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EXTENSION OF THE EXEMPTION FROM MARKETING ORDERS FOR POTATOES FOR "OTHER PROCESSING"

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HEARING

BEFORE THE

SUBCOMMITTEE ON DOMESTIC MARKETING
AND CONSUMER RELATIONS

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 11175 and H.R. 11213

NOVEMBER 10, 1971

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CONTENTS

H.R. 11175, a bill to amend section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, as amended-----	Page 1
Statement of:	
Bergeson, F. W., representing the Potato Processors of Idaho Association-----	34
Blaser, Fred, potato grower, Rexburg, Idaho-----	22
Frazier, Charles L., director, Washington staff, National Farmers Organization-----	4
Greenburg, Art, potato grower, Grand Forks, N. Dak-----	25
Hansen, Hon. Orval, a Representative in Congress from the State of Idaho-----	2
Harding, Ralph, representing the American Potato Co., San Francisco, Calif-----	14
Johnson, Reuben L., director of legislative services, National Farmers Union-----	8
Jones, Raymond, past president, Instant Potato Products Association, Minneapolis, Minn-----	31
McConnell, Lloyd, potato grower, Wasco, Calif-----	18
Mercker, Albert E., executive secretary, Vegetable Growers Association of America-----	36
Nicholson, Paul A., Deputy Director, Fruit and Vegetable Division, Consumer and Marketing Service, U.S. Department of Agriculture-----	9
Penfold, Don, potato grower, Driggs, Idaho-----	20
Thomsen, Hank, potato grower, Warden, Wash-----	29
Tiebert, Bub, potato grower, Voss, N. Dak-----	29
Correspondence submitted to the subcommittee:	
Bull, Chipman C., executive vice president, Maine Potato Council, Presque Isle, Maine, letter of Aug. 20, 1971-----	37
Cyrus, Keith, Madras, Oreg., telegram of Nov. 4, 1971-----	38
Garrison, E. Reed, administrator, Oregon Potato Commission, Salem, Oreg., telegram-----	37
Lyng, Richard, Assistant Secretary of Agriculture, letter of Nov. 9, 1971, report on H.R. 11175-----	1
Mitchell, Joel, president, Malheur County Potato Growers Association, Ontario, Oreg., letter of Nov. 5, 1971-----	38
Pope, Lynn, president, Klamath Potato Growers Association, Klamath Falls, Oreg., letter of Nov. 12, 1971-----	38
Rose, Rogers K., chairman of the board, Rogers Bros. Co., letter of Nov. 2, 1971-----	3
Smith, George E., Jr., president, Tulalake Growers Association, Tulalake, Calif., letter of Oct. 29, 1971-----	37

EXTENSION OF THE EXEMPTION FROM MARKETING ORDERS FOR POTATOES FOR OTHER "PROCESSING"

WEDNESDAY, NOVEMBER 10, 1970

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING AND CONSUMER
RELATIONS OF THE COMMITTEE ON AGRICULTURE.

Washington, D.C.

The subcommittee met, pursuant to recess, at 10:10 a.m., in room 1301, Longworth House Office Building, the Honorable Thomas S. Foley (chairman of the subcommittee) presiding.

Present: Representatives Foley, Sisk, Denholm and Zwach.

Also present: Martha S. Hannah, subcommittee clerk; Hyde H. Murray, associate counsel.

Mr. FOLEY. The Subcommittee on Domestic Marketing and Consumer Relations will come to order.

The subcommittee meets today to consider H.R. 11175, by Congressmen Hansen and McClure of Idaho, Edwards of California, and Frenzel, Hathaway, Leggett, and Purcell; and a similar bill H.R. 11213, by Mr. Horton. The bills would amend section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937 as amended—potatoes for canning, freezing, or other processing.

(The bill H.R. 11175 and Department of Agriculture report follow:)

[H.R. 11175, 92d Cong., first sess.]

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

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

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

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

DEPARTMENT OF AGRICULTURE,

Office of the Secretary,

Washington, D.C., November 9, 1971.

Hon. W. R. POAGE,

Chairman, Committee on Agriculture,
House of Representatives.

DEAR MR. CHAIRMAN: This is in reply to your October 14 letter requesting a legislative report by the Department on H.R. 11175, a bill to amend section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, as amended.

This bill would have the effect of making permanent the amendment to the Act, P.L. 91-196, February 20, 1970, which expires on February 20, 1972. That amendment exempted potatoes for dehydration and other processing from regulation under marketing orders, placing them on the same basis with potatoes for

canning and freezing which have been exempt for many years. Inasmuch as potato products are in competition with each other in the market, this results in uniform treatment of potatoes for processing regardless of the final use made of the product.

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

Federal potato marketing orders are currently in effect in many of the major potato producing areas of the United States. In 1970, areas regulating the handling of potatoes under Federal marketing orders accounted for nearly half of the U.S. potato crop. Each of these orders contains provisions for regulating the handling of potatoes which may be shipped to fresh market outlets. However, potatoes for canning and freezing have been exempt from marketing order provisions for some time and potatoes for other processing uses were exempted on February 20, 1970, for a period of two years.

Processing use of potatoes has increased sharply in recent years, particularly in areas now covered by marketing orders. In 1970 nearly half of all potatoes used for food were processed—up from only 14 percent in 1956. Among processing uses, utilization for freezing is most important in terms of volume, but large quantities are also used for potato chips and dehydration.

Enactment of H.R. 11175 would have no impact on the environment.

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,

RICHARD LYNG,
Assistant Secretary.

Mr. FOLEY. The first witness today is the principal author of H.R. 11175, the Honorable Orval Hansen, of Idaho.

Mr. Hansen, we are very happy to see you, as always. We will be happy to hear your testimony.

STATEMENT OF HON. ORVAL HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. HANSEN. Thank you very much, Mr. Chairman, distinguished members of the subcommittee. I am happy to be here today to present my views on the pending legislation. I may also say I appreciate very much, Mr. Chairman, the courtesy extended and the cooperation evidenced by your scheduling prompt hearings on this legislation.

My statement will be very brief. I will just summarize the brief statement that I have prepared for the record, because the details of the legislation will be discussed at some greater length by witnesses who have come here who have a good deal of knowledge of the industry, witnesses both from my own State of Idaho and elsewhere.

I think the important things to note here are that the bill merely extends what was a temporary law enacted last year. The experience, from all we can gather, under the temporary law has been most satisfactory and the action proposed here to extend it and make it permanent appears to be fully justified.

The basic thrust of the legislation, of course, is to achieve essentially the same ground rules for all of the processors of potato products so that those who manufacture dehydrated products and sell in the same markets are operating under the same rules that apply to the processors and sellers of frozen and canned products. It is essentially a mat-

ter of achieving equity among all of those who operate in the same market. That is the real purpose behind the bill, Mr. Chairman.

Thank you again for scheduling the hearings promptly and for giving me this opportunity to appear to testify.

(The full statement referred to follows:)

STATEMENT OF HON. ORVAL HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. Chairman, I am grateful for the opportunity to present my views on H.R. 11175, which would exempt all processed potato products from regulations under federal marketing orders.

As co-sponsor of this bill, I was pleased to note that the Senate Committee on Agriculture reported out a similar bill, S. 2672, on November 8, 1971. I sincerely hope that H.R. 11175 will also receive prompt and favorable action.

I will not discuss the legislation in detail. There are many able witnesses including several growers and processors from Idaho here today who will provide detailed information for the Subcommittee on the need for passage of this bill.

However, I will bring two points to the Subcommittee's attention: (1) this legislation makes permanent a law that was passed last year which has a two-year limitation on it. Since the law was passed, the Department of Agriculture has not received any complaints about its operation, and as far as I know, no other organization has received a complaint about its operation. There is strong support in my district, which is the heart of the Idaho potato industry, for legislation to make this temporary law permanent; and (2) the legislation assures farmers in the market place, extending to dehydrated potato products the same exemption from marketing orders that frozen and canned potato products have had for years. All processed potato products should be treated the same.

I want to thank the Subcommittee for scheduling this hearing today. And, I am sure the witnesses from my State will provide helpful information on the necessity and operation of this bill.

Mr. Chairman, I would respectfully request that I be allowed at this time to insert into the hearing record the statement of Mr. Rogers K. Rose, the Chairman of the Board of Rogers Brothers Company of Idaho Falls, Idaho. Mr. Rose wanted to be here personally to testify, but his schedule made it impossible.

Mr. FOLEY. Thank you very much, Mr. Hansen. I understand that you would like to have included in the hearing record a statement of Mr. Rogers K. Rose, chairman of the board of Rogers Bros. Co., Idaho Falls, Idaho?

Mr. HANSEN. Yes, I would.

Mr. FOLEY. Without objection, the statement of Mr. Rose will be received and included in the record.

(The statement referred to follows:)

ROGERS BROS. Co.,
November 2, 1971.

THE DOMESTIC MARKETING AND CONSUMER RELATIONS SUBCOMMITTEE OF THE HOUSE AGRICULTURE COMMITTEE,
Washington, D.C.

GENTLEMEN: Rogers Brothers Company is an Idaho-based potato dehydrator, processing a complete line of potato products for the retail, institutional and industrial markets nationally. The dehydration segment of the potato industry is the only segment subject to the authority of the Agricultural Marketing Act of 1937 as amended. It is our contention that dehydration is a major method of preserving food and is deserving of the same exemptions under the Act as provided to canners and freezers of potato products.

As an illustration of the competitive inequity that could exist under present law, we submit the following:

Rogers Brothers Company in Idaho Falls markets a retail dehydrated hash brown potato that competes in that market with a frozen hash brown potato produced by the J. R. Simplot Company a Hayburn, Idaho and with a "Magic Potato" canned small whole potato, all located in Southeast Idaho, only Rogers

Brothers' product would be subject to legislation invoked by a marketing order in Idaho. The frozen and canned products are presently exempt.

The geographic inequity of the law is also worthy of illustration: Rogers' potato flakes for instant mashed potatoes dehydrated in Idaho must compete with Pillsbury (Hungry Jack) potato flakes processed in the Red River Valley and Carnation Potato Flakes processed in the State of Washington. A marketing order invoked by a local control committee in any one area could spell disaster for the processor in that area since the other two competitive brands would not be affected.

It is our honest belief that to be competitive, dehydrators must be allowed the same exemption as provided canners and freezers. We earnestly solicit your Committee recommendations relating to the passage of HR11175.

Respectfully submitted.

ROGERS K. ROSE,
Chairman of the Board.

Mr. FOLEY. Are there any questions of our colleague?

Mr. SISK. No, Mr. Chairman, but I want to welcome our colleague to the committee.

I am most happy to have you.

Mr. ZWACH. No questions.

Mr. FOLEY. Thank you again, Mr. Hansen. We appreciate your appearance this morning and your statement will be included in the record. We are happy to have had you as the opening witness for this proposed legislation.

Normally, the chairman would call next the representative of the Department of Agriculture, Mr. Nicholson, and our former colleague, former Congressman Ralph Harding of Idaho. But I am going to ask the indulgence of those witnesses to call first Mr. Charles L. Frazier, director of the Washington staff of the National Farmers Organization, and following Mr. Frazier, Mr. Reuben L. Johnson, director of legislative services of the National Farmers Union, because of very pressing commitments these witnesses have before a committee in the Senate.

Mr. Frazier, would you come forward at this time?

STATEMENT OF CHARLES L. FRAZIER, DIRECTOR, WASHINGTON STAFF, NATIONAL FARMERS ORGANIZATION

Mr. FRAZIER. Thank you very much, Mr. Chairman. I appreciate the courtesy of the opportunity to appear early this morning. My statement is relatively brief. I think I can just read it and that will save time for all of us.

The subject, of course, is H.R. 11175 and 11213, a bill to amend the Agriculture Marketing Agreement Act of 1937 as amended.

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today in behalf of the National Farmers Organization.

The 1937 act permanently exempts potatoes and some other vegetable crops, when used for canning and freezing, from coverage by a marketing order. In February 1970, language was added to extend this exemption to potatoes used for other types of processing and it expires in February 1972. The bill before you would make this exemption permanent language in the authorizing legislation.

In any consideration of such legislation, much thought should be given to the history of the marketing of potatoes and the changes that have taken place in recent years. At the time the Market Order Act was

passed, only a minute portion of the crop was processed by canners and freezers. Even as late as 1956 the amount of potatoes used for freezing and canning was still small, amounting to 6.9 million hundredweight of a total of 180.1 million hundredweight produced for food use. No one can deny that such a small and struggling industry needed the protection provided by exemptions at that time.

A look at present utilization figures shows that of the 1970 crop, 64.2 million hundredweight of potatoes were utilized for canning and freezing. The total amount of the 1970 potato crop utilized for processing in all forms was 126.1 million hundredweight as compared to 129.2 million hundredweight sold for use as fresh potatoes, or about one-half of the total crop. It is certain that such phenomenal growth and the present size of the processing industry dictate that if marketing orders are to be effective, they must include all potatoes for processing.

The purpose of marketing orders is succinctly stated in a marketing handbook published by the USDA: "Marketing Agreements and Orders have one basic clear-cut purpose—to improve returns to growers." How can this basic purpose have even the slightest hope of achievement with one-half of the potatoes used for food exempt from control under the order?

I should like to bring to your attention other interesting aspects of potato production. The first production report for fall crop potatoes, released September 11, 1970, indicated a bumper crop for the fall producing States of 243 million hundredweight. Each successive report increased this amount to the record high of 252 million hundredweight.

Potato prices, even before the large projected crop was harvested, skidded to disastrously low levels and the average price for potatoes sold in the fall producing States was \$1.97 per hundredweight. When that portion lost by shrink and waste is taken into consideration, potatoes normally delivered but for which the grower receives nothing, it can readily be seen that the average price was actually much lower than \$1.97 per hundredweight.

The supply of frozen french fried potatoes in storage as of the first of September 1970, reported in USDA Cold Storage Report Cost 1 (9-70) released September 17, 1970, indicated a stockpile of 284 million pounds. The following Cold Storage Reports increased this amount until on June 1, 1971, Cold Storage Report USDA Cost 1 (6-71) released June 16, 1971, indicated an all-time high of frozen potatoes at 730 million pounds, of which amount french fries accounted for 639 million pounds. It is noted that the supply had more than doubled by June of this year.

The prices of long-cut frozen french fries, as published in The Journal of Commerce Spot Commodities Report on Monday, September 14, 1970, were as follows: Maine—10 cents per pound f.o.b. packing center; Idaho—11½ cents per pound F.o.b. packing center.

The prices of frozen french fries as published in The Journal of Commerce on June 14, 1971, were as follows: Maine—14 cents per pound for long-cuts; Idaho—15½ cents per pound for long-cuts, both f.o.b. packing center. This is an increase of 4 percent per pound with the supply more than double that of record 1 year earlier. This is rather strong evidence that processors have the supply and pricing formulas well in hand. They no longer need the protection of exemptions from marketing orders. And, furthermore, such price control in

the face of increasing supplies sets an example that producers can hardly ignore.

The greatest increase in utilization of potatoes for processed food products occurred in frozen potato products. Potatoes utilized in this form increased from 4.7 million hundredweight in 1956 to 51.6 million hundredweight in 1969, increasing from 19 percent of processed potato products in 1956 to 45 percent in the latter period.

According to a report, "The state of the industry", Quick Frozen Foods, December 1970, manufacturers of frozen potato products were reported to have fared better profitwise than did all other processors of frozen vegetables in 1969. This further verifies that exemptions are no longer needed.

The french fry consumption is expected to double within the next 10 years, according to an article in the December 26, 1970, issue of *The Packer*, another industry publication.

In spite of these industry records and the outlook for the future, potato growers are at this time receiving some of the lowest prices in history. Some of the current prices around the country, as reported by USDA Crop Reporting Service, are: Washington State, \$16 per ton—field run, processor grade; Idaho \$1 to \$1.50 per hundredweight field run, subject to tare factors; in Wisconsin and North Dakota, \$1 to \$1.50 per hundredweight for chipping potatoes; Maine open market price to processors, U.S. No. 2 or better, 60 to 70 percent No. 1's, 90 cents per hundredweight. Incidentally, the October report of prices received by farmers reflects \$1.78 per hundredweight as the U.S. average price currently received for 1971 potatoes.

When all of the foregoing facts are taken into consideration, there is clearly no doubt that continuation of exemptions does not serve the best interest of the potato industry and certainly they indicate that the basic intent of marketing orders cannot be effectively operated with across-the-board type of exemptions on all potatoes used for processing.

When Mr. Staley, president of the National Farmers Organization, testified before this committee recently on bargaining, he discussed the possible broadening of the marketing order authority to all farm commodities. He testified then, "It is also recommended that the exemption for frozen and canned products be removed from the marketing order authority." Our position remains the same.

Rather than weaken the marketing order authority by extending the exemption for other processing uses, we strongly encourage the committee to remove the canning and freezing exemption from the act. If this cannot be done for all commodities, such an action at least would be in order for potatoes at this time.

Removal of the whole processing exemption on potatoes would signal to growers that the marketing order approach really is to be used for their benefit—that all segments of the industry are to be treated equitably—and that growers are challenged to cooperate in the effective use of a national order. It would be a fair and objective action.

The National Farmers Organization is dedicated to strengthening the position of growers who wish to bargain and market their products at acceptable prices. Marketing orders can be one of their best tools in this continuing struggle. We urge you to strengthen the authority rather than to weaken it.

Thank you, gentlemen.

Mr. FOLEY. Thank you very much, Mr. Frazier.

Mr. FRAZIER. Thank you, sir, for your time.

Mr. FOLEY. Are there any questions of Mr. Frazier?

Mr. SISK. Mr. Chairman, I will be very brief, because I recognize the time problem.

As I understand your position, you feel, and your organization, Mr. Frazier, that you prefer to eliminate all exemptions?

Mr. FRAZIER. Yes, sir.

Mr. SISK. That was my understanding of the import of Mr. Daley's statement earlier. Let me say it is one with which I wholly agree. I guess that is why I took note of it at the particular time.

Now, I took this position 2 years ago when this same type of legislation was before us; I was vigorously in opposition to it. I decided to support this legislation on the basis that if and until we did remove the exemption on freezing and canning, there was a question of fairness of whether or not to exempt dehydrators. On that basis, Congress did act to permit people to operate under it for 2 years.

Now, assuming my position, if it is impossible at the present time to remove all exemptions on potatoes, would you make a brief comment on whether or not we are placing the dehydrator in an unfair position in relation to freezing and canning?

Mr. FRAZIER. Mr. Sisk, certainly I think it is only fair for any of us to recognize that there is a certain amount of inequity existing between the various types of processing if canning and freezing are treated differently from those of the dehydrators. But I must add, however, that our growers generally feel very strongly that any action to remove more of the crop from the influence and the control of the pricing mechanism under marketing orders is damaging to their position. In other words, they regret very much that the canning and freezing exemption exists, and of course they resist and feel very badly about losing a larger part of the crop from marketing order control.

Mr. SISK. Mr. Chairman, just to conclude, I agree completely with the witness. I already have in mind the possibility of offering some amendments which may change this bill by removing all exemptions rather than increasing them. There is a question of equity. If we are going to permit some exemptions; then how far do we go.

Mr. FRAZIER. If I might extend quickly one comment, Mr. Sisk, I appreciate your position and your attitude on the whole exemption very much, because as these prices show, I think our growers are just gradually being shoved to the wall entirely too fast and perhaps removal of the whole exemption would be, well, kind of an outstanding action, but maybe the time has come. Maybe it is one that we can face up to and maybe we can all support it at this time.

Mr. SISK. Thank you very much, Mr. Frazier.

Mr. FOLEY. Any further questions of Mr. Frazier?

Mr. ZWACH. No.

Mr. DENHOLM. I commend the witness for an excellent statement. Thank you, Mr. Frazier.

Mr. FRAZIER. Thank you.

Mr. FOLEY. Thank you very much, Mr. Frazier.

Mr. Johnson?

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. JOHNSON. Mr. Chairman, I, too, would like to thank you and the subcommittee for permitting me to testify in order that I may attend a hearing that is taking place in the Senate Agriculture Committee this morning.

I must say at the outset that I am in basic agreement with the previous witness and you, Mr. Sisk, and you, Mr. Denholm, if I understand your positions.

Mr. Chairman, I do not believe I could contribute anything by presenting this statement, so I believe I will just ask your permission to make it a part of the record and to submit to any questions that you may have.

(The statement referred to follows:)

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. Chairman and Members of the Subcommittee, Farmers Union opposed HR 11243 in hearings before the Subcommittee on June 9, 1969. Our position has not changed. It is to more vigorously than ever oppose exemption of processors from dealing with producers through market order procedures.

The bill before the Subcommittee to deny permanently producers of "other processed" potatoes from market order protection is a travesty of justice. We urge the Subcommittee to act to give potato producers greater access to market order protection, not less access. There is, for example, good cause to remove the exemption on potatoes for canning and freezing.

At a time when producers are asking for a greater voice in dealing with those who buy their produce, this processor-supported bill is more especially distasteful and without merit.

Farmers Union President Tony Dechant appeared before the Subcommittee on September 29 in support of bills HR 8886 and HR 8887, to give farmers greater bargaining power. He was accompanied by Farmers Union state presidents Ray Watson (Ill.); Harold Wright (Ind.); Sydney Gross (Ia.); Ed Christianson (Minn.); Clyde Jarvis (Mont.); Elton Berck (Neb.); Ed Smith (N.D.); Ben Radcliffe (S.D.); John Stencil (Rocky Mountain); and Jay Naman (Tex.).

Farmers Union is striving to get a greater voice for farmers in the marketplace. To erode these efforts, as HR 11175 does, rejects the premise upon which all bargaining efforts are predicated.

Potatoes are produced commercially in 41 of the 50 states. With a greater percentage of production going into processing, it is of greater importance than ever that producers be given protection in their weak bargaining position with processors.

Only 14 percent of potato production was processed in 1956; 42 percent in 1967 and 49.4 percent in 1970.

Currently there are market orders in effect for potatoes in major potato producing states of Colorado, Washington, Idaho, Oregon, California and in Virginia and North Carolina under the Southeastern State Potato Market Order.

We believe that as more potatoes get to the consumer in processed form, producers will seek to expand market order protection, especially on processed potatoes. That is obviously why processors are here today to attempt to get permanent exemption from market orders for "other processed" potatoes.

We have confidence that the Subcommittee and the full House Agriculture Committee will deny them such an exclusion and that Congressional direction will continue to move toward giving producers greater voice in dealing with processors and handlers.

Mr. FOLEY. Thank you, very much, Mr. Johnson. Your statement will be included in full in the record. It is always a pleasure to have you before the subcommittee.

I know that your position with respect to this legislation and that of the National Farmers Union follows closely that of the previous witness.

Are there any questions of Mr. Johnson?

Mr. ZWACH. No.

Mr. SISK. I would like to thank Mr. Johnson. We agree completely on the position. As I have read the statement, it is exactly in line with the discussion we had with the previous witness.

Mr. FOLEY. Thank you very much, Mr. Johnson. I know you have a pressing engagement and we will excuse you at this time.

Mr. JOHNSON. Thank you, Mr. Chairman.

Mr. FOLEY. The next witness will be Mr. Paul A. Nicholson, Deputy Director of the Fruit and Vegetable Division of the Consumer and Marketing Service of the U.S. Department of Agriculture.

STATEMENT OF PAUL A. NICHOLSON, DEPUTY DIRECTOR, FRUIT AND VEGETABLE DIVISION, CONSUMER AND MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. NICHOLSON. Mr. Chairman, members of the committee, it is a pleasure to appear again before this committee. I am Paul A. Nicholson, Deputy Director, Fruit and Vegetable Division, Consumer and Marketing Service, USDA. I have a statement on H.R. 11175.

H.R. 11175 is a bill to amend section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended. It would make permanent the amendment to the act Public Law 91-196, February 20, 1970, which expires on February 20, 1972. That amendment exempted potatoes for dehydration and other processing from regulation under marketing orders, placing them on the same basis with potatoes for canning and freezing which have been exempt for many years. Inasmuch as potato products are in competition with each other in the market, this results in uniform treatment of potatoes for processing regardless of the final use made of the product.

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

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

Federal potato marketing orders are currently in effect in many of the major potato producing areas of the United States. In 1970, areas regulating the handling of potatoes under Federal marketing orders accounted for nearly half of the U.S. potato crop. Each of these orders contains provisions for regulating the handling of potatoes which may

be shipped to fresh market outlets. However, potatoes for canning and freezing have been exempt from marketing order provisions for some time and potatoes for other processing uses were exempted on February 20, 1970, for a period of 2 years.

When the canning and freezing exemptions were incorporated in the act, the disposition of potatoes to these outlets was negligible. However, processing use of potatoes has increased sharply in recent years, particularly in areas now covered by marketing orders. In 1970 nearly half of all potatoes used for food were processed—up from only 14 percent in 1956. Thus exemption of all potatoes for processing places approximately half of all potatoes used for food outside the scope of marketing order regulation.

Attached are tabulations showing the U.S. production of potatoes in 1971 and utilization of the potato crop for the years 1956 through 1970.

It is estimated that the annual cost to the Department of administering any new marketing order established under this bill would approximate \$25,000.

I might say that as the bill is now presented, it does not envision establishing any new marketing orders, but we usually include this cost statement in our testimony.

I thank you.

(The charts referred to follow:)

POTATO PRODUCTION BY STATES IN 1971 AND PERCENTAGE OF U.S. TOTAL PRODUCED IN EACH STATE

State	Production 1,000 cwt.	Percentage of total	State	Production 1,000 cwt.	Percentage of total
Alabama.....	1,810	0.6	Nevada.....		
Arizona.....	2,625	.8	New Hampshire.....	158	(1)
Arkansas.....	91	(1)	New Jersey.....	2,769	.9
California.....	28,612	9.0	New Mexico.....	460	.1
Colorado.....	10,323	3.3	New York.....	15,511	4.9
Connecticut.....	1,105	.3	North Carolina.....	2,281	.7
Delaware.....	1,440	.5	North Dakota.....	18,150	5.7
District of Columbia.....			Ohio.....	2,702	.9
Florida.....	4,862	1.5	Oklahoma.....		
Georgia.....			Oregon.....	14,233	4.5
Idaho.....	76,155	24.0	Pennsylvania.....	8,030	2.5
Illinois.....	340	.1	Rhode Island.....	1,400	.4
Indiana.....	1,756	.6	South Carolina.....		
Iowa.....	527	.2	South Dakota.....	978	.3
Kansas.....	130	(1)	Tennessee.....	390	.1
Kentucky.....	168	(1)	Texas.....	3,779	1.2
Louisiana.....	161	(1)	Utah.....	1,020	.3
Maine.....	36,975	11.7	Vermont.....	242	(1)
Maryland.....	309	(1)	Virginia.....	4,394	1.4
Massachusetts.....	966	.3	Washington.....	29,040	9.2
Michigan.....	8,640	2.7	West Virginia.....	280	(1)
Minnesota.....	16,248	5.1	Wisconsin.....	13,518	4.3
Mississippi.....	170	(1)	Wyoming.....	666	.2
Missouri.....	60	(1)			
Montana.....	1,326	.4			
Nebraska.....	2,171	.7	Total.....	316,972	100.0

¹ Less than 1/10 of 1 percent.

² Includes six-tenths of 1 percent not allocated.

Source: Crop Production (October 1971), issued by the Statistical Reporting Service, U.S. Department of Agriculture.

POTATOES, UNITED STATES: UTILIZATION OF 1956-70 CROPS
[Thousand hundredweight]

Utilization item	Crop year											
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	
Fresh food:												
Tablestock.....	146,048	148,408	148,868	148,496	149,002	153,594	149,710	146,981	129,513	139,542	133,856	131,184
On-farm.....	9,312	8,176	7,279	5,913	5,310	4,773	3,955	3,400	2,776	2,597	2,378	2,289
Subtotal.....	155,360	156,584	156,147	154,410	154,312	158,367	153,665	150,381	132,289	142,139	136,234	133,473
Processed food:												
Chips, etc.....	14,566	17,356	17,063	20,085	21,018	22,642	24,086	26,683	28,783	31,292	32,729	32,406
Dehydration.....	3,223	3,776	5,917	7,656	10,104	8,518	9,280	9,909	10,801	20,166	19,811	19,084
Frozen.....	4,675	4,827	8,263	9,918	15,042	18,138	18,400	22,425	23,654	37,302	39,631	39,609
Canned.....	2,283	2,606	2,864	2,447	2,809	2,775	2,926	3,240	3,201	3,348	3,386	3,358
Subtotal.....	24,747	28,565	34,107	40,106	48,973	52,073	54,692	62,267	66,439	92,108	95,557	94,457
Subtotal.....	180,107	185,149	190,254	194,516	203,285	210,440	208,357	212,648	198,728	234,247	231,791	227,930
(1) Total food.....	18,336	12,691	18,387	7,718	10,177	20,493	11,285	11,737	2,990	8,081	11,001	12,049
(2) Starch, flour.....	7,675	8,950	18,918	6,607	5,348	20,340	7,913	10,103	5,587	5,797	8,440	16,800
(3) Feed sales.....	4,148	2,718	3,916	3,104	2,940	4,192	3,340	3,087	1,871	2,179	2,930	2,781
Feed on farms.....	11,823	11,668	22,834	9,711	8,288	24,532	11,253	13,190	7,458	7,976	11,370	19,581
Total.....	13,435	13,641	13,079	13,583	14,823	13,823	14,333	14,159	14,203	16,922	16,173	15,846
(4) Seed sales.....	6,752	7,577	7,086	7,093	7,560	7,191	5,955	5,911	7,363	6,510	8,113	7,427
Seed on farms.....	20,187	21,218	20,165	20,676	22,383	21,104	20,288	20,070	21,566	23,432	24,286	23,273
Total.....	15,339	11,796	15,257	12,651	12,971	16,687	13,627	13,513	10,334	17,433	28,454	22,501
(5) Shrinkage and loss.....	245,792	242,522	266,897	245,272	257,104	293,166	264,810	271,158	241,076	291,169	306,902	305,334
(6) Production.....												
Total.....												
Subtotal.....												
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POTATOES: PERCENTAGE OF TOTAL FOOD UTILIZATION ACCOUNTED FOR BY EACH ITEM, 1956-70

Item	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Fresh food:															
Tablestock (sales).....	81.1	80.2	78.3	76.3	73.3	73.0	71.9	69.1	65.2	59.6	57.8	57.6	53.7	51.8	49.9
Farm household.....	5.2	4.4	3.8	3.0	2.6	2.3	1.9	1.6	1.4	1.1	1.0	1.0	.9	.8	.7
Subtotal.....	86.3	84.6	82.1	79.4	75.9	75.3	73.8	70.7	66.6	60.7	58.8	58.6	54.6	52.6	50.6
Processed food:															
Chips, shoestrings.....	8.1	9.4	9.0	10.3	10.3	10.8	11.6	12.6	14.5	13.4	14.1	14.2	14.7	14.5	13.8
Dehydrated.....	2.8	2.0	3.1	3.9	5.0	4.0	4.4	4.7	5.4	8.6	8.5	8.4	9.8	10.4	10.1
Frozen.....	2.8	2.6	4.3	5.1	7.4	8.6	8.8	10.5	11.9	15.9	17.1	17.3	19.2	21.0	23.9
Canned.....	1.3	1.4	1.5	1.3	1.4	1.3	1.4	1.5	1.6	1.4	1.5	1.5	1.7	1.6	1.6
Subtotal.....	13.7	15.4	17.9	20.6	24.1	24.7	26.2	29.3	33.4	39.3	41.2	41.4	45.4	47.4	49.4
Total food.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

POTATOES: PERCENTAGE OF TOTAL CROP ACCOUNTED FOR BY EACH OUTLET, 1956-70

Outlet	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Food	73.3	76.4	71.2	79.3	79.1	71.7	78.7	78.4	82.5	80.4	75.5	74.6	79.0	78.6	79.6
Seed.....	8.2	8.7	7.6	8.4	8.7	7.2	7.7	7.4	8.9	8.1	7.9	7.6	8.3	7.8	7.5
Subtotal.....	81.5	85.1	78.8	87.7	87.8	78.9	86.4	85.8	91.4	88.5	83.4	82.2	87.3	86.4	87.1
Starch, flour.....	7.5	5.2	6.9	3.1	4.0	7.0	4.3	4.3	1.2	2.8	3.6	4.0	2.6	2.8	2.6
Feed.....	4.8	4.8	8.5	4.0	2.2	8.4	4.2	4.9	3.1	2.7	3.7	6.4	3.7	3.6	3.0
Shrinkage, loss.....	6.2	4.9	5.7	5.2	5.0	5.7	5.1	5.0	4.3	6.0	9.3	7.4	6.4	7.1	7.4
Subtotal.....	18.5	14.9	21.2	12.3	12.2	21.1	13.6	14.2	8.6	11.5	16.6	17.8	12.7	13.5	13.0
All.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1 Data does not tally to total due to rounding.

Mr. FOLEY. Thank you, Mr. Nicholson. We are always glad to have you come before the committee and have your helpful analysis of the legislation.

Are there any questions?

Mr. SISK. Mr. Chairman, I am not altogether sure that I know exactly what the position of the Department is.

Of course, I appreciate your statement, Mr. Nicholson. The committee is always happy to have you here. I recognize the problem you have. I have already expressed my position, so you know what it is.

Actually, the Department, if I understand the letter signed by Mr. Lyng, and also your statement, is really taking no position other than stating factually what this bill does.

Mr. NICHOLSON. That is approximately our position. We do point out that this bill would result in lessening the bargaining position of producers. But we pretty much leave it up to the Congress which way you should go. We did this 2 years ago at the time you enacted the 2-year exemption. Our position is still the same as 2 years ago.

Mr. SISK. Could I ask you again this one question somewhat along the line of what Mr. Frazier said earlier?

Would you agree there is a question of equity and fairness here if we continue the exemption on freezing and canning of potatoes unless we give the dehydrator equal treatment? Would you state for the record your position or that of the Department as to what would be preferable here to be fair? Would the Department prefer to eliminate all exemptions in order to give to the grower a better bargaining position? Or do you lean the other way because of present circumstances?

Mr. NICHOLSON. Well, we think one or the other should be done. In other words, we do believe there is a question of equity involved, as you have stated. And if we were faced, I believe, with two bills here today, one saying cover all and one saying exempt all, we would probably say we favor, slightly at least, a coverall bill.

Mr. SISK. I appreciate your statement, thank you, sir. I will not ask you further because I appreciate the position you are in.

Mr. FOLEY. Any other questions?

Mr. ZWACH. Yes.

Mr. FOLEY. Mr. Zwach.

Mr. ZWACH. Mr. Nicholson, apparently since 1956, the percentage of potatoes that are now outside of orders have changed from 14 percent to half. Does that look like it is continuing upward?

Mr. NICHOLSON. Yes, it is.

Mr. ZWACH. Is that going to continue to go up?

Mr. NICHOLSON. Yes. I do not know when we will reach the top. Some of the processors who will testify today are better able to predict that than I can, but I would be willing to say it will continue to go up.

Mr. ZWACH. You further say that potatoes for canning and freezing have been exempt from marketing order provisions for some time. Can you elucidate on that?

Mr. NICHOLSON. Yes.

Mr. ZWACH. Have they ever been covered?

Mr. NICHOLSON. No.

Mr. ZWACH. They have never been covered.

Mr. NICHOLSON. Let me clarify that.

Mr. ZWACH. I do not know that history, and I would like that, very briefly.

Mr. NICHOLSON. As I recall, canning was exempt under the act back in 1935. I should not say I recall, because I do not. I have read the history. I believe freezing was added as an exemption under the act in 1946 or '47—I believe 1947. Mr. Sisk may remember.

Mr. SISK. If the gentleman will yield, the gentleman is pretty close, as I recall the dates and times. And there again, we acted for freezing on the question of equity—should they not enjoy the same exemption that the canner had? The canner initially had an exemption under the original marketing order. That is my understanding.

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

Mr. FOLEY. Thank you very much, Mr. Nicholson. We appreciate your appearance this morning.

Mr. NICHOLSON. Thank you. It is a pleasure to be here.

Mr. FOLEY. The Chair is now very happy to welcome to the witness table our distinguished former colleague, the Honorable Ralph Harding of Blackfoot, Idaho, representing the American Potato Co. of San Francisco, Calif.

**STATEMENT OF HON. RALPH HARDING OF BLACKFOOT, IDAHO,
REPRESENTING THE AMERICAN POTATO CO. OF SAN FRANCISCO,
CALIF.**

Mr. HARDING. Thank you, Mr. Chairman. I wish to thank the chairman and the members of this subcommittee for this opportunity to appear before you today.

As I have listened to the witnesses from the NFO and the Farmers Union and the Department, I think that they are basically missing one point. That is the matter of the equity and the fairness of this legislation. And the fact that if you removed the exemption that canning and freezing has from marketing orders, it would not solve the problem, because potato marketing orders, where they do exist, are different. There is a marketing order in Maine that is inactive today. There is no marketing order in the Red River Valley. There is a marketing order in Idaho that applies to fresh potatoes only; there is a different marketing order in Washington State. In the Klamath Basin of southern Oregon and California, there is another marketing order, and there is still a different one in Colorado.

There are two ways to solve this problem, Mr. Chairman. The one is the enactment of this bill today and the other is, if you remove the exemption of canning and freezing, you are going to have to have a national marketing order that treats all processors the same or you still have the same dilemma.

There has only been one instance in which a marketing order was applied to a processor, and that was a little over 2 years ago, when a little canning company out in San Jose, Calif., by the name of Pik-Nik was buying potatoes from the Klamath Basin. They were one of three national marketers of shoestring potatoes and they were all using size B potatoes. Their competitors were the O. & C. division of Durkee Foods in New York State, who were making an almost identical product, and a company called the HLH Co. in Arkansas, owned by H. L. Hunt.

Well, the marketing order committee out in the Klamath Basin said, these guys are using size B potatoes, and if we force them not to use size B potatoes, they are going to have to use size A potatoes than that is going to increase the potato price. But they did not look at the realistic competition in the marketplace, because O. & C. continued to use size B potatoes, in New York and HLH continued to use size B potatoes in Arkansas. So all that they did, as the manager of Pik-Nik told me, "They forced us to a position where we had to close down our plant, we threw our payroll out of work, we stopped buying potatoes from the Klamath Basin." That is how this legislation first started. What happened to Pik-Nik alarmed every dehydrator in America, because it had happened once and it could happen again.

We have got a very fine processing company up in the Columbia Basin called Pronto Pacific. They make potato flakes. There is a gentleman here from the Red River Valley of Minnesota today where the Pillsbury Co. is making potato flakes. And we have the R. T. French Co., who is marketing potato flakes from Idaho. Exactly the same thing that happened with shoestrings could happen today to any one of these companies. If the local marketing order committee in Idaho said, there can be no more size B potatoes used for processing, R. T. French is out of business, because they cannot buy U.S. No. 1, size A and compete with Pillsbury in the Red River Valley and Pronto Pacific in the Columbia Basin who use a lesser grade potato.

The same thing could happen to the company that I am representing here today. They have spent literally hundreds of thousands of dollars in developing a hash brown potato, a dehydrated hash brown. You pour it in hot water and in a few minutes it is reconstituted and it is ready to cook. But again in Idaho, we have other companies that make hash brown potatoes. We have the J. R. Simplot Co. and several others that make a frozen hash brown potato and we have other companies that make little, small canned potatoes that are used for hash browns.

Well, right now, again, in Idaho if they said that potatoes for processing are no longer exempt from marketing orders under the law, the company producing frozen hash browns is exempt and the company producing canned potatoes for hash browns is exempt, but the American Potato Co. producing dehydrated hash browns would be subject to the marketing order.

So, Mr. Chairman, I think in all fairness, the Congress has two alternatives: One is to go ahead and enact the legislation before you today that is going to give to all processors of potatoes the same exemption that canners and freezers presently enjoy. The other is not merely to remove the exemption from canners and freezers, this would not solve anything. The problem of regional marketing orders or no marketing orders or different marketing orders would still create unfairness and inequities to processors and farmers, alike.

Mr. Sisk is the only member of the subcommittee who was here when I was here, knows that I was the supporter of marketing orders. I sat on this committee for 4 years. But to accomplish anything, and I am sure Bernie agrees with me, a marketing order has to be fair. It has to treat all people alike.

It was not just the Pik-Nik Co. that got hurt, it was their employees, and more than that, it was also the farmers that they were buying

potatoes from. When Pik-Nik was closed down, the farmers who were selling these potatoes were forced to sell those same potatoes for starch at a much lower price, so those potato producers also got hurt.

Well, Mr. Chairman, that concludes my testimony. But basically, that is the situation as I see it and I would be happy to answer any questions.

Mr. FOLEY. Thank you very much, Mr. Harding.

Any questions of Mr. Harding?

Mr. SISK. Thank you, Mr. Chairman.

I want to welcome my good friend, Ralph Harding, back before the committee because I well remember our service together. And let me say there was a time, the major part of the time we marched down the aisle together.

Mr. HARDING. Nearly all of the time.

Mr. SISK. And I am happy to see him. As my good friend knows, of course, he and I have discussed this potato situation many times. It was he who was most influential in getting me to go along with this 2 years ago. He is familiar with my concern, in view of the ever-increasing amount of so many commodities in the processing area, rather than fresh commodities—in this case fresh potatoes. We have the same thing in pears today as we have in other commodities. There is an ever-increasing percentage of the total going into processing. So would not my friend agree with me that what we are faced with in this new era in which the housewife prefers the product in a box, can, or a cellophane package rather than fresh, is the problem of revising marketing orders. Or in effect, are we going to lose any real benefit from marketing orders per se? Is that not generally the situation with many commodities?

Mr. HARDING. Yes; I cannot help but agree. You have heard the figures here of the great increase in the processing of potatoes, and I have seen it. Having lived all my life in Idaho, I know what it is to pick potatoes and sort potatoes and load them, and gentlemen, my heart is out to the potato farmer. It really is. You are going to hear farmers testify here today. I am now in the cattle business and I want to use every weapon that is possible to improve farm income, because I think that the family farm has been the backbone of this Nation and I think it is important that we get farm income up. But by the same token, Congressman Sisk—and this is the thing that worries me—it would only require one instance of applying a marketing order to a processor again here today, and we are going to have another Pik-Nik all over. And the resulting publicity—you can imagine what would happen with the Reader's Digest and other publications saying that two processors in Maine and Washington are allowed to go ahead without any obstruction and a processor in Idaho is obstructed from doing business because he is subject to a completely different marketing order.

So there are the two ways you can go. The one is the passage of this bill here today, which should be done, to put dehydrators on the same basis with canners and freezers until anything else is done. Then the other way that you can go is to come in with a comprehensive bill, a national marketing order, that takes away all exemptions and puts everyone on the same basis. But those are the only two alternatives that you are going to find. I find here among the people that I have talked to in the committee room today, Republicans and Demo-

crats, NFO, Farm Bureau, Farmers Union members, farmers from the Red River Valley, Idaho, and Washington—all supporting the bill, because none of them wants to be left out on a limb until something is done.

Mr. SISK. Well, let me say this, Ralph. As I tried to make clear in my questioning of Mr. Frazier earlier, what persuaded me before to go along with this was the question of equity and fairness.

On the other hand, the situation has worsened from the standpoint of many of our producers, and I know it is true in my own State of California in regard to fruits and vegetables, to the point where we in Congress have some very grave responsibilities in trying to enhance the income of the farmer as you have just indicated.

Certainly to me, I think it is imperative that we seriously begin to look at marketing orders with the idea of revamping them in some form. I do not know exactly how, but certainly, as a first step, the total removal of all exemptions is a consideration. I can understand your concern about one area operating under a marketing order and another not operating.

Of course, as my friend knows, that is true today. We have, for example, a marketing order in California. I assume in Georgia, the Carolinas, some other places, they do not. We have the same thing in milk marketing orders. Some areas have them, some do not. This, of course, becomes the concern of the growers in that area.

I think the Congress has the responsibility to act with whatever wisdom it has to try to give the farmer the tools to make it possible for him to get the best returns he can within reason, and in fairness to the consumer. As I say, the total removal of exemptions today, I think, is the first step in attempting to give many that opportunity. And I well recognize the concern of the potato people, particularly the dehydrators, in this.

A appreciate the comments of my friend, and I think we agree maybe on a great many things but I am certainly concerned about the equity in the present situation. I appreciate his comments.

That is all, Mr. Chairman.

Mr. FOLEY. Mr. Zwach?

Mr. ZWACH. Well, very briefly, half of the potatoes are processed and refined. You have given us an illustration of many of them.

Mr. HARDING. Yes.

Mr. ZWACH. The price to the producer is way down. How much have prices been reduced on those items that you now show us because potato prices are down? What reduction has there been in prices of those items at retail?

Now, I am asking this for this reason. When only 14 percent of them were processed, fresh potatoes came in and at least at retail, they were lower and moved and helped the producer in that respect. Now I suspect that there is a total rigidity of price on these processed potatoes, so the producer does not even have the advantage of moving more to the consumer when his prices are way down.

Could you answer, Have the prices of those products been reduced in the last 6 months since the potato crop has come in?

Mr. HARDING. Congressman, I cannot honestly answer your question on this. The only thing that I can say is as I went down and purchased these potatoes last night, I noticed potatoes that our Idaho

growers are getting a cent and a half and 2 cents a pound for, selling for 14 cents down in the fresh produce departments of grocery stores. There is a real problem that you are facing and I faced when I sat on the committee and that the Department of Agriculture is facing in getting back to the grower their fair share of what the housewife is paying for what the grower is producing, whether it is fresh or it is processed.

I do know that, yes, as the price of potatoes goes down, there is a responsive reduction in the cost of processed goods in the American Potato Co. that I used to be associated with. I am no longer associated with American Potato Co. except as a consultant.

But on the other hand, processing has really increased the potato farmer's income. I live in a large potato-producing county, Bingham County, Idaho, and the grower that sold his crop there to the processor under contract this year did very, very well. The grower on the other hand that did not have a contract is receiving a much lower price for his potatoes which are going to the fresh market.

Mr. ZWACH. The point that I am trying to make is that I do not believe that the prices of those products have been reduced one penny as the producer got less and less and less for potatoes. As more and more of his product gets into this rigidity of price in retail, he is getting in a tougher and tougher and tougher situation. That is the reason I am thinking this needs a real careful look.

That is all, Mr. Chairman.

Mr. FOLEY. Thank you very much, Mr. Harding. It is always a pleasure to see you again in Washington and to have you before the subcommittee to present what I think all would agree is a very effective statement.

Mr. HARDING. Thank you, Mr. Chairman.

Mr. FOLEY. The next witness will be Lloyd McConnell, a potato grower of Wasco, Calif.

STATEMENT OF LLOYD McCONNELL, POTATO GROWER, WASCO, CALIF.

Mr. McCONNELL. Thank you, Mr. Chairman, members of the committee, for this opportunity to speak to House bill 11175.

My name is Lloyd McConnell and I have been engaged in a family farming business in California for 15 years. On our farm we have been growing potatoes and other crops for sale on the fresh market and to processors every year.

I very strongly believe that all potatoes to be used for processing should be exempted from Federal marketing orders. Potatoes that are used for processing do not affect the market for fresh potatoes because the added cost of processing makes the price of processed potatoes substantially higher than fresh market potatoes. Because of this, the desired effect of a marketing order can still be achieved when potatoes for processing are exempted from the marketing order.

Marketing orders usually contain certain grade and size standards that are based on fresh market requirements. The grade and size requirements of processing potatoes in most cases are substantially different than those standards required for the fresh market. If processing potatoes are included in a marketing order, the grade and size restrictions that are designed for the fresh market create undue restric-

tions on the farmer and the processor without helping the overall purpose of the marketing order. These fresh market grade restrictions, when imposed upon processing potatoes, also cause the farmer to try to sell more of his potatoes that are lower in appearance quality on the fresh market because he will naturally try to sell as much of his total crop as possible to both the fresh market and processors. On the other hand, if processing potatoes are exempted from the marketing order, then the farmer will sell more of his potatoes that are lower in appearance quality to the processor, where certain appearance defects make no difference to the finished product, thereby improving the average quality of the potatoes that he is selling on the fresh market. This will actually help to achieve the desired results of the marketing order by increasing consumer appeal of the fresh market potatoes.

If the farmer has the option to sell some of his potatoes to a processor not under the restrictions of a marketing order while at the same time selling some of his potatoes on the fresh market under a marketing order, the income therefrom can many times make the difference between profit and loss to the farmer.

I also believe that the cost of administering a marketing order should not be imposed upon processing potatoes because it is an added cost that serves no purpose for processing potatoes. The grade and size of potatoes for processing are usually agreed upon between the individual farmer and the processor and they do their own inspections while a marketing order usually requires the cost of more inspections. This added unnecessary cost is another cost that must eventually be passed on to the consumer.

I strongly urge that the members of the committee take positive action in favor of this bill.

Mr. SISK (presiding). Thank you very much, Mr. McConnell. The chairman has been temporarily called away. The committee appreciates your statement.

The gentleman from Minnesota?

Mr. ZWACH. You believe that a larger and larger percentage of potatoes should move out from under marketing orders?

Mr. McCONNELL. I believe that potatoes that are used for processing should move out from under the marketing order.

Mr. ZWACH. That would mean that a larger and larger percentage would move out.

Mr. McCONNELL. If the amount of processing potatoes increases, that is true.

Mr. ZWACH. That is all, Mr. Chairman.

Mr. SISK. Thank you very much, Mr. Zwach.

Let me just ask you this, Mr. McConnell. As you know, in some commodities, it seems to me, that increasing quantities, and this is true of pears, are to the point where some 80 percent, or thereabouts, are processed. Originally, under the original pear marketing order, only 15 percent were processed. It was very low, practically all pears moved in fresh commodities. So it had very little impact.

Let me ask you, do you believe in marketing orders?

Mr. McCONNELL. I believe in marketing orders when they are used on the fresh market. I do not believe in them for processed products. One of the reasons is because the great majority of the farm products

that are used in processing are contracted ahead of time; in fact, many times before the crop is even planted, the crop is contracted at a set price to the processor. The reason I do not agree with a marketing order on processed foods is that there are too many restrictions on grade and size usually imposed in a marketing order which applies to fresh marketing of the produce, whereas the grade and size requirements for processing are many times quite different and it would be too restrictive.

Mr. SISK. Mr. McConnell, I do not mean to sound critical, but as a strong supporter of marketing orders and having seen them work very successfully in many areas of fresh commodities, I think they are a good thing for the farmer, the producer. Either we believe in them as a system of marketing in order to give the grower some control over his pricing, delivery, and other factors in connection with his production, or else we do not.

What we are faced with, which concerns me and my colleagues from Minnesota, is the ever-increasing movement to processing. So we either cover them under marketing orders or we do away with marketing orders. I think that is simple, cut and dried as I see it, and as I think the people in my area see it that way.

As you know, I am from Fresno and I know exactly what the situation is in your neighborhood. That is why I asked you if you believe in marketing orders. A great many people do not and that is a right they have. But it seems to me your position is that basically, you do not see any great benefit from marketing orders. That is the reason I asked the question, not to sound critical. But I believe that based on present trends, we will be here 5 or 10 years from now considering this question again when 75 or 80 percent or more of potatoes will be processed and marketing orders will have then become passe, at least in connection with potatoes. That is my position. That is the reason I ask you if you really are in favor of marketing orders per se.

Mr. McCONNELL. Let me say I am in favor of marketing orders when they apply to fresh market produce.

Mr. SISK. But if there are but few commodities moving in the fresh market, if most are processed commodities, they move either wholly or in substantial part in processed form, what is the point of a marketing order?

Mr. McCONNELL. You are correct there. If there is no produce moving on the fresh market, then there is no point. But at the present time, there is still a substantial amount of potatoes moving on the fresh market which I feel the marketing order does do good for the fresh market potatoes.

Mr. SISK. Thank you very much, Mr. McConnell. The committee appreciates hearing from you.

The next witness will be Mr. Don Penfold grower from Driggs, Idaho.

STATEMENT OF DON PENFOLD, POTATO GROWER, DRIGGS, IDAHO

Mr. PENFOLD. Members of the committee, I am Don Penfold of Driggs, Idaho. I appreciate the opportunity of testifying in support of House bill 11175, which would exempt processed potatoes from a

marketing order. I think I can best explain my stand in support of this bill by telling you a little about my farming operation.

I was born and raised on the farm I now operate. My father helped pioneer the potato industry and was instrumental in the organization of what is known as the Certification Agency for Seed Potatoes in the State of Idaho. At the age of 17, I bought a small acreage of ground and entered in partnership with my father. In 1958, my father retired. I bought his interest. Since that time, I have expanded by operation by buying some neighbors' property who have retired. For the last several years, I have raised about 130 acres of potatoes, in rotation with hay, grain, and handpicked podpeas. This acreage of potatoes is about what is considered an economical family operation in my location. Let me tell about my market for these potatoes. The year I was born, my father sold a carload of seed potatoes to an individual in Kimberly, Idaho. This individual and his son, who later joined him in partnership, became our major market for our product. This relationship continued throughout the years. I now hold a 5-year contract with his son who is a grower-shipper. Years when the seed potato prices are depressed, it is necessary for him to put the large potatoes that will grade No. 1 on the fresh market and the lower to processing. The point I want to make here is, although our potato starts out as a seed crop which would ordinarily be exempt from a marketing order, it is very possible, because of oversize, that needs to be removed, and price differentials, a portion of my crop could be diverted to fresh pack and processing. If processing potatoes were to be controlled by a marketing order, I feel this would disrupt my marketing contract and would not benefit my income. The potato industry has provided me with a comfortable income and a good way of life for me as it did my father, and as I hope it will for my son. In order to do this, I feel it would be to my advantage to invite more processors to locate in Idaho. Restrictions of a marketing order that would be in effect in Idaho and not in other areas, would tend to discourage processors from locating here.

You realize that if all processing potatoes were put under marketing order regulations, this would not necessarily mean that all areas would be under the same regulations. The reason being that not all production areas are operating under marketing orders, and it is the individual area's responsibility to activate a marketing order. Thus, we would still have discrimination. Exemption of all processing potatoes from the marketing order regulations is the only way I feel we can eliminate this discrimination.

In my 30 years as a grower I have witnessed many changes in the potato industry, especially in its marketing. The marketing is just as important as growing. Because of this, marketing is the main concern of growers not only in the meetings I have attended in our area, but the many meetings I have attended throughout the United States. As I served on the Idaho and Eastern Oregon Marketing Order Committee, I felt that we could rewrite our exciting marketing order and provide supply management. We found it almost impossible to make any adjustments in the grades without interfering with some shippers' established market, or exciting contracts. An example of this is my contract. The receiver of these potatoes must have all the leeway the market provides in order to cover his investment and make profit.

There are so many variations of cost of production even within Idaho, that it is impossible to legislate or control the marketing of the crop so that everyone can stay in the potato business.

I feel that it is my right as a potato grower, landholder, and citizen of the United States to market my crop wherever and with whomever wishes to purchase. This is why I feel very strongly that processed potatoes should be exempt from marketing orders. It would be impossible for a processor or a fresh shipper to write a preseason contract for the purchase of my crop. I feel very strongly that it would be a great injustice for those of us who have developed a market for our product, to dispose of part of our production in an attempt to create a market for the inefficient operator.

We in the West have a freight disadvantage which takes more than 50 percent of our gross sales to get our product to market. Because of this we need to market the largest portion of our production possible. If marketing orders are to function, it must be on a small area basis, with only fresh potatoes. I would urge the passing of this bill which would exempt processed potatoes from a marketing order. I'm sure I speak not only for myself, but also for fellow potato growers with whom I have conversed. The passing of this legislation will allow processors the freedom to grow and develop markets, and offer preseason contracts. This will allow us, as growers, to hedge on the market and assure us of operating capital.

I appreciate your consideration of my testimony in regards to this legislation. Thank you.

Mr. FOLEY (presiding). Thank you very much, Mr. Penfold. We appreciate your statement.

Any questions?

Mr. SISK. No.

Mr. ZWACH. No.

Mr. DENHOLM. No.

Mr. FOLEY. Thank you very much.

The next witness is Mr. Fred Blaser, potato grower, Rexford, Idaho.

STATEMENT OF FRED BLASER, POTATO GROWER, REXBURG, IDAHO

Mr. BLASER. Thank you, Mr. Chairman, members of the committee. I appreciate this opportunity to be here this morning. I am Fred Blaser, of Rexburg, Idaho. I am a potato farmer and would like to give my support to House bill 11175, which will permanently exempt potatoes for processing from marketing orders.

I feel that because there are potato production areas in the United States that are not under Federal marketing orders, we would still be faced with part in the industry under controls thus maintaining or allowing discrimination between processors.

Over the past few years, processing has been a profitable outlet for my lower grade and, in fact, my entire crop of potatoes. I am pleased with the increased volume of potatoes marketed in Idaho because of processing.

It is my opinion that if we are to continue to develop and bring more processors into Idaho, this will depend upon conditions favorable to processing.

I favor exemptions for all processing, from marketing orders and recommend passage of House bill 11175. Thank you.

Mr. FOLEY. Thank you very much, Mr. Blaser.

Are there any questions of Mr. Blaser?

Mr. ZWACH. Mr. Chairman.

Mr. FOLEY. Mr. Zwach.

Mr. ZWACH. Mr. Blaser, your neighbors are also potato growers.

Mr. BLASER. Yes; this is right.

Mr. ZWACH. Are you speaking for them, or are you speaking only for yourself?

Mr. BLASER. Well, I am speaking for myself as a potato farmer.

Mr. ZWACH. You are speaking for yourself. Do you know, is there a division of opinion among your growers on this proposition? Each one of you as producers who have spoken has been against it. Is this universal, or is this just happenstance? I would like to get the reaction or the feeling, what the feeling of the other people is.

Mr. BLASER. I can only speak for those in my immediate area. They pretty much, I believe, favor the exemptions of processing potatoes.

Mr. ZWACH. And you came down today altogether on your own and provided your own testimony?

Mr. BLASER. Yes.

Mr. ZWACH. That is all, Mr. Chairman.

Mr. FOLEY. Mr. Denholm?

Mr. DENHOLM. How many acres do you farm in Idaho?

Mr. BLASER. I have 320 acres, total. I raise about 100 or 110 acres of potatoes.

Mr. DENHOLM. Is that an average size of the production units in Idaho?

Mr. BLASER. I cannot say for sure. They are getting to be a lot of large potato growers. I would say this would be a good average.

Mr. DENHOLM. Has the potato industry suffered the same transition that other agricultural production has—that is, there are fewer potato growers today as compared to 10 years ago?

Mr. BLASER. There possibly could be fewer, because there are fewer farmers in Idaho. I know myself, I have bought two neighbors out. One of them passed away and his farm came up for sale. So I suspect there are fewer farmers in Idaho.

Mr. DENHOLM. Do you know whether the total potato production has increased or decreased in that same period of time?

Mr. BLASER. Oh, no; it has gone up considerably.

Mr. DENHOLM. What relationship has price generally been to production? Has price tended to increase over what it was 10 years ago?

Mr. BLASER. I have been farming for approximately 10 years and since I have been writing preseason contracts, my particular income has been much greater from potatoes. Now, I could not speak for other potato farmers.

Mr. DENHOLM. When did you start farming?

Mr. BLASER. I started in 1960.

Mr. DENHOLM. About 10 years ago.

Mr. BLASER. About 10 or 11 years ago.

Mr. DENHOLM. What were you marketing your potatoes for then? How much per hundredweight did you receive for potatoes in 1960?

Mr. BLASER. The first 3 years before I started contracting, I sold my No. 1 potatoes for \$1.25 to \$1.40 per hundredweight. I sold those lower than No. 1's for usually about 25 cents for starch.

Mr. DENHOLM. What will you sell potatoes for this year?

Mr. BLASER. This year, under the contract, it will be approximately \$2—on a field run basis, which is, I believe \$2.35 for No. 1's, \$1.05 for No. 2's.

Mr. DENHOLM. Is this the result of your participation in a marketing order?

Mr. BLASER. No, I would say this is the result of the Potato Growers of Idaho, which is the bargaining agent for the potato farmers in Idaho, in their bargaining meetings with the processors have been able to bring the price up to this point.

Mr. DENHOLM. I suspect that it may not be within your knowledge as to what the retail market for potatoes was for the same period of time—would it?

Mr. BLASER. I can say "No," sir.

Mr. ZWACH. Mr. Chairman, one quick question.

Mr. FOLEY. Mr. Zwach.

Mr. ZWACH. You brought up a new point. You are organized, you producers are organized and bargain with a processor?

Mr. BLASER. Yes; we have what we call the Potato Growers of Idaho organization. They sit down and negotiate with the processors for this preseason contracts on potatoes.

Mr. ZWACH. Do all of your producers belong to this?

Mr. BLASER. No, not all of them.

Mr. ZWACH. Quite a few of them?

Mr. BLASER. The majority of the potato farmers do.

Mr. ZWACH. Do you elect a committee of producers to do the bargaining for you?

Mr. BLASER. Right. Each county has a committee and they elect a State bargaining committee and they sit down with five or six processors in Idaho and they negotiate these prices.

Mr. ZWACH. You have developed some selling strength?

Mr. BLASER. Oh, yes; very definitely.

Mr. ZWACH. They do not just bring you a contract and you sign it or leave it?

Mr. BLASER. No.

Mr. ZWACH. You bargain.

Mr. BLASER. Yes.

Mr. ZWACH. I see.

That is all, Mr. Chairman.

Mr. SISK. Mr. Chairman?

Mr. FOLEY. Mr. Sisk.

Mr. SISK. I do not want to get on to another piece of legislation here, but in view of the fact that the gentleman has injected what really amounts to a different subject matter, I have a question.

You have a potato marketing association; there is a group of organized growers in Idaho who actively bargain with the processors.

Mr. BLASER. Right; yes.

Mr. SISK. Do you have any difficulty with the processors sitting down in good faith and bargaining and discussing prices and delivery terms?

Mr. BLASER. As far as I can say, there are probably times when you have your difficulties, but over the past 4 years, we have been quite successful. We have been able to raise our price each year.

Mr. SISK. Thank you, Mr. Chairman.

Mr. DENHOLM. Mr. Chairman.

Mr. FOLEY. Mr. Denholm?

Mr. DENHOLM. When do you ordinarily sign your preseason contract? Have you signed it now for 1972?

Mr. BLASER. No, we have not gone into our 1972 contracts now. Usually, they start negotiating about January and this takes 1 month, 2 months. Most of our potatoes are planted in April and May and usually the contracts are out by then.

Mr. DENHOLM. Is this done through a farm organization or through the Idaho Potato Growers Association?

Mr. BLASER. No, this is the Potato Growers of Idaho.

Mr. DENHOLM. Do they tell you then how much they will accept at certain prices? Is that what you are talking about on contracts?

Mr. BLASER. Excuse me, I do not understand.

Mr. DENHOLM. How do you know how many acres of potatoes to plant each spring?

Mr. BLASER. Oh, we plant whatever we want. In other words, if I can, after the contract is consummated with the processors, then the particular processor that I deal with, he will come around and if I want to contract all of my crop to him, why, this is what I do. If I want to contract half and he will take half, this is what I do.

Mr. DENHOLM. And where do you market the over-production that is not under contract?

Mr. BLASER. Well, usually, these contracts stipulate just the entire crop.

Mr. DENHOLM. Do they try to contract your whole crop?

Mr. BLASER. Yes. If you market only half, you may sell some on the fresh market, this type of thing.

Mr. DENHOLM. After you have signed the contract and agreed to make the delivery of your whole crop production to the processor, do you have any control of his price to consumers?

Mr. BLASER. No.

Mr. DENHOLM. You have absolutely none, do you?

Mr. BLASER. No.

Mr. DENHOLM. You do not know whether the price to consumers is increased then as a result of your contract with the marketing agency and processors—do you?

Mr. BLASER. No; this is up to him, I suppose.

Mr. DENHOLM. That is all.

Thank you.

Mr. SISK (presiding). We thank you very much, Mr. Blaser, for your comments.

The next witness is Mr. Art Greenberg, a grower from Grand Forks, N. Dak.

STATEMENT OF ART GREENBERG, POTATO GROWER, GRAND FORKS, N. DAK.

Mr. GREENBERG. Mr. Chairman, ladies and gentlemen, I am a potato farmer from Grand Forks, N. Dak. I am perhaps one of the top five in size potato growers in the State of North Dakota. We grow approximately 1,800 acres of potatoes. These potatoes are grown mainly under contract. When we first started farming years ago, we started to grow 50 acres of potatoes. The reason for the increase of

acres and increase of our farm size is due to processors, the ability to grow potatoes more efficiently and to sell to processors at the prices they offer under contract.

We feel that a marketing order, when a processor is not exempt, especially for dehydration that we have in the Red River Valley, it can be very detrimental to ourselves and other farmers that grow under contract. Because if a marketing order were enacted and it was a U.S. No. 1 type marketing order, we could not fulfill our contracts. So it would be economic disaster for operations such as ours that operate our business with the processor. I urge you to pass this bill in front of you today, 11175. I believe this will help bring more processing into our area and help expand processing over the United States.

Thank you very much, gentlemen.

Mr. SISK. Thank you very much, Mr. Greenberg.

Let me ask you, you are from the Red River Valley?

Mr. GREENBERG. Yes, sir.

Mr. SISK. Do you have a marketing order in the Red River Valley?

Mr. GREENBERG. Yes, sir.

Mr. SISK. There is at present a potato marketing order?

Mr. GREENBERG. It is not in effect.

Mr. SISK. Oh, you do not have one operating?

Mr. GREENBERG. No, we do not have one operating.

Mr. SISK. Basically, what is your position on marketing orders? Would you support a marketing order on potatoes?

Mr. GREENBERG. Mr. Sisk, I would say marketing orders in the past, based on fresh potatoes, they were workable. Today with the changes in the Federal grade standards, I do not know any marketing order that could be put into effect that would be workable for anyone shipping anything other than washed potatoes.

For instance, if I were to sell a load of unwashed potatoes to a market in St. Louis and try to make a U.S. No. 1, it would be impossible to make that grade because the new Federal grade laws score dirt as a defect. In other words, if the potatoes are slightly dirty, we cannot make the grade. And it is very difficult to make what we call an 85-percent commercial grade any more because of the new Federal grade standards.

So if a marketing order were to be enacted, it would have to be completely different than any one we have had in the past.

Mr. SISK. Well, I can appreciate that, because marketing orders are a flexible matter. It all depends on what the order says and what you want to make of it, what grades and rules and types and varieties and condition. There are all types and varieties of marketing order.

The gentleman from Minnesota?

Mr. ZWACH. Mr. Greenberg, is it common that in the valley, the potatoes are contracted with the processor, or is your situation unusual?

Mr. GREENBERG. No. I would say that it is very common. Most growers today have become more conscious of the need of processing and do desire to have contracts with processors.

Mr. ZWACH. You bargain or agree individually with a processor, not with other producers?

Mr. GREENBERG. This was true up until this year. The Red River Valley Potato Growers Association did form a bargaining committee that met with the processors and negotiated some price changes.

Mr. ZWACH. I see.

Mr. GREENBERG. This was not all a success with all processors in the valley, but it is the first move toward bargaining and I am sure it will become very successful over the next few years.

Mr. ZWACH. Do you think this might be a substitute for a marketing order?

Mr. GREENBERG. It could. As far as processors are concerned, I see nothing wrong with bargaining. I think this is very good for both sides.

Mr. ZWACH. That is all.

Mr. DENHOLM. How long have you been in the potato production business?

Mr. GREENBERG. We started growing potatoes in 1941.

Mr. DENHOLM. How many acres did you grow then?

Mr. GREENBERG. Fifty acres, I believe.

Mr. DENHOLM. Are you still in substantially the same location?

Mr. GREENBERG. Yes, sir. We have broadened out considerably over the area, but we are still based in Grand Forks.

Mr. DENHOLM. You indicate that there is some advantage to producers in bargaining with the processors in driving a price. You have experienced that, have you?

Mr. GREENBERG. Yes; I was called in by the association this year to assist them in ideas of bargaining with the processors. I believe it is advantageous for all growers to be represented. Then when the prices are arrived at, the ones that can grow potatoes at these prices are the efficient growers that will remain in the growing of potatoes.

Mr. DENHOLM. How long a term—in years—would you be willing to sign a contract for delivery of potatoes at a specified price with the processor?

Mr. GREENBERG. We would be willing to sign a 5-year contract. Of course, there would have to be graduations according to the cost of living or some other workable arrangement.

Mr. DENHOLM. How do you know what the cost of living would be 5 years hence?

Mr. GREENBERG. Well, it would be changed each year, you see, as it is published.

Mr. DENHOLM. Did you hear my question to Mr. Blaser concerning the control of the price to the consumer by the processor that does appreciably or may substantially influence the level of the cost of living? Does anything in your contract contemplate the cost of potato products to the consumer?

Mr. GREENBERG. No; none that I know of.

Mr. DENHOLM. You do not have any control over the future price of potato products from the processor to the consumer under terms of your contracts with the processors—do you?

Mr. GREENBERG. No; I do not.

Mr. DENHOLM. Yet with a cost-of-living increase, what ultimately will happen to the producer? Will he have to absorb the cost-of-living increase in the equipment he purchases and in the overhead costs of production?

Mr. GREENBERG. If the goods went up in price, naturally, you would absorb them. But the question was how long a contract would I sign and I said I would sign a 5-year contract based that the contract would

be increased with inflation or with some other agreed form. Otherwise, you would contract basically for 1 year at a time.

Mr. DENHOLM. I know this is not directly on the point and purpose of the hearing today, but I am wondering, as producers, and as a rather specialized group of producers in the production of potatoes, if you have really thought through what a bargaining system would do for the consumers? It may improve temporarily the position of the producers, but I am really concerned about the relative economic position of producers if the cost of living went up. The consumers are gaining greater force in the American economy through collective bargaining efforts and would have to have more income to sustain purchasing power and in a system of marketing where there is no control over the price of the processors to consumers and regardless of the price you may arrive at in your bargaining agreement—What are you doing about the relative economic position of producers against increased costs of living of consumers, inflation and increased costs of production to farmers, growers and producers?

Mr. GREENBERG. You are asking me what are we doing as potato growers to hold the price down to the consumers.

Mr. DENHOLM. I know you are primarily interested in a better price for production to producers. That is your objective. It is a commendable objective. In the long run, over a 5-year period, it seems to me the processors, if they could control all production under contract, they would be in a favorable position to regulate production, price and profits. There is nothing in your contract that would regulate the profits of the processor because there is no control of price to the consumer and while you can limit price income for production by growers you cannot influence or control increasing costs of production on a marketing contract—can you?

Mr. GREENBERG. No; this is true.

Mr. DENHOLM. And the consumer's cost would likely be reflected in the increased cost of operation and maintenance, then; would it not?

Mr. GREENBERG. That is right.

Mr. DENHOLM. Therefore, your relative net income position would not be improved; would it?

Mr. GREENBERG. Well, if the cost of other goods goes up. That is why I question if you bargain for a contract, it is no different than labor bargaining for a contract and they bargain for a lot longer than the farmers bargain. There is an opportunity to go and try to keep up with the inflation, cost of living, however you put it. And this has to be again passed on. It is the same thing we have been going through for many years.

Mr. DENHOLM. Of course, that theory is totally inconsistent with the idea of reducing inflation—or improving the relative net income position of the farmers and producers. Is it not?

Mr. GREENBERG. It is a difficult question to answer.

Mr. DENHOLM. That is all. Thank you very much.

Mr. FOLEY (presiding). Thank you very much, Mr. Greenberg. We appreciate your testimony.

The next witness will be Mr. Bub Tiebert, a potato grower from Voss, N. Dak.

STATEMENT OF BUB TIEBERT, POTATO GROWER, VOSS, N. DAK.

Mr. TIEBERT. Mr. Chairman, members of the committee, it is a pleasure to meet with you today. I am a farmer from Voss, N. Dak., which is in the northern end of the Red River Valley. I would like to go on record in favor of House bill 11175. In these changing times, there is less and less fresh potatoes and more and more processed potatoes. For placing them on the grocers' shelf, we growers need the processor. In North Dakota, they take not just the low grades, but in many instances, the whole crop, which under restrictive grades we could not deliver. Therefore, I do not see how we can discriminate against any of the processors.

It has not been brought up too much here today, maybe not at all. A great portion of the potatoes out of the valley are used for chipping. In most of this other testimony, the processing concerned boxes and cans and so forth.

Thank you.

Mr. FOLEY. Thank you. We appreciate your testimony.

Any questions?

(No response.)

Mr. FOLEY. Thank you again.

The next witness is Mr. Hank Thomsen, a potato grower from Warden, Wash.

We are happy to have you with us, Mr. Thomsen. You have appeared before the committee before. It is a pleasure to have you again.

STATEMENT OF HANK THOMSEN, POTATO GROWER, WARDEN, WASH.

Mr. THOMSEN. Thank you, Mr. Chairman, members of the committee. I appreciate the opportunity to appear before this committee.

My name is Hank Thomsen, I am a potato grower, raising from 600 to 700 acres of potatoes a year at Warden, Wash. I have grown potatoes in Idaho and Washington for 29 years. I am a director of the Washington State Potato Commission and a director of the Potato Division of the Washington Agricultural Marketing Association, which is affiliated with the Farm Bureau. The marketing association represents the majority of the potato growers who supply potatoes for several of the major processors in central Washington.

The potato industry in the State of Washington has grown from 27,000 acres in 1953 to approximately 80,000 acres in 1971. The average yield per acre has increased from 255 hundredweight per acre, in 1953, to 390 hundredweight per acre in 1971.

The value of the potato crop has increased from \$7,864,000 in 1953 to \$47,215,000 in 1970. Potatoes now rank sixth in value of farm products in the State of Washington. Our market today, has changed from almost 100-percent fresh market in 1953 to 80 percent of our crop being processed in 1970 and it is estimated that 82 percent will be processed in 1971.

Sold on the fresh market in 1953, 6,482,000 hundredweight or 100 percent. Sold on the fresh market in 1970, 5,880,700 hundredweight or 19.9 percent. Dehydrated in 1970, 5,405,600 hundredweight or 18.2 percent. Frozen french fries in 1970, 17,143,300 hundredweight or 57.8 percent. All other forms of processing is 4.1 percent.

Approximately 44,000 acres this year are under preseason contracts to processors. This is about 26,000 acres more than what we traditionally sell on the fresh market.

As you can see, the largest percentage of our fall crop of potatoes is contracted before it is planted, which is approximately 76 percent of our Russett-Burbank potato crop. These contracts are field run contracts, specifying size, quality and reflect a price on all useable potatoes, to give us the best possible net income per acre.

We believe it is imperative that bill H.R. 11175 be passed so that we are sure that we can deliver the potatoes in the sizes and quality specified in our contracts, and that at no time can any group, by ill considered pressure restrict the potatoes that we have honestly negotiated and signed contracts to deliver.

From 1953 through 1970 we have consistently shipped 5½ to 7 million hundredweight of potatoes on the fresh market and still are doing so. All of our increases in the market today have been gained through sales to processing plants. Potatoes in the fresh market today are not sold as they traditionally were in the past. At this time, the only potatoes that the fresh market will absorb at decent prices is count size, special packs and high quality packs. As a rule, only one-third to one-half of a potato crop will fit this market. Therefore, we must have a market for the potatoes that do not qualify for fresh market such as sound small or rough potatoes.

The processing industry including dehydrating, and all other forms of processing furnishes us this market so that we, as growers, always have a growing and highly competitive market for our products. Potato production is expanding rapidly. We have the opportunity in Washington to be the No. 1 State in potato production in this Nation. We have the climate, the ground and the farmers. We also have a rapidly expanding processing industry, 12 processing plants in operation now, with three new plants under construction, that will be ready for the 1972 season, further increasing our markets for potatoes.

Washington Farm Bureau officially, through its delegates, passed a resolution at the State convention that there should be no restrictions on processing potatoes in any form and shall be exempt from marketing orders. This resolution was passed by the National Farm Bureau delegates at the national convention in Washington, D.C., in 1959.

We feel strongly as growers and as an organization of growers, that any artificial restrictions on our markets for processing potatoes would be detrimental to the farm economy of this State.

In 1935 we consumed 142 pounds of potatoes per capita. Consumption went steadily down until 1956 when consumption was only 102 pounds per capita. It was then that processed potato products began to be readily accepted by the consumer and consumption, per capita, has increased to 118.6 pounds in 1970. Consumption has almost increased in a direct line with the increase in the processed potato products.

In summary, Washington processes a larger percentage of its potato crop than other State—80 percent in 1970 and an estimated 82 percent in 1971.

The potato industry today contributes approximately \$400 million into the State of Washington's economy. We as growers urge you to continue to exempt potatoes from processing in any form, from marketing orders.

Let us not do anything that may hinder or stop the dramatic growth of the potato industry in the State of Washington and the Nation.

Thank you very much.

Mr. FOLEY. Thank you, Mr. Thomsen.

Any questions?

(No response.)

Mr. FOLEY. Again we thank you for a very helpful statement and the additional information you provided.

Mr. ZWACH. I do have one question.

Has the National Farm Bureau taken any position on this since 1969?

Mr. THOMSEN. It was the policy in 1970, but it has never been questioned.

Mr. ZWACH. So as far as you know, that is still their policy?

Mr. THOMSEN. As far as I know, it still is policy, yes.

Mr. FOLEY. The next witness will be Mr. Ray Jones, president of the Instant Potato Association, Minneapolis, Minn.

Mr. ZWACH. Mr. Chairman, this gentleman is from my fine State. They are a very good industry. I want to welcome him here.

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

Mr. JONES. Thank you very much.

My name is Raymond D. Jones, operations planning manager, Grocery Products Co., Division of the Pillsbury Co., Minneapolis, Minn. I am past president of the Instant Potato Products Association, which has designated me to represent them in support of H.R. 11175. Mr. Harding and the growers have so well covered the points I had prepared that I would like to offer my prepared statement for the record in the interest of time and make myself available for questioning.

Mr. FOLEY. Thank you very much, Mr. Jones. Your statement will appear in full in the record.

(Prepared statement follows:)

STATEMENT OF RAYMOND D. JONES, PILLSBURY CO., AND PAST PRESIDENT, INSTANT POTATO PRODUCTS ASSOCIATION

My name is Raymond D. Jones, Operations Planning Manager, Grocery Products Company, Division of The Pillsbury Company, Minneapolis, Minnesota. I am Past President of the Instant Potato Products Association, which has designated me to represent them in support of H.R. 11175.

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

1. The "United States Standards for Potatoes", effective July 15, 1958, lists the following grades of potatoes: "U.S. Fancy", "U.S. No. 1", "U.S. Commercial", and "U.S. No. 2". These grades are further classified into three sizes: "A", "B" and "C". Other potatoes are termed "Unclassified".

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

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

Fresh and processing segments of the potato industry have separate problems and should be treated separately, as was recognized when canners and freezers were exempted.

2. H. R. 11175 gives dehydrators of potatoes the same exemption from marketing orders otherwise allowed only canners and freezers of potatoes. Inasmuch as dehydrators buy the same kinds of potatoes from the same growing areas and manufacture competitive products, it is vitally important that this legislation be enacted.

3. Just one example of the inequity of the present Act without passage of this Bill is as follows:

The Pillsbury Company recently completed a major expansion of an instant potato processing plant in Grand Forks, North Dakota. There are two Frozen French Fry potato plants in the Red River Valley of Minnesota and North Dakota also competing for the same source of raw material in both states, which plants have also expanded their capacities. Without the proposed legislation, they would be exempt from marketing orders and Pillsbury would not.

Public Law 91-196 changed Section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, exempting the "other processors", fully recognizing, and rectifying, the inequity. However, a two-year limit was set, which expires February 20, 1972. It is extremely important that this exemption be made permanent.

The Instant Potato Products Association urges passage of H. R. 11175.

Mr. FOLEY. Are there any questions anyone would like to ask?

Mr. ZWACH. I would like to inquire.

Do you contract for most of your supplies, or do you buy much of it on the open market? What is your relationship with the producer? How do you secure the supply?

Mr. JONES. When we started processing in 1960, we contracted about 25 percent of our requirements. This year, it is about 100 percent. We have gradually increased.

Mr. ZWACH. And your contracts are made during the winter for the succeeding year?

Mr. JONES. We sit down with the bargaining committee of the Red River Valley Potato Growers Association described by Mr. Greenberg. That takes place usually in January, the main purpose of which is to understand the contract, because it is difficult for many of the growers to understand the french fry requirements, the fresh market contract requirements, the chip requirements, the dehydration requirements, which are all different. So once they understand the differences of the contract, they can equate the economies and decide whether they have a good deal.

Mr. ZWACH. Do you know roughly what share of the Red River Valley potatoes you contract for?

Mr. JONES. About 5 percent.

Mr. ZWACH. Are there other contractors?

Mr. JONES. Yes, there are. There are two french fried organizations and some in-and-out processors that are not steady businesses. I estimated about a year ago that we have climbed from about 10 percent processing in the Valley to about 30 percent of the crop.

Mr. ZWACH. That is all, Mr. Chairman.

Mr. FOLEY. I just want to comment that this legislation is not meant to refer to your company particularly, though it is a very fine company. I understand the potato industry has done a marvelous job in the techniques of dehydrating and processing. Of all the prepared

foods I can think of, potatoes rank first in my mind as the one that has the greatest similarity to the fresh product.

Mr. JONES. Thank you very much, sir.

Mr. FOLEY. I will not give any invidious comparisons with other processed foods, but I think that the potato industry has a lot to be proud of in what they have accomplished technically. I am sure that has a strong relation to the rising consumer acceptance of the processed product.

Mr. JONES. Thank you.

Mr. DENHOLM. Mr. Chairman, may I briefly inquire of the witness?

Mr. FOLEY. Surely.

Mr. DENHOLM. We have not had an ample opportunity to talk to people on the processing side of a bargaining contract.

You are with the Pillsbury Co., are you?

Mr. JONES. Yes, sir.

Mr. DENHOLM. Have the profits of the company decreased since you started bargaining with producers?

Mr. JONES. I am sorry, I do not have a mental picture of what the comparative profit picture is, but it is probably similar to what it was before. What we are doing is paying the grower an incentive to give us a better quality that gives us better yield. So we are putting more money in the grower's pocket and helping him to provide a raw material that gives us a better profit picture. So it is pretty much an equation. It balances out.

Mr. DENHOLM. How many years has the Pillsbury Co. engaged in bargaining contracts with producers?

Mr. JONES. Just two.

Mr. DENHOLM. What percent of the total growers are you bargaining with and executing contracts with at the present time?

Mr. JONES. We are bargaining with the Red River Valley Potato Growers Association, which represents 1,400 growers of the Red River Valley of Minnesota and North Dakota. What percent of the total growers that is, I do not know.

Mr. DENHOLM. I do not want to ask you any embarrassing questions about what your profits are in the processing business because you probably will not answer, but I am concerned whether or not the processing, in yielding a slightly increased income to the producers, has taken anything away from processors as a result of that bargaining procedure?

Mr. JONES. Our bargaining procedure is a misnomer in some respects.

Mr. DENHOLM. I think that is a true statement.

Mr. JONES. There are no teeth in the bargaining committee. It is a good-faith situation, where we sit down and try to determine what the costs of production are and what our economics are and so forth and arrive at something that is mutually beneficial. It is unlike a labor contract such as I am familiar with bargaining with in that respect.

But insofar as profits are concerned, we have passed on to the grower in this 2-year period of time the research knowledge we have gleaned by grants to universities and the experimental farms and so forth, saying that if you grow a certain variety a certain way and give us a

certain kind of raw material, it is worth this much more to us, which we will feed back to you.

Mr. DENHOLM. Well, admitting that there is much room between costs to consumers and prices received by producers for a slight benevolent pass-on to growers—is it a true statement that there is nothing in the bargaining contract between processors and producers which would regulate the price to consumers? There is absolutely nothing that precludes contracting as low as possible and selling for all that you can get—nothing to control profits?

Mr. JONES. No, sir.

Mr. DENHOLM. Thank you. That is all.

Mr. FOLEY. Thank you again, Mr. Jones.

The final witness on today's schedule is Mr. F. W. Bergeson, manager of the Idaho Potato Processors.

STATEMENT OF F. W. BERGESON, REPRESENTING THE POTATO PROCESSORS OF IDAHO ASSOCIATION

Mr. BERGESON. Mr. Chairman, I, too, appreciate the opportunity to appear before your committee. My testimony, too, has been distributed and it is largely repetitious. The main concern of the association in Idaho is to see that all processors of the State are on a fair competitive basis within the State and within the Nation. I do not know as there is anything new that I could add that has not already been said. I would be happy to try to answer any question.

I might just indicate that our association represents about 80 percent of the production in Idaho, 60 percent of our production is processed, and then the companies that also do the processing handle another 20 percent on the fresh line. So it is a sizable share of the production in Idaho.

(Prepared statement follows:)

STATEMENT OF F. W. BERGESON, REPRESENTING THE POTATO PROCESSORS OF IDAHO ASSOCIATION

My name is Bill Bergeson and I represent the Potato Processors of Idaho Association; this association handles approximately 80 percent of the potatoes produced in Idaho.

For some time the U.S. potato industry has recognized that there exists inequities in the Agricultural Marketing Act of 1937.

In simple terms, the dehydrated potato industry is threatened with economic problems by a legislative oversight.

The purpose of HR-11175: To place all potato processors producing dehydrated products on an equal competitive footing with each other, no matter where their plants are located, and to place the potato dehydrator on an equal competitive footing with the potato canner and freezer.

When Congress enacted the Agricultural Marketing Act of 1937 all fruits and vegetables for canning were exempt from the provisions of the Act. In 1937 canning was the only major method of preserving food.

In 1946, freezing had become a major factor in the preservation of food. Therefore, Congress amended the law to give the freezers of fruits and vegetables the same exemption from marketing orders that had previously been enjoyed by the canners.

Today, dehydration has become a major method of preserving food. This is especially true in the case of potatoes where it is estimated that approximately seventy percent of all mashed potatoes served in restaurants and institutions are prepared from dehydrated potatoes.

Dehydrated potatoes are also a major factor in the retail market. Today, the dehydration segment of the potato industry is the only segment still subject to

the authority of the Agricultural Marketing Act of 1937, as amended. This situation appears to be merely a costly and dangerous legislative oversight.

It is apparent that the intention of past revisions of the Act was to keep it up to date by assuring new processors of equal consideration. To now exempt dehydrators is only logical and fair.

Mr. FOLEY. Thank you very much, Mr. Bergeson. I think Mr. Blaser answered the question, but just so it is clear in my mind, the Potato Processor of Idaho Association is independent; it is not affiliated with any national farm organization, or is it?

Mr. BERGESON. No.

Mr. FOLEY. It is independent?

Mr. BERGESON. Just the growers of Idaho.

Mr. FOLEY. Are there any questions?

Mr. ZWACH. You represent processors, not producers, is that correct?

Mr. BERGESON. Right.

Mr. ZWACH. How many processors? Is this a national association—it is an Idaho organization?

Mr. BERGESON. No, just an Idaho. We have about 13 companies, 13 right now. We have had 14. Some of them, through financial difficulty, have not been able to keep going. We now have 13 processors with 22 plants in Idaho.

Mr. FOLEY. Any other questions?

Any other questions?

Mr. DENHOLM. May I ask, how long have you been acting in your present capacity?

Mr. BERGESON. About 3½ years.

Mr. DENHOLM. How long has your organization been in operation?

Mr. BERGESON. Since 1959.

Mr. DENHOLM. And you said that you represent or you control about 80 percent of the production in the State of Idaho?

Mr. BERGESON. At the present time.

Mr. DENHOLM. Do you have an opinion as to whether the income of processors has increased or decreased as a result of bargaining with producers?

Mr. BERGESON. I am not directly involved in the financial statements of the various companies. As an association manager, I help in other areas. I would assume that their profit picture would be strictly derived from the competitive position nationwide. I would not say that it has been materially affected by the bargaining.

Mr. DENHOLM. Who is your association primarily in competition with on a national basis?

Mr. BERGESON. Well, of course, they are in competition with each other on a national basis and then all processors in Washington, Red River Valley, Maine, wherever they may be.

Mr. DENHOLM. You are now talking about one State association being in competition on the national market?

Mr. BERGESON. Right, but they have plants in other States, some of them.

Mr. DENHOLM. Is there anything in the contract between your association and the producers of the State of Idaho that will influence the price after the processors have obtained the actual potatoes or

constructive control and ultimate possession under executed contracts for future deliveries?

Mr. BERGESON. No.

Mr. DENHOLM. That is all.

Mr. FOLEY. Thank you very much, Mr. Bergeson.

That concludes the hearings scheduled for this morning. The Chair suggests that the record of the hearings be kept open for 1 week for the purpose of receiving any additional testimony or communications, which will be placed in the record at this point.

(The following communications were subsequently received for the record:)

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

Mr. Chairman and Members of the Committees on Agriculture of the Senate and the House of Representatives, in connection with the above mentioned bills which would amend Section 603(c)(2) of the Agricultural Marketing Agreement Act of 1937, to exempt potatoes for dehydrating and other purposes, from marketing orders, placing them on the same basis with potatoes for canning and freezing, which are exempt, I would like to say that if enacted into law the bill would provide uniform treatment of potatoes for processing, regardless of the use made of the potatoes.

Potatoes have been a major staple of food for many countries in this world, particularly Europe and North America and many areas of South America. Although they are not native to Europe they are widely used as a major food and their per capita consumption greatly exceeds that of other areas of the world.

At the turn of the century (in 1910) per capita consumption exceeded 200 lbs. which gradually declined to 102 lbs. per person in 1952 but increased to 119 lbs. per person and possibly more in 1970.

In the earlier period per capita consumption of processed potatoes was largely in the form of a small percentage of dehydrated potatoes, largely used in the manufacture of bread products; a few were canned as well as manufactured into potato chips.

During the two World Wars there was an increase in the production of canned and dehydrated potatoes. However, its production dropped drastically after the cessation of hostilities. The total production in the United States declined reaching a low point in 1939 when the production amounted to 205 million CWT. With the advent of World War II production was increased and a fair proportion of the crop was processed into food for ourselves and our allies.

Processing, however, decreased after the cessation of hostilities. But some knowledge was gained as to the possibilities of processing and marketing. Several enterprising entrepreneurs learned about the processing of potatoes during World War II and set up permanently in the potato processing business and total production increased to about 325 million CWT from the 1970 crop. Per capita consumption increased from the low point of 102 lbs. per capita in 1952 to 119 lbs. per capita from the 1970 crop, of which 259 million CWT were used as food, being almost equally divided into 131 million CWT in the fresh form and 128 million CWT in the processed form. The difference between the total production and consumption as food was due to shrinkage and loss, use for seed and livestock feed, and some manufacture of potato starch and flour.

We must acknowledge that processing turned the corner of potato consumption and increased its use, particularly in our restaurants and places of institutional feeding. Restaurants are users of processed potatoes to a large degree, not only because of ease of preparation but in the elimination of a considerable garbage bill.

Many housewives are also inclined to use processed potatoes because of ease of preparation, particularly for use as french fried products, which are a great time saving device, particularly for the working housewife.

Much has been said about maintaining rural population and the potato processing industry has given employment to many people in our rural areas, which is very desirable under present conditions. The marketing season of processed potatoes is a year-around project and vital to the economy.

For the many reasons outlined above the Vegetable Growers Association of America can not afford to see these advantages interrupted and therefore we support the provisions of the above named bills and urge their passage.

Thank you for the opportunity allowed us to make our position known.

MAINE POTATO COUNCIL,
Presque Isle, Maine, August 20, 1971.

Hon. WILLIAM D. HATHAWAY,
*U.S. House of Representatives,
Washington, D.C.*

DEAR BILL: As discussed by phone with your office this morning, the Maine Potato Council Board of Directors at its meeting yesterday voted to support legislation which would continue present regulations exempting all potato processors, including dehydrators, from regulation under federal marketing orders. In taking this action, the Maine Potato Council signifies its belief that dehydrators of potatoes should be treated in exactly the same manner as other potato processors.

As you know the Council, as an organization including all potato growers in Maine in its membership, would welcome a dehydrating plant in Aroostook County and pledges its full cooperation.

Sincerely,

CHIPMAN C. BULL,
Executive Vice President.

TULELAKE GROWERS ASSOCIATION,
Tulelake, Calif., October 29, 1971.

Re SB 2671.

Hon. HAROLD T. JOHNSON,
Hon. AL ULLMAN,
*U.S. House of Representatives,
Washington, D.C.*

GENTLEMEN: The Tulelake Growers Association represents the majority of the potato growers in the Tulelake-Klamath Basin. Our growers are very concerned about the problems involved in potato processor exemption from marketing order acts. We support SB 2671 to remove all processor exemption from potato marketing order act, and understand there is no companion bill there in the House. We urge you to co-sponsor the companion bill and introduce it immediately.

We are also endeavoring to get the hearing on SB 2671 moved from Washington, D.C. on November 10, 1971 to Boise, Idaho—the center of potato marketing, or at Denver, Colorado—the new home of the National Potato Council. If at all possible, please schedule the House hearing consecutively in time and place to the Senate hearing. This will enable grower representatives to testify at both hearings.

Please advise your action on this request as soon as possible.

Yours very truly,

GEORGE E. SMITH, Jr., *President.*

[Telegram]

SALEM, OREG.

Representative AL ULLMAN,
Washington, D.C.

Correction regarding night wire of November 1.

"Oregon potato growers actively support Senate Bill 2671 relating to Federal potato marketing orders and strongly feel processors should be included under said orders. We respectfully request that hearings on this important legislation be held in western state preferably Idaho to afford growers affected opportunity to present testimony."

E. REED GARRISON,
Administrator, Oregon Potato Commission.

[Telegram]

MADRAS, OREG., November 4, 1971.

Representative AL ULLMAN,
House Office Building,
Washington, D.C.

Motion passed at Central Oregon Potato Growers Association meeting November 2, 1971 to support S. 2671 urged defeat of S. 2672 and H. 11175.

KEITH CYRUS.

MALHEUR COUNTY POTATO GROWERS ASSOCIATION,
November 5, 1971.

Representative AL ULLMAN,
Rayburn Building,
Washington, D.C.

DEAR REPRESENTATIVE ULLMAN: The potato growers of Malheur County are in favor of SB 2672 which will continue the exemption of the dehydrators from the Marketing Order after the two year trial period and thus exempt all processors from Marketing Order regulations.

Malheur County produces approximately 50% of the potatoes grown in Oregon. Opponents from the state of Oregon to SB 2672 come from a small non-processing area.

Your support of SB 2672 will be appreciated.

Sincerely,

JOEL MITCHELL, *President.*
ROY HIRAI, *Director.*

KLAMATH POTATO GROWERS ASSOCIATION,
Klamath Falls, Oreg., November 12, 1971.

Representative THOMAS S. FOLEY,
Chairman, Subcommittee on Domestic Marketing and Consumer Relations,
House Agriculture Committee, Longworth House Office Building, Washington, D.C.

DEAR REPRESENTATIVE FOLEY: The Klamath Potato Growers Association has taken a position supporting the inclusion of all potato processing under Marketing Order Regulations as proposed in HR 11213. Please include this with testimony related to HR 11175.

The Marketing Order is a tool made available through the Federal Government, whereby producers of certain commodities have the opportunity to enhance their collective marketing power and thus, hopefully to improve their economic condition. I don't think it is necessary to go into the perilous economic situation in American agriculture—everyone is aware of it. In Klamath County, agriculture is the biggest industry.

Below is a table showing gross farm incomes and the importance of the potato industry. As you can see, declining gross income and increasing potato acreage is working very much against us:

	Total (M)
1968-----	\$53.7
1969-----	55.3
1970-----	53.6
Potato (M):	Potato acreage
\$16.3-----	25,500
\$15.7-----	27,500
\$13.5-----	28,500

(Annual estimates, Klamath County Extension Agent)

Also, there is no significant potato processing outlet in our area.

Yet, on a national scale about 50% of the potatoes produced are processed. The exclusion of processors from marketing order regulation would destroy the usefulness of this tool for producers.

We recognize that agriculturalists are self-destructive because we almost never seem to agree on what should be done, and this includes marketing orders, whereas the processors are few, totally united and fully intend to have their way in this matter.

We also recognize that placing processors under marketing order regulation is not a black and white matter. Difference between marketing orders would create competitive handicaps for processors in different areas, operating under different regulations. The only solution to maintaining their competitive equal opportunity while at the same time not destroying a tool which the producers need to have available is a nation-wide potato marketing order.

According to the Act establishing marketing orders, an order shall cover the smallest practicable area. Potatoes are a diverse commodity, produced in nearly every state.

The only real marketing barriers are transportation cost and seasonability (which is minimized by modern storage technology). The Continental United States is the smallest practicable area for a marketing order. We think this should be given some consideration.

In any case, it is unwise to throw away a tool which is useful. Perhaps reconstruction of the tool would make it more useful for all concerned, but destruction of it is not in the best interest of everyone.

Sincerely,

LYNN POPE, *President.*

Mr. FOLEY. If there are no further witnesses to come before the subcommittee, I express my appreciation to the members, the witnesses, and other guests.

The subcommittee will stand adjourned subject to the call of the Chair.

(Whereupon, at 11:55 a.m., the subcommittee was adjourned subject to the call of the Chair.)



Yet on a national scale about 50% of the potatoes produced are processed. The exclusion of processors from marketing order regulation would destroy the usefulness of this tool for producers.

We recognize that agriculturalists are self-destructive because we almost never seem to agree on what should be done, and this includes marketing orders. Whatever the processors are for, totally united and fully intent to have their way in this matter.

We also recognize that placing processors under marketing order regulation is not a black and white matter. Differences between marketing orders would create competitive handicaps for processors in different areas, operating under different regulations. The only solution to maintaining level competitive opportunities would be to regulate at the same time not designing a tool which the producers need to have available is a nation-wide potato marketing order.

According to the 1st establishing marketing order, an order shall cover the smallest practicable group of potatoes of a certain commodity, produced in nearly every state.

The only real marketing barriers are transportation cost and seasonality which is maintained by modern storage technology. The Committee I think should be given some consideration.

In any case, it is unwise to throw away a tool which is useful. Perhaps the construction of the tool would make it more useful for all concerned, but the retention of it is not in the best interest of everyone.

Sincerely,

Frank Tate, President

Mr. Forster, if there are no further witnesses to come before the subcommittee, I express my appreciation to the members, the witnesses, and other guests.

The subcommittee will stand adjourned subject to the call of the Chair.

(Whereupon at 11:55 a.m. the subcommittee was adjourned and the call of the Chair.)