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TUNG NUT PRICE SUPPORT

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HEARING

BEFORE THE

SUBCOMMITTEE ON OILSEEDS AND RICE

OF THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

SECOND SESSION

ON

H.R. 11588

APRIL 12, 1972

Serial 92-Y

Printed for the use of the Committee on Agriculture

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WASHINGTON : 1972

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TUNG NUT PRICE SUPPORT

WEDNESDAY, APRIL 12, 1972

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 1302, Longworth House Office Building, Hon. Walter B. Jones (chairman) presiding.

Present: Representatives Jones, Rarick, and Baker.

Staff: Mrs. Martha Hannah, clerk, and Hyde H. Murray, associate counsel.

Mr. JONES. The committee will come to order, please. We are here for the purpose of considering H.R. 11588.

(The bill referred to above follows:)

[H.R. 11588, 92d Cong., first sess.]

A bill to continue mandatory price support for tung nuts only through the 1976 crop

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 201 (b) of the Agricultural Act of 1949, as amended, is amended to read as follows:

(b) The price of honey shall be supported through loans, purchases, or other operations at a level not in excess of 90 per centum nor less than 60 per centum of the parity price therefor; and the price of tung nuts for each crop of tung nuts through the 1976 crop shall be supported through loans, purchases, or other operations at a level not in excess of 90 per centum nor less than 60 per centum of the parity price therefor: *Provided*, That in any crop year through the 1976 crop year in which the Secretary determines that the domestic production of tung oil will be less than the anticipated domestic demand for such oil, the price of tung nuts shall be supported at not less than 65 per centum of the parity price therefor.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., August 9, 1971.

HON. CARL ALBERT,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: There is enclosed for the consideration of the Congress a draft bill which would amend section 201 of the Agricultural Act of 1949, to continue the mandatory provisions of tung price support only through the 1976 crop.¹

Domestic use of tung oil has steadily declined, falling from 112 million pounds in the 1949-50 marketing year to the current annual level of about 30 million pounds. The domestic market has continued to be supplied in large measure by imported tung oil. Production in the United States, which was 27 million pounds in 1949, reached a peak of 45 million pounds in 1958 but has since declined to a current average of about 5 million pounds because of rising costs, the frequency of serious freeze damage, and hurricane damage. Prices have been such that in recent years the Commodity Credit Corporation has acquired virtually all of the crop. CCC now owns almost 40 million pounds of tung oil. There are ample supplies for prospective U.S. tung oil requirements from foreign sources at prices well below support levels.

¹ Language of the enclosed bill is identical to the language of H.R. 11588.

This proposal is advanced at this time in order to discourage planting (based on reliance on the price support program) of new tung orchards or replacing old orchards whose trees have passed their prime production age or replacing those orchards which were destroyed by Hurricane Camille in August of 1969. Hurricane Camille destroyed about two-thirds of the 1969 producing acreage. Most of the remaining tung acreage is past its prime. Fewer than 100 producers remain with an economic size orchard of 50 or more producing acres.

This is a critical time of decision for tung growers. The tung acreage destroyed by Hurricane Camille has now been cleared with the help of Government disaster program assistance and is available for replanting to tung or for conversion to other uses. At the same time this 5-year proposal will permit growers with currently producing orchards to plan for an orderly transition to other land uses.

Tung production in the United States is unprofitable at current and prospective competitive world prices. Losses are currently running at about 50 percent of the Government's investment. Future losses under the mandatory support program can be expected to be as high or higher.

Enactment of this proposed legislation would not require additional funds and will reduce future losses to the Federal Government.

An identical letter and draft bill have been submitted to the President of the Senate.

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

Sincerely,

J. PHIL CAMPBELL,
Acting Secretary.

Mr. JONES. I believe our first witness is our honorable colleague, Paul Findley, from the great State of Illinois, the principal introducer of this bill.

STATEMENT OF HON. PAUL FINDLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. FINDLEY. Thank you, Mr. Chairman.

So far as I know, I am the only one who has proposed this legislation and if I may proceed, I will be glad to.

I take this opportunity to request the support and approval by this committee of H.R. 11588, a bill pertaining to the support program for tung nuts which I introduced on November 4, 1971.

In order to place this bill in perspective a brief review is desirable of the situation that led the Congress in 1949 to make price support for tung nuts mandatory, and of the development and subsequent decline of the tung industry.

When Pearl Harbor cut off the movement of tung oil from China to the United States, tung was declared a critical and strategic oil for defense purposes and all available supplies were controlled for use by the military. Planting of tung in the United States was greatly expanded, though not Government financed as a war measure because of the 5-year time lag between planting and oil production.

In the immediate postwar period, an average of 100 million pounds a year flowed to the United States from China, at prices below American production costs.

Under these circumstances the expanding U.S. tung industry appealed to Congress for a mandatory support program and Congress acceded to this request.

In 1950, all products from Communist China were embargoed, stopping the heavy flow of tung oil. With tung production available

only from expanding production in the United States and South America, the support program worked reasonably well.

U.S. production which averaged only about 5 million pounds of tung oil a year in World War II had, in spite of serious freeze damage about every third year, increased to a peak of 45 million pounds in the 1958 crop year. Since 1959, however, rising production costs coupled with a succession of freeze damage and hurricane disaster years, has almost destroyed the tung industry in the United States. Today production of 5 million pounds would represent a good year. Most of the groves still existing are well past their prime.

Tung oil is no longer considered a critical and strategic oil. The chemical industry has developed substitutes that have reduced the U.S. market from over a hundred million pounds annually to less than 30 million. Tung production in South America has increased sufficiently to supply the needs of Europe and the United States.

The present support price is 27.2 cents a pound at the minimum mandatory level. The world price is currently 10.5 cents a pound. Therefore, the Commodity Credit Corporation, which purchases the annual production of tung oil, is unable to recover even half the cost of its purchases.

Since the program's inception, the program has cost the taxpayers well over \$10 million. More significantly, since 1967, the cost to the CCC has been running between \$1 and \$3 million each year. And although annual production of tung oil is down, the U.S. price is still so high that the CCC stocks of tung oil are actually increasing, thus adding to the costs. World prices can be expected to remain substantially below the minimum mandatory support level and well below U.S. production costs.

Many tung groves have now passed their 11 years of peak production, and the owners must now decide whether to replant the groves. The present program encourages them to do so at the taxpayers' expense.

In my view, it appears clear that this is the appropriate time for Congress to withdraw the mandatory support requirement because:

1. Tung production in the United States cannot come close to competing with production elsewhere.
2. There are relatively few growers remaining with producing orchards of economic size.
3. Most of the remaining trees are old and these orchards will soon need to be either replanted or converted to other land uses.
4. Replanting of these and other orchards destroyed by Hurricane Camille should not be encouraged.
5. Continuing the program will result in serious and increasing costs to the Government in the future.

I will add further that this legislation may be historic. If enacted, it will be the first time in memory that a nonallotment mandatory price support program has been terminated.

I would like also to make as a part of my presentation a listing by year showing the CCC annual losses on tung oil and if I may, I will place them in the record at this point.

Mr. JONES. Without objection.

(The document referred to above follows:)

CCC ANNUAL LOSSES ON TUNG OIL

Year	Profit or loss	Year	Profit or loss
1951 -----	+\$250, 000	1963 -----	0
1952 -----	0	1964 -----	0
1953 -----	0	1965 -----	0
1954 -----	0	1966 -----	0
1955 -----	-252, 000	1967 -----	-\$200, 000
1956 -----	-500, 000	1968 -----	-2, 000, 000
1957 -----	-230, 000	1969 -----	-3, 000, 000
1958 -----	0	1970 -----	-1, 000, 000
1959 -----	-1, 700, 000	1971 -----	-552, 000
1960 -----	-1, 000, 000	1972 (est.) -----	-1, 706, 000
1961 -----	-1, 300, 000		
1962 -----	+248, 000	Net Total -----	+12, 940, 000

Minimum rate of storage of tung oil is 50 cents/ton/month

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. JONES. Any questions?

Mr. RARICK. I have none at this time.

Mr. BAKER. Mr. Chairman, I am a little concerned about the cost of the program. If it is going to run on for 5 years why don't we just chop it off now and let the market adjust to take care of itself?

Mr. FINDLEY. Well, the answer that I could give is that there are groves that exist because of the mandatory program of the past. Producers got into the tung nut business with the expectation that Federal mandatory price supports would continue, and if we simply terminated the program right now I think it could be considered an injustice to those who had made this long-term investment. By providing a 5-year transition period we give ample notice to those that may be thinking about expanding their groves that they cannot expect mandatory price supports after the 5-year period and at the same time be fair to those that do have a substantial investment and therefore would deserve notice for the phaseout.

Mr. BAKER. Why don't we just put an import duty on tung oil?

Mr. FINDLEY. Well, this would go against our longstanding program of reducing trade barriers which has seen much progress since 1962 and the signing by President Kennedy of the Trade Expansion Act, and which has been encouraged under Presidents Johnson and Nixon. Our long-term approach is to have fewer trade barriers instead of more so this would be contrary to that program and, of course, it would cause prices to consumers to be substantially higher.

Mr. BAKER. How does that commodity control figure that you introduced in the record change each year?

Mr. FINDLEY. Well, it has been rather substantial in recent years. Prior to 1967 it was zero for a number of years. But beginning in 1968 it received \$2 million, then in 1969 it was \$3 million, in 1970, \$1 million, in 1972, a half million, this year it is expected to be up close to \$2 million again.

The development of synthetics in recent years has been a major factor. Industry no longer looks to tung oil as a prime drying agent in paints, as I understand it.

Mr. BAKER. How many producers are involved?

Mr. FINDLEY. Pardon?

Mr. BAKER. How many producers are involved?

Mr. FINDLEY. I can't give any figure on that but I feel sure the Department's witnesses can. I simply am not informed on that point. There are relatively few, declining rather sharply, and the groves that are in production today are for the most part at the end of the production cycle. In other words, they are wearing out and will have to be replaced if they are to continue in supply.

Mr. BAKER. Is the paint industry the prime user of tung oil?

Mr. FINDLEY. That is my understanding.

Mr. BAKER. And tung oil is poisonous, is that correct?

Mr. FINDLEY. Sir?

Mr. BAKER. Tung oil is poisonous.

Mr. FINDLEY. I apologize for not being more knowledgeable. I have no personal interest or district interest in tung oil. In fact, I was very pleased when I heard there was executive branch interest in legislation like this and I volunteered to introduce it as a courtesy to the executive branch, not out of any provincial or district interest I might have or for that matter out of any expertise on tung oil, because I have none.

Mr. BAKER. If production ceases completely in the United States where would we get tung oil or is there plenty in the world?

Mr. FINDLEY. Well, Latin America is a major producer of tung oil and historically mainland China has been also. One of the possibilities in the future—I don't call it a very imminent possibility—is the chance that we might make purchases from mainland China. But Latin America can supply all of the requirements of the United States and European markets.

Mr. BAKER. Is it now considered a strategic defense-related item?

Mr. FINDLEY. No, sir; it is not, and that decision is based as I understand it primarily on the development of the synthetics by the chemical industry.

Mr. BAKER. Your projection would be that if these extensions were granted for 5 years, at the end of that time we would be out of the tung oil business in the commodity credit control area of the subject.

Mr. FINDLEY. Well, I don't know how certain a forecast could be made at this stage, but at the end of 5 years there would no longer be the requirement of mandatory price supports for tung oil.

Now, the Secretary would have the authority to support price but he would not be required to. He would have the option but not the requirement of supporting tung oil. In other words, we would not be without legislative recourse. The Secretary would have the authority if circumstances at that time seemed to require it to impose a support program for tung oil.

Mr. BAKER. Thank you.

Mr. JONES. The Chair recognizes Mr. Rarick for a question.

Mr. RARICK. Mr. Findley, you are aware that the tung producers in the United States were originally encouraged to enter that field by their own Government?

Mr. FINDLEY. Yes, sir; by the 1949 legislation.

Mr. RARICK. You do not favor, then, just discontinuing the investments and the efforts of these people that we encouraged to get into tung production business.

Mr. FINDLEY. Yes, sir. In fact that is why it have a 5-year phaseout period.

Mr. RARICK. I notice in your statement you comment several times on the tung production from South America—I assume mainly Paraguayan tung oil—being able to meet all European and domestic needs. Are you aware there are negotiations underway to import tung oil from Red China?

Mr. FINDLEY. Well, I have been told by the executive branch that negotiations are underway, but, frankly, I haven't verified it and in view of the rather meager level of communication between these two governments, I will be surprised if it is very far advanced.

Mr. RARICK. Do I assume by your statement that you feel it is our Government that is negotiating tung oil from Red China?

Mr. FINDLEY. No. This would be a commercial interest. I should have phrased it differently, in view of the meager communication between our two countries.

Mr. RARICK. In fact, it would be a private endeavor?

Mr. FINDLEY. Yes. It is true the executive branch did rescind the embargo on trade with Communist China and this was done some months ago.

Mr. RARICK. I have learned that a private American concern is negotiating with China for the import of the 5,000 metric tons. It goes under the name of Sino-American Trading and Engineering Corp.

Mr. FINDLEY. Well, this I would view as an encouraging sign and I say that because I believe China is a prospective customer of U.S. products and in order for China to buy from us it has to earn some exchange, so this is a forward step. There are certain varieties of wheat that the Chinese find in great favor which we can produce cheaper, as I understand it, than can any other country. Wheat is therefore a possible market item in trading with the Chinese, but the only hope we have for trading with them is for us to be able to sell them something.

Mr. RARICK. The world talks of peace today yet we probably have less peace in the world than at any time in our generation. The reason our country had originally encouraged our domestic people to get into the tung oil production was a matter of national defense. So your wisdom and foresight in at least wishing to extend tung oil domestically for a 5-year period may prove meritorious.

Thank you.

Mr. FINDLEY. Thank you.

Mr. JONES. Mr. Findley, I have one question. I was interested in how much tung oil is produced in your district.

Mr. FINDLEY. None.

Mr. JONES. Thank you very much for your appearance, Mr. Findley.

Our next witness is Mr. Laurel C. Meade, Director, Oilseed and Special Crops Division, Agricultural Stabilization and Conservation Service.

STATEMENT OF LAUREL C. MEADE, DIRECTOR, OILSEED AND SPECIAL CROPS, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY DONALD D. MOWAT, CHIEF, PEANUTS, OILS, AND MEALS MERCHANDISING BRANCH, OILSEEDS AND SPECIAL CROPS DIVISION, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE; HARLAN H. HOLLEMAN, DIRECTOR, SOUTHEAST AREA, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE; HOWARD B. PICKARD, DIRECTOR, COMMODITY STABILIZATION DIVISION, OFFICE OF THE GENERAL COUNSEL; AND DR. HOWARD BROOKS, AGRICULTURAL RESEARCH SERVICE

Mr. MEADE. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, I am delighted to appear this morning and present the Department's views on H.R. 11588, a bill pertaining to the support program for tung nuts.

My name is Laurel C. Meade, Director of the Oilseeds and Special Crops Division, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture. I have with me Mr. Howard B. Pickard of our general counsel's staff, Mr. Harlan H. Holleman, southeast area director, ASCS and Mr. Donald D. Mowat, Oilseeds and Special Crops Division, ASCS.

H.R. 11588 would continue the mandatory provisions of current legislation with respect to a price support program for tung nuts through the 1976 crop. This would have the effect of making support for tung nuts beginning with the 1977 crop permissive with the Secretary at a level not in excess of 90 percent of the parity price for tung nuts.

The Department favors enactment of this proposed legislation.

Present legislation provides that the price of tung nuts shall be supported at a level between 60 percent and 90 percent of the parity price except that for any year in which the anticipated domestic production of tung oil is less than the anticipated domestic demand for such oil, the minimum level of support is 65 percent of the parity price. Over the last 25 years domestic production has exceeded domestic utilization in only 1 year. Thus, in recent years the minimum level of support has been 65 percent of the parity price and prospects are that this will continue into the foreseeable future.

Tung growers—plagued by recurring freeze damage, hurricanes, and rising costs—have reduced their operations. Domestic production of tung oil which was 27 million pounds in 1949 reached a peak of 45 million pounds in 1958, and has since declined to an average of only 3.7 million pounds for the last four crops. Hurricane Camille destroyed about two-thirds of the 1969 producing acreage. Most of the remaining tung acreage is in Florida and has passed its prime. Available information indicates that fewer than 100 producers remain with an economic size orchard of 50 or more producing trees.

The 1971 crop year was a disastrous one for most tung producers.

Only one crushing plant was in operation to handle the crop and its crushing was completed a few days ago. Preliminary figures available to us indicate that about 364 tons of nuts were delivered to the mill by six producers; three of them from the Mississippi area and three from Florida. Approximately 100,000 pounds of oil were derived from the crushing of these nuts.

Prospects for the 1972 crop are favorable. The trees are reported to be in good condition and the possibility of frost damage now, of course, is quite small.

Domestic utilization of tung oil has steadily declined, falling from 112 million pounds in the 1949-50 marketing year to the current annual level below 30 million pounds. The domestic market has been supplied in large measure by imported tung oil, mainly from Paraguay and Argentina. This oil is being entered duty free and without quota restrictions.

Prices have been such that CCC has for many years acquired virtually all of the domestic crop. On February 29, 1972, CCC had an uncommitted inventory of 32.8 million pounds of tung oil. With support on 1971 crop tung oil at 27.2 cents per pound and the current market under 11 cents, losses are running over 50 percent of the Government's investment. With no revision in the legislation future losses on the program can be expected to remain relatively high.

This is a critical time of decision for tung growers. The tung acreage destroyed by Hurricane Camille now has been cleared and is available to replanting to tung or conversion to other use.

The Department favors enactment of H.R. 11588 at this time in order that growers will not be encouraged to make new plantings, to rehabilitate old orchards or to replace orchards destroyed by Hurricane Camille.

The opportunity to present the Department's views on this bill is appreciated. We will be pleased to answer questions you may have regarding it or the Department's position.

Mr. RARICK. Thank you, Mr. Chairman.

Mr. Meade, as I understand your testimony, the Department and the administration approves extension of the existing law for a 5-year period.

Mr. MEADE. Yes, sir. This bill would, and we approve the concept of extending the mandatory support for 5 years.

Mr. RARICK. After that it would be permissive with the Secretary himself.

Mr. MEADE. That is right sir.

Mr. RARICK. This would be permanent legislation, then.

Mr. MEADE. You mean the—

Mr. RARICK. After the 5 years.

Mr. MEADE. After the 5 years it would be in the same situation as, for instance, soybeans today for which the support level is permissive with the Secretary at his discretion.

Mr. RARICK. After 5 years U.S. tung producers would be finished unless we put a duty or an import tariff on tung oil entering the United States.

Mr. MEADE. An import duty would be one possibility, of course. However, as Congressman Findley pointed out, I believe this would be contrary to our trade policy at this time.

Mr. RARICK. Many of our trade policies today appear antiquated unless we get control over our imports and exports because we are operating at a deficit, is that not correct?

Mr. MEADE. It is true that for tung oil the cost of production, considering the cost of land, the maintenance of the orchards, the labor involved, I am told is at least 23 cents per pound under today's economic considerations. With the world market at 10 to 11 cents it is not economical unless there is some Government program to support it.

Mr. RARICK. Well, we were told the same thing, or are being told the same thing, as to sugar and yesterday on the beef cattle costs. In almost every agricultural section in our economy we are told that our costs of production are too high in comparison with foreign imports. Is that correct?

Mr. MEADE. Of course, the beef cattle situation is a little different because we don't have a support program.

Mr. RARICK. I'm glad to hear you say that because one of our Congressmen yesterday was charging the beef cattle people for the \$5 million subsidy. In beef and livestock we are increasing our foreign imports and they are coming in duty free, tax free, without a tariff. This while we are appropriating moneys to try to keep the farm people down on the farm and keep them productive. At the same time our foreign policy, as far as foreign imports continues to work against the American farmer.

Mr. MEADE. I think this is very true in some commodities and tung oil is one of these. However, may I also point out that the domestic utilization of tung oil is now only about one-fourth of what it was 20 years ago, and so our need for tung oil is going down. This is again in contrast to beef for which, of course, our need is increasing annually.

Mr. RARICK. Do you have any figures on the tung oil stock at this time in the United States? How much we have on hand?

Mr. MEADE. In CCC inventories, sir? We have about 32 million pounds of tung oil.

Mr. RARICK. Thirty-two million. What would that roughly be in metric tons? Do you have any idea?

Mr. MOWAT. Sixteen thousand short tons.

Mr. MEADE. Around 14,000 to 15,000 metric tons, sir.

Mr. RARICK. Fifteen thousand metric tons? Then 5,000 metric tons coming in from Red China by one of our free enterprise importers is a sizable quantity of tung oil to be dumped on our domestic market or sold to Europe—is that not correct?

Mr. MEADE. We are only aware that apparently as you pointed out some negotiations are being carried on at the present time. I am sorry I do not have any further information on it than what has been related here this morning.

Mr. RARICK. Are there any quotas, e.g., on the foreign imports either from Paraguay or Argentina that make this contract with Red China—

Mr. MEADE. No, sir. There are no quotas, no restrictions of any kind at the present time.

Mr. RARICK. They will be able to dump on our domestic market completely and this could destroy the—

Mr. MEADE. In fact, the South American producers have been maintaining an inventory of tung oil in consignments for the United States for several years.

Mr. RARICK. Do you happen to know who owns the South American tung oil orchards?

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

Mr. RARICK. You don't know whether they are owned by the government or private investment or by American interests in those countries?

Mr. MEADE. No, sir; I don't have that information. Don, are you familiar—Mr. Mowat may have that.

Mr. MOWAT. They are not owned by government. They are owned by private interests, I think in some cases some of which are in the United States.

Mr. RARICK. We can't hear him.

Mr. MOWAT. They are owned by private interests in South America. They are not owned by the government. Some of those interests are in the United States.

Mr. RARICK. You mean there is American capital in these foreign producers, the orchards. Or the mills.

Mr. MOWAT. Yes, in the mills.

Mr. RARICK. How does the Department propose to proceed under your expressed theory that you will not encourage new plantations or rehabilitate old orchards? Are you communicating this to tung oil producers or do you have some other means?

Mr. MEADE. Sir, I think that would be self-evident. We are simply saying that this bill would not thereby encourage rehabilitation of old orchards or planting of new orchards.

Mr. RARICK. What is the life expectancy of the tung tree?

Mr. MEADE. We have Dr. Brooks with us from the Agricultural Research Service, if I might call on him for that. Dr. Brooks.

Dr. BROOKS. We normally don't expect it to last much more than 20, 25 years.

Mr. RARICK. They will bear for 25 years?

Dr. BROOKS. Well, they will live that long. The peak of production may not last that long but I think we would have to concede that it could go to 20, 25 years.

Mr. RARICK. That is based on the supposition we will not have another hurricane.

Dr. BROOKS. That is correct.

Mr. RARICK. Thank you very much.

Mr. Chairman, that is all.

Mr. JONES. Thank you, Mr. Rarick.

Mr. Meade, what States are the principal producers of the total tung oil crop?

Mr. MEADE. Florida, sir, is the principal producing State at the moment. Florida has 14,000 acres, Mississippi has 3,800 acres, Louisiana, 3,500 acres, and Alabama, 500 acres.

Mr. JONES. Four States?

Mr. MEADE. Yes, that is right, sir.

Mr. JONES. The Chair recognizes Mr. Baker for any questions.

Mr. BAKER. Thank you, Mr. Chairman.

How many producers are involved in this acreage which you cite?

Mr. MEADE. There are less than 100 producers with commercial-sized orchards at the present time. As I pointed out in the testimony,

there were only six producers that delivered tung nuts to the one crushing mill from the 1971 crop. However, let me hasten to point out that the 1971 crop was down greatly because of freeze damage last spring, a year ago.

Mr. BAKER. What is the forecast for the 1972 crop?

Mr. MEADE. The present condition of the orchards is very good. We are told that the prospects look excellent for the 1972 crop. Possibly production of as much as 5 million pounds of oil.

Mr. BAKER. And we have how much in stock?

Mr. MEADE. Thirty-two million pounds in CCC stocks.

Mr. BAKER. What is our support price now?

Mr. MEADE. The support on the 1971 crop is 27.2 cents per pound. That is 65 percent of parity.

Mr. BAKER. What can it actually be bought for at some other place in the world?

Mr. MEADE. Last week the Rotterdam price on tung oil was 10.4 cents per pound. The last sale that CCC made, we sold at 10.6 cents per pound.

Mr. BAKER. So we are losing about nearly 17 cents a pound?

Mr. MEADE. Yes, sir. Well, you understand that we probably haven't paid 27.2 cents for all of these 32 million pounds but that is what we would be losing on the present support level.

Mr. BAKER. Is there plenty of tung oil elsewhere if we need it for commercial use?

Mr. MEADE. Yes, sir. There seems to be, particularly with our domestic utilization of tung oil down to one-fourth of what it was 20 years ago and many other substitutes have been developed, chemical substitutes.

Mr. BAKER. Thank you, Mr. Chairman.

Mr. JONES. What is the principal use of tung oil?

Mr. MEADE. It is primarily a drying agent in paint and industrial coatings.

Mr. JONES. Mr. Findley, would you care to ask any questions?

Mr. FINDLEY. Yes. How soon would you anticipate that the Government holdings of tung oil could be disposed of, assuming this bill passes?

Mr. MEADE. Our sales for the past 6 months now total to about four and a half million pounds. This is the new marketing year that started November 1. We have now sold a total of four and a half million pounds. I would assume you could project this to mean that we might sell as much as 10 million pounds per year, fed into the market. We have been trying desperately to liquidate these stocks in an orderly fashion without depressing the prices unduly. I think that any time we would offer more than, say, 10 million pounds per year, that it would be depressive.

Mr. FINDLEY. Well, based on that, with 32 million pounds in stock, would it be a fair assumption for us to forecast that by the end of the mandatory support program we could expect the Government to be out of the tung oil business?

Mr. MEADE. If production under the mandatory program for the next 5 years averaged less than 5 million pounds per year, added into the stocks, and the sale of an average of 10 million pounds per year, yes, I would say that this would let us just about be out of inventory at the end of the 5 years.

Mr. FINDLEY. And the present stockpile represents about 6 years of domestic production?

Mr. MEADE. Well, if you figure average production at 5 million pounds per year. I think this is a high figure. We are saying that there are enough producing orchards that with little freeze damage and no more hurricanes we might expect from 3 to 5 million pounds per year in the future.

Mr. FINDLEY. So if we had a comparable stock of corn, let's say, we would now be holding probably 30 million bushels of corn in CCC stocks. If we had a stockpile of corn in the same relationship to annual production of tung oil, we would surely have a mountain of corn, wouldn't we.

Mr. MEADE. That is true.

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. JONES. The Chair recognizes counsel for any question he might have.

Mr. MURRAY. Thank you, Mr. Chairman. I would like to explore the cost of the bill in each of the 5 subsequent fiscal years as is required under our rules.

What is the estimated CCC losses on fiscal year 1973 for this program?

Mr. MEADE. Well, we would estimate, based on the sales that we would be making, approximately \$2 million for 1973.

(The Department subsequently submitted the following tables:)

TUNG OIL: U.S. SUPPLY AND DISPOSITION BY CROP YEARS 1962-70 ACTUAL, 1971 ESTIMATED AND 1972-81 PROJECTED

Year	Beginning stocks, Nov. 1		Pro- duction	Imports	Exports	Domestic disap- pearance	CCC activity		Prices	
	Total	CCC					Acquisi- tions	Sales	Support	Market
(Million pounds)										
1962-----	12.5	0	7.6	20.3	2.5	31.1	0	0	24.0	38.0
1963-----	6.8	0	20.6	29.5	2.2	34.0	0	0	24.0	26.7
1964-----	20.7	14.8	36.8	25.0	1.0	30.3	14.8	0	24.0	25.9
1965-----	51.2	37.8	10.0	28.5	.8	35.9	22.9	.6	24.0	24.0
1966-----	53.0	46.6	25.0	21.2	1.3	31.6	9.2	8.2	24.0	13.5
1967-----	66.3	62.9	13.3	19.4	2.0	31.6	24.6	18.3	24.0	10.3
1968-----	65.4	57.8	5.5	18.7	1.9	33.9	13.3	19.3	24.3	14.4
1969-----	53.8	44.1	5.6	19.0	2.0	29.8	5.5	7.8	25.6	22.9
1970-----	46.6	41.9	3.7	24.6	2.0	26.5	3.7	9.1	26.4	13.3
1971-----	46.4	36.5	0.1	23.0	2.0	28.0	0.1	9.1	27.2	11.0
If mandatory support is continued beyond 1976										
1972-----	39.5	27.5	5.0	20.0	2.0	28.0	5.0	10.0	26.6	11.0
1973-----	34.5	22.5	3.0	20.0	2.0	28.0	3.0	10.0	25.2	11.0
1974-----	27.5	15.5	4.0	19.0	2.0	27.0	4.0	10.0	25.2	11.0
1975-----	21.5	9.5	3.0	19.5	2.0	27.0	3.0	9.5	25.3	11.0
1976-----	15.0	3.0	4.0	26.0	2.0	27.0	4.0	3.0	25.6	11.0
1977-----	16.0	4.0	3.5	24.0	2.0	26.0	3.5	4.0	26.2	11.0
1978-----	15.5	3.5	5.0	24.5	2.0	26.0	5.0	3.5	26.4	11.0
1979-----	17.0	5.0	5.0	23.0	2.0	26.0	5.0	5.0	26.8	11.0
1980-----	17.0	5.0	6.5	22.0	2.0	25.0	6.5	5.0	27.6	11.0
1981-----	18.5	6.5	6.5	20.5	2.0	25.0	6.5	6.5	28.3	11.0
If mandatory support is discontinued beyond 1976										
1972-----	39.5	27.5	5.0	20.0	2.0	28.0	5.0	10.0	26.6	11.0
1973-----	34.5	22.5	3.0	20.0	2.0	28.0	3.0	10.0	25.2	11.0
1974-----	27.5	15.5	3.0	19.0	2.0	27.0	3.0	10.0	25.2	11.0
1975-----	20.5	8.5	2.0	20.5	2.0	27.0	2.0	8.5	25.3	11.0
1976-----	14.0	2.0	2.0	27.0	2.0	27.0	2.0	2.0	25.6	11.0
1977-----	14.0	2.0	1.0	25.0	2.0	26.0	0	2.0	-----	11.0
1978-----	11.0	0	0	28.0	2.0	26.0	0	0	-----	-----
1979-----	12.0	0	0	28.0	2.0	26.0	0	0	-----	-----
1980-----	12.0	0	0	27.0	2.0	25.0	0	0	-----	-----
1981-----	12.0	0	0	27.0	2.0	25.0	0	0	-----	-----

Note: The attached supply-disposition estimates assume a rapid decline during the next 5 years and a complete disappearance of tung production in the United States shortly afterward if H.R. 11588 is passed. If H.R. 11588 is not approved, production is estimated as declining for a period of years and subsequently increasing.

TUNG OIL: CCC ACTIVITY BY FISCAL YEARS¹

Year	Quantity			Value			
	Acquisition	Disposition	Ending inventory	Sales proceeds	Cost of sales	Charges	Net loss
	(1,000 pounds)			(1,000 dollars)			
1963							
1964							
1965	14,847	131	14,716	31	35	94	98
1966	1,097	18	15,795		3	65	68
1967		3,088	12,707	419	739	51	371
1968	21,844	14,837	19,714	1,755	3,596	74	1,916
1969	9,246	19,946	9,014	2,193	5,029	80	2,916
1970	² 43,357	12,732	² 39,639	2,353	3,200	163	1,010
1971	5,651	5,742	39,548	1,070	1,425	180	535
1972	3,664	12,770	30,442	1,500	3,100	110	1,710
If mandatory support is continued beyond 1976							
1973	100	9,712	20,830	1,070	2,360	90	1,380
1974	5,000	10,000	15,830	1,100	2,430	70	1,400
1975	3,000	10,000	8,830	1,100	2,580	45	1,525
1976	4,000	9,700	3,130	1,070	2,525	25	1,480
1977	3,000	5,200	930	575	1,310	20	755
1978	4,000	3,700	1,230	410	945	15	550
1979	3,500	3,700	1,030	410	965	15	570
1980	5,000	4,500	1,530	495	1,185	15	705
1981	5,000	5,000	1,530	550	1,335	16	801
1982	6,500	6,000	2,030	660	1,645	17	1,002
If mandatory support is not continued beyond 1976							
1973	100	9,712	20,830	1,070	2,360	90	1,380
1974	5,000	10,000	15,830	1,100	2,430	70	1,400
1975	3,000	10,000	8,830	1,100	2,580	45	1,525
1976	3,000	9,000	2,830	990	2,350	25	1,385
1977	2,000	4,830		530	1,220	15	705
1978	2,000	2,000		220	510	7	297
1979							
1980							
1981							
1982							

¹ 1963-71 from fiscal division data, 1972 estimated and projections thereafter.

² Previous to 1970 most of the acquisitions shown in 1970 were held under extended loan by the cooperative.

Note: Because of wide fluctuations in production in foreign supplying countries, market prices will undoubtedly continue to fluctuate widely. The current market price of about 11 cents a pound is arbitrarily projected for all future years. Recent developments related to the availability of Chinese oil on the U.S. market has reduced the estimated rate of disposition to about 10 million pounds per year deferring a portion of 1973 net loss to later years.

Mr. MURRAY. Would it be fair, then, to say the cost is \$2 million and there are a hundred farmers, that is about \$20,000 per farmer net expenditure on behalf of the Government?

Mr. MEADE. I would assume that would be a logical conclusion, sir.

Mr. MURRAY. Would it be logical as well to say of the six farmers delivering tung nuts last year, it would be about a third of a million dollars per farmer as far as Government expenses are concerned or would that be unkind?

Mr. MEADE. Well, I think that would be unkind because these six people did not build up the 32 million pounds we are trying to liquidate. They were not responsible for all of this.

Mr. MURRAY. What is happening is the way the world price is set at 10 cents and the domestic support at 27 cents, you are acquiring all of the production in the United States, aren't you?

Mr. MEADE. Yes. We acquire 100 percent of the production.

Mr. MURRAY. It follows if Red China does come into a marketing picture the processors in the United States are going to buy the tung oil from Communist China, and not buying any oil from American farmers and for the next 5 years CCC is going to continue to acquire the entire production in the United States?

Mr. MEADE. Yes. In other words, I think what you are saying is that American purchasers of tung oil would be buying it wherever they can buy it the cheapest.

Mr. MURRAY. Which is South America or Red China.

Mr. MEADE. And the only way that CCC could liquidate its inventory in the face of that would be to sell at those same low prices which again would increase loss per pound.

Mr. MURRAY. Then when it comes to figuring the cost of this bill, all this bill is going to do is hopefully 5 years down the line relieve expenditure by the Government but it is maintaining the status quo for 5 more years and buying up the whole tung nut crop and putting it in Government stocks.

Mr. MEADE. That is true, sir.

Mr. MURRAY. There follows, then, the question, would you have any objection to the bill being amended to give you discretionary support prior to 1976?

Mr. MEADE. Well, as Congressman Findley pointed out, we feel that many of these orchards may have been put into production based on the understanding that there was mandatory support and therefore we feel that it is only fair that we give these people a 5-year period to recognize the phaseout may be necessary.

Mr. MURRAY. Yes, but in balancing the equities of it since the taxpayers of the United States are going to pick up the bill for this, there might be some equity balancing there, too, don't you think?

Mr. MEADE. That is true.

Mr. RARICK. Will counsel yield?

Mr. MURRAY. Yes, of course.

Mr. RARICK. Mr. Meade, we are talking about a 5-year extension. Is it within your wisdom or anyone in the White House or Department to foresee what may happen in the world situation over the next 5 years?

Mr. MEADE. No, sir. We are not attempting to go do that. We simply feel that if after the 5-year period is ended and the mandatory support is taken off, if this bill is passed, the Secretary would have the discretion to determine at that time if continued support was necessary. He would have the authority to continue it, of course.

Mr. RARICK. Well, proceeding on the line of counsel, Mr. Murray, what appears today to be a chance to trade with Red China, a year from now, 3 years from now, we may be in such a domestic crisis or in a world situation that there would be no chance for importation of tung oil from any country in the world which is today a producer, and then unless we do have some production facilities available domestically, we could find ourselves without tung oil production, is that not correct?

Mr. MEADE. I think that is correct. However, you are basing the statement on the assumption that tung oil is strategic and at the moment tung oil is not strategic to the defense of the United States.

Mr. RARICK. Again might we not need tung oil in our modern technology and might it not sooner or later be utilized for another process?

Mr. MEADE. I would certainly agree with that assumption.

Mr. RARICK. We are buying an insurance policy at least for 5 years. Would you not say that?

Mr. MEADE. That can be applied, yes. I might also point out in this connection that the utilization of tung oil again—I point this out, that

the utilization of tung oil in the United States has declined greatly and this is I think largely due to the development of synthetic substitutes for tung oil at lower cost.

Mr. RARICK. Thank you.

Mr. FINDLEY. Mr. Chairman—

Mr. JONES. Yes, Mr. Findley.

Mr. FINDLEY. Can you tell us the volume that is produced by the largest single domestic producer of tung oil?

Mr. MOWAT. I may have that. No, I don't.

Mr. FINDLEY. Do you have an approximate figure?

Mr. MEADE. No, sir. I am sorry we don't have that figure. I believe that the largest producing orchard at the moment is about 4,500 acres.

Mr. FINDLEY. What would that yield per acre be on the average across the country?

Mr. MOWAT. Perhaps a ton and a quarter of nuts to the acre.

Mr. FINDLEY. Pardon.

Mr. MOWAT. About a ton and a quarter.

Mr. MEADE. And the—

Mr. FINDLEY. Well, could you explain for the record what is the production of the largest single producer and also indicate how that production can reasonably be translated into CCC losses, assuming present prices.

Mr. MEADE. Yes, sir. We will supply that for the record.

(The information referred to above follows:)

The largest single producer of tung nuts is located in Florida and has about 4,500 acres in tung, consisting mainly of older trees. According to our settlement records, the Commodity Credit Corporation acquired an average of 1,384,526 pounds of tung oil annually from this producer from the 1968, 1969, and 1970 crops. This would translate into an average annual loss to CCC of \$229,831.32, based on the difference between the present support rate of 27.2 cents a pound for oil and current CCC sales prices of 10.6 cents a pound.

Mr. FINDLEY. Is there any trend that you can detect in the world price of tung oil? Is it going down or up or is it fairly stable?

Mr. MEADE. No. It fluctuates rather widely over a period of years and we do have some figures showing the history of the past several years which would indicate that in the past 10 years it has been as high as 25 cents per pound, but the ten and a half cents per pound level that it is on now is the lowest that it has ever been.

Now, I don't believe the record would indicate that it is on a general downward trend. It simply is fluctuating and we happen to be at a low side of the cycle at the present time.

Mr. FINDLEY. I would like to clarify a question that counsel asked. In giving your reaction to an amendment, did you state that this amendment would eliminate the discretionary authority after the term?

Mr. MURRAY. No. What I asked him was whether the Department would object to accelerating the time at which they would exercise the discretionary support—not eliminating it, but accelerating the time in which they would exercise it. The way the bill is drafted it makes price support mandatory until 1976 and then provides for discretionary support.

Mr. FINDLEY. You are not asking their view as to the elimination of discretionary support?

Mr. MURRAY. No. Just the timing.

Mr. FINDLEY. In your agency do you have any kind of forecast as to tung nut oil prices in the next 5 years?

Mr. MOWAT. We will be glad to supply that information for the record.

(The information requested above follows:)

Because of a large reported production of tung oil in South America for the 1972 crop, and the reported availability of Chinese oil, prices below 11.0 cents can be anticipated for a year or more. Subsequently, we would expect prices to fluctuate around 11.0 cents, with the fluctuations depending on variations in production.

Mr. MEADE. But I think that any forecast for the next 5 years would be strictly a forecast.

Mr. FINDLEY. Is there a trend away from oil and toward synthetics?

Mr. MEADE. Yes, sir. That is obvious.

Mr. FINDLEY. Is that accelerating or stabilized?

Mr. MOWAT. It is slowly accelerating, I would say.

Mr. FINDLEY. So the outlook for tung oil is really pretty grim as we see the future.

Mr. MEADE. As we see it, that is right, yes, sir.

Mr. FINDLEY. And that would lead to the natural conclusion that it is doing no favor to the public interest or the private sector to perpetuate a program that keeps up production of an item that has such a grim future.

Mr. MEADE. Yes. I think on a general basis that is true. However, **again**, let me point out that we feel it is only fair to the present producers that they be given the protection of mandatory support for these 5 years.

Mr. FINDLEY. Have you looked into the possibility of meeting that obligation or that equity problem by just buying them out, by making a cash settlement to get them out of the tung oil business rather than perpetuating production for another 5 years?

Mr. MEADE. I don't believe any serious study has been made along that line at this point. We look at this bill as being a more orderly fashion for handling this situation.

Mr. FINDLEY. Well, just to speculate, 1 acre of production yields about how many pounds of tung oil?

Mr. MOWAT. It would—

Mr. FINDLEY. An acre would yield on an average about how many pounds of tung oil?

Mr. MOWAT. The average over the whole belt would probably be in the area of 300 to 400 pounds per acre.

Mr. FINDLEY. Let's say 300 pounds per acre, and the CCC loss would then be about how much per year?

Mr. MEADE. If we assume 2,000 acres continuing in production at 300 pounds of oil per acre—

Mr. FINDLEY. I mean on a per acre basis.

Mr. MEADE. Well, 300 pounds per acre, at a loss of 15 cents per pound, it would be \$45 per acre, would it not?

Mr. FINDLEY. \$45 per acre. Well, what is the average value of the tung nut growth per acre?

Mr. MEADE. I would like to call on Mr. Brooks, if he might answer a question. Dr. Brooks.

Dr. BROOKS. I don't wish to comment on that. I don't have the figure. I wouldn't want to estimate.

Mr. FINDLEY. I would just say that you can rent some mighty good Illinois black topsoil for \$45 an acre, so it looks like the taxpayers are investing a lot of money in tung groves and it might be worth considering some other means of getting these groves out of business either to buy up the land or buy off the production rights of the tung growers.

Mr. MEADE. There are two comments I would like to make if I may, sir, at this point. We understand that some new species have been developed of tung trees which not only increase the production per acre but they blossom later in the spring, making them less susceptible to freeze damage.

Mr. FINDLEY. To the taxpayer that is bad news.

Mr. MEADE. I just wanted to point that out, that there have been some developments along this line.

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. JONES. We thank you very much for your appearance here this morning and if you don't mind remaining, there might be further questions.

Mr. MEADE. Thank you, sir.

Mr. JONES. The Chair now recognizes Congressman Rarick to introduce the next witness.

Mr. RARICK. Thank you. I appreciate the opportunity to introduce one of my constituents from Bogalusa, La. The next witness is listed on our witness list as representing a Mississippi firm. He lives in Bogalusa, in my district.

I introduce Dr. George F. Potter and welcome him to our Nation's Capital so he may have a chance to be heard in his Government.

Dr. Potter.

STATEMENT OF DR. GEORGE F. POTTER, SECRETARY-TREASURER, AMERICAN TUNG OIL ASSOCIATION, BOGALUSA, LA.

Dr. POTTER. Thank you, Congressman Rarick.

The Chairman, members of the committee, ladies and gentlemen, I am here to represent the southern farmer who has a very difficult time to make a living on the land which he owns. And so I am to propose what none of you want, that is, to give him a chance to go on earning a living on land which will produce tung well and which is not adapted to producing other crops at all well.

The tung industry is presently at a very low ebb and few former growers are interested in replanting. In spite of all this, we believe that tung growing has the potential in time to become an important part of the economy of the southeastern United States.

The present attitude of former growers is due to disastrous crop losses caused by late frost and/or hurricanes during the last 10 tung crops. We do not believe that this period is typical. For example, during the 10-crop period 1940-1949 inclusive, only one crop loss of any consequence occurred. We believe that neither of these two periods is typical; random chance acting on a number of complicated factors accounts for "runs" of good or bad years. We believe that recent losses greatly exceed the long-term expectation.

Mention was made of the hurricanes; Betsy occurred in 1965 when a fair crop was on the trees and Camille occurred when an exceptionally large crop would have been harvested. These combined with frost

to cause crop losses. Camille, of course, destroyed both crop and trees. A diabolical agency, bent on destroying the tung industry, could not have picked a more effective path for Camille.

It is no wonder that tung growers seem to see greener grass in other pastures.

But the USDA has finally produced late-blossoming selections, which, in limited tests have outyielded the best of the older varieties in both frost and nonfrost years. They are in short supply but, over a period of years, are capable of founding a new and better tung industry.

The grass in other pastures may not prove so green. Tung thrives in rather coarse-textured, well drained soils on high ridges. The tree is deep rooted and is scarcely affected by summer droughts that will ruin soybeans or render a pasture inadequate. The farmer has few alternatives to which to turn in utilizing his tung soils for other enterprises.

I know, let me add this, which is not in my brief. I know one tung grower who has tried soybeans on his tung land for 4 years and got one crop. So there is not much prospect for him there.

The farmer can establish a tung orchard at much lower initial outlay than, for example, going into the beef business. For a comparable income, he needs twice as much land for beef than for tung. The cost of the tung can be spread over 3 or 4 years. During the early years, early maturing crops like Alyce clover may be grown between the rows of trees and sold for hay. After the trees are 3 years, winter leguminous cover crops may be grown in the tung orchard and pastured off.

Tung is an easy crop to grow. It is practically free from insects and diseases. It never needs to be sprayed as do pecans or peaches. Compared with fruit crops or even soybeans or hay, the harvesting is extremely simple. The fruits are simply allowed to drop to the ground and are picked up any time between November and March.

Tung is tolerant to a wide range of soil acidity. Soybeans and some other row or hay crops require as much as 2 tons of lime per acre every second year. Tung requires fertilizer annually but needs no lime.

Finally, tung fits well into the farm management plan of a diversified farm. It requires the minimum of labor and equipment during the summer when demands of other farm crops are at their peak. The principal demands of tung come at harvest in winter. We believe that sound tung industry can emerge on the basis of relatively small plantings on diversified farms, where the harvesting will provide profitable employment during the winter months.

However, at best the American farmer cannot compete with tung produced in South America or in China. In fact, at present world market prices the farmer could hardly afford to harvest and mill a crop of tung nuts. Without some assurance, the American farmer can never afford to test the new late-blossoming selections.

The sugar producers could not compete with Cuban sugar or the beef producers with Argentine beef. The tung people only ask the same treatment. The tung industry is small but in proportion to its size it keeps workers off the relief rolls and furnishes a market for supplies and equipment.

We recommend no change in the support program for tung.

I thank you gentlemen.

I might add another word. There is in here a leaflet that was published last year by the county agent, Roy Fowler, in Pearl River County, Miss. Now, Roy Fowler is a man who considers the economics of his county. He is not trying to boost anyone's crop. And the fact that a man with a point of view is strongly in favor of having his farmers plant tung seems to me to be rather significant.

(The material attached to Mr. Potter's statement may be found in the files of the committee.)

Mr. JONES. Does that conclude your testimony?

Dr. POTTER. Yes, sir.

Mr. JONES. I have a letter from Senator Allen J. Ellender, which I will read at this point and without objection would like it to be placed in the record at this point.

Dear Mr. Jones, I understand that tomorrow the Oil Seeds and Rice Subcommittee of the House Agriculture Committee will hold hearings on the support program for tung nuts.

As Chairman of that Subcommittee, I know that you will give every sympathetic consideration to the plight of the tung nut growers. I understand that a statement will be given in support of this program by Mr. George F. Potter, Secretary-Treasurer of the American Tung Oil Association.

Mr. Potter is a native of Louisiana, and comes from a major tung nut growing region in our State. The Tung Industry is significant to the economy of Louisiana and I hope that you will give every consideration to Mr. Potter's statement. I would like to take this opportunity to express my interest in and support for the tung nut growers.

With all good wishes, I am sincerely yours, Allen J. Ellender, U.S. Senator.

Without objection that will be placed in the record at this point.

Dr. Potter, you made reference to the labor force involved in the harvesting and production of the tung nuts and I believe you are Secretary-Treasurer of the entire American Tung Oil Association, covering all States?

Dr. POTTER. Yes, sir. I work for them. I live in Mr. Rarick's district as you know.

Mr. JONES. What is the number of laborers that are involved in the harvesting and production of tung trees, whatever it may involve, an approximate figure for the entire industry.

Dr. POTTER. Well, at the present time it is not a large force.

I am not able to put it in definite figures but we have two people here who are tung producers and perhaps they can tell us.

Mr. JONES. They would be in a better position to answer the question than you?

Dr. POTTER. Yes, sir.

Mr. JONES. Mr. Rarick, do you have any questions?

Mr. RARICK. Thank you, Mr. Chairman.

Dr. Potter, I notice your chart giving estimated costs and returns per acre. You have separated the harvesting costs to the mill from the cost of hand labor. Is that correct?

Dr. POTTER. Yes. That is a table produced by Mr. Fowler.

Mr. RARICK. Does this mean, that labor that picks the nuts off the ground, loads them into the wagons and takes them to the mill is separated from the field laborers.

Dr. POTTER. That is considered. And Mr. Fowler said to me that the price he put down there is a price which is sometimes done on a contract basis.

Mr. RARICK. Who is Mr. Fowler?

Dr. POTTER. He is the county agent of Pearl River County, Miss., which before Camille had the greatest tung acreage of any county in the United States. It was the center of the industry.

Mr. RARICK. I notice on this chart, you indicate the return to hand labor.

Dr. POTTER. Yes.

Mr. RARICK. That is the laborer that plows the fields and takes care of the trees before the harvest?

Dr. POTTER. I think that that is a system which the economists are now using to count all the out-of-pocket expenses and then whatever is left is applied toward the use of the land and the manager.

Mr. RARICK. If the hand labor and the management can expect realization of \$62.80 an acre, certainly this is not a real profitable enterprise, is it? He would have to divide—the landowner would still have to divide his anticipated return from the mill with other labor and himself. What could he expect to realize?

Dr. POTTER. Well, that is true. The owner and manager haven't been realizing very much in recent years. Again, I think that the next two witnesses can tell you more about that than I can, since they are actually in the business.

Mr. RARICK. You have no expertise with these figures, then.

Dr. POTTER. No. I would not—I wouldn't claim to be an economist.

Mr. RARICK. I see. Well, you have made the statement that the labor force if we dry up the tung industry will be without a job in the Southern States where tung is produced. Dr. Potter, you are an intelligent man and are aware that here in Washington we have people who feel that it is much easier for the accounting system to merely give people a guaranteed annual income than let them go out in the fields and work and be accountable and add to our production. The importation of the Red Chinese tung means that our labor force as well as others in our agricultural sector will give way to guaranteed incomes, welfare, food stamps. This is deemed necessary to give the Red Chinese money from agriculture, so they can buy airplanes and tanks, automobiles, and sophisticated machinery.

If the Red Chinese can produce tung so much cheaper than we can in the United States, it seems we are going to have to find a better market for Red Chinese tung if they are to sell us enough tung to be able to buy an appreciable amount of automobiles and machinery from Detroit and New York and the big cities. I am sure you will agree with me, we are going to have more and more people from the farm sector migrate into the cities. Then we are going to hear more and more noise here in the Nation's Capital to put up more tax money to help take care of the people in the cities at expenses much higher and under environment much more detrimental than Bogalusa and the Mississippi area.

As I understand your testimony, you are asking for whatever the Congress may pass and if this is the best bill that Congress can pass and the administration favors, you support the legislation?

Dr. POTTER. I don't—no, sir. I would like to see this bill defeated.

Mr. RARICK. You would like to see the bill defeated?

Dr. POTTER. Yes, sir.

Mr. RARICK. Then you do not support the legislation.

Dr. POTTER. I do not support the legislation.

Mr. RARICK. What changes would you recommend to the present legislation?

Dr. POTTER. None at all.

Mr. RARICK. What?

Dr. POTTER. None at all. I speak for the southern farmer and recommend no changes at all.

Mr. RARICK. You mean then no bill at all?

Mr. POTTER. No, indeed.

Mr. RARICK. Leave it as it is?

Dr. POTTER. Leave it as it is.

Mr. RARICK. Thank you.

Dr. POTTER. May I say one other thing, Mr. Rarick. A few years ago before the hurricane there were 1,200 people who went out every morning from Bogalusa to pick up tung nuts, and as I was at that time the head of the production research with an office in Bogalusa, and if we had a frosty night, you know who was calling me up? The storekeepers, because they were giving these people credit because they knew they were going to have employment in the winter to catch up on their bills.

Mr. JONES. Mr. Baker.

Mr. BAKER. Thank you, Mr. Chairman.

Dr. Potter, how many dues-paying members do you have in the American Tung Oil Association?

Dr. POTTER. Nobody has paid dues in 1971. Not a one; 1971 was the record. I mean we had a bad year in 1955 when the crop was nearly destroyed but 1971 was the recordbreaker.

In the first page of my testimony I pointed out that a study of crop losses shows that we may expect runs of good years and runs of bad years and we have had the runs of bad years.

Mr. BAKER. How many producers do you represent?

Dr. POTTER. The ordinary membership of the American Tung Oil Association would be around 400 or 500 but there were times when there were a thousand members.

Mr. BAKER. These are producers?

Dr. POTTER. They had to be producers in order to be members.

Mr. BAKER. Is there a sufficient supply from South America of tung oil to take care of the needs?

Dr. POTTER. Yes. They can produce it but if I may diverge a little again from my brief, I also work for the Pan-American Tung Research and Development League. They pay half my salary. This is 50 cents a year.

That laboratory has been revising its mailing list and since last October over 300 members of the staff, scientists probably working in the laboratories and various paint companies, have asked to receive the publications of that library. So it has not all gone over to synthetics. There is still interest in tung oil. It has peculiar characteristics that the synthetics cannot duplicate.

If it is not too technical I might say this, that tung oil is a very peculiar unsaturated fat. It is unsaturated in the fact that the unsaturatedness is spotted at a certain point between the nine, 11, and 13 carbonates, and in the synthetic, they can unsaturate a fat but they cannot spot the spaces. So they have never been able to duplicate the tung oil. It has peculiar properties of its own.

And I might add one more thing. Recently this laboratory has produced a plastic which I understand as of now is the best for insulating magnet wire, which is used in motors and so forth, and that this process is now offered to the trade and if it goes into use there will be 5 or 10 million pounds of tung oil used for that one procedure. That is something which this laboratory has done within the last year or two.

Mr. BAKER. Dr. Potter, my colleague from Louisiana has mentioned the Red Chinese sources repeatedly. Would we have to have the Red Chinese or could we get along with what is produced in South America?

Dr. POTTER. No. There is plenty of oil in South America.

Mr. BAKER. I thank the Chairman.

Mr. JONES. Dr. Potter, thank you very much for your appearance here this morning.

The next witness is Mrs. Hamilton Morrison, tung oil producer from Pearl River County, near Picayune, Miss.

**STATEMENT OF MRS. HAMILTON MORRISON, TUNG OIL PRODUCER,
PEARL RIVER COUNTY, NEAR PICAYUNE, MISS.**

Mr. JONES. Before you begin your testimony let me advise you I am sympathetic to the way you listed your home address. I am from a small town in North Carolina and often when I tell people where I come from, they say what is it near? I like the way you put it, near Picayune.

Mrs. MORRISON. I should have Cullis Wade up here at the same time. He is going to answer questions.

Mr. Chairman, I wrote just another short history of tung; if I may be allowed just to read the letter. Then I will answer any questions.

Why do we need to support the price of tung oil or tung nuts in this country?

1. Because American manufacturers are going to use it and if we do not produce it, the foreign markets will. We know we cannot compete with foreign labor but what product can?

2. The tung industry has been a great boost to the economy of the Southern States. There was a time when the only money crop the small farmer in south Mississippi had was from the tung trees grown along the fence rows. That paid his taxes. Those were the days when we planted the nuts among the pine stumps because we could not afford to take out the stumps. My early investment was small but my faith never waned. My investment grew from 75 acres to 3,000 acres, and, although I lost 2,500 acres in the two great hurricanes, I never failed to plant new trees each year. To be sure I'd have trees to plant, I grew my own nursery. I now have approximately 700 acres of the new variety—ranging from 1-year-olds to 9-year-olds—plus a 10-acre nursery, and I plan to plant more, but it will be discouraging to invest in these trees if the support price of the product is cut off in 5 years. We need that protection. I believe with more new uses for the product less and less oil will be placed under the loan.

There are many other larger growers who feel as I do and we think more and more small farmers will come back into it if we are guaranteed a shelter.

What takes the place of tung in this part of our country? Soybeans? I have them, too, planted between the tung rows. Last year because of the dock strikes I lost my 300 acres. They ripened just as the bins were filled and there was no place to go. The ships weren't running. I have cattle also, but who knows when the Americans will stop eating beef. There are hazards in all modes of farming. I grew up on a farm and in an apple orchard. We never breathed easy in the springtime until all the frosts were gone—and many times they left the trees black with frost damage. If we want to eat—the Federal Government had better help keep the farmer on the farm. And the way to keep the farmer on the farm is to provide work for him.

During the late war years tung was considered strategic material and was stockpiled. Tung workers were exempt from the draft.

Many years of investment—along with many other growers—will be gone if we lose the price support. The mature trees in 1977 will be at their peak and, properly taken care of, can expect to yield about 2 tons to the acre. With the uncertainty of Federal Government support, the farmers will not want to spend money on labor and fertilizer to keep up the orchards.

The tung industry really needs the price support to survive.

Mr. JONES. Thank you, Mrs. Morrison.

I note with interest one of your statements on page 2 where you state that who knows when the Americans will stop eating beef. I noticed a few people smiled at that but a couple of the major grocery chain stores in this general area have suggested people do that, stop eating meat. So you may be a prophet without honor at the moment.

Mr. Rarick?

Mr. RARICK. Thank you, Mr. Chairman.

Mrs. MORRISON, it is good to hear another person from the Deep South up here today. I guess when enough people are threatened they become interested enough to come up to Washington and tell what is taking place and what needs to be done.

You indicate that with more new uses of tung oil there will be less help under the loan and less need for subsidy support from the taxpayers. This is what our colleagues in other areas of the country have been complaining about.

Do you know of any new uses for tung oil?

Mrs. MORRISON. Well, not really, but I know the laboratories are trying all the time to find other uses for it—

Mr. RARICK. Well, Mr. Meade testified—

Mrs. MORRISON (continuing). As Dr. Potter said earlier.

Mr. RARICK. You heard the representative from the U.S. Department of Agriculture who is sympathetic with tung producers and he indicated many of the present uses are being replaced by synthetics.

Mrs. MORRISON. Oh, yes, that is true, but who knows how long the synthetics will last and it takes 5 years to grow a tung tree.

Mr. RARICK. But you know of no other uses for it at this time.

Mrs. MORRISON. No, I don't.

Mr. RARICK. As I understand your testimony today, then, you are for the bill except it is limited only to 5 years, is that correct?

Mrs. MORRISON. Right. We don't want any limit.

Mr. RARICK. You don't want any bill?

Mrs. MORRISON. No. We want the same bill to continue.

Mr. RARICK. You want the existing law to continue.

Mrs. MORRISON. Yes, of course.

Mr. RARICK. Thank you. I have no other questions.

Mrs. MORRISON. Thank you.

Mr. JONES. Mrs. Morrison, do you have any idea of the amount of support prices paid into your county for the total production last year?

Mrs. MORRISON. Well, we had put no loads under the loan for 1965 when the price was higher. If we did, we put it on the loan and we received it and the last few years my crops have been so small.

Mr. JONES. You have no idea.

Mrs. MORRISON. We had practically no crop in 1965, 1970, and 1971. Between the hurricane and freeze, we had practically no crops.

Mr. JONES. For the moment here, Mrs. Morrison, how many laborers do you employ in harvesting the crop?

Mrs. MORRISON. In the normal years? Well, of course, my labor is spread out over the whole place, for cattle and—

Mr. JONES. Don't you use seasonal labor?

Mrs. MORRISON. Oh, yes. We do. We have had as many as 200 pickers at a time.

Mr. JONES. You don't know how much Federal money was spent in your county for the support program. Do you have any idea how much Federal money was spent on food stamps?

Mrs. MORRISON. How much money the Federal Government spends on me?

Mr. JONES. In your county—do you have any ideas how much money the Federal Government spent on food stamps in your county last year?

Mrs. MORRISON. No. Plenty.

Mr. JONES. Thank you.

Mr. Baker?

Mr. BAKER. No questions, Mr. Chairman.

Mr. JONES. Thank you, Mrs. Morrison, very much for appearing this morning. No further questions.

Mr. JONES. Our next witness is also a constituent of Mr. Rarick and I recognize him for the purpose of introduction.

Mr. RARICK. Thank you, Mr. Chairman. It is a rare occasion for me to introduce a witness from Louisiana, but a genuine honor to have two of them on one day.

Our next witness is Mr. Cullis Wade, a miller and producer from Bogalusa, La.

STATEMENT OF CULLIS WADE, MILLER AND PRODUCER, BOGALUSA, LA.

Mr. WADE. I don't have any prepared statement this morning.

Mr. JONES. Come up to the witness stand, please, Mr. Wade. There might be some questions.

Mr. WADE. I don't have any prepared statement this morning. I might say that it looks like everything has been said about tung that there is to be said other than that the Commodity Credit hasn't always

lost money on tung. There have been times when they have made money on tung.

Any questions anybody wants to ask?

Mr. JONES. In reference to the statement you just made, the fact that CCC has not always lost money, in some years they made money, to your knowledge what was the last year they showed a profit or showed a break-even operation?

Mr. WADE. I can't say exactly. Probably in the fifties.

Mr. JONES. Mr. Rarick?

Mr. RARICK. Mr. Wade, you are a tung producer?

Mr. WADE. Yes, sir.

Mr. RARICK. Where is your tung orchard?

Mr. WADE. My tung orchards are in Mississippi but I live in Louisiana and have a tung mill in Louisiana.

Mr. RARICK. How many acres do you have?

Mr. WADE. I have approximately a thousand acres.

Mr. RARICK. A thousand acres. Were you able to see the testimony offered by Dr. Potter or not. Did you see Dr. Potter's testimony?

Mr. WADE. Yes, sir.

Mr. RARICK. He had figures indicating the costs of planting the orchard, fertilizing, harvesting it, and the hand labor, indicating that coming back to the owner or the manager and his hand laborers would be roughly \$62.80 per acre out of a total income of \$166 per acre.

Does that sound about right in accordance with your experience in the operation of your orchard?

Mr. WADE. His figures are more or less correct, but in different managements there will be different returns to the management. It would be hard to say exactly how much any one given manager would return from his production.

Mr. RARICK. Can you tell us this morning what you expect to realize or have been realizing per acre during a nonhurricane year on your tung? After all expenses, that is.

Mr. WADE. Well, we have made a profit only 1 year for the last 5 years mostly because we had one crop which was the year before last, the only crop that we ever had that we made a profit on. Before that our trees were too young to produce and then the hurricane hit us one year and freezes have hit us and we just have had only one crop where we made a profit in the last 5 years.

Mr. RARICK. You have no idea, then, no estimate as to your income per acre.

Mr. WADE. No, sir. I couldn't tell you.

Mr. RARICK. A profit of 10 cents an acre.

Mr. WADE. Not year after year, I couldn't tell you.

Mr. RARICK. 10 cents an acre would be a profit, to you.

Mr. WADE. Yes, sir.

Mr. RARICK. And you still—you have been 4 out of 5 years without what you feel is a crop—are you still interested in continuing the tung oil business?

Mr. WADE. Well, I have been in it all my life. It is a lifetime with me.

Mr. RARICK. How long have you been in the tung oil business?

Mr. WADE. Since 1942.

Mr. RARICK. How old are you now?

Mr. WADE. Fifty-three.

Mr. RARICK. As I understand your testimony, then, you oppose the proposed legislation by the gentleman from Illinois, Mr. Findley.

Mr. WADE. Yes, sir.

Mr. RARICK. You feel the tung oil should be allowed to continue as is.

Mr. WADE. Right.

Mr. RARICK. I have no other questions.

Mr. JONES. Mr. Baker.

Mr. BAKER. Thank you, Mr. Chairman.

Mr. Wade, do you use this thousand acres exclusively for the tung production or do you use it in some other manner to generate revenue?

Mr. WADE. We have a cattle operation, cattle and tung. Cow and calf.

Mr. BAKER. What percentage of the land production would you consider would be to tung and the percentage to your cattle?

Mr. WADE. We graze our cattle in the tung orchards.

Mr. BAKER. Have you made money on cattle over these years when tung has been bad?

Mr. WADE. No, sir. It is just recently that we have gotten in a position—the market price has gotten into a position where we are kind of breaking even on cattle, but in the last week or so the price has been dropping on it since I see all these—since the politicians kind of got involved and the housewives and news commentators got involved with the beef market.

Mr. BAKER. You are pleased with our new Secretary of Agriculture's attitude, though.

Mr. WADE. Well, I can't—I don't know his attitude.

Mr. BAKER. It seems like a partisan situation.

Thank you, Mr. Chairman.

Mr. JONES. Thank you, Mr. Baker.

Mr. Wade, on your thousand-acre production we will say for the last year, 1971, what percentage of your crop went to Commodity Credit?

Mr. WADE. All of it.

Mr. JONES. One further question. I believe you stated that you began production of the tung nuts back in 1942?

Mr. WADE. Yes.

Mr. JONES. What prompted you, what led you into this area of production?

Mr. WADE. Well, it was the encouragement of the war years. We had a real high price and the Commodity Credit was buying all the tung oil at a very high market price which was about 38 cents a pound and we just felt like we could make a profit at that. And they kept encouraging us because it was very short-term.

Mr. JONES. Who encouraged you to get into this production? Any individual, a county agent or—

Mr. WADE. Yes, sir; county agent, people in the Government at that time.

Mr. JONES. Any further questions?

Mr. Wade, thank you very much for appearing here this morning.

Mr. WADE. Thank you.

(The following statement was also submitted to the subcommittee:)

STATEMENT OF HON. DON FUQUA, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF FLORIDA

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to present testimony pertaining to the support program for tung nuts. There is a movement afoot to terminate the price support program for the tung industry which could have unfortunate consequences to the economies of our Southern States. This movement is especially untimely inasmuch as natural causes have played a telling role in bringing about the present slump in the tung industry. Certainly, I do not think that we should turn our back on the growers without providing an opportunity for the revitalization of this important industry.

The 1970 tung nut oil crop was estimated at 16,200 tons, about 14 percent below the year before. Lower production in Florida—now the largest producing State—more than offset increases in Mississippi and Louisiana. In August 1969, Hurricane Camille severely damaged tung orchards in these latter two States and they have not recovered from the blow. Tung oil output from the 1970 crops is placed at 5 million pounds, slightly less than last season. In setting out the reasons for maintaining the support program for tung nuts, I would like to present some historical background on the support program.

The tung tree was introduced into the United States early in this century, and grown experimentally in many places in the Southern States. By 1932 there were 10,000 acres of tung orchards in Florida, and, under stimulus of the Departments of Agriculture and Commerce, tung plantings increased steadily. Recent USDA estimates place Florida tung acreage at about 25,000 acres.

The basis of utilization of tung oil is that, as a drying oil in varnishes, lacquers, and paints, it produces an extremely hard gloss finish with excellent water resistance. It was the basis of "spar varnish" and other protective coatings. Tung also was used in linoleum and oilcloth until this market was reduced by the introduction of vinyl and other plastics. Because of its value as a protective coating, tung was placed on the list of essential commodities and was restricted to defense uses in World War II, and the Federal Government stimulated production through various devices.

In 1948, the Congress established a mandatory price support program for tung. Through the late 1940's and the early 1950's, there was little trouble from freezing damage. After a disastrous freeze in 1955, there has been severe damage in a number of years. Either freezes or hurricanes have caused crop losses during the last 10 tung crops.

The USDA has developed a new late blooming selection which is hoped to eliminate much of the crop loss from these natural occurrences. Certainly, if the support program is terminated, growers will be unable to utilize this new selection and tung oil users will have to rely entirely on imported oil. Notwithstanding the unfortunate effect of the proposed termination on the economies of our Southern States, I do not feel that we should sacrifice this market to the tung nut growers of China, Argentina and Paraguay. At the present price levels domestically produced oil through OCC sales has shared the domestic U.S. market approximately evenly with imported tung oil from South America.

We hear a great deal of talk about the need for rural development assistance and providing incentives for our rural citizens to remain on the land. There are many unique properties of tung nuts which makes this crop an attractive one to farmers. First, a low initial outlay of capital is necessary to enter the tung market. In addition, tung is a deep-rooted tree crop and can withstand long periods of dry weather. Certainly this is most important to those rural areas where the topsoil is generally sandy and incompatible with most other crops.

Mr. Chairman, thank you again for giving me this opportunity to present this statement, and I earnestly hope that the committee will not adopt the proposed legislation to terminate the essential support program for tung nuts.

Mr. JONES. Our final witness is Mr. J. A. Gortemoller from Altha, Fla. Is he present?

Dr. POTTER. Mr. Chairman, I believe that Mr. Gortemoller is not able to make it.

Mr. JONES. Thank you very much, Doctor.

Do you know—has he filed a statement? Does anyone know?

Mrs. HANNAH. No, sir; not to my knowledge.

Mr. JONES. That concludes the hearing this morning and the committee stands adjourned.

(Whereupon, at 11:40 a.m., the subcommittee was adjourned.)

