficient support for enactment.

In 1969 after the National Farm Coalition was organized by 17 general farm organizations and commodity groups, the above-referred-to legislation was incorporated into the coalition farm bill introduced by many members of this committee. In the many compromises that followed in the development of the Agricultural Act of 1970, this important legislation was dropped as one of the coalition's basic objectives. However, as their presence here today indicates, we still believe this should be an important part of permanent farm program policy.

H.R. 1163 does not encompass all of the recommendations of the National Farm Coalition; therefore, I am attaching, as a part of our statement, the language of that portion of the coalition farm bill that deals with a consumer protection reserve (see exhibit A). The Grange is not saying that the suggested legislation should be sub-

stituted for H.R. 1163, but that it does contain many features that should be incorporated in any legislation regarding crop reserves that is reported by this subcommittee.

The National Grange, at its annual session held in November of 1969, included in its general statement on farm programs the following excerpt from a summary of the coalition farm bill:

"Reserves: Establishment of Consumer Protection Reserves of wheat, feed grains, soybeans and cotton. Consumer must be assured of stable supplies, despite crop failures at home and abroad. Reserves will make supply-management more workable by removing the threat of shortages. Production can be planned more accurately to fit market needs if we have a buffer reserve fully isolated from the market.

CONSUMER PROTECTION RESERVE

The objective of H.R. 1163 can be referred to as many things—a strategic reserve, consumer reserve, or as Mr. Smith has called it, a Strategic Storable Agricultural Commodities Act of 1971. All are designed to accomplish the same end: To establish and maintain a reserve supply of soybeans, corn, grain sorghum, barley, oats, wheat, and, we would add cotton, for national security and to protect domestic consumers against an inadequate supply of such commodities; to maintain and promote foreign trade (during the corn blight scare of last year, Japan, our biggest single foreign purchaser, was looking elsewhere for supplies; a reserve of feed grains and other commodities would have reassured Japan and other customers that we could meet our foreign trade commitments); to protect producers of such commodities against an unfair loss of income resulting from the establishment of a reserve supply; to assist in marketing such commodities; to assure the availability of commodities to promote world peace and to assure an adequate supply of such commodities during a time of natural disaster.

We believe that our past worthy master, Herschel D. Newsom, summed up agriculture's need for a consumer reserve of food and fiber in his last address to the delegate body, in Peoria, Illinois, in November 1968, and I quote:

The fact that American agriculture has been called upon, in World War I, in World War II, in the Korean War; and as recently as 1967, to produce in the national interest—to "Arm and Feed our Allies to Make the World Safe for Democracy", and as Secretary Claude Wickard put it, because 'Food Will Win the War and Write the Peace', and as we were told in the Korean War and only as recently as two years ago that 'the world has grown to depend upon U.S. strategic food supplies and reserves'—always to discover later that when these emergencies were passed and markets disappeared rapidly, that depression prices resulted—all these factors have established a very discouraging pattern of economic injustice and the consequent rising rates of indebtedness on U.S. farmers. And unfortunately, in many cases, these injustices have to some extent been passed along to farmers of the rest of the world. All farmers have been hurt from the consequences of expecting farmers to produce without regard to who's going to pay for the extra production.

"No other segment of the American economy has been called upon to produce its products in excess of market demands without a firm guarantee of cost plus ten percent or some other such factor, in addition to a clear and unmistakable pledge on the part of the Government of the United States to 'stockpile' or place in 'reserve' such extra production—so that the extra production would not destroy the price level and threaten the financial integrity of the producers of such 'national requirement'."

This Annual Session of the National Grange should emphasize with all the vigor at its command, that neither American agriculture, rural America, nor the nation as a whole can tolerate this sort of needless and unwise exploitation of American

farmers. American farmers cannot shoulder a disproportionate share of the cost of our foreign relations program. Farmers want to produce for hungry people, but if we are to preserve a capitalistic structure, a diverse, individual enterprise structure, which in all American history has served America well, then we must recognize that American farmers inequity and justice, as well as in the national interest, must receive comparable treatment to that accorded to every other producer in America called upon to produce for the national interest. Further delay in incorporating food bank or strategic food and fiber reserve provisions, reasonably defined and equitably administered, is intolerable and, indeed, is a threat to the national interest, as well as to agricultural well-being.

We presently are faced with a huge surplus of these commodities, with the possible exception of cotton and soybeans, and even these products could benefit from the establishment of national reserves.

It was because of the reduction in the 1970 corn crop, caused by the southern corn leaf blight, that the Department of Agriculture encouraged the production of wheat and feed grains. If legislation like H.R. 1163 or similar legislation had been in effect, the Department would not have had to play their cards so close to their vest.

With such a reserve, greater accuracy in supply-management by commodity programs would be possible. This then would permit us to more closely and consistently approach price and income goals.

The coalition proposal as set forth in exhibit A would provide that:

(1) To the maximum extent practical, reserve stocks of agricultural commodities be maintained under producer control.

(2) The reserve level of a commodity for any marketing year be established at a percentage of the estimated export and domestic consumption of the commodity.

(3) Whenever, during any marketing year, the uncommitted stocks of wheat, feed grains, cotton, or soybeans owned by Commodity Credit Corporation fall below the reserve level established for such a commodity, CCC should acquire those quantities of the commodity necessary to rebuild the reserve at a purchase price at the prevailing market level.

(4) When these commodities have been purchased and placed in the reserve, they must be held in such a manner so as not to affect market prices.

The National Grange is in strong support of the establishment of a commodity reserve program. As the late Past Master Herschel Newsom said, "It is the missing link in supply-management programs." We therefore respectfully urge this subcommittee to report out legislation that will fulfill the objectives of H.R. 1163, using the wisdom gained from these hearings to improve the legislation along the lines suggested in the 1969 National Farm Coalition bill.

The Grange appreciates this opportunity of supporting the pending legislation and wishes to thank the committee for holding early hearings on such important legislation. We also wish to thank Representative Neal Smith for keeping the subject of food reserves before the Congress—a subject that is of vital importance to us all.

EXHIBIT A—CONSUMER PROTECTION RESERVE

Sec. 701. It is the policy of the Congress to establish and maintain reserves of storable agricultural commodities adequate to meet any foreseeable food and fiber shortage which might arise in the Nation as a consequence of any natural disaster, adverse food production conditions for one or more years, military actions, or other causes and to assist other nations of the world in any food or fiber emergency. It is further the policy of Congress to establish such reserves in years of surplus production and to maintain them to the maximum extent practicable in the control

of producers, to assure their segregation from the commercial market so that existence of the reserves will not adversely affect the level of market prices.

Sec. 702. Whenever, during any marketing year the uncommitted stocks of wheat, feed grains, soybeans or cotton owned by the Commodity Credit Corporation fall below the reserve level for such commodity specified below, the Commodity Credit Corporation may purchase at prevailing market prices such quantities of the commodity at such times and places as will effect the orderly establishment and maintenance of the Commodity Credit Corporation's stocks of the commodity at such reserve level. The reserve level of the commodity under this section for any marketing year shall be:

For Wheat.....	200 million bushels.
For Feed Grains.....	15 million tons.
For soybeans.....	35 million bushels.
For cotton.....	3 million bales.

In any marketing year for any crop for which the Secretary determines that the estimated production from such crop will exceed estimated domestic consumption and exports during such marketing year by more than 10 per centum, the reserve level under this section shall be increased by 100 million bushels for wheat, 705 million tons for feed grains, 15 million bushels for soybeans, and one million bales for cotton.

Sec. 703 (a) In order to assure that the Commodity Credit Corporation reserve stocks of wheat, feed grains, soybeans, and cotton will be insulated from the market, whenever the Commodity Credit Corporation's stocks of any such commodity are below the level specified for such commodity in the schedule prescribed in subsection (b) of this section, the Commodity Credit Corporation, notwithstanding the provisions of any other law, shall not sell for unrestricted domestic use of value for redemption or payment-in-kind certificates such commodity at less than the price specified in such schedule.

(b) The following stock levels and prices shall apply with respect to the Commodity Credit Corporation:

(1) For wheat, when the Commodity Credit Corporation's uncommitted stocks are not more than two hundred million bushels the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location, less than current cost of the marketing certificate charged to processors.

(2) For feed grains, when the Commodity Credit Corporation's uncommitted stocks are not more than fifteen million tons, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location, less the current price support payment rate with respect to the maximum permitted acreage for the feed grain.

(3) For soybeans, when the Commodity Credit Corporation's uncommitted stocks are not more than thirty-five million bushels, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location.

(4) For cotton, when the Commodity Credit Corporation's uncommitted stocks are not more than three million bales, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location.

Sec. 704. Notwithstanding any other provision of this or any other Act, for the purpose of efficient management of the reserve stocks, including rotation thereof, Commodity Credit Corporation may sell any commodity in its reserve at the domestic market price, but any such sale shall be offset by a prompt purchase of a substantially equivalent quantity of such commodity at the domestic market price.

Sec. 705. (a) The Secretary shall make available a program for extending the maturity dates of price support loans for any crop of wheat, feed grains, soybeans, or cotton if he determines that the estimated production from such crop will exceed estimated domestic consumption and exports during the marketing year for such crop. The Secretary shall estimate the production from each crop and the domestic consumption and exports for the marketing year for such crop within 30 days after the beginning of such marketing year and at any subsequent time during the marketing year when he finds that changed circumstances require a new estimate. If in any marketing year when the Secretary has made such a determination, extended loans on wheat, feed grains, soybeans or cotton of any crop are called and the quantity of the commodity under such extended loans is not substantially offset by the quantity placed under the extended loan program from the current crop, the Commodity Credit Corporation shall purchase such additional quantity of the commodity at the prices specified in section 602 of this title as will substantially offset the quantity of the commodity under extended loans which are called.

(b) The Secretary shall make extended loan programs available under subsection (a) or otherwise and exercise the right to call extended loans in a manner which will enable producers to maintain at the end of each marketing year carryover stocks under such programs of approximately 150 million bushels of wheat, 7.5 million tons of feed grains, and 20 million bushels of soybeans. In the case of any marketing year for any crop for which the Secretary determines that the estimated production will exceed domestic consumption and exports during such marketing year by more than 10 per centum, the Secretary may conduct the program in a manner which will enable producers to maintain at the end of such marketing year carryover stocks of up to 200 million bushels of wheat, 15 million tons of feed grains, and 35 million bushels of soybeans.

(c) The secretary shall offer to enter into agreements with producers under which the producer shall agree to keep such commodity in storage under his control for periods of not to exceed 3 years, and the Secretary shall agree not to call the loans in such cases unless the prevailing marketing price for the commodity has reached the level at which the Commodity Credit Corporation may sell such commodity for unrestricted domestic use under the pricing schedule provided in section 603 of this title and the Secretary determines that the commodity is needed to meet a shortage which has arisen as a consequence of a natural disaster, adverse food or fiber production conditions for one or more years, military actions, or other causes. Notwithstanding the foregoing restrictions, the Secretary may call the loans in the case of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage or for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity. The Secretary is authorized to provide incentives necessary to encourage farmers to store under such agreements approximately 150 million bushels of wheat, 7.5 million tons of feed grains, and 20 million bushels of soybeans. To the extent that the quantity of any commodity stored by producers under this subsection falls below such level, the Commodity Credit Corporation may purchase an additional quantity of the commodity to offset the deficiency.

Mr. PURCELL. Thank you Mr. Frederick. The hearing is now recessed.

(Whereupon, the above-entitled proceeding was recessed at 5 p.m. to be resumed at 2 p.m. on September 16, 1971).

STRATEGIC STORABLE AGRICULTURAL COMMODITIES ACT OF 1971

THURSDAY, SEPTEMBER 16, 1971

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

The subcommittee met, pursuant to recess, at 2:05 p.m., in room 1302, Longworth Office Building, Hon. Graham Purcell, chairman of the subcommittee, presiding.

Present: Representatives Purcell, Melcher, Bergland, Denholm, Mayne, Zwach, and Kyl.

Also present: Representative Neal Smith; Lacey C. Sharp, general counsel and Martha Hannah, subcommittee clerk.

Mr. PURCELL. The subcommittee will please come to order.

Our next witness is Mr. Walter W. Goeppinger, president of the National Corn Growers Association, Boone, Iowa.

STATEMENT OF WALTER W. GOEPPINGER, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION, BOONE, IOWA

Mr. GOEPPINGER. Mr. Chairman and members of the committee, I am Walter W. Goeppinger, a corn and soybean farmer living near Boone, Iowa, and am president of National Corn Growers Association which has members located in 40 U.S. corn-producing States. This association was directly involved in 1959 and 1960 in the original activation of the U.S. development offices in foreign countries with over 200 projects in 20 countries. In 1960 I became the council's first president and have recognized from the council's start the importance of having adequate supplies of U.S. corn and other feed grains on hand to meet our own and overseas customers' requirements, regardless of whether we have large or small crops from season to season.

Mr. Chairman and members of the committee, we wish to express our appreciation to you for holding these hearings on H.R. 1163 introduced by Congressman Neal Smith. This bill has now been referred to your committee for consideration.

This is a year when the U.S. Government farm program caused a record increase in feed grain stocks. The 1971 acreage increase, applied to the largest of all the major grain crops in the United States, will very probably create a corn crop in excess of 5.2 billion bushels according to latest USDA estimate. This breaks the old record by 500 million bushels. In addition the total tonnage of other feed grains which includes barley, oats, rye, and grain sorghum, will be much larger than 1970.

The people of the United States and our overseas export customers of U.S. feed grains need to have an adequate supply of feed grains. The farmers of the United States are willing to see to it that they are furnished with this. However, the members of this association do not believe that it is the responsibility of U.S. farmers to bear the brunt of the low prices which this 5.2 billion bushel crop has brought us. We now are faced with a far larger crop than the domestic and export needs of this country require. We estimate these needs for the next 12 months at 4.6 billion bushels if we do not have a prolonged dock strike. Our needs will be substantially less if the strike occurs.

It is the purpose of this testimony to support the provisions of H.R. 1163, a bill which has as its objectives so far as corn farmers are concerned the following: I would like to say parenthetically here that the officers of the Midcontinent Farmers Association and also of the Grain Sorghum Association say they support the testimony which I am giving to you even though they cannot be here today.

No. 1 of the objectives is:

(1) To go into the market immediately and have the U.S. Government make purchases in order to set up a strategic reserve of U.S. corn, wheat, grain sorghum, and soybeans. These would be held in positions throughout the United States where they would be quickly available for use when unforeseen contingencies, shortages, and emergencies arise.

(2) To increase the price of U.S. corn in the marketplace from its present disastrously low level of only 94 cents per bushel to a more adequate and reasonable one for the farmer.

(3) To keep off and isolated from the market such strategic reserves so that they are not a price depressing influence while in Government hands. This would be accomplished by (a) a provision that no strategic reserve stocks could be sold unless USDA official statistics showed that supplies for the current year are less than normal carryover plus probable demand; (b) the grain sold out of the strategic reserve by its managers would have to bring a minimum of 120 percent of the average market price received by farmers during the past 5 marketing years (1966 through 1970). Naturally there would be provision for revolving stocks in and out to maintain quality.

We can now turn the price and farm economic tragedy of this year's huge and bountiful corn crop into a blessing for U.S. farmers and the people they feed alike, if this bill is enacted for it will carry out the precedent set by the Biblical advice Joseph gave to Pharaoh as described in chapter 41 of Genesis: "Let Pharaoh proceed to appoint overseers over the land, and take the fifth part of the produce of the land of Egypt during the 7 plentiful years." This is what we should do in our years of plenty instead of wasting our blessings in massive dumping operations.

With the soil moisture reserves of millions of cornbelt acres exhausted by this summer's drought and heat we go into 1972 in a vulnerable position. We should be storing the unneeded portions of our 1971 crops in a strategic reserve in the event 1972 turns out to be a lean year.

The United States this year is now in position to use the enactment and activation of the provisions of this bill as a stepping stone for bringing into being a World Food Bank administered by the United Nations Food and Agriculture Organization. It is my intent to go

to Rome in early November of this year with Nobel Peace Prize winner, Dr. Norman Borlaug, to urge that body to take the first steps now in making such a humanitarian and important move. Crops have been better than normal in the main grain producing countries of the world in 1971. Even normally short India claims a wheat surplus.

Why should the world's farmers fight a ruinous price war now against each other when there are bound to be future shortages due to adverse weather, crop diseases, or unforeseen political conditions that affect harvests. Now is the optimum time to set the strategic grain reserve in motion on a worldwide basis. Let us be the leaders by enacting this bill, H.R. 1163.

It is also my desire to make the following a part of my testimony.

Although my main farming interest revolves around corn, as a substantial grower of soybeans I am vitally interested in their future welfare also.

Soybeans need to be included in this strategic reserve.

Mr. MAYNE. Mr. Chairman, the rules of the committee require the witness to submit his testimony to us in writing in advance and I believe the president of the National Corn Growers Association is very competent to testify about corn but if he is now presenting himself as an expert on soybeans it seems to me that we should have the benefit of an advanced copy of his testimony. It has been customary in the committee.

Mr. PURCELL. Do you make a motion?

Mr. MAYNE. I am inquiring whether he has been invited to testify on the subject of soybeans and if this is the area of his competency and if there are any copies of his testimony on the subject.

Mr. PURCELL. The Chair would just say that the custom certainly has been to allow anyone to make statements, sometimes they are invited to make oral statements instead of written, and that we can judge the competency of the witness. I don't know that anybody is required to lay on the record what their area of competency is and the Chair would rule this witness is in order and he can state anything that relates to the general subject we have before us.

Mr. MAYNE. May I ask, Mr. Chairman, if he is purporting in the testimony he is now giving to be speaking as the official representative and spokesman of the National Corn Growers Association or as an individual farmer?

Mr. PURCELL. The witness might respond to that question.

Mr. GOEPPINGER. My testimony relates to the interchangeability of the crops of corn and soybeans and as it will affect corn next year and also the fact that corn, wheat, soybeans, and other feed grains were included in H.R. 1163 on which we are giving testimony today, and basically I might say in apology to you that this was not included in the printed testimony because I am trying to cover some subjects that were brought up yesterday in the testimony and questions were asked on which I did not feel all of the information that might be of interest to you was presented.

Mr. PURCELL. If you will then proceed.

Mr. GOEPPINGER. Soybeans need to be included in the strategic reserve bill. Many people talk as though \$3 per bushel is the farmer price probability for soybeans.

In no year during the past 15 years has the season's average price received by farmers ever been that high. The highest was last year

when the average was \$2.84 per bushel. The lowest was \$1.96 in 1959. The average for the past 5 years is \$2.57 per bushel, and these are all USDA statistics.

A good criteria for the need for inclusion of soybeans in the strategic reserve program is the fact that an average of 14 percent of the crop was put under loan by farmers during the past 10 years. As late as 1969, 31 percent of the crop went under loan protection. The Government loan that year was \$2.50 per bushel. Farmers seldom use the loan unless the market price is pretty well under the loan. That year prices to farmers averaged only \$2.35 per bushel.

Now, by comparison only an average of 11 percent of the corn crop has been put under loan the past 10 years as compared to 14 percent for soybeans. Right now central new crop bean prices are less than \$2.90 per bushel but if corn prices remain around or below the dollar mark between now and 1972 corn planting time, there will be more beans raised next year.

The bean acreage increase will come mainly out of oats and barley whose price structure will be weakened by the weakness in corn prices. Some bean acreage increase will also come out of corn and possibly wheat acreage. The overall background picture is such it would be well to provide for inclusion in the bill for authority to put up 100 million bushels of soybeans in the strategic reserve if the price fell below the \$2.57 per bushel mark. Those who say it isn't necessary to include beans are only looking at the momentary condition of the soybean position in the United States.

Keep in mind about half of our soybeans or derivative products are exported and, therefore, subject to the uncontrollable production and political conditions of both foreign consuming countries and the producing countries.

Now we find an overproduction of rice in Japan and the Japanese Government asking that 10 percent of all feeds for livestock and poultry mixed in Japan be rice. So with that diversion in Japan they are talking about two things. No. 1, a reduction in U.S. corn exports to that country by the amount that this rice amounts to. They are also advising their farmers to produce soybeans on the acres taken out of rice. So the picture for both the soybean and corn producer in the United States isn't quite so rosy and we may not be seeing the \$2.90 soybeans for U.S. farmers very long unless adverse weather here interferes.

No. 2, I want to bring out that corn is the preference crop of Corn Belt farmers. This was proved this year by the fact that under the new farm program with freedom to choose what they might plant after putting the required 20 percent of the feed grain base into the set-aside, farmers planted 7 million more acres to corn in 1971 than in 1970. This is up 12 percent from 1970, and that despite the shortage in seed corn supplies, and despite the blight threat. By comparison beans are almost unchanged with a 383,000-acre increase. That is three-quarters of 1 percent up from 1970 compared to corn, up 12 percent.

Why this preference for corn? No. 1, it is a more mechanized crop. No hand labor needed for proper weed control as with soybeans and all of the attendant expense and headaches of handling the field gang of teenage labor usually hired to do this work. No. 2, better relative net returns from corn. If we use the last 3-year average corn yield per

acre and multiply it by Smith's \$1.17 average, that is the price that Representative Smith has figured was the 5-year average price, the gross return from growing corn in Iowa has been about \$105 per acre. By the same comparison, the gross income from soybeans would be \$2.57 per bushel and at that price approximately \$83. Being the preferred crop means that corn acreage in 1972 won't shrink very much even if the total acres for the feed grain set-aside is increased by USDA for 1972. Still more acres will probably come out of oats, barley, and wheat and shift to corn in the Corn Belt.

There will continue to be great slippage in the 1972 corn program, unless the Secretary of Agriculture invokes section 501(c)(1) of the new farm law. This section would, if invoked, bring us back again to the kind of feed grain program that worked so effectively for us from 1961 through 1970. This would again put specific control on the amounts of corn acres each farm could plant and keep them within the farm's feed grain base.

We, along with other members of the farm coalition fought every inch of the way last year while the new farm law was being constructed against the kind of a wide-open feed grain program that finally emerged.

The National Corn Growers Association in fact earlier this year, predicted a big increase in corn production that would wreck corn prices and in turn later on livestock and poultry product prices.

The Department of Agriculture has said before you on numerous occasions that we had to have more corn this year because of the southern corn leaf blight threat. We in the National Corn Association maintained that the blight would not be a major 1971 production factor.

I quote from our November 1970 Corn Letter to our members. "Just looking at it, the probabilities of favorable weather for development of southern corn leaf blight in this area," that means the central and eastern Corn Belt where the infection occurred in 1970, "we think that the chances of recurrence are only 1 in 40 or 50. It could happen but it would be very unlikely. Therefore, we must make our plans for 1971 corn acreage accordingly."

"As we said in the October 1970 Corn Letter, we don't want the Secretary to expand acreage in 1971 to a point where it gets us into the same trouble as expansion of acreage in 1967 did." That took 3 years for corn farmers to work off the surplus produced in 1967 with the resultant poor prices for 1967, 1968, and 1969 crops.

In 1967 we produced 4.7 billion bushels of corn and consumed 4.4 for an excess of 300 million. This year we are producing 5.2 billion against probable consumption of 4.6 billion, or an excess of 600 million bushels. That compares to the 300 million excess in 1967. On that basis it will take us 6 years to work off this year's excess unless a sizable amount is put into isolation in the strategic reserve. To prevent recurrence of this production excess next year I urge you with every ounce of sincerity in me to put all of the pressure and influence on Secretary Hardin and his staff that you can muster to put into effect for 1972 the strict production controls of section 501(c)(1) of the new farm law. Otherwise it can wreck the whole structure of agriculture in the United States. Remember that you are dealing with corn, the largest acreage crop, the most valuable crop by double that of any other crop and the most dynamic crop in the United States. By dynamic I mean this: Since 1954 our wheat needs, domestic and export

have grown about 600 million bushels, soybeans about 800 million bushels, and corn about 2 billion bushels. Corn's employment of people in the related agribusiness industries and the spending money it creates on the thousands of small town main streets throughout the United States is dependent upon its profitability. Also, its profitability is going to determine how many farms quit farming this winter. Today we have two great problems relating to corn—overproduction and price. This past Tuesday a survey by us of elevators in eight corn producing States showed no country elevator in the States of Ohio, Indiana, southeast Michigan, Illinois, Iowa, Minnesota, South Dakota, and Nebraska bidding as much as \$1 for No. 2 yellow corn. The top was 99 cents and the lowest 92 cents.

The Melcher and Bergland increase in price support of corn to \$1.25 per bushel and 3-year sealing bills, which many of you co-sponsored and which were reviewed by you here in July and which we testified in favor of, go hand in hand with this strategic reserve bill. I urge you to press for an enactment of all of them for the good of corn, grain, sorghum, barley, and oat farmers.

Thank you very much.

Mr. DENHOLM. I now refer to testimony of record yesterday, Mr. Goepfinger, and ask you if you were present and did you hear the testimony pertaining to the Statistical Reporting Service and the procedures of the Department of Agriculture relating thereto?

Mr. GOEPPINGER. Yes, sir.

Mr. DENHOLM. Are you familiar with those procedures?

Mr. GOEPPINGER. I heard the testimony but I didn't hear everything that was said because from where I was sitting it was hard to hear. If you will ask me what you have in mind it may be that I did hear what was asked and the answer given.

Mr. DENHOLM. Did you hear the questions and answers between myself and Mr. Weir concerning the random sampling and statistical conclusions as reported by that service?

Mr. GOEPPINGER. The statistical findings of what?

Mr. DENHOLM. Of the reporting service?

Mr. GOEPPINGER. Yes, sir, I did hear most of that.

Mr. DENHOLM. Are you in agreement that the random samplings are a sound basis for statistical reports?

Mr. GOEPPINGER. I don't think that there can ever be down to the last million bushels an absolutely accurate figure of what our production really is. I do think that the Department's estimates are a valuable tool to everybody that is involved in agriculture. There has been some talk that these estimates should be done away with. I don't think that it would be sound judgment for us to pursue a line of this type and I do think that the random samplings are subject to the probabilities of error, shall we say, that no one can eliminate.

Mr. DENHOLM. Well, do you believe the reports can affect the price of corn?

Mr. GOEPPINGER. Oh, definitely. These estimates are waited for by the market and the price of all grains involved in these estimates is affected.

Mr. DENHOLM. What has happened to the market price of corn since the last reports of the Statistical Reporting Service? Has the market price of corn decreased or increased?

Mr. GOEPPINGER. Would you repeat the question, I didn't hear it.

Mr. DENHOLM. What has happened to the price of corn since the SRS report in August and September; has the price of corn gone up or down?

Mr. GOEPPINGER. The price of corn has basically gone down since the August report but the big tumble really took place in July.

Mr. DENHOLM. Why was that?

Mr. GOEPPINGER. Because it became evident, No. 1, that the acreage as reported by USDA was substantially higher in the July 1 report—which came out I believe July 10 or 11—was substantially higher than the majority of the trade and the people involved in farming thought it was going to be and they, therefore, multiplied the probable outlook of yield per acre times those acres and saw that the crop was going to be much better and bigger than they thought it was prior to the report.

Mr. DENHOLM. My contention is that as a result of these kinds of reports the farmers suffer a market price depression before they ever begin the harvest. The fact is corn sales have not increased in the market during that same period of time that prices have been decreasing—

Mr. GOEPPINGER. What has increased in the market?

Mr. DENHOLM. Corn sales. Did the corn sales go up in July and August?

Mr. GOEPPINGER. The total amount of sales?

Mr. DENHOLM. Yes, the quantity of the commodity—

Mr. GOEPPINGER. Yes; because too many farmers waited until around the first of August to see whether the corn leaf blight was going to affect the crop.

Mr. DENHOLM. Now, during that time the price was going down—was it not?

Mr. GOEPPINGER. So when they turned to selling in July and August this depressed the market and, of course, the speculators were wrong also and you had a double effect, a triple effect, because USDA didn't reseed the 1967-68 corn.

Mr. DENHOLM. The distinguished gentlemen from Minnesota testified yesterday or stated for the record that the corn crop has depreciated since those reports came out.

Mr. GOEPPINGER. The corn? You say the corn crop is decreasing in size?

Mr. DENHOLM. Depreciating. Do you agree with that?

Mr. GOEPPINGER. I do. I think the Government September corn yield report probably is high in the estimation of the people within our organization that put together the National Corn Growers Association's crop estimate. The crop was not shrunk enough for the month of August. The Crop Reporting Service shrinkage in Iowa was only 2 bushels per acre, according to the Government estimate. We estimate that the shrinkage was somewhere between 7 and 8 bushels per acre over the State as a whole. Many fields, of course, went down 30 bushels to the acre, but for the State as a whole on 12 million acres we think it probably went down 7 to 8 bushels per acre, which alone was a 100 million bushel shrinkage instead of 24 million.

Mr. DENHOLM. How do you foresee proposed bill 1163 meeting the needs of farmers in the face of the combination of events that depressed prices?

Mr. GOEPPINGER. How do I visualize this bill as assisting them?

Mr. DENHOLM. Can you make a statement for the record in that respect?

Mr. GOEPPINGER. When we have as much of an excess of a crop as is in view right now, even if the Government estimate is high, even if the Government estimate is high by 200 million bushels, we are going to be producing probably in the neighborhood of 500 million more bushels than what our consumption is going to be.

Now I pointed out that in 1967 we went through 3 years of price depression in corn prices as a result of 300 million bushels too much. Now we are looking at 500 or much too much. So then this bill can remove, sterilize from the market, keep off the market—

Mr. DENHOLM. Whether it did or did not—it would be an alternative vehicle for protection to them, the income level of the farmers, would it not, if it was available to them?

Mr. GOEPPINGER. Right.

Mr. DENHOLM. In view of any combination of things that may depress prices; is that true?

Mr. GOEPPINGER. This is true because it takes a weight off the market and it will have a psychological turnaround to the market.

Mr. DENHOLM. Isn't your real objective and intent to increase the income to farmers?

Mr. GOEPPINGER. It is; yes.

Mr. DENHOLM. And the argument about bushels and acres then becomes just part of that argument; that is, only a means to an end, isn't it?

Mr. GOEPPINGER. The last question I didn't understand. Will you repeat it, please?

Mr. DENHOLM. Well, for 35 years I have been involved in farm policies and programs and they have always involved acres and bushels. There has always been a false hope for price and that has involved production controls and storage—whether it is strategic reserves or something else, and the whole objective has been a means to increasing income to farmers, has it not?

Mr. GOEPPINGER. It certainly is a means.

Mr. DENHOLM. Mr. Chairman, I yield at this point in time.

Mr. PURCELL. A teller vote is on. We have a very short period of time to get to the floor and we will recess until we can all return in a few minutes.

(A short recess was taken.)

Mr. PURCELL. We will continue with our subcommittee hearings and I will call on Mr. Mayne for whatever questions he may have of the witness at this time.

Mr. MAYNE. Mr. Goepfinger, you say that you estimate our national domestic and export needs for the next 12 months at 4.6 billion bushels. Isn't that rather low?

Mr. GOEPPINGER. That would be one of the highest levels that we have ever achieved as far as consumption of corn is concerned. We have gone, as I think I pointed out in the testimony, from 2.6 billion bushels of corn back in 1954, about 1950 was the same level, to 4.4 in 1967, and then gradually worked up to the 4.6 level as of this year. This is a combination of increase in domestic consumption and actually this year some shrinkage in corn exports, but over the long pull it has been an increase in both domestic and export consumption. Roughly 85 percent being domestic and 15 percent being export.

Mr. MAYNE. Well, I believe USDA figures for 1969, 2 years ago, show that it was 4.69 or very nearly 4.7; isn't that true?

Well, if you don't recall, Mr. Goeppinger, we won't take the time for you to look it up in the books. I believe that in checking it this morning I found that to be the figure.

Mr. GOEPPINGER. You probably are right because I have agriculture statistics 1970 here which only goes to 1968 and at that time it was 4.43.

Mr. MAYNE. Well, the next year, in 1969, I think you will find it was 4.69, and I am under the impression that our demand for corn in this country has grown since 1969. Am I wrong on that?

Mr. GOEPPINGER. You are correct. You are correct that the demand in this country has grown but we did, sorry to say, have a shrinkage in corn exports during the last 2 years due to several factors. One is the EEC high price threshohld. The other has been the corn leaf blight that we were affected with last year, and the closest estimates now are that we will have about a 4.6 total consumption domestic and export, this year and it could be less if we have a prolonged dock strike on the southern and eastern coasts.

Mr. MAYNE. Well, it is true that we had less usage of corn last year because there was a very short corn crop. That doesn't mean there was a reduced demand for corn, does it? If we had the corn it could have been used, couldn't it?

Mr. GOEPPINGER. Our exports dropped. The total exports to the period, whether you take them to the fiscal year ending June 30 or you take them to the end of the marketing year which is October 1, 1971, showed a substantial drop from the previous year and this combined with the increase in domestic consumption gives us what we think is a probable demand for next year of about 4.6.

Mr. MAYNE. Well, that is what you want to leave standing on the committee record for us to look at a year from now as to what the wisdom of your prediction was. Do you still think the usage will be not more than 4.6?

Mr. GOEPPINGER. That is right.

Mr. MAYNE. Now, I noticed in your testimony that you feel that if this corn to be purchased for a so-called strategic reserve that it will not have a price depressing effect on the market. That is your position is it not?

Mr. GOEPPINGER. So long as it is in the strategic reserve as provided for in this bill and is not resalable until the price reaches the 120 percent provided for, I think that it would have a nondepressing effect on the market.

Mr. MAYNE. Hasn't the experience, however, shown that whenever there is a large stock of grain in Government hands overhanging the market, no matter what it is called or what safeguards are supposed to be imposed on it, that it has a depressing effect on the market?

Let me put it this way: You can't really guarantee when this large Government stock is there that a future Congress or future Department isn't going to change the rules and dump it on the market, can you?

Mr. GOEPPINGER. If Congress has passed the law that it cannot be sold unless it reaches the figures provided for in the law, the Department has no jurisdiction or capability to go ahead and make sales except on the revolving basis provided for in the law to maintain

quality. They have to buy as much as they sell within 2 days, so I believe that this law would adequately provide protection against dumping on the market.

Mr. MAYNE. Don't people who buy and sell grain know that this Congress cannot bind a future one and that this large stock could be by subsequent congressional authorization dumped on the market? Don't you think that enters into the price of corn whenever we have these large stores on hand?

Mr. GOEPPINGER. Since we have never had a condition where we had an isolated reserve and it was under the protection of the law, I think it is very difficult to answer that question, yes or no.

Mr. MAYNE. Mr. Goepfinger, I believe you say on page 1 that "corn is at a present low level of only 94 cents per bushel."

What market are you talking about there? Is that central Iowa market?

Mr. GOEPPINGER. Yes. And in my later testimony I said it ranged from 99 cents down to 92 cents over an eight-State area and that no country elevator that was surveyed was bidding \$1 for new crop corn.

Mr. MAYNE. Well, I certainly agree with you that the price of corn is definitely too low but I think it is bad enough without any danger of exaggeration and I was surprised to see you say that the present level is 94 cents per bushel. The latest information that I have is yesterday's Iowa newspaper, which arrived today, which shows central Iowa market, No. 2 Yellow. I assume you are talking about No. 2 Yellow, aren't you?

Mr. GOEPPINGER. I was talking about No. 2 Yellow corn, new crop, not old crop corn. Still the gap has not come together as long as there is some time space between now and the time that corn is harvested. A little of this old corn will bring a premium but we only have about 2 weeks left and the thing we are looking at now is how much the farmer is going to get for the 1971 crop?

Mr. MAYNE. You are talking about futures?

Mr. GOEPPINGER. No; I am talking about this, and the others that assisted me in the calls asked the question how much are you bidding for new corn, No. 2 Yellow new corn deliverable either this month or October. There is new corn being combined right now, Congressman Mayne, in Iowa.

Mr. MAYNE. Yes, I have seen a good deal of it being combined out there myself just within the last few days.

Well, I won't belabor the point but yesterday's Iowa newspapers carry central Iowa market No. 2 Yellow corn at from 98 cents to \$1, but I thought you were talking about the present corn. Instead you were talking about bids on the new crop?

Mr. GOEPPINGER. That is right.

Mr. MAYNE. Is that right?

Mr. GOEPPINGER. That is right.

Mr. MAYNE. Now, on page 2 you say that with the soil moisture reserves of millions of corn-belt acres exhausted by this summer's drought and heat we go into 1972 in a vulnerable position and we should be storing the unneeded portions of our 1971 crops in a strategic reserve in the event 1972 turns out to be a lean year.

Now, by a lean year I take it you mean you think there is a substantial danger that we will have another short corn crop next year because of these low soil moisture reserves?

Mr. GOEPPINGER. Yes; whenever we get our soil moisture to a point where we have little or nothing to fall back on then we become completely dependent upon timely rains the following year. It isn't like this year when we went into the spring with good moisture reserves and had them as a reserve that the crop could draw on when it hit this dry spell in the middle of the summer. I used the word "lean" because I was referring back to the way it was mentioned in the biblical passage, the lean years.

Mr. MAYNE. And you are asking our subcommittee to pass this bill partially on the strength of this likelihood that lack of soil moisture will lead to a short corn crop?

Mr. GOEPPINGER. Yes; and I think this is a typical situation in which we find that this bill can operate in a favorable way for farmers. We have a big crop in 1971 and if too much of it is disposed of at a low price by them then we turn around the next year and have a short crop and they don't benefit by it.

Mr. MAYNE. Well, now, just speaking for myself as one member of the subcommittee, Mr. Goepfinger, I must tell you that I disagree with you on that point. I don't think our problem next year, the problem for which this committee should be planning, is any likelihood of underproduction. I think the thing we should be planning against, trying to guard against is clearly overproduction of corn.

Now, I would like to ask you if you don't—I am sure you do—recall discussing the prospects for the corn crop and what the effect would be on farm income with me during this last summer?

Mr. GOEPPINGER. Right.

Mr. MAYNE. And we had several conversations as to what should be done?

Mr. GOEPPINGER. I think you are referring to 1970, the summer of 1970?

Mr. MAYNE. The summer of 1971. You were here in Washington, weren't you?

Mr. GOEPPINGER. Yes, sir.

Mr. MAYNE. And called in my office.

Mr. GOEPPINGER. Yes, sir.

Mr. MAYNE. And then I recall specifically that you telephoned me on I believe it was August 5 just as the congressional recess was to begin and we talked about some of the things that could be done. Do you recall that?

Mr. GOEPPINGER. Yes, sir.

Mr. MAYNE. And do you recall my telling you that one of the things that I was considering urging upon the Secretary of Agriculture was that he make market purchases of corn this fall of as much as 500 million bushels?

Mr. GOEPPINGER. Yes, sir.

Mr. MAYNE. Now, my recollection of that conversation, and you can correct me if I am wrong, when I told you I was considering that, it seems to me you said that would be fine, if I could get the Department to do it, more power to me, but you didn't think there was a chance that I could get them to do it. Do you remember that, or words substantially to that effect?

Mr. GOEPPINGER. I can't recall whether I gave unqualified support to that statement by you or not.

Mr. MAYNE. I don't call that unqualified support. I didn't say I want you to support me on that, but it does seem to me that you did encourage me that it was a good idea. But in your view, you didn't think there was a chance I could get the Department to do it. Isn't that a fair interpretation of what you told me that day?

Mr. GOEPPINGER. Was that on August 5?

Mr. MAYNE. I think so. Remember, you wanted to make sure that I was going to be in the country during the August recess and I assured you that I would be in Iowa all during that month if you needed to get in touch with me. Didn't that conversation take place?

Mr. GOEPPINGER. The reason that I question whether it was on August 5 is because on August 4 our board took a position against large purchases that were merely open market purchases by CCC, due to the fact they were afraid that, (1) they would cost a good deal more than we would involve in an increase in the corn loan. (2) that the money could be more wisely spent in an increased loan figure for corn, and (3) that it would be an open and free ownership by CCC causing it to be a weight on the market.

Mr. MAYNE. Well, August 5 may be the wrong date, but I will ask you if you recall substantially such a conversation?

Mr. GOEPPINGER. It is very probably that it did take place.

Mr. MAYNE. Now, at any rate, Mr. Goepfinger, I would like you and the committee to know on the basis of that conversation and not having heard anything to the contrary. from you, I felt that I could fairly assume that you would favor this kind of an approach if I could get the Department to do it, and when the August 11 announcement of the estimate of the crop was made I very promptly got in touch with the Secretary and did urge him as strongly as I could to do a number of things, including the purchase of 500 million bushels of corn this fall, as you heard in the hearing yesterday.

Now, after I did that I was, I must say, somewhat disappointed to find it reported in the press that your organization, whether it was the board of directors—

Mr. GOEPPINGER. Yes, it was.

Mr. MAYNE. Or you yourself sent a telegram to the Secretary shortly after August 11. Do you recall the date of that?

Mr. GOEPPINGER. I think I have it.

Mr. MAYNE. I do too.

Mr. GOEPPINGER. I have it here because it is mentioned in our—

Mr. MAYNE. August 15, 1971, in which, among other things, you asked the Secretary to ignore the suggestion for CCC to go into the market this fall and buy up to 500 million bushels of cash corn, which it seemed to me sort of undercut me in the efforts I was making to get some action out of the Department of Agriculture, and you also went on to say in your telegram that big CCC acquisitions, and I quote, "big CCC acquisition of corn would be a repeat of the disastrous history of the Federal Farm Board actions of the late 1920's and early 1930's," and also said in the final sentence of that paragraph, and I quote, "CCC ownership of grain would hang as a weight over the market and keep prices depressed."

Mr. GOEPPINGER. That is correct.

Mr. MAYNE. Now, I think you can well imagine my disappointment and feelings in finding that—of course I didn't know that your organization had taken this later action that you told me about. You didn't advise me of that, did you?

Mr. GOEPPINGER. No, I did not. You received a copy of our Corn Letter, however, which we mailed to you or your should have, because you are on the mailing list, and this was our advice to you in that manner.

Mr. MAYNE. Well, I just say, Mr. Goeppinger, that it does seem to me that was a kind of flip-flop and——

Mr. GOEPPINGER. I am sure the question——

Mr. MAYNE. On the basis of what I have heard here in this room today it seems to me that there is again quite a change. Congressman Smith, the author of this bill, did in his testimony yesterday recommend the purchase of this exact same figure, 500 million bushels. I realize that he wants it to be under the mechanism that is provided for in his bill, but he does seem to feel that it would be very helpful to the farmers' price this fall if the Government did go in and buy 500 million bushels, which is the same figure you and I were talking about, and the same figure you talked about in your telegram of August 15 to the Secretary, and you have now come back again and are supporting him and his bill.

Mr. GOEPPINGER. Well, now you say the same figure. What is the figure you are referring to?

Mr. MAYNE. 500 million bushels.

Mr. GOEPPINGER. I thought you were referring to the price per bushel.

Mr. MAYNE. No; 500 million, as I recall, he did specifically refer to as a figure he thought would have a most beneficial effect on the market, and, of course, that is the same one that I talked about.

Mr. GOEPPINGER. This was a figure that I think he arrived at and we arrived at in computing, according to the formula of the bill, when we took the difference between the two figures that were necessary to compute it and it came out the same figures. Maybe you used the same formula to compute yours also.

Mr. MAYNE. That concludes my questions, Mr. Chairman.

Mr. MELCHER. Mr. Goeppinger, in the Department of Agriculture estimates of exports of corn for the next 12 months, as I understand it, that they will probably be lower?

Mr. GOEPPINGER. From what figure, from this year?

Mr. MELCHER. Let's take this fiscal year. As I understand—I just want this for my own information—as I understand it for this fiscal year, the Department estimates that the export for corn will probably be lower than they were for the previous fiscal year. Is that correct?

Mr. GOEPPINGER. For the fiscal year July 1, 1971, to June 30, 1972?

Mr. MELCHER. Yes.

Mr. GOEPPINGER. Yes, there is a feeling that they may be lower and I am not sure that this is going to be true because when prices become this low we may find that exports will pick up.

Mr. MELCHER. I see.

Now, then, it is possible that the Department made estimates when corn prices were substantially higher because the drop has occurred in the last 3 months.

Mr. GOEPPINGER. This is very possible. But again it is going to be geared to the three things I believe I mentioned in my testimony. (1) The expansion of use of rice in mixed feeds in Japan, which will cut their consumption of our corn to some extent. (2) The possibility of a dock strike on the gulf and the eastern seaboard, and, (3) the large crops in Europe this year of all grains, especially wheat, which they denature some of and use in feeds.

Mr. MELCHER. Those three factors would lead to less export but taking in the lower price might encourage greater exports. That would be the encouraging factor for exports?

Mr. GOEPPINGER. Right. We might get some markets away from other countries temporarily for corn. We export about 50 percent of the world's corn exports and so these other countries, South Africa, Argentina, Thailand, France, are going to be in a position where they either have to bring their price down to or below ours in order to sell their corn or else let us have part of the market that they had been taking previously.

Mr. MELCHER. Yesterday, Mr. Weir, representing the Department, testified that the bill might lead to selling grain when they should be buying it and buying grain when they should have been selling it. I think that is a fair quotation or paraphrasing of his statement.

Now, he gave an example of soybeans, and I think you were present here in the room at the time, Mr. Goepfinger, and I know that you do raise soybeans yourself, and you did testify there is a relationship on the markets.

Mr. GOEPPINGER. Right.

Mr. MELCHER. With corn along with other feed grains.

Mr. GOEPPINGER. Yes, sir.

Mr. MELCHER. Now, I want to check with you if your interpretation of the bill is the same and your testimony is based on the same interpretation of the bill.

As I interpret the bill, when soybeans are selling high, as they are now, and above the 5-year average, the Department could not be in the market to buy them. And furthermore, in order to be in the market to be buying soybeans or wheat or corn or any grain that is covered in the bill, they would have to have a carryover estimate and then buy a certain percentage of that carryover.

Now, on the basis of that understanding, I would think they would be entirely out of the soybean buying under this bill. Is that your understanding of the bill?

Mr. GOEPPINGER. Only for the present while soybeans are higher than \$2.57 per bushel. My understanding is that No. 1, since the buying price is \$2.57 per bushel, which is the average price of the last 3 years, they wouldn't go in and buy anything until that price or less had been reached, and No. 2, the other factor that you mentioned where there had to be a probability of the carryover. But the provisions of the bill are there to act as a tool for building a strategic reserve and supporting the soybean market if and when in subsequent crop years this should happen.

Mr. MELCHER. Are you saying that the Department would be paying more than \$2.57?

Mr. GOEPPINGER. No; I said \$2.57 or less.

Mr. MELCHER. That is right. Then they could not buy soybeans currently?

Mr. GOEPPINGER. No.

Mr. MELCHER. So they would not be in the market under the conditions that exist right now?

Mr. GOEPPINGER. They might be a year from now or 2 years from now but not now.

Mr. MELCHER. And the other conditions would have to be met, too, they would have to be estimating a carryover.

Mr. GOEPPINGER. Yes, sir.

Mr. MELCHER. If I understand their testimony yesterday, they do do not seem to be estimating a carryover—I don't want to put words in their mouth—but that seemed to be the impression I got. Is that about the same impression you got from them?

Mr. GOEPPINGER. Yes; I got the same impression.

Mr. MELCHER. I think you and I are thinking the same way about the bill and the same way that the author is and I thank you, Mr. Goeppinger, and Mr. Chairman.

Mr. PURCELL. Thank you.

Mr. Goeppinger, just one or two questions for the record.

Now, in all of the questions that have been asked you about the fact that having this grain, wheat, feed grain, soybeans, would have a depressant upon the market, do you know of a single bushel of any of these commodities that would be taken under this bill that wouldn't be in existence anyway?

Mr. GOEPPINGER. No, I don't.

Mr. PURCELL. And there would be just as much depressant on the market or I think more without this bill as there would be with it, would there not?

Mr. GOEPPINGER. I feel the same way, sir.

Mr. PURCELL. And we all know that a substance market tends to push the price down but we have never had the experience of having tried on the part of this Congress to set aside or lock up to hold for use only when certain circumstances arise any amount of our substance, have we? We haven't had a bill like this or a law like this bill would provide that I know of.

Mr. GOEPPINGER. Never to my knowledge.

Mr. PURCELL. Is it not your judgment that we can't prove it wouldn't have some kind of depressant but no one can speak with authority that it would depress.

Mr. GOEPPINGER. You are correct on that.

I agree with you.

Mr. PURCELL. And that it should have significantly less depressing effect on the market than the same amount of surplus would have without some kind of effort to isolate it from the dumping by CCC or selling by private owners or whatever it might be, do you agree?

Mr. GOEPPINGER. I agree with that also. I think that that is what I was trying to say to Congressman Mayne when I said we had never had any precedent of this type before because there had never been such a law such a law on the books.

Mr. PURCELL. You did say that and I did want the record to reflect that at least you and I agree with these facts I pointed out.

Our next witness is Mr. Charles L. Frazier of the National Farmers Organization. You may proceed, Mr. Frazier.

STATEMENT OF CHARLES L. FRAZIER, NATIONAL FARMERS ORGANIZATION

Mr. FRAZIER. Mr. Chairman and members of the committee. I am Charles L. Frazier, director of the Washington staff of the National Farmers Organization, whose headquarters are in Corning, Iowa. The National Farmers Organization appears in support of H.R. 1163 and commends the Honorable Neal Smith of Iowa for again introducing the proposed legislation. This bill directs the Secretary of Agriculture to establish reserves in amounts up to 300 million bushels of wheat, 25 million tons of feed grains, and 100 million bushels of soybeans. The methods proposed for maintenance and disposal of the stocks are very reasonable. These provisions would protect the producers' prices in years of heavy production and assure consumers of a reserve supply in the event of low yields.

Legislation proposing some type of emergency reserve has been considered seriously in the Congress in 1966 and 1968—variations of the idea have been seriously supported by reliable and thoughtful authorities in the agricultural field periodically ever since the origin of the ever-normal granary program in 1933. Legislation of this type would fill an important gap in the existing programs. In the operation of the farm program over the last 35 years, we have learned that the variables of both production and disposition of our important grain stocks inevitably produce surpluses in some periods of time and, of course, very modest reserve levels in periods of high consumption or crop shortage.

These cycles have provided a profound dilemma for program administrators. We must have enough grain to meet our domestic needs, our cash exports, the requirements of our aid programs and also have a buffer against unforeseen emergencies. It is difficult to make projections of these needs and guide production accordingly, however, so long as programs are operated on a voluntary basis and there are hazards affecting each year's production. As a consequence, every administrator must so manage program provisions that there will always be a sufficient supply. Briefly, expressed, there must be some surplus each year. Our country has never been short of food in modern times. It would be an unacceptable premise to design a program that might result in a shortage.

When reserve levels are fairly low, those responsible to assure the Nation of a sufficient supply must call for increases in production. This occurred in 1967 and, as supplies were rebuilt to a safe level, farmers were forced by the resulting lower prices, to bear the major cost of providing the new reserve. This record is familiar to all who are concerned with farm prices.

With the current corn crop estimated at 5.3 billion bushels, a grain sorghum crop of 881 million bushels, and comparably high production in the other grains, we are today repeating the same pattern of high production, increasing carryovers, and lower prices. It should be entirely unnecessary to ask producers to shoulder the burden of providing adequate reserves for this country twice within one 5-year period.

It is essential to be able to establish and maintain adequate protection against an emergency. It is equally important to isolate this reserve from the market in a way that protects both producers and

consumers. The provisions of the bill are fair to both groups because they will know where they stand each year as production and merchandising plans are perfected.

Under present law, CCC is directed to dispose of its stocks as rapidly as possible consistent with the price support program and orderly marketing practices—and certain minimum price levels are prescribed for sales for unrestricted use. This is not sufficient protection for the producer because the program administrators must plan for some surplus as a safeguard against disaster or unexpected increase in demand, and demands are made on them to release CCC stocks at any time prices approach the minimum sales level.

Consequently, we support the principle and the provisions of the bill H.R. 1163 as proposed. It is our hope that it may move forward along with the bill H.R. 8290 designed to increase price support levels for major grains and recently considered in this Committee. We would like to encourage emphasis on farm storage in any favorable action that your committee may take on these bills. This is a crucial time for grain farmers. A large proportion of our grain producers have made a good crop this year only to be faced with severely declining prices. Any action to make a modest increase in grain support price levels and hold reserve stocks on the farms would contribute substantially to improvement in the agricultural economy in grain producing areas.

Thank you, gentlemen.

Mr. PURCELL. Thank you for your statement, Mr. Frazier. We have a telegram from the executive director of the Grain Sorghum Producers Association, Mr. Elbert Harp, and a statement from one of our colleagues, Congressman Mark Andrews. Without objection, these will be included in the record at this point.

STATEMENT OF HON. MARK ANDREWS, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NORTH DAKOTA

Mr. CHAIRMAN: I appreciate the opportunity of appearing before your distinguished Committee in support of legislation authorizing the establishment and maintenance of a strategic reserve of feed grain, wheat and soy beans.

As many of you may know, I co-sponsored and testified in support of legislation which would raise by 25 percent the loan level on wheat and feed grains in any year that the projective yields exceed those as determined by the Secretary.

Mr. Chairman, our farmers are continually producing enough food to feed not only this Nation but the entire world, and are doing it at their own detriment. Certainly, the rest of us must share in the cost of providing this overabundance. For the safety of our nation, I do not think it is possible to expect our farmers to solely carry the burden of excess supplies. As the record will show, a very slight increase in excess supplies can drive down farm prices.

The increases which are now indicated, however, are more than slight. The latest USDA Crop Production Report estimates 1971 wheat production to be 18 percent above last year. Durum and other spring wheat acreage increased 40 percent over 1970. Winter wheat acreage was down one percent, primarily because producers in these areas were unable to take advantage of the flexibilities provided in the new "set-aside" legislation. The effect of the increased production from this acreage on the over-all supply situation is frightening and is severely aggravated by a forecasted increase in corn production of 28 percent over 1970.

Unless immediate, effective steps are taken by Congress and the Department of Agriculture, farmers will be swamped with surpluses which it will take years to work off. It has been maintained that the "set-aside" approach contained in the 1970 Farm Act has to rely on market growth for its success and not on efforts to curtail production. If this true, then safeguards should be provided to protect producer income in times like the present when market expansion is not possible. One such safeguard is the strategic commodity reserve which we are recommending

to the Committee. When the government succeeds in vastly broadening the overseas sales perhaps the strategic command reserve will then serve only as a reserve, but for now, it can also help greatly in preventing further disaster price declines.

I submit that this legislation would work hand in hand with existing farm legislation. If our Government would move to make provision for a necessary reserve and if these provisions provide the protection for our producers which is absolutely necessary, I feel certain it would result in a better supply stability for both the agricultural industry and consumers and better price stability for our farmers.

This Congress must ensure equity in the economy of our Nation for our farmers—particularly our small, family farmers—with improved legislation and imaginative legislation which will help all concerned to cope with the problems which we face. I believe this legislation would give both farmers and consumers the protection which they deserve and must have.

[Telegram]

LUBBOCK, TEX.

Hon. ROBERT PRICE,
Cannon House Office Building,
Washington, D.C.:

We are unable to attend the hearings concerning Congressman Neal Smith, strategic grain reserve on September 15th. Grain Sorghum Producers Association has always felt that an adequate reserve with U.S. ancient guidelines. For it not being related except for emergencies, is in the best public interest and beneficial to farm programs. The Secretary of Agriculture could then administer a tighter production control program without the fear of short crops creating an emergency. Please present our views favoring Mr. Smith's bill to the committee on Agriculture.

ELBERT HARP,
Executive director, Grain Sorghum Producers Association

Mr. PURCELL. This completes our testimony and the subcommittee will stand in recess subject to the call of the Chair.

(Whereupon, at 3:50 p.m., the hearing was recessed, subject to call of the Chair.)

