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# PRICE SUPPORT LOANS FOR WHEAT AND FEED GRAINS AND COMMODITY RESERVES

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## HEARING

BEFORE THE

### SUBCOMMITTEE ON AGRICULTURAL PRODUCTION, MARKETING, AND STABILIZATION OF PRICES

OF THE

### COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

NINETY-SECOND CONGRESS

FIRST SESSION

ON

S. 2093, S. 2099, S. 2444, S. 2500, S. 2648,  
S. 2678, S. 2729, and S.J. Res. 172

BILLS TO INCREASE PRICE SUPPORT LOANS FOR WHEAT  
AND FEED GRAINS WHENEVER THE CROP ADDS TO  
RESERVES; TO ESTABLISH RESERVES OF WHEAT, FEED  
GRAINS, SOYBEANS, DAIRY AND POULTRY PRODUCTS;  
AND TO MODIFY THE WHEAT AND FEED GRAIN PROGRAMS  
FOR 1971 AND 1972

NOVEMBER 10, 1971

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# PRICE SUPPORT LOANS FOR WHEAT AND FEED GRAINS AND COMMODITY RESERVES

WEDNESDAY, NOVEMBER 10, 1971

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

The subcommittee met, pursuant to call, at 9:50 a.m., in room 324, Old Senate Office Building, Hon. B. Everett Jordan of North Carolina (chairman) presiding.

Present: Senators Jordan of North Carolina (presiding), Young, Miller, and Curtis.

Senator JORDAN. I am glad to see everybody here this morning. This is a very interesting subject.

Hearings are being held on a number of bills relating in one way or another to the establishment of reserves of certain agricultural commodities.

Agricultural commodities covered include feed grains, wheat, soybeans, and dairy and poultry products.

The various bills require reserves to be established at specified levels, loan levels to be increased, and establish acquisition and resale policies for reserve commodities.

The bills before the subcommittee are S. 2093, S. 2099, S. 2444, S. 2500, S. 2648, S. 2678, S. 2729, and Senate Joint Resolution 172.

These bills, along with the reports from the Department of Agriculture, will be placed in the record at this point.

(The bills and reports follow:)

[S. 2093, 92d Cong., first sess.]

A BILL To protect producers' incomes when rebuilding reserve stocks of wheat or feed grains

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. Section 107(a) of the Agriculture Act of 1949, as amended, is further amended by striking the period at the end, inserting a semicolon, and adding: "Provided further, That whenever the Secretary of Agriculture announces a wheat adjustment program which will result in an addition to reserve stocks, the minimum loan level available to producers during that crop year shall be increased by at least 25 per centum."

SEC. 2. Section 105 of the Agriculture Act of 1949, as amended, is further amended by substituting a semicolon for the period at the end of the sentence in (a) (1) and adding "whenever the Secretary of Agriculture announces a feed grain adjustment program which will result in an addition to reserve stocks, the minimum loan rates available to producers during that crop year shall be increased by at least 25 per centum."

SEC. 3. The amendments contained in this Act shall be effective in relation to crops harvested in 1971.

[S. 2099, 92d Cong., first sess.]

A BILL To protect producers' incomes when rebuilding reserve stocks of wheat or feed grains

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. Section 107(a) of the Agriculture Act of 1949, as amended, is further amended by striking the period at the end, inserting a semicolon, and adding: "Provided further, That whenever the Secretary of Agriculture announces a wheat adjustment program which will result in an addition to reserve stocks, the minimum loan level available to producers during that crop year shall be increased by at least 25 per centum."

SEC. 2. Section 105 of the Agriculture Act of 1949, as amended, is further amended by substituting a semicolon for the period at the end of the sentence in (a) (1) and adding "whenever the Secretary of Agriculture announces a feed grain adjustment program which will result in an addition to reserve stocks, the minimum loan rates available to producers during that crop year shall be increased by at least 25 per centum."

SEC. 3. The amendments contained in this Act shall be effective in relation to crops harvested in 1971.

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., August 4, 1971.

HON. HERMAN E. TALMADGE,  
Chairman, Committee on Agriculture and Forestry,  
U.S. Senate.

DEAR MR. CHAIRMAN: This is in reply to your letters of June 21 and June 24, requesting a report on S. 2093 and S. 2099, identical bills which are designed to protect producers' incomes when rebuilding reserve stocks of wheat or feed grains. They would increase minimum loan rates at least 25 percent when the Secretary announces an adjustment program which will result in an addition to reserve stocks. This would place the minimum wheat loan at \$1.56 per bushel and corn at \$1.25 per bushel. The bills also state (Section 3) that these provisions shall be effective in relation to crops harvested in 1971.

The Department is opposed to enactment of these bills.

These bills introduce a new basis for establishing wheat and feed grain loan rates, a basis that is inconsistent with the present provisions of law and the basic objectives of the set-aside program authorized by the Agricultural Act of 1970.

The Agricultural Act of 1949, as amended, provides that the loan rate on corn shall be established at that level between \$1.00 per bushel and 90 percent of parity "as the Secretary determines will encourage the exportation of feed grains and not result in excessive total stocks of feed grains in the United States." In the case of wheat the act provides that the loan rate shall be established at the level, between \$1.25 per bushel and the parity price of wheat, "as the Secretary determines appropriate taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains."

While these bills are described as proposals to protect producers' income, we believe such protection would be on a very short-term basis. It has been demonstrated many times that price-fixing loans on export commodities provide a price umbrella for foreign producers, stimulate foreign production, and restrict markets for U.S. producers. If markets are lost the long-term effect is lower incomes for the farmers of this country. Even for the short term the income from higher market prices brought about by increased loan rates might be offset to some extent by reduced payments to producers. This would be particularly true in the case of wheat.

A more important consideration, if the intent of these bills is that the increased loan level be effective only if the Secretary plans a stocks increase, is the fact that the Agricultural Act of 1970 does not specifically provide for acreage adjustment programs by individual commodity. The purpose of the program is to give producers increased flexibility and greater opportunity for decisionmaking on an individual farm basis. The purpose of tying certain set-aside acreages to specified crops is to provide a basis for establishing payments thus assuring in-

come protection. The purpose of the program is to withhold a certain acreage of cropland from commercial production of crops and thus promote a prosperous commercial agriculture while giving producers freedom to select the crop or combination of crops they desire to produce within the available cropland acreage. Thus, it would be virtually impossible to administer these amendments so as to adjust stocks of a particular grain if the Agricultural Act of 1970 is to function as intended.

While the Secretary did not plan to increase carryover stocks of wheat or feed grains from 1971 production, the decisions of producers and the bounty of nature may have this effect. If enactment of these bills required an increase of 25 percent in 1971 loan rates the increased outlay of CCC funds for loans and exports in fiscal year 1972 for wheat, corn and milo is estimated at about \$441 million. There would be some offset due to the reduced marketing certificate payments. This would amount to an estimated \$160 million with a net additional CCC expenditure of around \$281 million. Since we cannot tell how often this provision would have to be used during the next five fiscal years we could not develop a cost estimate. Some savings may result in subsequent years on feed grain payments due to changes in payment rates and participation in the program.

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

Sincerely,

J. PHIL CAMPBELL,  
*Acting Secretary.*

[S. 2444, 92d Cong., first sess.]

A BILL To protect producers' income when rebuilding reserve stocks of feed grains and wheat, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. (a) Section 105(a)(1) of the Agricultural Act of 1949, as amended by section 501 of the Agricultural Act of 1970, is amended by inserting after "United States" the following: "Whenever the Secretary announces any feed grain adjustment program which will result in an addition to reserve stocks (of corn, barley, oats, rye, or grain sorghums), the minimum loan rates available to producers (of corn, barley, oats, rye, or grain sorghums) during that crop year shall be increased by at least 25 per centum".

(b) Such section 105(a)(1) is further amended by adding at the end thereof the following: "Each loan made pursuant to the provisions of this subsection shall provide for a repayment period of three crop years unless the debtor requests a repayment period of less than three crop years. However, any such loan may be terminated by the Secretary if the national average market price received by farmers, for the feed grain for which such loan was made, during the first five months of any marketing year for such feed grain which falls within such three-year period is at least equal to the full parity price of such feed grain as of the beginning of such marketing year."

SEC. 2. (a) Section 107(a) of the Agricultural Act of 1949, as amended by section 401 of the Agricultural Act of 1970, is amended by inserting after "\$1.25 per bushel" the following: "Provided further, That whenever the Secretary announces any wheat adjustment program which will result in an addition to reserve stocks, the minimum loan level available to producers during that crop year shall be increased by at least 25 per centum".

(b) Such section is further amended by adding at the end thereof the following: "Each loan made pursuant to the provisions of this subsection shall provide for a repayment period of three crop years unless the debtor requests a repayment period of less than three crop years. However, any such loan may be terminated by the Secretary if the national average market price received by farmers during the first five months of any marketing year which falls within such three-year period is at least equal to the full parity price of wheat as of the beginning of such marketing year."

SEC. 3. The amendments made by sections 1 and 2 of this Act shall take effect with respect to 1971 crops of corn, barley, oats, rye, grain sorghums, and wheat.

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., November 12, 1971.

HON. HERMAN E. TALMADGE,  
*Chairman, Committee on Agriculture and Forestry,  
U.S. Senate.*

DEAR MR. CHAIRMAN: This is in reply to your letter of August 10, requesting a report on S. 2444, a bill which is designed to protect producers' incomes when rebuilding reserve stocks of wheat or feed grains. The bill would increase minimum loan rates at least 25 percent when the Secretary announces an adjustment program which will result in an addition to reserve stocks. This would place the minimum wheat loan at \$1.56 per bushel and corn at \$1.25 per bushel. The bill also provides for a loan repayment period of three years unless otherwise requested by the debtor and further provides that the Secretary may terminate loans if the average market-price received by farmers during the first five months of any marketing year within the three year period is equal to 100 percent of parity at the beginning of such marketing year. The bill states that the provisions shall be effective with respect to crops harvested in 1971.

The Department recommends against enactment of legislation of this nature. It is clearly contrary to responsive public policy. It is not in the best interests of farmers or taxpayers.

This bill introduces a new basis for establishing wheat and feed grain loan rates, a basis that is inconsistent with the present provisions of law and the basic objectives of the set-aside program authorized by the Agricultural Act of 1970.

While this bill is described as a proposal to protect producers' incomes we believe such protection would be on a very short-term basis. It has been demonstrated many times that price-fixing loans on export commodities provide a price umbrella for foreign producers, stimulate foreign production, and restrict markets for U.S. producers. If markets are lost the long-term effect is lower incomes for the farmers of this country. Even for the short-term the income from higher market prices brought about by increased loan rates might be offset to some extent by reduced payments to producers. This would be particularly true in the case of wheat.

A more important consideration, if the intent of this bill is that the increased loan level be effective only if the Secretary plans a stocks increase, is the fact that the Agricultural Act of 1970 does not specifically provide for acreage adjustments programs by individual commodity. The purpose of the program is to give producers increased flexibility and greater opportunity for decisionmaking on an individual farm basis. The purpose of tying certain set-aside acreages to specified crops is to provide a basis for establishing payments thus assuring income protection. The purpose of the program is to withhold a certain acreage of cropland from commercial production of crops and thus promote a prosperous commercial agriculture while giving producers freedom to select the crop or combination of crops they desire to produce within the available cropland acreage. Thus, it would be virtually impossible to administer these amendments so as to adjust stocks of a particular grain if the Agricultural Act of 1970 is to function as intended.

The loan period and restrictive loan termination requirement of this bill would make it virtually impossible for the Department to administer an effective loan and extended loan program. The current loan program provides for a one year loan period and offers producers the option of extending loans on an annual basis with the benefit of storage payments. The success of the program depends on an annual assessment of production, storage and other factors which determine whether an extended loan program is needed and the extent to which it is needed.

Under the provisions of this bill, producers would be denied the extended loan option and storage payments. Producers would incur additional storage expenditures since it appears that the bill intends to have producers assume storage costs during the entire loan period.

Any savings to CCC that would result from fewer storage payments on extended loans would likely be offset by an increase in inventory expenditures from acquisitions since accrued interest during the loan period and storage costs would price the commodity above redemption by the producer.

While the Secretary did not plan to increase carryover stocks of wheat or feed grains from 1971 production, the decisions of producers and the bounty

of nature may have this effect. If enactment of this bill required an increase of 25 percent in 1971 loan rates, the increased outlay of CCC funds for loans and exports in fiscal year 1972 for wheat, corn and milo is estimated at about \$723 million. There would be some offset due to the reduced marketing certificate payments. This would amount to an estimated \$160 million with a net additional CCC expenditure of around \$563 million. Since we cannot tell how often this provision would have to be used during the next five fiscal years we could not develop a cost estimate. Some savings may result in subsequent years on feed grain payments due to changes in payment rates and participation in the program.

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

Sincerely,

J. PHIL CAMPBELL,  
*Acting Secretary.*

---

[S. 2500, 92d Cong., first sess.]

A BILL To establish producer owned and controlled emergency reserves of wheat, feed grains, and soybeans

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. It is the policy of the Congress to establish and maintain reserves of storable agricultural commodities adequate to meet any foreseeable food and fiber shortage which might arise in the Nation as a consequence of any natural disaster, adverse food production conditions for one or more years, military actions, or other causes, and to assist other nations of the world in any food emergency. It is further the policy of Congress to establish such reserves in the control of producers in years of surplus production and to assure their segregation from the commercial market so that existence of the reserves will not affect the level of market prices.

Sec. 2. The Secretary of Agriculture is authorized to enter into agreements with producers of not more than two hundred million bushels of wheat, five hundred million bushels of corn and/or its equivalent in other feed grains, and one hundred million bushels of soybeans to place such commodities in storage under their control until released under the provisions of this Act. To the extent possible, the opportunity to make such agreements shall be extended to producers who are cooperating in the appropriate programs on a pro rata basis. In consideration of the producers' agreement to store such commodities, the Secretary shall make loans to the producers at 125 per centum of the current price-support loan rate on the commodities stored out of funds of the Commodity Credit Corporation, without interest, and shall pay reasonable storage charges each year so long as the commodities are not required for consumption: *Provided*, That when the domestic supply of wheat available to the commercial market drops below 15 per centum of the year's requirements, the supply of feed grains drops below 10 per centum of the year's requirements, or the supply of soybeans drops below 5 per centum of the year's requirements, the Secretary of Agriculture may, on sixty days' notice, terminate the payment of storage charges and waiver of interest charges on a sufficient amount of the earliest agreements to rebuild the commercial market supply of wheat and feed grain by 5 per centum of one year's requirements above the level at which the release of such emergency reserve commodities occurs, and of soybeans by 3 per centum of annual requirements. The holder of an agreement thus terminated shall have not less than a year following the termination notice to repay any Government advances against the commodity involved, or until the time of sale of such commodity if it occurs earlier, together with interest at a rate of not more than 5 per centum per annum from the date of termination of the reserve agreement, or to deliver the commodity to the Government, in discharge of any obligation.

Sec. 3. Producers may, under regulations prescribed by the Secretary of Agriculture, rotate commodities to keep the reserve stocks in good condition. A producer may terminate his agreement to carry emergency reserves at the beginning of a marketing year for such commodity by giving the Secretary of Agriculture notice of such termination not less than sixty days before the beginning of such marketing year, and by repaying any loans or advances to the Government at the time of sale, or by delivering the commodity to the Secretary of Agriculture.

[S. 2678, 92d Cong., first sess.]

A BILL To establish producer owned and controlled emergency reserves of wheat, feed grains, and soybeans

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. It is the policy of the Congress to establish and maintain reserves of storable agricultural commodities adequate to meet any foreseeable food and fiber shortage which might arise in the Nation as a consequence of any natural disaster, adverse food production conditions for one or more years, military actions or other causes, and to assist other nations of the world in any food emergency. It is further the policy of Congress to establish such reserves in the control of producers in years of surplus production and to assure their segregation from the commercial market so that existence of the reserves will not affect the level of market prices.

SEC. 2. The Secretary of Agriculture is authorized to enter into agreements with producers of not more than two hundred million bushels of wheat, five hundred million bushels of corn and/or its equivalent in other feed grains, and one hundred million bushels of soybeans to place such commodities in storage under their control until released under the provisions of this Act. To the extent possible, the opportunity to make such agreements *shall* be extended to producers who are cooperating in the appropriate programs on a pro rata basis. In consideration of the producers' agreement to store such commodities, the Secretary shall make loans to the producers at 125 per centum of the current price-support loan rate on the commodities stored out of funds of the Commodity Credit Corporation, without interest, and shall pay reasonable storage charges each year so long as the commodities are not required for consumption: *Provided*, That when the domestic supply of wheat available to the commercial market drops below 15 per centum of the year's requirements, the supply of feed grains drops below 10 per centum of the year's requirements, or the supply of soybeans drops below 5 per centum of the year's requirements, the Secretary of Agriculture may, on sixty days' notice, terminate the payment of storage charges and waiver of interest charges on a sufficient amount of the earliest agreements to rebuild the commercial market supply of wheat and feed grain by 5 per centum of one year's requirements above the level at which the release of such emergency reserve commodities occurs, and of soybeans by 3 per centum of annual requirements. The holder of an agreement thus terminated shall have not less than a year following the termination notice to repay any Government advances against the commodity involved, or until the time of sale of such commodity if it occurs earlier, together with interest at a rate of not more than 5 per centum per annum from the date of termination of the reserve agreement, or to deliver the commodity to the Government, in discharge of any obligation.

SEC. 3. Producers may, under regulations prescribed by the Secretary of Agriculture, rotate commodities to keep the reserve stocks in good condition. A producer may terminate his agreement to carry emergency reserves at the beginning of a marketing year for such commodity by giving the Secretary of Agriculture notice of such termination not less than sixty days before the beginning of such marketing year, and by repaying any loans or advances to the Government at the time of sale, or by delivering the commodity to the Secretary of Agriculture.

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DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., November 12, 1971.

HON. HERMAN E. TALMADGE,  
*Chairman, Committee on Agriculture and Forestry,*  
*U.S. Senate.*

DEAR MR. CHAIRMAN: This is in reply to your requests of September 10 and October 12 for a report on S. 2500 and S. 2678, bills "To establish producer owned and controlled emergency reserves of wheat, feed grains and soybeans."

The Department recommends against enactment of legislation of this nature. It is clearly contrary to responsive public policy. It is not in the best interests of farmers or taxpayers.

These bills would authorize the Secretary of Agriculture to enter into agreements with producers to place in storage under their control until released under the provisions of these bills not more than 200 million bushels of wheat, 500 million bushels of corn and/or its equivalent in other feed grains, and 100 million

bushels of soybeans. In consideration of the procedures agreement to store such commodities, the Secretary is required to make loans to the producers at 125 per centum of the current support loan rate for the commodities stored without interest and pay reasonable storage charges each year so long as the commodities are not needed for consumption.

The bills further provide that when the domestic supply of wheat available to the commercial market drops below 15 per centum of the year's requirements or the supply of feed grains drops below 10 per centum of the year's requirements, the Secretary may, on sixty days notice, terminate storage payments and waiver of interest charges on a sufficient amount of grain under the earliest agreements to rebuild the commercial market supply of wheat and feed grains by 5 per centum of one year's requirements above the level at which the release of the reserve occurs. If the supply of soybeans drops below 5 per centum of the year's requirements, the Secretary may use the same termination authority to rebuild the commercial market supply of soybeans by 3 per centum of annual requirements.

The holders of terminated agreements would have not less than a year or until time of sale of such commodity, if it occurs earlier, to repay any government advances against the commodity together with interest from date of termination at the rate of 5 per centum per annum or to deliver the commodity to the government. The Secretary may permit producers to rotate commodities to keep reserve stocks in good condition and producers could voluntarily terminate agreements by giving the Secretary notice of termination not less than sixty days before the beginning of the marketing year and repay loans or advances or deliver the commodity to the Secretary.

The Agricultural Act of 1970 and related price support legislation provides the necessary authority for adjusting annual programs in a manner designed to provide adequate supplies and carryover stocks. Loan programs are available to encourage orderly marketing and to absorb occasional surpluses. Existing legislation and present policies provide the means for an extended loan program which encourages producers ownership and control of a substantial part of our carryover supplies of these commodities. Facility loans to assist in construction of on farm storage structures also encourages and facilitates maintenance of reserves of extended loan grain under producer control.

The provisions of these bills will be most difficult to administer. Problems pertaining to types (or classes) of commodities, which would be eligible for inclusion in the program would first have to be solved. Secondly, the pro rata share for each producer wishing to participate in holding the reserves would need to be determined. This determination is made more difficult as the reserve appears to be intended for on farm storage and not all producers who may wish to participate in the program have such storage available.

When the Secretary finds it necessary to terminate the agreements, the producer has, in effect, 14 months from the date the termination notice is issued until the final date for delivery or redemption of the loan. The need for the commodity could well be resolved by new crop harvest by the time delivery is made.

If the bills also mean that the loan agreements will be terminated whenever minimum levels of supply occur, be it the first or last month of the marketing year, it is conceivable that these minimum levels will occur during the last month of the marketing year. On such an occurrence, the supply will be replenished by new crop harvest before deliveries can be made from the reserve stocks. Furthermore, the quantity that will be released is less than the shortfall in requirement, and the relatively small quantity will be under the control of literally thousands of producers dispersed over a wide area since the reserve quantities will be held pro rata by producers. With small quantities from many farms over a large area, the needed quantity to supplement the defined short supply will be slow to respond.

The 25 percent increase in the loan rate as provided in the bills would increase outlays about \$250 million. Annual storage costs to maintain the reserve would be approximately \$100 million assuming storage payments of 13 cents per bushel. Storage costs would be about the same for the next five years. The interest free provisions of the loans could cost up to \$50 million annually. (However, part of this cost would be offset by the five percent interest charges to producers who do not deliver the commodity or redeem their loan within 60 days after their loan agreement has been terminated.) Other costs such as acquisitions, transportation and the cost of reestablishing the reserve during the next five years would depend on the extent to which the program was used and this is not predictable.

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

Sincerely,

J. PHIL CAMPBELL,  
Acting Secretary.

[S. 2648, 92d Cong., first sess.]

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

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

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

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

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

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

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

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

Such maximum prices and the quantity to be procured during the marketing year and the estimates used in arriving at the same shall be announced during such marketing year on the last Friday of July for wheat, on the last Friday of October for feed grains, and on the last Friday of September for soybeans and the first Friday of April for dairy and poultry products: *Provided*, That for the 1971 marketing year such announcements shall be made as soon after the effective date of this Act as is reasonably possible.

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

SEC. 4. Except when a state of emergency has been proclaimed by the President or by concurrent resolution of Congress declaring that such reserves should not be sold the Secretary shall offer each commodity in the reserve for sale at a price of 130 per centum of the average price farmers received in the United States during the preceding five marketing years for the commodity involved adjusted to reflect the customary location and grade price differential or at such greater amount as may be obtained through normal market channels: *Provided*, That such sales shall in no event be less than the market price for the commodity at the time of sale: *Provided further*, That sales during any marketing year shall be limited to the net quantities by which estimated domestic consumption and exports exceed estimated domestic production and imports.

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

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

(2) For use in connection with a state of civil defense emergency as proclaimed by the President or by concurrent resolution of the Congress in accordance with the provisions of the Federal Civil Defense Act of 1950, as amended (50 U.S.C. App. 2251-2297), or for use in a major disaster as defined in section 102 of the Disaster Relief Act of 1970 (Public Law 91-606).

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

(4) For use to meet famine or other urgent or extraordinary relief requirements outside the United States as determined by the President.

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

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

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

SEC. 5. The Secretary shall use the Commodity Credit Corporation to the extent feasible to fulfill the purposes of this Act; and to the maximum extent practicable consistent with the fulfillment of the purposes of this Act and the effective and efficient administration of this Act shall utilize the usual and customary channels, facilities, and arrangements of trade and commerce. The Secretary is authorized to store grain purchased under this section in producer-owned and commercial storage facilities.

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

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

[S. 2729, 92d Cong., first sess.]

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

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

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

Such reserve inventories shall include not more than the following quantities: (1) three hundred million bushels of wheat; (2) a total of thirty million tons of feed grains; (3) one hundred million bushels of soybeans; and (4) dairy and poultry products at levels determined by the Secretary.

SEC. 3. (a) The maximum price the Secretary shall pay for any commodity shall be \$1.35 per bushel for corn and other feed grains at prices reflecting feed value equivalent to corn; for wheat \$1.55 per bushel; for soybeans \$3 per bushel, adjusted by the percentage increase in the index of prices paid by farmers after 1971 and for dairy and poultry products as determined by the Secretary to be historically as equivalent to 90 per centum of the parity prices for manufactured dairy products.

(b) The minimum price the Secretary shall pay for any commodity shall be 90 per centum of the price specified in section 3(a).

(c) Such maximum and minimum prices and the quantity to be procured during the marketing year and the estimates used in arriving at the same shall be announced during such marketing year on the last Friday of July for wheat, on the last Friday of October for feed grains, on the last Friday of September for soybeans, and on the last Friday of April for dairy and poultry products: *Provided*, That for the 1971 marketing year such announcements shall be made as soon after the effective date of this Act as is reasonably possible.

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

SEC. 4. (a) Except when a state of emergency has been proclaimed by the President or by concurrent resolution of Congress declaring that such reserves should not be sold the Secretary shall offer each commodity in the reserve for sale at a price of 105 per centum of the price as provided in section 3(a): *Provided*, That such sales shall in no event be less than the market price for the commodity at the time of sale: *Provided further*, That sales during any marketing year shall be limited to the net quantities by which estimated domestic consumption and exports exceed estimated domestic production and imports.

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

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

(2) For use in connection with a state of civil defense emergency as proclaimed by the President or by concurrent resolution of the Congress in accordance with the provisions of the Federal Civil Defense Act of 1950, as amended (50 U.S.C. Appl. 2251-2297), or for use in a major disaster as defined in section 102 of the Disaster Relief Act of 1970 (Public Law 91-606).

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

(4) For use to meet famine or other urgent or extraordinary relief requirements outside the United States as determined by the President.

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

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

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

SEC. 5 The Secretary shall use the Commodity Credit Corporation to the extent feasible to fulfill the purposes of this Act, and to the maximum extent practicable consistent with the fulfillment of the purposes of this Act and the effective and efficient administration of this Act shall utilize the usual and customary channels, facilities, and arrangements of trade and commerce. The Secretary is authorized to store grain purchased under this section in producer-owned and commercial storage facilities.

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

SEC. 7. The purchase authority under sections 2 and 3 of this Act with respect to each of the commodities specified shall expire at the end of the marketing year for the 1975 crop of such commodity.

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., November 10, 1971.

Hon. HERMAN E. TALMADGE,  
*Chairman, Committee on Agriculture and Forestry,*  
*U.S. Senate.*

DEAR MR. CHAIRMAN: This is in reply to your request of October 22 for a report on S. 2729, a bill "To authorize the establishment and maintenance of reserve supplies of soybeans, corn, grain sorghum, barley, oats, wheat and dairy and poultry products for national security and for other purposes.

The Department recommends against enactment of legislation of this nature. It is clearly contrary to responsive public policy. It is not in the best interests of farmers or taxpayers.

This bill would authorize the Secretary of Agriculture to establish a national reserve of agricultural commodities consisting of not more than 300 million bushels of wheat, 30 million tons of feed grains, 100 million bushels of soybeans and dairy and poultry products at levels determined by the Secretary. The reserve would be acquired through direct purchase. The bill establishes a minimum and maximum purchase price and a minimum sale price for the commodities. Purchase authority provided by this bill would expire at the end of the 1975 marketing year.

We support the objective of assuring adequate stocks of soybeans and grains. We recognize that dependable supplies at competitive and reasonably stable prices are essential to expanding export markets which are so important to producers of these commodities. We cannot, however, support legislation which would have a tendency to be counterproductive to the extensive efforts being made to expand exports and domestic use. The resale price for unrestricted use as provided in this bill is at a level which would virtually prohibit unassisted exports and seriously curtail domestic use.

Substantial reserves, no matter how well insulated, overhang the market and depress prices to farmers. This bill might have the effect of virtually freezing large stocks of grains and soybeans in government ownership and preventing such reserves from serving the purpose for which they were established. Large storage and carrying charges would, of course, be incurred on the reserve stocks. We believe the interests of both producers and consumers will best be served by minimizing rather than increasing government-owned grain stocks and by encouraging producer ownership and control of a substantial part of our carryover stocks as provided currently through resale loans. Extended loans have several major advantages over the provisions of this bill in that the commodities are dispersed at county points, they are under producer control and producers earn storage payments.

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

The precise formula prescribed by S. 2729 does not take into consideration the extent to which reserve stocks of these commodities may be held and should be held under producer ownership and control. Also, it does not take into consideration the fact that some classes or qualities may be in surplus, and the fact that regional shortages and surpluses may occur simultaneously for a single commodity.

With respect to dairy products the purpose of this bill is currently being carried out by the dairy price support program. Efforts have always been made to keep CCC inventories of dairy products at a level consistent with proper management of supplies for existing programs. Producers have strenuously objected to the existence of large inventories of dairy products on the grounds that such inventories prevent prices from rising at times above the support level. Maintenance of a separate reserve would be subject to the same objection. Since dairy products are perishable commodities there are no legislative requirements for the establishment of selling prices of CCC-owned dairy products. Dairy products have been offered

for sale by CCC for unrestricted use at prices designed to encourage processors and wholesalers to store the products during the spring and summer seasons of heavy production for use during the fall and winter months. The setting of a sales price at 105 percent of the purchase price as provided in this bill would not accomplish this objective and is too restrictive.

The provisions of this bill are not clear on how to base a parity price for poultry products or prices for manufactures dairy products. To do so would be inappropriate and disruptive to the industry. Production of poultry and eggs can be expanded rapidly within a relatively short time thus establishment of a reserve of poultry products appears to be unnecessary.

Enclosed is the cost statement for the legislation.

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

Sincerely,

CLARENCE D. PALMBY,  
*Assistant Secretary.*

COST STATEMENT FOR S. 2729

The cost of acquiring the reserve inventories that would be established under this bill would depend on the total quantity purchased during the 5 years and the purchase price for such acquisitions. Acquisition costs for reserves of 300 million bushels of wheat, 30 million tons of feed grains and 100 million bushels of soybeans could range from a low of about \$2.0 billion to a high of about \$2.3 billion.

Any estimate of the costs of maintaining the reserve inventories are necessarily only rough approximations. The costs would depend on such factors as location, frequency of turnover and transportation as well as rate of interest and storage charges. The Commodity Credit Corporation currently pays 4 percent for borrowings and 13 cents per bushel annually for warehouse storage. Assuming these rates, no other expenses and an investment equivalent to the national average loan rates, annual costs per 100 million bushels would be about \$18 million for wheat, \$17 million for feed grains and over \$22 million for soybeans. Thus, interest and storage alone would total close to \$260 million a year for reserves of 300 million bushels of wheat, 30 million tons of feed grains and 100 million bushels of soybeans.

The costs that would be incurred during each of the next 5 years in implementing the program that would be established under this bill depend upon a number of factors which are not foreseeable. With respect to the cost of maintaining reserve inventories, it might be assumed that the annual programs will be designed so as to avoid substantial fluctuations from a balanced supply situation, assuming normal weather. Assuming no wide fluctuations in the level of reserve inventories and reasonably stable interest rates, the annual maintenance costs on the maximum reserve levels should not vary significantly from a level of about \$250-\$260 million annually.

In view of the fact that a reserve of dairy and poultry products is left largely to the discretion of the Secretary no cost estimate has been made for establishing or maintaining a reserve of these commodities.

[S.J. Res. 172, 92d Cong., first sess.]

JOINT RESOLUTION To provide emergency measures to improve farm income

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled* That the Secretary of Agriculture shall—

(1) pursuant to section 105(c) of the Agriculture Act of 1949 as amended by the Agricultural Act of 1970

(i) limit the acreage planted to feed grains of the 1972 crop on each farm to such percentage of the feed grain base for the farm as necessary to bring feed grain production in 1972 below requirements for domestic consumption and exports for the marketing year beginning in 1972,

(ii) require the acreage by which the farm feed grain base exceeds the percentage thereof permitted to be planted to be set aside as provided in paragraphs (1) and (2) of such section 105(c),

(iii) make payments (as provided in such paragraph (2)) on that part of the set-aside which exceeds 20 per centum of the farm feed

grain base at such rate or rates as the Secretary determines will provide producers with a fair and reasonable return for the acreage diverted but not less than 50 per centum of the estimated basic loan rate on the normal production of such acreage;

(2) pursuant to section 379b(c)(2) of the Agricultural Adjustment Act of 1938 as amended by the Agricultural Act of 1970 provide for an acreage diversion program under which land diversion payments will be made at the rate or rates necessary to assure that wheat production in 1972 will be reduced below requirements for domestic consumption and exports for the marketing year beginning in 1972; and

(3) increase the loan levels heretofore announced for feed grains and wheat of the 1971 crops pursuant to sections 105(a) and 107(a) of the Agricultural Act of 1949, as amended by the Agricultural Act of 1970, by 25 per centum.

SEC. 2. This Act may be cited as the "Farmers' Income Improvement Act of 1971".

Senator JORDAN. Senator Symington, we are delighted to have you with us, and we would be delighted to hear from you.

### STATEMENT OF HON. STUART SYMINGTON, A U.S. SENATOR FROM THE STATE OF MISSOURI

Senator SYMINGTON. Thank you very much, Chairman Jordan and members of this distinguished committee.

I do have a statement which, if the Chair would approve, I would like to read. It is not very long.

Senator JORDAN. You may proceed as you wish, sir.

Senator SYMINGTON. This year, in order to prevent a national feed grain shortage, American farmers responded to a plea from their Government by planting an additional 8.9 million acres. The corn blight, however, did not destroy nearly as much grain as was ruined in 1970, and therefore this alltime record harvest is now costing farmers more than 30 cents a bushel.

According to best estimates regarding feed grains, producers this year will receive \$500 million less than last year for harvesting 43 million tons more.

Instead of paying such a heavy penalty for answering their Government's urgent call for increased planting, farmers could be earning \$800 million more under the bill I introduced to establish a higher floor under feed grain and wheat prices. The floor would go into effect when the Secretary of Agriculture announced a feed grain adjustment program resulting in additional reserve stocks.

The American farmer was exempted from the President's wage-price freeze—that merely controls price increases. Although corn prices reached a recent high during the current growing season at a seasonal average of \$1.36 per bushel, the U.S. average price for corn was \$1.19 per bushel on August 15, the first day of the freeze.

Since then, many farmers have been forced to sell for as low as 90 cents per bushel, and the 1970 crop average price to the farmer may drop lower than \$1 per bushel.

Despite this plunge in the market price, the Secretary of Agriculture has not used the authority he has to raise the price support above the \$1.05 loan level which has been in effect since the 1968 crop year.

To prevent such unfair treatment of them in the future, this legislation would require the loan support level to be increased at least 25 percent above the minimum of \$1 per bushel for corn

whenever an adjustment program like the one used this year leads to increased carryover stocks of feed grains.

Comparable increases in the loan level also would be required for other feed grains and wheat.

Had this legislation, S. 2444, been enacted into law earlier this season, the farm price of corn would still be at the August 15 level of \$1.17 to \$1.20 per bushel with the price support loan level at \$1.25 per bushel. The price of wheat also would be 10 to 15 cents a bushel higher than it is.

In this proposed legislation, however, there is no criticism of the Secretary of Agriculture for seeking the increased feed grain acreage this year.

As a result of the corn blight in 1970, carryover stocks had been reduced sharply. Farmers were told that if the blight hit hard again this year, every bushel of feed grain produced would be needed for domestic use and possible exports. If the 1970 devastation were not repeated, they were assured that the additional feed grains could be used to rebuild the depleted carryover stocks.

After experiencing a greatly diminished corn crop in 1970, because of the damage from corn blight, the Secretary acted in the national interest by announcing the increased acreage program to boost production.

As we now know, the blight damage was not as serious as anticipated. Because of this and the increased acreages, the last crop report estimated feed grain production at 202 million tons—43 million more than in 1970, and 26 million more than the previous record established in 1967. Without this bumper crop, it is doubtful that we could now be selling grain to Russia.

As a result, the individual farmer is hit twice by this bumper crop. He not only receives a lower market price for his harvest, but by increasing the number of acres planted to boost production, he spent more to produce this year's crop, much more.

Our supply and price stabilization programs have failed for these farmers. The record crop this year will bring a market value of only \$6.9 billion as compared with the \$7.4 billion paid for the 1970 short crop. If S. 2444 had been in effect, the farm value of this year's crop would have been about \$7.9 billion, \$1 billion higher than what is being paid.

Another important feature of S. 2444 would assure grain producers control of their grain for a longer period. Sections 1(b) and 2(b) provide that when price support loans are made they may be extended for 3 crop years at the option of the producer.

The Secretary would not be authorized to call the loan during this period unless, during an emergency shortage, the Government was willing to pay full parity price for the stored grain.

Mr. Chairman, several Members of the Senate have offered constructive legislation which attempts to correct the present unfairness to the farmer in our supply and price stabilization programs.

Regardless of which bill this committee reports, may I respectfully urge that it contain the two provisions of S. 2444—the establishment of a higher loan floor under feed grain and wheat prices during any year in which production is increased by Department of Agricul-

ture crop adjustment programs, and the loan extension of 3 years at the option of the producer.

Today, as we all know, the American farmer pays more for what he buys, gets less for what he sells. As a result, his average net income for time and investment is far less than for other segments of our economy, and the American consumer spends a smaller percentage of his disposable income for food than ever before.

The problem remains, as I see it, namely, we need to produce sufficient food to feed the people in this Nation, and at the same time provide the American farmer an opportunity to earn a fair return for his investment and effort.

We believe the provisions in this legislation, S. 2444, would represent an important step in at least slowing down this growing imbalance, and it is for that reason that I respectfully recommend the use of it to the members of your committee.

Senator JORDAN. Thank you very much.

Senator Young, do you have any questions for Senator Symington?

Senator YOUNG. I do not have any questions, but I would like to commend my friend, the distinguished Senator from Missouri, for a very good statement.

Cash prices for feed grains and wheat are much too low, and something has to be done to increase them. Farmers cannot buy expensive machinery, and all the other things they have to buy at present high prices, unless the prices they receive improve. They just cannot go on the way things are now.

Senator SYMINGTON. I am very grateful for those remarks from the senior Senator from North Dakota.

Senator JORDAN. You have a fine statement. There is a lot of meat in it.

Senator SYMINGTON. Thank you.

Senator JORDAN. Senator McGovern?

Senator MCGOVERN. Mr. Chairman, I just want to join in commending Senator Symington for his statement and his proposal.

I think the benefit-cost ratio on this proposal will demonstrate that it will pay for itself several times over in the amount of additional income it generates to farmers. And a good share of that will come back in the form of increased income for other people that supply the farmer, and some of it will come back in the form of increased revenues.

So I think the proposal is one that is not only sound on grounds of economic justice for the farmer, but it is a good time to move on a proposal of this kind that will strengthen our entire economy. I hope very much this committee will move either on this proposal or one similar to it.

Senator SYMINGTON. I thank the able Senator from South Dakota very much.

Senator JORDAN. Senator Miller?

Senator MILLER. First of all, I want to commend the Senator from Missouri for his eminent fairness in going out of his way to make it clear that nobody is criticizing the Secretary for the set-aside percentage that he proclaimed for this year. I suppose I am just one of several Senators who received copies of letters to the Secretary of

Agriculture earlier this year from good, successful, and experienced corn farmers. Their recommendations on the set-aside ranged all the way from no set-aside whatsoever to 30 percent, and points in between.

For the Secretary to consider these varied recommendations from good, successful, experienced farmers, and then try to outguess the blight and the weather, is something that none of us, I think, would feel that we could have done better.

The point that the Senator makes is that, if there was going to be an error, we had better err on the side of safety for the American consumer and the export requirements of this country.

Senator SYMINGTON. And on the side of assistance to farmers.

Senator MILLER. Well, I wish it were that way, Senator, but I am afraid it did not turn out entirely that way. The point is that, as a national policy, the determination was made to protect the consumers of the Nation and our export requirements. I think nobody can fault a determination by the Secretary that if we make a mistake we make a mistake in that favor. That is what was done.

Now we have a very substantial error, as a result of which we are having these hearings now.

I would like to ask a couple of questions.

First of all, the Senator said something about a 30-cents-per-bushel differential, and I am not quite sure I understood what he meant by that.

Senator SYMINGTON. First, I would say that on the technical aspects of this bill, I have the No. 1 farmer in my State here to back up the details of this, Mr. Fred Heinkel, president of the Midcontinent Farmers Association. I think he would be better qualified to comment on this aspect.

May I ask him to come up, Mr. Chairman?

Senator JORDAN. Yes, indeed, you may.

Senator SYMINGTON. Mr. Heinkel, will you join me up here? I want to be sure that I answer my able friend from Iowa correctly.

Would you repeat your question, Senator Miller?

Senator MILLER. Good morning, Mr. Heinkel. It is always good to see you, and we welcome your counsel.

Senator Symington in his opening comments said something about a 30-cents-per-bushel reduction in the market price, and I would just like to get that clarified a little more and understand his point.

Perhaps, Senator Symington, if you could reread your statement on that one point?

Senator SYMINGTON. I did say, to prevent such unfair treatment in the future, this legislation would require the market price support level to be increased at least 25 percent.

Senator MILLER. I think it was before that. I believe it was in the very beginning of your statement where you said there was a 30-cents-per-bushel drop.

Senator SYMINGTON. You mean where I said what it cost the farmer?

Senator MILLER. Yes.

Senator SYMINGTON. I see. You are not referring to the legislation; you were referring to my statement.

Senator MILLER. That is right.

Senator SYMINGTON. I get it.

The corn blight, however, did not destroy as much grain as was ruined in 1970, and therefore this alltime record harvest is now costing farmers more than 30 cents a bushel.

Senator MILLER. That is the point I wanted to talk about a little bit.

We have done some work with some of our elevators in southeastern Iowa and, by comparing the Chicago price with the river price, the determination has been made by people who know far more about this than I, that the dock strikes in the Gulf ports have resulted in a 9-cents-per-bushel cost to the farmers.

I think we ought to point that out. There is no question but what the 500-million-bushel surplus has had a very depressing effect on the market, but I think we ought to recognize that this stoppage of the flow of grains from the Middle West to the Gulf ports has had a very serious impact. I am told that it has backed up grain shipments 5 or 6 weeks in my own State.

As I say, people who know more about this than I have calculated on a conservative basis 9-cents-per-bushel cost as a result of that stoppage. So I would like to make that point in connection with your 30-cents-per-bushel estimate.

Senator SYMINGTON. That may be part of it, but I did say that the farmers are getting \$500 million less, a half a billion dollars less, for 43 million tons more.

Senator MILLER. Yes, I think your point on that is well taken.

Now, in the bill that you have it says:

Whenever the Secretary announces any feed grain adjustment program which will result in an addition to reserve stocks.

I am wondering why you do not phrase that to read:

Whenever the Secretary announces any feed grain adjustment program which results in an addition to stocks.

It seems to me that what has happened is what is important here. It would be almost impossible to determine whether it will result in an addition.

Senator SYMINGTON. If I may say so, I think it is a very constructive suggestion by the able Senator from Iowa.

Senator MILLER. I point this out merely with a view to make a constructive step.

Senator SYMINGTON. I think it is a good suggestion, Senator.

Senator MILLER. In that connection, when we talk about an addition to reserve stocks, the phrase "reserve stocks," I think, is important to define, and, if either you or Mr. Heinkel would care to comment on that, I think it might be helpful.

#### STATEMENT OF FRED V. HEINKEL, PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO.

Mr. HEINKEL. Well, reserve stocks, I guess the term has been kind of loosely used, or used to mean various things over the years. Sometimes we have referred to surpluses and reserves, and possibly the Senator was hoping we would pass a strategic reserve bill, and this would be in addition to that.

It would be an addition to any grain stocks that might be held by Commodity Credit.

Senator MILLER. You may recall, Mr. Heinkel—I think you were here several years ago when Secretary Freeman was here—we were talking about a reserve bill, and the committee, at the direction of Senator Ellender, asked that the Department of Agriculture furnish the committee with their definition of what would be normal requirements and their definition of where we would draw the line on calling something a surplus.

As you well point out, there has been a lot of loose usage of the term “reserve” and “surplus”, and we got some figures from the Department of Agriculture. I do not recall what they were, but they had a certain level of feed grains and wheat, and the idea behind it was that anything over and above that would be regarded as a surplus. But whether some companion legislation passes or not, for the purposes of this bill, I would like to suggest you might want to do a little checking on this so that we do have nailed down this term “reserve stocks”, and then we will know what we are talking about in terms of bushels or tons.

Senator SYMINGTON. May I make a comment on that?

Senator MILLER. Yes.

Senator SYMINGTON. This brings up a very interesting subject to me.

For many years, 15, I guess, I was chairman of the Stockpile Subcommittee of the Armed Services Committee.

Senator MILLER. I served under you on that committee.

Senator SYMINGTON. I can remember that pleasant relationship very well.

But the point is, as the able Senator from Iowa knows, on this question of reserves, we have companies that put into that stockpile billions of dollars of materials, and now we are stuck with very heavy surpluses of strategic materials which we recognize should not be dumped on the market, and actually cannot be dumped under the law. Yet arrangements are made whereby, in order not to disturb the industry, they are released on a gradual basis, which is not entirely to the taxpayer's interest, but is very much to the interest of the corporations.

I might add, said corporations have been increasing their profits steadily over the years.

When you talk, therefore, about a strategic reserve in metals and minerals, I think you could consider that there could not be a much greater strategic reserve than food, yet none of the rules that apply to the great corporations and their selling of the materials and their, in effect, working out arrangements to release surpluses in a way that will not bother their normal business, none of that type and character of thinking applies to agriculture.

It has always been a mystery to me as to why it did not, because certainly if there is anything that is truly strategic, anybody who has any knowledge of what would happen in case there was another general war knows that probably the shortest thing we would have immediately would be noncontaminated food. There has been no thinking along those lines at all, and I only mention it, Mr. Chairman and members, because these people who are working out these arrangements on a corporate basis with the Government are profiting a great deal as a result of the arrangements. But now we are talking about that segment of our economy which is suffering the most under all arrangements.

Senator MILLER. The senator is correct on this strategic stockpile of metals, but I think he understands that his subcommittee in the Armed Services Committee carefully studied the requirements based upon recommendations from the Office of Emergency Preparedness, the Defense Department, other interested agencies, and members of the general public. Then the subcommittee would make a determination of how much, if any, the stockpile could be reduced.

This would go out on the floor of the Senate, and the Senate would ratify that. Then it would go over to the House. So the Congress set in effect the strategic reserves that should be maintained, and fluctuated them from time to time, but we still had a target; we do not have a specific target here.

That is the very thing I was trying to get the Secretary of Agriculture to do several years ago, to recommend to us specific amounts, hopefully, so that the agriculture committees could serve somewhat similarly to the Stockpile Subcommittee that the Senator from Missouri chairs, and we could get the Congress to establish them by law. Then we would know exactly what we are talking about.

But, in connection with this legislation, I would like to suggest that perhaps the committee could be furnished with some recommendations so that we will know what we are talking about when we talk about the use of the phrase "reserve stocks" in the Senator's bill.

Senator SYMINGTON. First, may I say that I am not necessarily criticizing the functioning of the operations of the Stockpile Committee under OEP, an agency that once I had the privilege of running myself, but what is sauce for the goose of industry might be sauce for the gander of agriculture. That was my only point.

Secondly, I will be very glad to work with the people who know this subject, and far better than I do, and submit to you our concept of what reserves should be.

(The information is as follows:)

#### DEFINITION OF "ADDITION TO RESERVE STOCKS" AS USED IN S. 2444

An addition to reserve stocks, as used in sections 1 and 2 of S. 2444 shall be any amount in excess of the allowance for carryover stocks of corn, barley, oats, rye or grain sorghums and wheat as defined for corn, rice, wheat, and peanuts in section 301(b)(10)(A)(i) of the Agricultural Adjustment Act of 1938, as amended. Said allowance for carryover shall be the 15 percentage of the sum of the consumption and exports used in computing normal supply; which is defined in section 301(b)(10)(A).

Senator MILLER. I would like to ask one further question, if I may, either of the Senator from Missouri or Mr. Heinkel.

For some time I have been publicly trying to obtain some action which would increase the price support loan for 1971 crops. When we start talking with the experts down at the Department of Agriculture—start talking figures—we run into a great concern. The higher that price support level is set the more it could undercut the 1972 program. It would discourage some farmers from getting into the 1972 program, and, of course, we want to have as great a compliance in the 1972 program as we can get.

I am wondering if the dollar and a quarter per bushel loan level might not tend to undercut the 1972 program by discouraging some substantial producers from participating?

Mr. HEINKEL. Well, this would not necessarily apply to the 1972 production, would it, on the basis of the language of this bill?

Senator MILLER. I think the bill provides that this is to go into effect shortly after enactment.

Mr. HEINKEL. Yes; but it would depend upon the goals that were set by the Department as to whether this would apply to that particular product, as I understand it.

Senator MILLER. Now, if I read this legislation correctly, on page 2, section 2, for example, it says that we are going to have \$1.25 per bushel put into the 1970 act as the loan price for corn. That is going to become effective as soon as this act goes into effect.

Now, if there is a program announced later on, a year from now or 2 years from now, and the program either results, or will result in an addition to reserve stocks, then that \$1.25 can be increased by another 25 percent, I believe. Yes, it says, the minimum loan level would be increased by another 25 percent. But what I am getting at is whether the \$1.25 level will result in undercutting the 1972 program and discourage farmers from getting into the programs?

Mr. HEINKEL. Well, that is a debatable question, I presume, but I do not think it would have disastrous effects.

Senator JORDAN. Are you through?

Senator MILLER. Yes.

Mr. HEINKEL. I would comment on that question you asked the Senator earlier about this 30-cent drop in the price of corn. I think he was being quite modest and quite fair, because the prices paid by a terminal elevator at Hannibal, Mo. last year about this time was \$1.40 and \$1.45 a bushel. So the differential is about 40 cents. If you attribute nine of that to the dock strike, there is still 30 or 31 cents. So he was very close to being accurate based on this particular experience.

Senator MILLER. Thank you. I am glad to get that, Mr. Heinkel.

Senator JORDAN. Senator McGovern, we would be glad to hear from you, sir.

Senator McGOVERN. Mr. Chairman, I have a brief statement, I will not read it all, but I would like to have it all included in the record.

Senator JORDAN. Thank you very much, Senator Symington.

Mr. Heinkel, you may stay if you wish.

#### STATEMENT OF HON. GEORGE McGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator McGOVERN. Mr. Chairman, I have proposed in various forms two measures, both of which are now pending before the committee, S. 2093 and S. 2500.

The first of these two measures, S. 2903, provides for a 25 percent increase in the loan rate on feed grains and wheat in any year the crop would add to the reserve of carryover stocks, and I would be glad to modify it along the lines suggested by Senator Miller.

Senator MILLER. You mean will result, and maybe it has resulted.

Senator McGOVERN. Yes. When the Department of Agriculture testified earlier on an identical measure in the House, they estimated the cost at \$242 million for the additional loan funds, and an additional \$39 million in net cash outlay for export subsidies. This is not, in my judgment, too much to pay in the light of the alternative program announced by the Department for 1972.

That program called for an extra \$600 to \$800 million to reduce the corn crop to about 4.6 million bushels. My bill would raise the support level approximately 20 cents per bushel on this year's 5.4 billion corn crop, thereby providing producers with just over \$1 billion in additional income.

The same amount of money would also raise the price support level on the 1.6 bushels of wheat, and would have the effect of raising wheat income by more than \$400 million. It would add another \$200 million to grain sorghum producers.

In other words, for an expenditure of roughly \$280 million in loans and cash, we would produce an increase of just under \$1.7 billion in farm income. If you want to look at that from a benefit-cost standpoint, that is a ratio of 6 to 1. If we were to omit the loan outlay, much of which may be recoverable, the ratio is over 40 to 1 on a benefit-cost basis.

As I said, Mr. Chairman, in reference to Senator Symington's proposal, this kind of legislation would help the entire economy, since it not only raises farm income, but it puts money into circulation for goods and services that farmers require, and it would also obviously generate increased revenues for the Treasury.

I think, Mr. Chairman, the time has come when it should be clear that higher price loan levels need to be established for grain farmers. Other major grain-producing nations support the prices for grain farmers, and I think it is time we revise our sights in line with the increased costs of operations our farmers are experiencing.

Now, Mr. Chairman, let me just make a couple of brief comments about the other bill that I have pending before the committee, S. 2500, which is the emergency farmer-owned and farmer-controlled food reserve, and I think it comes pretty close to the kind of thing that Mr. Heinkel was talking about here a while ago—the need for some kind of strategic or similar reserve—it does not make any difference what you call it. But for many years we have been talking about the establishment of that kind of an emergency reserve to meet either national disasters or military emergencies or anything of that kind that might disrupt food production and distribution.

S. 2500 calls on the Secretary of Agriculture to make contracts with producers on a pro rata basis insofar as that is possible which would put 200 million bushels of wheat, 500 million bushels of corn or other feed grains, and 100 million bushels of soybeans under producer-controlled reserves. That amount could be increased, in view of the large harvest this year.

The Secretary would advance producers 125 percent of the loan value of the commodity. The Secretary would also pay interest and reasonable storage costs on the commodities.

The program would work in this way: When and if the carryover of wheat should drop to 15 percent of annual requirements, or in the case of feed grains to 10 percent, or soybeans to 5 percent, the bill would authorize the Secretary to terminate enough of the emergency reserve contracts to replenish the supply available to the free market by 5 percent for wheat and feed grains, and 3 percent for soybeans.

Let me just say, Mr. Chairman, that there are two or three obvious advantages to this kind of proposal beyond meeting the need for reserve, and the immediate need to bolster farm prices. The provision

for farmer ownership and control of these preserves eliminates the fear that farmers have over our Government dumping or withholding for price control purposes.

I think regardless of the validity of those fears it nevertheless is a real concern on the part of agricultural producers. But by maintaining the decision as to when these stocks would actually have to be sold in the hands of the farmer, you reduce that anxiety on his part.

I hope very much the committee will look sympathetically either at this proposal or something similar to it. I am not going into the particular language in my own bill, but I think this combination of lifting the farm loan level on wheat and feed grains, plus providing a modest strategic reserve of this kind to isolate excess stocks in the market, would have a very beneficial effect on our agricultural economy, and would also provide the Nation with some margin of safety on its food supply.

Mr. Chairman, it would serve no serious purpose to belabor the situation facing our Nation's farmers. The parity ratio is nearly as low as it was during the great depression. I have introduced two measures which, I believe, will strengthen the agricultural economy.

S. 2903 provides for a 25-percent increase in the loan rate on feed grains and wheat in any year the crop would add to the reserve or carryover stocks. It would apply to this year's crops.

When the U.S. Department of Agriculture testified earlier on an identical measure in the House, it estimated the cost at \$242 million for additional loan funds and an additional \$39 million in net cash outlay for export subsidies. This is not too much to pay in light of the program announced by the USDA for 1972. The alternative administration program calls for an extra \$600 to \$800 million to reduce the corn crop to about 4.6 million bushels.

My bill would raise the support level about 20 cents per bushel on this year's 5.4 billion bushel corn crop, thereby providing producers with an additional \$1,080 million in badly needed income. This same amount of money would also raise the price support level on the 1.6 billion bushels of wheat and raise the return to wheat farmers by more than \$400 million. It would bring another \$200 million to grain sorghum producers.

For \$39 million in cash and \$241 million in loans, we could have an increase of \$1.68 billion in farm income. The benefit-cost ratio is far more than 6 to 1. Omitting the loan outlay, much of which is recoverable, the ratio is over 40 to 1.

Such relief would help the entire economy since it would provide money that would be spent for goods and services. It would also generate increased revenues for the Treasury.

But instead of proposing an increase in 1971 price-support loans, the Secretary of Agriculture on October 18 proposed to increase direct payments in 1972 in an attempt to strengthen the set-aside program and in the process get some money into the hands of farmers next year. There is no commitment of such payments now or beyond 1972.

While the administration hopes for a total set-aside of 38 million acres for 1972, at a cost of about \$600 to \$800 million, if there is a normal feed grain crop production year in 1972, the best the Depart-

ment can hope for is total yearend stocks that add only slightly to reserves. Corn stocks, in particular, would continue to be in surplus, possibly as high as 800 million bushels.

The time has come when there must be new, higher price loan levels established for grain farmers. Other major grain-producing nations support the prices for their grain farmers and it is time we revise our sights in line with the increased costs that farmers have experienced. There is adequate indication that not only is this necessary for the sake of the Nation's agricultural economy, but it would likely save money compared to Secretary Hardin's recently announced plans for 1972.

Historically, the loan rates on grains provide a floor under the market. Secretary Hardin chose to establish the loan rates at minimal figures paid a decade or two ago, although costs have increased greatly.

I also agree with the suggestion that the Secretary of Agriculture be directed to use his authority under the Farm Act of 1970 to put positive acreage limitations on next year's wheat and feed grains crops which would limit planting to 75 or 80 percent of the farm base regardless of acreage available after the set-aside.

Rather than accepting a weak but expensive plan for 1972, we should accept the imperative need to help our Nation's grain farmers who so desperately need our help.

#### S. 2500 EMERGENCY FARMER-OWNED AND CONTROLLED FOOD RESERVE

For many years, there has been talk of the need for emergency reserves of agricultural commodities to meet possible emergencies resulting from natural disasters or military situations that would disrupt food distribution. But we have done nothing about establishing such reserves.

The reserves proposed by S. 2500, call for the Secretary of Agriculture to make contracts with producers, on a pro rata basis as far as possible, to put 200 million bushels of wheat, 500 million bushels of corn or other feed grains, and 100 million bushels of soybeans under producer control. This amount could be increased in view of the large harvest this year.

As payment for storing these commodities, the Secretary of Agriculture would advance producers 125 percent of the loan value of the commodity. The Secretary would also pay interest and reasonable storage costs on the commodities and storage.

When and if the carryover of wheat should drop to 15 percent of annual requirements, feed grains to 10 percent, or soybeans to 5 percent, the bill authorizes the Secretary of Agriculture to terminate enough of the emergency reserve contracts to replenish the supply available to the free market by 5 percent for wheat and feed grains and 3 percent for soybeans.

Let me illustrate how this would work in the case of wheat, for example. If the annual requirements of wheat are 1.4 billion bushels and the free stocks drop below 210 million bushels, then the Secretary could terminate contracts on 70 million bushels of wheat in storage. If stocks fell again, the Secretary could terminate more contracts, but not more than 5 percent of a year's supply at a time.

The bill provides that the reserve stocks can be rotated to keep them in good condition, and that farmers can withdraw on 60 days' notice prior to the start of a new marketing year. This provision for withdrawal is essential to let farmers who are retiring, moving some distance, or have other reasons to drop out of the program, to do so. This provision is drafted to permit the Secretary of Agriculture an opportunity to arrange for replacement storage so the emergency reserve stocks can be maintained.

There are two or three obvious advantages to this proposal beyond meeting the need for a reserve and the immediate need to bolster farm prices.

The provision for farmer ownership and control eliminates the fear that farmers and some agribusiness quarters have over our Government dumping or withholding for price control purposes. Regardless of the validity of the charge that stocks have been dumped or withheld to affect prices in the past, the charge has been made. It is a matter of concern in agriculture.

Under the terms of this bill, the quantity of any of the commodities made available to the market by the termination of the reserve contracts would be limited to 5 percent of annual requirements, and the farmer could determine whether he wished to sell or hold. His holding would be available to the market but the market would have to be attractive enough to cause the farmer to sell.

The fact that the release comes only when supplies are limited and prices should be good reduces the need for searching for some agreeable scale of release levels.

The existence of a reserve will provide security for all our citizens from the standpoint of food supplies. The reserve's maintenance in the control of farmers will assure a broad distribution throughout the Nation. It will give the Secretary of Agriculture a margin of safety in setting acreage allotments. American agriculture needs to be relieved from the low-price penalty it is now suffering as a consequence of answering the Nation's call for increased production.

Senator JORDAN. Senator Young, do you have any questions?

Senator YOUNG. No, thank you.

Senator JORDAN. Senator Curtis?

Senator CURTIS. As I understand your proposal, it is twofold, one for the reserve, and the other an increase in loan rates.

Senator MCGOVERN. Yes. There are two separate bills, Senator. The loan increase is under Senate bill 2093, and the reserve bill is under S. 2500. But they are two separate pieces of legislation.

Senator CURTIS. Thank you, Mr. Chairman.

Senator JORDAN. Senator Miller?

Senator MILLER. I have the same question that I posed to Senator Symington for your comment, and that is, what kind of an impact would a loan level of \$1.25 per bushel for corn have on the number of farmers who would be willing to participate in the 1972 program?

The thing that troubles me is, as the Senator from South Dakota well knows, that the farmers, and especially the very big producers, are going to get out their sharp pencils, and they are going to figure out whether or not it would be better for them to get into the program, or to stay out. If they see the impact on the market of the \$1.25 loan price, they might decide that it would be better for them to stay out, and this is what troubles me.

Senator McGOVERN. Well, I will say to the Senator, this particular legislation is designed to meet an emergency situation on the 1971 crop. It may be that some adjustment ought to be made to the 1972 crop, but it does speak to a situation that confronts farmers right now in contrast to the proposal the Secretary made in the middle of last month to deal with the situation in 1972.

I am not here this morning to take particular exception to the Secretary's proposal, other than to say it does not do anything about the 1971 crop.

Senator MILLER. The Senator and I have no dispute over that. What I am getting at, though, is when you start to analyze the situation, the real question is what can you do to help farmers roll with the punch of this 1971 overproduction?

Should it be \$1.25, should it be \$1.20, \$1.15, \$1.10, or should it stay at \$1.05?

What is the impact of each one of those percentages going to be on the compliance in the 1972 program? I do not know.

Senator McGOVERN. I cannot answer that question with any certainty. It is a highly technical question, but I am convinced that we have to do something now to head off a very critical farm income situation with grain farmers all over the country, and I cannot really speak to that.

Senator MILLER. Let me say to my colleague that I recently had a survey made in what is known as a typical Iowa county, and this was on the premise of what would be the attitude of the farmers surveyed toward the 1972 program if there was a \$1.15 loan price for the 1971 crop instead of \$1.05, which is on the books now. The results of the survey were very interesting.

It appeared that there would be no impact of any consequence on going into the 1972 program.

Now, whether this would change if we went up to \$1.20 or \$1.25, I do not know. I have been told during some of my conversations with the Department of Agriculture people that there is deep concern \$1.25 would undercut the 1972 program. Of course, I suppose the further under \$1.25 you go, the less concern there would be. But I think it is something that should concern us, because we certainly would want the 1972 program to succeed.

Senator McGOVERN. Would the Senator's concern be affected by the fact that the Secretary does have authority to put acreage limitations on next year's wheat and feed grain crops?

He could limit planting to 75 or 80 percent of the farm base regardless of the acreage available after the set-aside.

Senator MILLER. Well, I am concerned about the 1972 program as announced, and that is what I was talking about.

Now, it may be that that might be subject to some change, but looking at it—

Senator McGOVERN. The Secretary has the authority to do that.

Senator MILLER. I understand, but what I had the survey made on was the premise of the 1972 program as announced, and whether or not a \$1.15 loan price would interfere with it. The result of the survey indicated to me that there would be no noticeable impact at all.

Senator CURTIS. Senator, would you yield for a question?

Senator MILLER. Surely.

Senator CURTIS. What portion of the 1971 crop has been sold and the title of the corn passed to someone beyond the producer?

I wonder if Mr. Heinkel can tell us that? Has very much of the corn been sold?

Mr. HEINKEL. Yes. I do not have any good solid figures on that, but I would say there is more being stored than has been sold.

Senator CURTIS. Which means that the producer still has title to it?

Mr. HEINKEL. Right.

Senator CURTIS. I wonder if anybody does have any figures as to how much has been sold.

Senator MILLER. I would think that the Department of Agriculture could give us some figures on that.

Senator CURTIS. Thank you.

Senator YOUNG. Mr. Chairman, if I may add that in my State, at least as far as wheat is concerned, practically all of the farmers still have control of their grain under loan or otherwise.

Senator MILLER. I would like to ask a few more questions.

The Senator's bill, S. 2500, would include a reserve of 100 million bushels of soybeans. My information is that, if anything, we have a short supply of soybeans, and I understand that the House Agriculture Committee had a similar bill in which they deleted soybeans before they reported the bill out.

Does the Senator have any strong feeling about including soybeans in his bill, when we actually have a short supply of soybeans?

Senator McGOVERN. Well, I recognize that that is not the most critical factor right now.

I was thinking that the legislation is worded in such a way so that it would not be triggered at a time when there was a short supply.

Can you answer that, Mr. Heinkel?

Mr. HEINKEL. I believe the bill ought to provide that it would not go in effect on soybeans until such time as there was excess bushels of soybeans.

Senator MILLER. I think that, perhaps, some changes in the drafting here could meet that problem along the lines that Mr. Heinkel referred to.

Senator McGOVERN. I think in an earlier proposal that I introduced 2 or 3 years ago, we had such a triggering mechanism. The reserve would not go into effect until the reserve has reached a certain point. I have forgotten the express language on that.

But there is a way to word that so that you would have the option only when reserves reach a certain point.

Senator MILLER. I think the Senator was on the committee at the time I referred to when Secretary Freeman was asked by the committee to give us some figures on it.

Senator McGOVERN. That is correct. I had a proposal then called Senate bill 7, which related to what the Senator is trying to suggest here.

Senator MILLER. Let me pass on to another question.

On line 21 on page 2, the Senator has a triggering percentage of 15 percent. In other words, when the domestic supply of wheat available to the commercial market drops below 15 percent of the year's requirements, the bill becomes effective. What is the rationale of 15 percent for wheat, and 10 percent for feed grains, and 5 percent for soybeans?

I am wondering whether we should not have a trigger if it gets, say, 5 percent below requirements for any of them, because we certainly do not want to be caught short, and why wait until it is 15 percent below? If we are 10 percent short for the commercial market, I think we are going to have trouble.

Senator McGOVERN. Well, obviously these are technical questions that the Senator is raising. I am not in a position to comment on that, other than that this is what the people who do have expertise in this area thought were the proper figures.

Senator MILLER. Frankly, I do not have the expertise either, and, perhaps, we could conclude that the Senator is not particularly wedded to this. It is a matter of what is needed and what will enable us to meet our requirements more than anything else.

Senator McGOVERN. That is correct.

Senator MILLER. Finally, on page 3, the bill provides that the holder of an agreement that is terminated shall have not less than a year to repay the Government advances against the commodity involved, or until the time of sale.

I can see where the holder of such an agreement might, for his own purposes or his own reasons, delay the sale of those commodities by 6 months, when the need for them may be rather urgent because our supply has dropped below requirements. My reaction is that there ought to be a shorter time period so that when the need arises, the Secretary can obtain these crops, or the commercial market can obtain these crops, when they are needed, rather than to delay it.

Senator McGOVERN. Well, the reason that that was done as generously as it is, as the Senator probably has surmised, is to protect farmers against the anxiety they have about any kind of reserve like this being used to manipulate the market. All it does is, it says that the farmer should retain some control over his own product, that he is performing a service to the public and agreeing to store it, and he is entitled to be compensated for that. But if the market situation does require that the commodity be released, then the Secretary simply quits making payments on it, and it leaves the farmer some reasonable time to make his plans as to whether he wants to sell or whether he wants to hold.

Senator MILLER. I am sure the Senator is concerned about dumping, but I am not sure that we need to give a full year for getting these commodities on the commercial market.

Senator McGOVERN. It may be that that point could be open to change.

As I say, I am not wedded to this language 100 percent, but I do think you are going to have to provide some reasonable assurance to the farmer that he is not going to be arbitrarily manipulated by someone who might want to use this program as a means of—you know, we have had Secretaries that wanted to use the farmer as an anti-inflation tool at a time when they are already deflated.

I am not talking in partisan terms now either. This is something that is a great temptation on any Secretary, and I think we have to provide maximum protection for the producers.

Senator MILLER. I think that this thing of the farmer picking up the tab of inflation has been going on for a long, long time.

Senator McGOVERN. It sure has.

Senator MILLER. The Senator's bill provides that if the Secretary does terminate the agreements, he will start terminating with the earliest agreements and work from that side.

Senator McGOVERN. Yes.

The bill also provides for rotation of stocks in storage.

Senator MILLER. Yes.

Thank you. I have no further questions.

Senator JORDAN. Senator Curtis?

Senator CURTIS. No questions.

Senator JORDAN. Senator Young?

Senator YOUNG. May I just add that under any reserve program you are going to have to protect against dumping part of the reserve on the market to break prices. That has been the big objection to most of these reserve proposals in the past. They have been such that a Secretary of Agriculture could have used them in that way.

Senator McGOVERN. Under this plan, Senator, the farmer does not have to sell, even if the Secretary terminates his contract, he can still hold that grain, it is his grain.

Senator JORDAN. Any further questions?

(No response.)

Senator JORDAN. Thank you very much, Senator.

Senator McGOVERN. Thank you very much.

Senator JORDAN. Senator Humphrey, we are glad you are with us, and we would be glad to hear from you at this time.

#### STATEMENT OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator HUMPHREY. Thank you very much, Mr. Chairman. I welcome the opportunity once again to appear before the Committee on Agriculture and Forestry as a witness.

I do so on behalf of two items of legislation that I have introduced, one only yesterday. I sent a letter, I think, to each of the members of the committee.

The first bill is Senate bill 2729, and the other bill is Senate Joint Resolution 172. I will confine my remarks to these two measures, but with some cross-reference to other bills that have been introduced by other Senators.

Senator MILLER. The Senator is not going to cover S. 2648, I take it?

Senator HUMPHREY. That bill has been superseded by S. 2729.

Senator MILLER. Thank you.

Senator HUMPHREY. May I say first of all that the objectives that Senator McGovern and Senator Symington have addressed themselves to in their legislative proposals are objectives that I can fully support.

I recognize that as we try to fashion legislation that there will be the need for trying to incorporate into a particular legislative proposal, or a bill that may be reported by this committee, some of the language or the purposes and objectives and details of bills presented to us here other than the ones I am going to address myself to, which I have introduced.

Mr. Chairman, the October crop report tells us that 1971 was a record crop production year. Farmers produced 12 percent more than a year earlier, 8 percent more than in 1969, the previous record crop year.

Food grain production, mostly wheat, was up 15 percent and feed grains production was 25 percent higher than in 1970.

This should be, under some circumstances, cause for rejoicing. It assures livestock feeders, domestic consumers, and exporters ample supplies in the months ahead.

Unfortunately, prices have fallen even more than production increased. The farm value of the 1971 record crops of food and feed grains is even less than for the smaller 1970 crops. So you will find an abundance of crop production and a reduced gross income and net income.

Although the prices farmers have to pay for production, supplies, interest, taxes, and farm-wage rates are 6 percent higher, all farm prices, including prices paid for livestock and livestock products, as well as crops, are no higher than a year ago.

It is the feed- and food-grain producers, however, who are the worst off, and who are taking it on the chin now.

In spite of the higher prices paid just for living items, and higher costs of cultivating and harvesting more acres, the market value of their record 1971 crops is less than the value of the smaller 1970 crops, and this has to be kept in mind, because this is the practical situation that faces our people.

I might add that every legislature in the United States, with few exceptions, has added additional taxes on to the farmer, as it has on others, and that has to be factored into this situation.

Unless Congress takes decisive action now—and I underscore the word “now”—many will likely not be around next year to see if the 1972 programs work better than those of 1971.

Somebody once asked an economist what is the difference between the short run and the long run, and he replied that in the long run we will all be dead. And in this instance, a year from now a lot of farm producers are just going to be out of business.

A year ago the U.S. average farm price of corn was \$1.34 a bushel. Today it is \$1 a bushel—and much less in many areas. I have heard of prices as low as 80 cents.

A year ago the U.S. average farm prices for wheat was \$1.43 a bushel. Today it is \$1.30—and again, much less at many country points throughout the wheat region of our country, such as my home State of Minnesota.

I have heard of prices as low as 90 cents and 80 cents a bushel. Now, that is not the price that is quoted in the New York Times or the Chicago Tribune, but that is the price that they get out there—Mankato, Minn. That is where my farmers live.

I am less interested in what they quote in Chicago than what they quote at Dassel, which is where my people sell their crops. Very few of them get down to Chicago.

This is the first year's result of the Nixon-Hardin set-aside program. It is a rude shock to grain producers. Secretary Hardin is to be commended for his early announcement of the 1972 set-aside programs for wheat, cotton, and feed grains.

He continued the cotton set-aside at 20 percent of the allotted acreage, increased the wheat set-aside from 13.3- to 15-million acres, and announced a feed grain set-aside goal of 38-million acres.

But let us recall, he made no announcement with respect to loan level adjustments in the 1971 wheat- and feed-grain programs, and, Mr. Chairman, an upward adjustment of at least 25 percent in those loan levels is needed—and needed now.

I want to call to the attention of the committee that there are some new estimates on feed grains that have just become available. I believe the Department next estimate will be released on November 11, 1971. In the meantime I contacted a very reputable private source—and these private sources sometimes are as important as the public sources for the purpose of the grain trade.

One of the major private crop reporting firms, Conrad Leslie, reported yesterday—that this year's feed-grain harvest is 147 million bushels above the U.S. Department of Agriculture's estimate of October 1. Now, that is almost 4 million tons. That is 1 million more tons than the recent sale of feed grains to Russia.

Now, I know that people are going to say, well, that sale to Russia is going to ease things a lot, and I am delighted that it took place. In fact, I strongly recommended it a month before the administration changed the rules, and I took my lumps with the labor movement for having made that recommendation, because of the maritime trades. But I felt it was important that we start to move grain, and particularly move it out of Great Lakes ports, where the grain in many instances is accumulated and can be shipped.

But I think that two things ought to be noted. First, the increased estimate of feed grains is more by a million tons than that sold to the Soviet Union, and, secondly, these Russians are no fools, they waited until the American farmer was practically on his back, with the cheapest prices we have had since the depression years, and then the Russians decided to buy.

In other words, Mr. Farmer is making his crop available, this record crop, to the Soviet Union, at the lowest price that the Russians have ever been able to buy wheat or feed grains for 25 years from anybody. And it comes right out of the pocketbook of Minnesota, Iowa, Kansas, and North Dakota farmers, right out of our financial hides.

It is not that the Government of the United States is being a jolly good fellow and playing Santa Claus early. It is Mr. Farmer who is being taken for a ride, as I will again show in my testimony.

By the way, Mr. Chairman, I am delighted that you are holding these hearings. I want to tell you that to the people out in my State, this is the most encouraging thing that has happened in Washington in years. We seldom hear anything about farmers down here.

There are even people from the press here. That is unusual. I mean that quite frankly.

I do not mean to be unkind to them, but I never read anything in the Washington Post about farmers. You do not read anything in the Baltimore Sun or the Philadelphia papers or in the New York Times about them. Thank God for the Wall Street Journal. Once in a while it does mention the word "farmer."

You can have a meeting here of 10,000 farmers, and if they do not lie down on the sidewalk before the White House, nobody will ever know that they were in town. That is a fact.

The Farmers Union came down here, Senator, and held their national convention in Washington, and not a single radio station, newspaper, or TV ever appeared. Why? Because they were nice, decent citizens who merely wanted to talk about making a living.

Thank God that this committee at long last is going to try to look at those aspects of agriculture that may be of some help to them.

I still operate a small drugstore out in South Dakota, and I want to tell you, I know the difference between a farmer that has money and one that does not. If you want to come and take a look at our accounts, we will show you what is happening: unpaid bills, checks that bounce, accounts that cannot be collected, and sales that are down, simply because we have to depend on farm trade.

We do not have any directors of General Motors, Mr. Chairman, who come to our town. We have not seen one through there since they went out to see Mount Rushmore and they got lost coming through Huron. That was the last time we ever got to see them.

Now, I intend to testify in reference to Senate Joint Resolution 172 and S. 2729.

If Congress and the administration fail to agree on this upward adjustment before adjournment of this session of Congress any wheat and feed grain producers will be forced out of farming as a result of the Nixon-Hardin administration 1971 set-aside programs. It is for this reason, Mr. Chairman, that I have introduced Senate Joint Resolution 172 in addition to S. 2729.

In announcing the 1972 programs for wheat and feed grains, Secretary Hardin assured producers that they would cut back production sufficiently to result in improved prices and a reduction in carryover stocks.

Producers were told current low grain prices should move higher as a result of the projected increases in the set-aside acreages in 1972. In other words, the prospect of the set-aside has an effect on market.

Resale programs for the grains now under CCC loans are expected by the administration to have a market price strengthening effect.

Mr. Chairman, I have followed Secretary Hardin's announcements of the 1972 programs with great interest. I wish I had more confidence in their adequacy. And let me assure you that every farmer in my State is following them and is writing to me with great interest, and they want to know what we are doing about it.

I wish I had more confidence in the adequacy of these announcements.

Unfortunately, my own judgment, supplemented by staff analyses and reports from producers and traders forces me to conclude that unless more decisive actions are taken, grain prices will continue at current depressed levels and producers will experience even lower incomes in 1972.

Let me add for the edification of those that have not been involved in farm programs over the years—I know the members of this committee have—that we have what we call the relationship of low feed grain prices to cattle prices. It takes about a year to a year and a half, for that to translate itself into what happens to cattle numbers and a much shorter time for impacting on hog numbers.

Cheap feed means cheap livestock. You provide enough cheap feed and pretty soon you have lower prices for livestock and hogs. We used to call it the old hog-corn ratio. Senator Young, you will remember.

That is the way I grew up in the Dakotas, listening to that.

It is an economic equation where historical statistics prove to be factual.

Now, because of the inadequacies of current and announced programs for 1972, I introduced S. 2729, a bill to authorize strategic storable agricultural food commodities reserves similar to the ones introduced by other Members.

I see Congressman Neal Smith from Iowa here. Likewise, he introduced similar legislation on the House side.

My program of strategic storable commodities reserves would be made up of up to 30 million tons of feed grains, 300 million bushels of wheat, 100 million bushels of soybeans, and dairy and poultry products at levels determined by the Secretary of Agriculture.

Let me say with reference to dairy and poultry products, that is merely an authorization, it may not be necessary. And we do have purchase programs which may be used from time to time.

I do have a communication from the soybean industry that asks that they be excluded from such a reserve. I felt it was better for legislative purposes that we include it, but I recognize there is a shortage this year of soybeans, and it may very well be that we do not need to include it.

So this is a matter that we can discuss.

If enacted, S. 2729 would give the Secretary of Agriculture authority and require him to buy sufficient wheat and feed grains, at prices approximating \$1.20 a bushel for corn, and \$1.40 a bushel for wheat, to left market prices close to those levels.

I just ask any one to think of that price, \$1.20 a bushel for corn. That is less than corn was selling for in the 1950's. And \$1.40 a bushel for wheat—I will leave it to any wheat farmer or anybody who looks at the market, if that is not almost a price that is so low that it does not even seem fair to mention it. But it is so much better than we presently have that I simply offer it as a way of acquiring what we call a strategic reserve.

If passed in the next 6 weeks it would increase the market value of the 1971 crops of wheat and feed grains about \$1.5 billion. And most of these crops are in the hands of farmers right now, as Senator Young indicated, most of your wheat crop is under loan in the hands of the farmers, and a good deal of the feed grains are likewise in the hands of farmers. It could take these extra 1971 grains, resulting from an expanded acreage to compensate for corn blight uncertainties combined with a favorable growing season, and put them in a strategic reserve, with farmers receiving at least normal to moderate, rather than depression level prices.

At this point, let me say that there has been talk about how these items could be sealed from the market. My bill provides a mechanism for that. The bill I believe of Senator McGovern and Senator Burdick provides that the producers would have control over the disposal of the commodities. I don't think there is any problem here. We can fashion the kind of protections that we need, because, as Senator Curtis has indicated, on other occasions, not just in one administration, but in both Democratic and Republican administrations, there has been a dumping of these commodities on the market, and they have depressed it. I remember in the Johnson administration there was a

dumping. I am not unaware of it. And I want you to know that I fought it like the plague, because I knew what was going to happen. And the processors and dealers made a killing out of the corn, you may recall, the dumping that took place. And I am not about ready to let that happen again.

I have no doubt that the administration will object to S. 2729 on the basis that it would increase governmental expenditures. With this in mind I asked my staff to make the best possible estimates of the additional governmental costs of which might be expected if S. 2729 were enacted promptly into law.

And I have also been getting some help from the distinguished Dr Wilcox who is here. And I want to recognize his presence. I think everybody knows him. He is the senior agricultural specialist with our Library of Congress, the Congressional Research Service, and I think the most respected man in the United States in the field of Agricultural Economics.

I have been advised that the first 5 months of the wheat marketing year will be completed at the end of this month, and that the additional payment making up for the difference between market prices the first 5 months of the year and full parity and the domestic allotment of 535 million bushels will be about 43 cents a bushel, or \$230 million.

Had this bill been enacted a few months earlier, wheat prices might have averaged 10 cents a bushel higher, and this final supplemental payment might have been \$53.5 million less than now projected. And the fact is that what we really are doing is putting more cost on to the taxpayers than would be required if that market price was just a little better by the use of the reserve program.

Under the 1971 feed grain set-aside program producers have been paid 32 cents a bushel for corn—and comparable payment on grain sorghums—on 50 percent of their production basis.

Senator MILLER. Can I ask a question?

Senator HUMPHREY. Yes.

Senator MILLER. The Senator was talking about an additional payment of 43 cents a bushel, and 535 million bushels. My calculations are that means \$230 million; and the Senator is saying there is going to have to be additional payment to farmers under this complex formula of some \$230 million just on wheat alone?

Senator HUMPHREY. What I am saying is that in reference to the 535 million bushels, that full parity on the domestic allotment of 535 million bushels will be about 43 cents a bushel additional payment. And I said, had my bill been enacted, wheat prices might have averaged 10 cents a bushel higher, and this final supplemental payment might have been \$53.5 million less than now projected, simply because you had a 10 cent higher base, and so that your payment, instead of being 43 cents, would be 33 cents.

Senator MILLER. I understand. Does the Senator have an estimate of how much the additional payment would be if nothing was done on wheat? He estimates \$150 million additional payments that will be due on feed grains.

Senator HUMPHREY. That is right, if nothing happens in the market, yes.

Senator MILLER. Has he had a comparable figure on wheat?

Senator HUMPHREY. I don't believe I have put one together.

Let me ask Dr. Wilcox.

Could you give us any information on that, what the additional cost would be on wheat?

Mr. WALTER W. WILCOX (Legislative Reference Service). It is my understanding that the advance payment on wheat was such that if market prices continued as expected, there will be an additional payment of 43 cents a bushel due at the end of this month.

Senator MILLER. How much money are we talking about? I want to get a comparable figure to Senator Humphrey's \$150 million on feed grains.

Mr. WILCOX. \$230 million.

Senator YOUNG. How do you arrive at the 43 cents a bushel?

Mr. WILCOX. That is the difference between the payment that already has been made and the payment that will be necessary to make a full 100 percent of parity on the domestic portion, the difference between the market price the first 5 months in the marketing year and 100 percent of parity.

Senator YOUNG. You are talking about the wheat certificate payments?

Mr. WILCOX. Yes.

Senator YOUNG. The only change between the old law and the present one is that the wheat certificate payments are now based on the difference between the average market price and parity. Before it was the difference between the price support level and parity. So the difference would only be 15 to 20 cents a bushel. I don't see where you get your 43 cents.

Senator HUMPHREY. Your present loan price on wheat is what, \$1.25, isn't it?

Mr. WILCOX. Yes, Senator Humphrey. About \$1.25.

Senator YOUNG. The initial payment was 75 percent of the estimated certificate value.

Senator HUMPHREY. Yes; the initial payment was \$1.20, is that right?

Senator YOUNG. The initial payment was 75 percent.

Senator HUMPHREY. The initial. And what I have here is that between the market prices of the first 5 months of the year, Senator, and full parity on the domestic allotment, there will be an additional of about 43 cents a bushel payment.

Senator YOUNG. I hope you are right.

Senator HUMPHREY. I hope I am too.

Senator MILLER. Then we get back to my original question. I was trying to get the figure, and I took the 535 million bushels of domestic allotment and multiplied that by 43 cents; and I get a \$230 million additional payment.

Senator HUMPHREY. Right. But if your market prices had gone up 10 cents a bushel higher, you would actually multiply that by 33 cents. So that your total additional payment would come down to a little less than \$200 million.

Senator MILLER. That is right. That is where the Senator gets his \$53.5 million less than I projected.

Senator HUMPHREY. That is correct.

Senator MILLER. But I am just trying to nail down here how much additional payment the Secretary of Agriculture is going to have to make if nothing is done so far as wheat is concerned.

Now, the Senator has said about \$150 million additional payment on feed grains will be due.

Senator HUMPHREY. Yes.

Senator MILLER. And the Senator can certainly furnish it for the record.

Senator HUMPHREY. It is \$230 million.

Senator MILLER. In other words, 33 cents times 535 million bushels?

Senator HUMPHREY. And my point is that my reserve program, or any of these reserve programs, would have the effect, at least it is the judgment of those who work in this field, that it would have the effect of raising the market price about 10 cents, thereby cutting back on your payment, and actually making a substantial savings in the amount of payments that had to be made at the end of the year.

Now, the Government is obligated, as I said, to make another payment equal to the difference if any between the average market in the first 5 months of the marketing year, October through February, and \$1.35 less the payment already made of 32 cents. This is the formula now used. This additional payment on the 1971 program may total \$150 million if no further price boosting activities are undertaken.

Now, this is in reference to food grains. If, however, S. 2729 were enacted promptly, the market price of feed grains would rise above the \$1.03 per bushel, and no further payment would be needed.

Under the current market price support loans for feed grains and wheat, several hundred million bushels of these 1971 grains would be pledged for CCC loans.

I am advised that if the Secretary of Agriculture would use the authority granted him in S. 2729 to announce a program of buying about 25 million tons of feed grains and 250 million bushels of wheat, it is doubtful that he would have to purchase that much to raise market prices well above price support loan levels. I have gone over that part of it with you.

Much of the cost of the grain purchases would be offset by the smaller CCC loan programs and reduction of up to \$150 million in final feed grain program payments. The net increase—this is the point—in Government costs would probably be between \$200 and \$300 million, which is only a fraction of the \$1.5 billion estimated increase in the market value of 1971 grains.

Now, a reserve program costs money. But its impact on the market and the income of the farmers is in the ratio of about 5 to 1, and that isn't bad. If you can invest \$300 million and get a billion and a half dollar increase in the market value, it makes some economic sense.

The strategic reserve created by S. 2729 is only a part of total desirable reserves that should be carried over from year to year to assure a smooth flow of grains in domestic and international markets. The total reserves of feed grains probably should be 40 to 50 million tons. The total reserves of wheat probably should be one to three times the 300 million bushels authorized in the strategic reserve.

It is only reasonable and fair that this part of the carryover should be insulated from the market to such an extent that it would not

depress future prices. S. 2729 provides a number of limitations on the use and disposal of this reserve which do not apply to other Commodity Credit Corporation inventories.

The principal provisions are that this strategic reserve could not be sold for less than 105 percent of the maximum acquisition prices, and that sales during the marketing year would be limited to the net quantity by which estimated domestic consumption and exports exceed estimated domestic production and imports.

In the light of these restrictions on the disposition of a strategic reserve as authorized in S. 2729, we are assured that it will not have a future depressing effect on market prices, yet it will provide a reserve which could be counted on when needed at any future time.

I might add—and I am sure that all of us are fully aware of this—that if that blight had proceeded as was originally estimated, we could have had a serious situation with respect to feed grain supplies in the United States. With the large number of cattle and hogs, and the amount of poultry we have in this country, had this blight spread as rapidly and as extensively as it was first indicated we could have rubbed out all of the carry-over that we had. And we would have had a terribly difficult thing, difficult problem, in the country. And it surely would have been a significant factor in inflation.

Senator MILLER. Then you are not really criticizing the Secretary's decision on the amount of the set-aside, because of the danger of having this happen? I think the thrust of your criticism is now that we have got a result which nobody could reasonably have foreseen, we want to do something about it.

Senator HUMPHREY. Yes. I would have preferred, as I will show you, that we go to the base acreage program. But let me say that the Department was faced, in the light of the experiences last year, with the possibility of a much more extensive blight. And two things happened. The blight didn't develop, and you had unusually good weather conditions, which gave you a tremendous outpouring of crop. And this is the problem with agriculture. You just never know. You make these guesses and these estimates, and you hope that things are going to work out all right. And then nature comes along and either louses it up one way or the other. Either you get a bad crop year which throws your predictions into a tailspin, or you get an extraordinarily good crop year, and then you are caught with surplus commodities. And that is why I believe that rather than get into a partisan battle over this, that what we need to do is to try to fashion a program that will take into consideration these variables.

And now this committee has been doing this for years. We have been trying our darndest to find ways and means of helping the situation. The reserve program is nothing new. I think it is an idea whose time has come. I can remember testifying for this reserve program, Mr. Chairman, 12, 15 years ago. I remember full well—as a matter of fact, my good friend across the table, Senator Young, and Senator Humphrey were cosponsors of the program along this line back in the early 1950's. And I remember that the distinguished Senator from North Carolina, Senator Scott, that used to serve on this committee, was one of the authors of a program like that. And Senator Murray of Montana. But at the time it just didn't seem to jell.

Now, I think we have begun to understand that we are going to have to have something like that.

Now, the principal provisions I have discussed here.

In the light of these restrictions on the disposition of a strategic reserve as authorized in S. 2729, we are assured that it will not have a future depressing effect on market prices, yet it will provide a reserve which could be called on when needed at any future time.

From the standpoint of stabilization policy, I want to note that the U.S. average price of corn and wheat on August 15, 1971, was \$1.19 and \$1.28 respectively. If no new policies are initiated, it is probable that the 1971-72 seasonal average price of corn will be about \$1 a bushel, well below the price when the freeze was announced, and even further below the 1970-71 seasonal average of \$1.36 a bushel.

Senator YOUNG. Will the Senator yield before we get too far away from the reserve question?

Senator HUMPHREY. Yes.

Senator YOUNG. The Secretary of Agriculture could hardly plan a shortage of food. If he did he would have a serious problem with the consumer. But unless you have a short supply, there is no way of getting a good price in the marketplace.

Senator HUMPHREY. Exactly.

Senator YOUNG. So that is why you really have these.

Senator HUMPHREY. I think that point has to be made for the public, Senator. And I am pleased that you made it. Any Secretary of Agriculture that tried to plan what he called a tight line on supplies and demand would run the grave risk of ending up with a crop failure and an unbelievable problem in our country in shortage of supplies. This would be exactly like having the Joint Chiefs of Staff who are faced with a critical international situation planning on a short supply of the necessary materials for our Defense Establishment. We have court-martialed generals for that in the past. And this is why Joint Chiefs generally come in and ask for a little bit more than they say they need because they don't want to be caught in short supply. The Secretary of Agriculture on the domestic front is in very much the same situation. And we would be the first to criticize him if he ended up with a short supply, because it could literally throw the economy into a tailspin.

That is why we always have to have crop plantings that are on the plus side, on the surplus side. And if we are going to insist on that as a public policy which is protection for the consumer, we have got to have some protection for the producer. We can't ask the farmer just to take care of it. We all know the arguments about it.

I was listening to an ad the other night on the Pinto, the Volkswagen, and so forth. They announce what the price is, the company announces what the price is. I wonder what this audience would think out here if the farmer announced what the price was. When is the farmer going to get a chance to charge for his materials? The farmer comes in the marketplace, and he says, what will you give me? The automobile company comes on the marketplace and says, this is the price, plus taxes, plus financing, plus this, plus that, and that is what you pay. And that is exactly what happens when you buy the newspaper. If

you get a newspaper downtown, it is 15 cents a copy. And if some poor little kid says, I am going to sell it for 12, they take away his right to sell it. They have got fair trade, believe me. When you buy something in the average store, it has got a price tag on it. The only way you can get it for less is to steal it, and then they put you in jail. But when Mr. Farmer comes in, they say, let's take a look at what we are going to give you today. I think that anybody who lives in this economy who asks what he is getting, when everything he buys has announced prices is out of luck, unless we can give him the kind of a program that gives him a little protection.

Senator MILLER. I don't like to interrupt, but I don't think the Senator minds as long as we are trying to examine and explore the points he is making.

On this point of reserve, and preventing abuse or dumping, on page 3, at the bottom of the page, the Senator's bill provides that the sales by the Department during any marketing years are going to be limited. And, the limitation is the net quantities by which estimated domestic consumption and exports exceeds estimated domestic production and imports.

Senator HUMPHREY. Right.

Senator MILLER. That is the total limitation.

Senator HUMPHREY. There also is a price limitation.

Senator MILLER. Then that limitation, as I understand the Senator's bill, provides authority—it doesn't mandate, but it provides authority—to the Secretary to dispose of these commodities for the purposes set forth in items 1, 2, and 3 and 4 on pages 4 and 5.

Senator HUMPHREY. That is correct. And those are all severe emergency situations.

Senator MILLER. That is correct.

Senator HUMPHREY. For example, the preservation, the maintaining of herds of cattle, if you got into a situation where your supplies were very low, and the available supplies outside of the reserve, then you would run the risk of really violating your foundation herd.

Senator MILLER. So we are not limited under the bill to these types of situations where there is a ceiling on the amount that can be disposed of, as provided at the bottom of page 3.

Senator HUMPHREY. That is correct, Senator. I thank you very much for your help.

The 1971 wheat harvest was well underway at the time of the August 15 price freeze. And the U.S. average price at that time of \$1.28 a bushel would normally be at or near the seasonal low point.

If no new policies are initiated it is probable that wheat prices will continue at about that level throughout this season.

If a strategic reserve of up to 300 million bushels were acquired under S. 2729, the seasonal average might rise to \$1.35 a bushel, or about the same as 1970-71 seasonal average price of \$1.34 per bushel.

I give these detailed comparisons to respond to the charge that acquiring a strategic reserve at these prices would be inflationary, nothing could be further from the true situation.

But I might also add, I don't see any reason in the world why the farmer has to be the only one that tries to prevent inflation. Even though that isn't the planned design, that is really what happens.

It also may be charged that domestic use and exports would be restricted by the higher market prices resulting from the creation of a strategic reserve of grains. It is true that if market prices of grains are prevented from continuing at distressed levels throughout the season, domestic use and exports will be reduced modestly.

The amount of the reduction cannot be estimated accurately, since in any case, market prices would be lower than in the previous year, and only slightly higher than 2 years earlier.

At the moderately higher market prices for wheat and feed grains that would prevail if S. 2729 and Senate Joint Resolution 172 were enacted, export prices would be substantially lower than a year earlier, and their competitive position would be further improved by the decline in the value of the U.S. dollar in relation to foreign currencies, in other words, by the floating of the dollar, which is another way of saying, devaluation. We get an advantage from our exports, which means that even though your price is a little higher, you are still in a more competitive position.

By the way, there is no reason at all that we couldn't use export subsidy either. Other countries do. And I recall that Senator Aiken and I and Senator Young and others here several years ago were advocates on the floor of the Senate for forms of export subsidies. And they stimulate our agriculture trade. And it would work to great advantage, because today agriculture is a big exporter.

I am confident that if the Congress and the President will approve S. 2729 and Senate Joint Resolution 172 market prices in the remaining months of the 1971-72 feed grain and wheat marketing years could be increased about 15 and 10 cents a bushel, respectively.

The strategic reserve created would be insulated from market supplies to such an extent that it would not depress market prices in future years, the modest improvement in market prices would have little adverse affect on domestic utilization and exports and no adverse affect on national price stabilization activities.

The passage of S. 2729 by itself, however, would not provide a long-term solution to the economic problems facing grain producers. Unless more effective adjustment programs are developed to restrict 1972 production of wheat and feed grains, if normal weather prevails, production will again be excessive. And it is principally for this reason that I also have introduced Senate Joint Resolution 172.

In doing so, I addressed a letter to the members of the committee so that you would have a little more information about it. It is new, I just put it in. And I want to call to your attention the details of it. That resolution does the following: It provides a return to the base acreage program for feed grains.

The establishment of a voluntary additional diversion program for the 1972 wheat program.

And it increases loan levels heretofore announced for the 1971 wheat and feed grain crops by 25 cents.

Senator YOUNG. Well, one thing that hasn't been mentioned is the fact that diversion for payment has been reinstated for feed grains, but not for wheat.

Senator HUMPHREY. That is correct.

Senator YOUNG. For the life of me I can't understand why the same thing wasn't done for wheat. We do have a surplus, and you

aren't going to get a reduction in output without an adequate diversion program.

Senator HUMPHREY. They are interchangeable, as you know. While we didn't ordinarily use it as a feed grain, it can be, and it really will be unless you have a comparable program.

Senator YOUNG. And it is being used.

Senator HUMPHREY. And it is being used. And it cuts in and obviously reduces the total feed grain price.

The 1972 wheat and feed grains set-aside programs announced by Secretary Hardin call for an increase from 31.5 million in 1971 to 53 million acres set-aside in 1972.

The administration professes to believe that an increase in the set-aside of 21.5 million acres, together with an expected increase in the acreage of soybeans, will restrict grain plantings to desired levels.

I wish that I could share that view, but I can't, based upon a number of years of experience and observation.

I would remind you that since 1966 about 30 million acres which were designated as conservation base acres at that time, have been released for general cropping under the current setaside program regulations.

I also call your attention to the fact that Department of Agriculture statistics show that in 1969, 50 million acres of cropland were still available for cropping after taking account of the acreage diverted in 1968-69; the 1969 conserving base; and the 1968-69 harvested acreage of 59 crops, less hay.

Since the conservation bases have been reduced about 8 million acres since 1969, there may be some 55 to 60 million "phantom" acres of cropland available to go into future increased setaside programs.

When one considers the inherent looseness of the setaside regulations and the lack of an upper limit on the planting of grains on cropland not set aside, I cannot share the administration's confidence in the adequacy of the announced 1972 setaside programs.

In my view the only way to avoid a repeat of the 1971 experience of excessive grain production and distress prices is to return to the proven effective feed grain adjustment program which resulted in a genuine balance between supply and utilization demands.

I might add that this committee approved that in the 1971 act. But in the conference committee, it was lost, if I am not mistaken. But the authority remains in the bill.

It is probably too late to change the 1972 wheat setaside program as much as needed. It is not too late on the diversion programs, Senator. I think that can be done.

It is possible and desirable to offer wheat producers an opportunity to divert additional wheat acreage on a voluntary basis, with appropriate supplemental payments.

These adjustments in the 1972 feed grain and wheat setaside programs are provided for in Senate Joint Resolution 172.

Mr. Chairman, as mentioned earlier the additional Government costs associated with the creation of a strategic storable farm commodities reserve, might total \$200 million to \$300 million in fiscal year 1972.

I am convinced, however, that if more effective 1972 wheat and feed grain adjustment programs were put into effect, as provided for in

Senate Joint Resolution 172, fiscal year 1973 savings would equal or exceed the additional costs of creating the strategic reserve.

Taken together these proposals, the joint resolution and S. 2729, would not involve extra costs for the Government, yet would increase the farm value of the 1971 and 1972 grain crops about \$1.5 billion each year or a total of \$3 billion.

In the absence of base acreage limitations in the 1972 feed grain and wheat programs, it is probable that production will exceed projected market requirements by 100 million bushels under each program.

A more effective feed grain program in Senate Joint Resolution 172 might be expected to reduce feed grain production by 300 million bushels of corn equivalent. This would reduce CCC inventories and loans by about \$315 million—at \$1.05 per bushel for corn.

Voluntary additional diversion under the 1972 wheat program, might cost \$50 million in additional payments but reduce CCC wheat inventories and loans by 100 million bushels or \$125 million.

In other words, the combination of a strategic reserve program plus more effective 1972 supply adjustment programs for feed grains and wheat would not result in additional costs to the Government, yet they would increase the farm value of the 2 years' grain crops by \$3 billion.

Mr. Chairman, this statement is more than a brief in support of S. 2729, because I am convinced that unless such legislation is enacted, together with passage of Senate Joint Resolution 172, directing the Secretary of Agriculture to amend both his 1972 wheat and feed grain set-aside announcements, grain surpluses will accumulate and prices will continue at their current distress levels throughout both the 1971 and the 1972 marketing years.

I have some inserts that I want permission to include in the record.

First, a letter from me to Secretary Hardin dated October 5, 1971.

The reply to me dated November 2.

The announcement of Secretary Hardin of the 1972 feed grain program and soybean loan levels, along with an editorial from the Wallace Farmer which says: "Need Higher Loan and More Diverted Acres." And I think the Wallace Farmer is one of the best of our agricultural publications.

A letter to me from the American Soybean Association, dated November 1, 1971, in reply to my letter of October 13, regarding the association position on excluding soybeans from any grain reserve.

And a memorandum from me to members of the committees, dated November 8, 1971.

Senator JORDAN. They will be included in the record at the conclusion of your remarks.

Senator HUMPHREY. I have nothing else. I have taken too much of your time already.

The subject, however, relates to income and the well-being of farmers. And I really plead with my colleagues on the committee to take some action at this session of Congress. I don't think, gentlemen, there is any chance for economic recovery in this country unless we do something like that. As I said yesterday in the Senate, who is it that really believes that you can get people back to work and produce some new prosperity in this country if you have an agricultural economy that is depressed? Every estimate shows that there is going

to be a drop in net income of agriculture this year running into several hundred millions of dollars.

Now, that just can't add to the economic well-being this country. There is no way that you can get investment tax credits, consumer tax reductions, or all of the things that we are going to do in this tax bill that came from the Finance Committee, which is a very generous measure and, at the same time, ignore the plight of agriculture in getting recovery. It is just impossible. And I think that we have a job here that is second to none to jar the Congress into a realization that something has to be done in the rural countryside, or we are in for long-term trouble.

Thank you, gentlemen.

Senator JORDAN. Thank you very much, Senator.

(The documents referred to above are as follows:)

U.S. SENATE,

Washington, D.C., October 5, 1971.

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

DEAR MR. SECRETARY: Given the bumper crops of wheat and feed grains harvested this year which far exceed our utilization requirements, I would like to ask that you give serious consideration to announcing, as soon as possible, a reduction in wheat and feed grain acreage regarding next year's program for these commodities.

As you know, in addition to your acreage set-aside authorities concerning these commodities, Congress also gave you, under the Agricultural Act of 1970, authority to institute an acreage diversion payment program to make whatever adjustments might be required for removing acreage from production in order to bring supply closer in line with demand. I believe such an announcement by you would go a long way toward stabilizing, and hopefully, increasing prices now being offered farmers for these commodities.

I would also like to ask that you give serious consideration to supporting the current efforts of Congress to establish a national reserve inventory of wheat, feed grains, and other commodities which, if enacted, would not only help stabilize and increase prices for these commodities, but would provide protection for both the United States and the world it helps feed against future crop failures or disasters.

I know this subject is one which has been proposed and discussed many times over the years. However, given the surplus situation which again we are moving toward, I believe the time to establish these reserves is now.

As you know, the House Agriculture Committee has already moved on this legislation and I am requesting today that the Senate Agriculture Committee do likewise. I believe the bill which I introduced yesterday, S. 2648, would accomplish this objective in a manner consistent with these objectives. Your early consideration of these requests would be most appreciated.

With kindest regards.

Sincerely,

HUBERT H. HUMPHREY.

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., November 2, 1971.

HON. HUBERT H. HUMPHREY,  
U.S. Senate.

DEAR SENATOR HUMPHREY: We have your letter of October 5 recommending provisions for the 1972 programs.

The 1972 feed grain program, announced on October 18, is designed to reduce stocks of those grains and improve producer's income. The early announcement was made to provide producers with sufficient time to plan their operations. We

are enclosing the announcement of the 1972 feed grain program. No decision has been reached on whether an additional diversion program will be offered for wheat. An announcement at this time would have no effect on winter wheat acreage since the crop has already been seeded. The 1972 wheat program requires the maximum set-aside permitted under the law.

We are concerned about the current level of grain prices and have taken several actions to stabilize prices. Changes have been made recently in farm facility loan programs to facilitate further expansion in farm storage capacity. Also, under revised loan regulations, producers now have the opportunity of making forward sales or delayed delivery sales of their corn and still retain eligibility for CCC loans on such corn. In addition the reseed period for the 1969, 1970 and 1971 crops of corn under farm-stored loans has been extended to May 31, 1973. This announcement was made to assist producers in deciding whether to sell or to store during harvesttime. In addition, on October 22, we announced a program to help producers who have loan-eligible corn, but do not have farm storage space and cannot find warehouse storage space. Under this procedure a producer obtains a loan even though the corn is promptly moved by the Department to terminal destinations for storage.

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

Sincerely,

CLARENCE D. PALMBY,  
*Assistant Secretary.*

(The enclosure is as follows:)

SECRETARY HARDIN ANNOUNCES 1972 FEED GRAIN PROGRAM AND SOYBEAN  
LOAN LEVEL

WASHINGTON, Oct. 18—Secretary of Agriculture Clifford M. Hardin today announced a feed grain program for 1972 designed to increase farm income and reduce carry-over stocks.

The new program raises the feed grain set-aside to 25 percent of the base (20 percent this year), boosts set-aside payments (40 cents per bushel for corn from 32 cents this year), brings barley into the feed grain program, adjusts loan levels for grain sorghum and barley (consistent with the feeding value of corn), extends farm stored grain reseed provisions, and offers farmers two new options to set aside additional acreage beyond the minimum qualifying 25 percent.

The program is designed to achieve a feed grain set-aside of at least 38 million acres in 1972 compared with 18.2 million acres this year.

The new program continues corn loan levels at \$1.08 (No. 2 basis) and the guarantee at \$1.35 per bushel. The soybean loan level will be maintained at \$2.25 per bushel.

The feed grain program will work this way:

1. During sign-up, starting Jan. 17, a farmer can decide whether to set aside a minimum 25 percent of his feed grain base acreage to qualify for loans and payments.

Loans will be \$1.08 per bushel for corn (No. 2 basis), the same as in 1971; \$1.79 per hundredweight for grain sorghum (\$1.73 in 1971); 86 cents per bushel for barley (81 cents in 1971); and 54 cents and 89 cents per bushel, respectively, for oats and rye (the same as in 1971).

Set-aside payments will be 40 cents per bushel for corn, 32 cents per bushel for barley, and 38 cents per bushel for grain sorghum. These are paid on the established farm yield times one-half the barley, corn, or grain sorghum base. Payments in 1972 will again be made to farmers as soon as possible after July 1.

2. At sign-up time, the farmer can agree to set aside an additional amount of acreage, up to 10 percent of his corn or grain sorghum base and up to 20 percent of his barley base. The government will accept this additional voluntary acreage set-aside at sign-up time and will make set-aside payments for corn of 52 cents per bushel times the established farm yield on the additional voluntary set-aside acreage. Set-aside payments for barley will be 42 cents per bushel and for grain sorghum 49 cents per bushel, also figured on the established farm yield times the additional voluntary set-aside acreage.

3. Also at sign-up time, the farmer may offer to set aside still another 5 percent or 10 percent of his corn or grain sorghum base acreage. The Secretary of Agriculture will announce by mid-March, whether to accept any of the additional acreage. This will give the Secretary greater flexibility in reducing acreage to make the program most effective. Set-aside payment rates will be the same for this additional voluntary set-aside as under option No. 2 above.

Payments to farmers under options No. 2 and No. 3 will also be made as soon as possible after July 1.

The 1972 program offers flexibility greater than the 1971 program, both to the farmer and to the USDA, Secretary Hardin said. "The farmer is allowed to plant whatever crop he wishes on that part of his farm not in set-aside or conserving base. Soybeans have been added to the list of crops which may be planted to protect the feed grain base or wheat allotment."

The various options in the feed grain program for 1972 will help offset this year's record feed grain production, Secretary Hardin said. "In 1971 farmers took advantage of exceptionally favorable early planting conditions, and increased their corn plantings by 11 percent in anticipation of heavy damage from Southern Corn Leaf Blight, which had cut 1970 corn production. Although the blight infection was widespread by mid-summer this year, one of the coolest and driest Augusts on record in the Corn Belt arrested the blight during the most critical growing period and turned a possible crop disaster into a record harvest.

"The feed grain program will give farmers maximum freedom to choose how much acreage they will plant in 1972 and what they plant. At the same time, it permits the Department of Agriculture to exercise a choice in adjusting the program ahead of planting to make it the most effective for farmers."

Secretary Hardin further announced that again next year, farmers will receive set-aside payments as soon as possible after July 1.

"Early payments have become part and parcel of our farm programs," Hardin said. "They have proved a benefit to the farmer and the agricultural economy by helping the farmer meet production expenses, and with the commodity loan, market his product in an orderly manner."

By making it possible for farmers to plant crops in terms of market potential and productive capacity, while retaining program benefits, producers are able to plan their farm operations for the best possible return on their investment, the Secretary pointed out.

Participants in the 1972 feed grain program will be guaranteed a national average of \$1.35 per bushel on the production from one-half of their corn base, the same as in 1971, and \$2.29 per hundredweight on one-half of the farm's grain sorghum base. Producers will be guaranteed \$1.10 per bushel on one-half of their barley base.

In another action to promote the orderly marketing of wheat and feed grains, farmers have been given the option of extending their loans on farm-stored commodities beyond the regular maturity dates. In the case of corn, loans on the 1969-1970 and 1971 crops in farm storage are extended to May 31, 1973. Loans are extended through the 1972-73 storage period on the 1968 through 1971 crops of wheat, barley and oats under farm storage resale programs. Loans are extended through the 1972-73 storage period on the 1969, 1970 and 1971 crops of grain sorghum under farm storage resale programs.

Because of the close relationship between feed grains and soybeans the Secretary also announced that the loan level for 1972-crop soybeans will be at a national average of \$2.25 per bushel, No. 1 grade, 12.8-13.0 percent moisture. Because of the limited supply of soybeans for the current 1971-72 marketing year and relatively strong prospective prices, there will be no resale program for the 1971-crop soybeans.

Set-aside payments for a farm will be determined by multiplying one-half the feed grain base times the farm yield times the payment per bushel. As in 1971, participants in the 1972 set-aside program will receive the full payment regardless of what they plant on their acreage, except for quota crops. However, the 1970 Act provides that farmers who plant less than 45 percent of their feed grain base in 1972 to feed grain, wheat or soybeans, will have their 1973 base reduced by the amount of the underplanting, up to 20 percent of the base. If no feed grain or authorized substitute crops are planted for three consecutive years, the entire base is removed from the farm. All base acreage lost by farms will be placed in a national pool for reallocation to other farms which plant feed grain.

Having met the set-aside and conserving base acreage requirements for feed grain, however, a producer may plant as much feed grain acreage as he wishes, or as much of any other crop not restricted by quota.

Acreage which is not planted due to a natural disaster or a condition beyond the control of the producer will be considered planted to feed grain to preserve the base, and any producer who makes a set-aside but elects to receive no payment will not suffer loss of base.

As in the 1971 program, a producer may participate in the 1972 feed grain program on any farm or all farms in which he has an interest.

The Agricultural Act of 1970 limits feed grain payments to any person to \$55,000. The limitation of payments provision does not apply to loans or to sales of eligible feed grain to Commodity Credit Corporation.

Simultaneously with his announcement of the 1972 feed grain program, Secretary Hardin also announced the upland cotton program for 1972.

The Secretary said farmers who take advantage of the management options offered under the 1972 feed grain and cotton programs should benefit from the anticipated effects of the Administration's economic stabilization program. This program, he pointed out, is designed to hold down inflation and stabilize production costs.

The feed grain and cotton programs for 1972 are being announced early this year to give farmers more time to make important decisions about planting and agricultural financing.

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[Editorial from Wallace's Farmer, Oct. 23, 1971]

#### NEED HIGHER LOAN AND MORE DIVERTED ACRES

Details of the 1972 feed grain program are vitally important to farmers.

The huge 1971 crop returned feed grains to a burdensome surplus situation and pushed prices below loan as harvest began. This large crop at present prices is worth fewer total dollars than the smaller 1970 crop. The depressed price coupled with higher costs due to inflation and increased acreage means a drastic decline in farm income.

The effects don't stop there. Cheap feed tends to stimulate livestock production and bring lower prices in that area as well.

With this prospect for the coming election year, the administration faces some tough choices.

One possible choice is to let farm prices and income drop, taking whatever political consequences follow. Past voting records would indicate a shift of farm votes to the opposing political party. That's risky business for a party which captured the presidency by a narrow margin in the last election.

The other choice is to devise a program to improve farm income.

Logical first step is setting up a strategic reserve. This would remove much of the surplus from the market permitting an increase in prices for the 1971 crop. This requires new legislation so any political credit would have to be shared with a congress controlled by the opposing party.

Next step would be designing the 1972 feed grain program to decrease production and to increase prices. Since both are possible under existing legislation, there'd be no need to share the credit.

Decreased production can result from paying for more diversion than last year. Amount of acreage needed in feed grains will depend on whether or not a strategic reserve is established. Program provisions must be written carefully to avoid overproduction of soybeans—a real risk at present relative prices in the market place.

At the same time, loan price for feed grains can be increased—perhaps to \$1.25 a bushel for corn. This assures a higher price and higher farm income.

What's holding back such logical actions? Mainly, 3 points. First is that non-farmers like low food prices and aren't much interested in farm problems so long as food is plentiful. Second is that there are many alternative and appealing uses for the money such a farm program would cost. Third is desire for expanded exports of farm products.

If the entire increase from \$1.05 to \$1.25 per bushel in price of corn—and relative increase in other feed grains—is passed on to consumers in higher food prices, the increase amounts to little more than 1% of expenditures for food. From the consumers' viewpoint, food prices are always too high. So the political effect of a continued increase is likely to be small.

There may well be more important uses for the money such a farm program would cost the federal government. But such a program probably would still rate high enough for funding if the total government expenditures were re-examined in terms of priorities.

There's little solid information to show the effect of modest price changes on the export of feed grains. But last year's experience would indicate no important decrease from the increase to \$1.25 per bushel as a loan base for corn.

The foreign cash market for feed grains is largely in developed nations which can pay the higher price. Main determinant of our export volume for a given year appears to be supply of competing feed grains.

Essentially, we have supplied the residual demand after other producing nations have marketed their surplus. In such a case, price within a reasonable range is of little consequence. A higher U.S. floor price would also permit these competitor nations—which desperately need the added income—to increase their earnings.

The arguments for a strategic reserve, tighter acreage controls, and higher loan price are convincing. It's time to let your congressmen, political party workers and farm organizations know what you want. When enough people start talking, the response comes quickly.

AMERICAN SOYBEAN ASSOCIATION,  
Hudson, Iowa, November 1, 1971.

Mr. HUBERT H. HUMPHREY,  
Chairman, Rural Development Subcommittee,  
Old Senate Building, Washington, D.C.

DEAR SENATOR HUMPHREY: Thank you for your letter of October 13 regarding our Association position on excluding soybeans from any grain reserve. We are, of course, aware that you have sponsored legislation, S. 2729, to establish a grain reserve and we hope you will see fit to amend this to exclude soybeans for the following reasons:

1. Soybeans, as you know, have been free of government acreage controls and production payments and our policy makers feel strongly that we should keep it this way. Our major emphasis has always been on marketing and market development and we feel the record speaks for itself.

2. The carryover this year is less than 100 million bushels which is considered by many to be a short supply and barely enough to keep the pipelines filled. (See enclosed flow sheet on USDA supply statistics.)

3. Our Board also feels that Commodity Credit Corporation provides the soybean producer with the necessary storage in years when production exceeds demand. On the demand side, I am also enclosing USDA figures showing the past ten-year percent increase in demand for crushing and exports. Even by taking out 1969 which was an unusually high demand year of 25% increase, it shows a ten-year average gain in demand of over 6% annually. While there are many unknown factors including the effect of the prolonged dock strike, it is obvious that we need some increase in soybean acreage in 1972 just to keep supply in line with demand.

The ASA Board of Directors (a list is enclosed) will be meeting in Washington on December 1. At that time they will be studying all factors in order to make recommendations on needed acreage for next year and our Board members will be making some calls on their respective congressional delegations during the Washington meeting. I am sure our Minnesota Board members will be calling on you.

For the long range, we feel that demand for soybeans will continue to grow and for this reason we greatly need enlarged research programs to find ways to increase soybean yields. Research funding for soybeans by government has been pitifully small in relation to its economic importance. We don't want to wait until our commodity gets into serious trouble before attention is focused on these research needs.

You have certainly had a splendid record of being a friend of the farmer and we are asking for your support again in getting research appropriations for soybeans to eliminate a much greater cost to government in the future. With much thanks for your interest in soybeans.

Sincerely yours,

RALPH T. JACKSON,  
Executive Vice President.

## SOYBEAN—SUPPLY AND DEMAND INFORMATION

		Thousands of bushels
1970	Sept. 1 carryover	230,000
1970	Production	+1,136,000
1970-71	Supply	1,366,000
1970-71	Marketing year—Crush	763,000
1970-71	Marketing year—Exports	433,000
1971	Planting—Seed	70,000
1970-71	Total usage	1,266,000
1971	Sept. 1 carryover	100,000
1971	Production	1,175,000
1971-72	Marketing year available supply	1,275,000
	Seed for 1972 planting	270,000
	Carryover September 1972	275,000
1971-72	Marketing year available supply	1,130,000

<sup>1</sup> October estimate.

<sup>2</sup> By allowing 70,000,000 bushels for seed and 75,000,000 bushels for very minimum carryover needs, this puts available supply for the 1971-72 marketing year for crush and exports at 1,130,000,000 bushels. This is 5 percent less than was actually used for crush and exports during the 1970-71 marketing year.

## 10-YEAR PERCENT INCREASE IN DEMAND—SOYBEAN CRUSH AND EXPORT

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	10-year average
Crushings	+6	+9.5	-8.0	+9.6	+12	+4	+3	+5	+21	+3.5	6.5
Exports	+10	+20.0	+3.8	+13.0	+18	+4	+2	+7	+49	+9.0	14.5
Total usa	+8	+12.0	-3.0	+9.0	+14	+4	+3	+5	+29	+4.0	8.5

## NATIONAL BOARD MEMBERS—1971-72

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*Mississippi:* Seymour Johnson, Box 7, Indianola, Miss.; L. M. Phillips, Box 74, Holly Bluff, Miss.  
*Missouri:* Joe Pepper, 616½ Welt Street, Weston, Mo.; Don Pemberton, 141 S. Louisiana Avenue, Cape Girardeau, Mo.  
*North Carolina:* F. C. Laughinghouse, Pantego, N.C.

*Ohio:* John Wing, 11386 Rosedale Road, Mechanicsburg, Ohio; Everett Royer, Farm Management Inc., Irwin, Ohio.

*South Carolina:* D. Leslie Tindal, Rte. 2, Box 78, Pinewood, S.C.

*Tennessee:* John Gorman, Box 173, Brownsville, Tenn.

*Texas:* W. B. Tilson, Rte. 2, Plainview, Tex.

*Virginia:* M. N. McCann, Carson, Va.

*Canada:* Robert O'Neil, Rte. 5, Wallaceburg, Ontario, Canada.

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MEMORANDUM

To: B. Everett Jordan,  
George McGovern,  
James O. Eastland,  
Allen J. Ellender,  
Milton Young,  
Jack Miller,  
Carl T. Curtis,  
Henry Bellmon.

From: Hubert H. Humphrey

As you know, on Wednesday, November 10, I will be testifying before your Subcommittee on S. 2729, my bill to establish a strategic storable reserve of wheat and feed grains. In addition, I plan to testify on a Senate Joint Resolution which I will be introducing today or tomorrow. I feel it is an essential complement to S. 2729. Both S. 2729 and this resolution are in my judgment, needed in order to meet the income crisis that the 1971 wheat and feed grains set-aside program created for our food and feed grain producers.

You will note in reviewing this proposed resolution that it basically requires three things:

- (1) A return to the base acreage program for feed grains; and
- (2) The establishment of a voluntary additional diversion program for the 1972 wheat crop; and
- (3) Increases loan levels heretofore announced for the 1971 wheat and feed grains crops by 25%.

In the event that the Congress should choose to enact S. 2729, and those provisions of my joint resolution relating to needed adjustments in the 1972 wheat and feed grains programs, adjustments in this year's loan levels for these crops would likely not be needed.

Therefore, dropping that particular section of my resolution would be appropriate if, as I have mentioned, S. 2729 and the other provisions of the resolution were enacted. However, in the event that S. 2729 or similar legislation is not enacted this session of Congress, then it is essential that provisions in my resolution relating to increasing loan levels in 1971 crops of wheat and feed grains be retained and enacted.

Senator JORDAN. Any questions?

Senator MILLER?

Senator MILLER. First of all, let me say that I don't believe that Senator Humphrey has taken up an undue amount of the committee's time. His testimony has obviously been carefully researched. And I think he makes some very forceful and timely observations.

I would say that his advocacy of going back to the previous program recalls that we fought over this in the Senate Agriculture Committee, it was fought over in the House Agriculture Committee, and it was fought over in the conference committee. On a completely bipartisan basis, the decision was made not to do that, and to operate on the so-called set-aside basis. We have only had 1 year of trial of the set-aside program under very unusual, abnormal conditions. And hopefully the 1972 program is going to work, and work well. The Senator is not optimistic about that, but nobody really knows. If it doesn't really work out, we could be here a year from now talking about what we are going to do about it, if the administration isn't taking action that the Congress feels appropriate.

To me the essence of the whole statement is what do we do now?  
 Senator HUMPHREY. Correct, Senator.

Senator MILLER. And on page 10 the Senator points out that enactment of this reserve bill would hopefully improve the market price for wheat by 15 cents a bushel, and feed grains about 10 cents a bushel. That is really what we are interested in, and I venture to say that if you talk to the average farmer out in my State who is concerned about the corn market, that is what he is interested in. How that is arrived at he could care less about.

Senator HUMPHREY. That is correct.

Senator MILLER. For that reason I am wondering if the objectives, the real tough objectives that we are seeking here, couldn't be achieved just simply by mandating a price support increase for 1971 crop corn. Maybe that is oversimplifying it. But I think that that would have the same result. If we are seeking a 15-cent-per-bushel increase in wheat, and a 10-cent-per-bushel increase in corn, I think we can get to that by mandating an increase in the price support loan for 1971 crops.

The Senator has talked about phantom acres and the conservation reserve program. That is something I have been hearing about continuously since I have been down here. Why don't we fund that conservation reserve program? There are contracts expiring every year, and we do nothing about them. It seems to me that it is a pretty good thing. If we are interested in keeping acres out of production, what is the matter with funding the conservation reserve program so that these contracts will be renewed?

If you have any comments on either of these two points, I would welcome them.

Senator HUMPHREY. I would want also to include—and I would hope that this committee would really direct its attention to what Senator Young brought upon the wheat acreage, the diverted wheat acreage—I think the payments there, Senator, are political. If we don't do that, what happens, you know, is that they just get planted. And first of all, it cuts down the wheat producers' income greatly if you require him to divert and don't pay. And then you have the feed man divert and you do pay. It is inequitable and unfair. And I think something ought to be done about that. It is a temptation to circumvent the total program. And we can never legislate in grain without keeping in mind the interplay and the substitution of sorghum and the other feed grains and the corn and the wheat. We have always talked about corn, sorghum, wheat, and feed grains, but they are all feed grains in one sense, that they are feed grains for humans or for animals.

I think we have to have a better wheat program. And I think we ought to take a look at that.

Secondly, Senator Miller, you are right in terms of the immediate prophylactic treatment that is needed. In other words, a farmer has an infection called low prices, and he needs some economic penicillin like that right now, or to put it another way, needs a blood transfusion of about 20 to 25 percent in prices. I believe that.

Thirdly, I think we have allowed the adjustment program to piddle away. I think that has been unfortunate. I happen to feel that the base acreage program that we had is desirable. And the only evidence

that I have today is the one that we used this past year. For whatever reasons, it didn't work too well. And there are many reasons that you can bring up, as I said. For example, we had additional plantings because of the blight problem, and we had an abnormally good crop year.

I have two features in my program. One is the immediate, and one is the long term. That is what other Senators have testified here. If you want to know what I want first, it is immediate action before we start losing some more of these farmers, and before you start having people go down the economic drain.

Secondly, I do think the strategic reserve, Senator, is long overdue. And I really believe that you can't expect a Secretary of Agriculture to do the job as he needs to unless you give him some protection in terms of the strategic reserve. And that is what I would hope that you would give serious attention to.

Senator JORDAN. Any further questions, gentlemen?

Senator YOUNG. He hasn't slipped a bit.

Senator HUMPHREY. Senator Young, we were battling together on this. And I find one nice thing about this committee, we generally find allies on both sides of this table.

Thank you very much.

Thank you, Senator Miller.

Senator JORDAN. I want to commend you for your fine testimony.

I just wanted to say this. I have been on this committee for 14 years. I came here when I came to the Senate. It is a hard committee and there are a great many problems. I could have gotten on a lot more committees a lot easier than this one. But North Carolina has about the largest number of farmers in the United States. We have lots of small farmers. And I know their troubles. And they are going to have to have help if they exist. Right now, eastern North Carolina is plagued with a disaster of a hurricane that completely destroyed about a third of their entire crop down there, over a \$50 million loss. And there is no way in the world that they can recoup that unless they get some help immediately.

And the farmer is subject, as you pointed out—if he raises a good crop, he doesn't get anything for it, and if he has a disaster and his crop is destroyed, he doesn't have anything to sell. And he is subject to everything from the fruit fly to the boll worm. Everything in the catalog he has got to worry about.

And he is going to have to have some relief. And the idea is, as I pointed out, they need it now.

Senator HUMPHREY. Can I just say that we didn't hesitate, even though it was a close vote—and I voted for it, for the guaranteed loan to Lockheed. And the total cost of what we are talking about here is no more than that guaranteed loan to Lockheed.

I am happy to tell you that I just came from California, and Lockheed is rehiring thousands of employees. And I think that those who voted for it ought to be pleased to know that.

Senator YOUNG. That was a good vote.

Senator HUMPHREY. It turned out to be a pretty good vote. I took my share of the blame for it. But I was interested in the company and the workers.

Senator JORDAN. Thank you very much.

Senator HUMPHREY. Thank you, Senator. And thank you for what you are doing. The people in Minnesota are going to give you a medal, a good one.

Senator JORDAN. Senator Metcalf has a statement that he wishes to put in at this point in the record as if read.

**STATEMENT OF HON. LEE METCALF, A U.S. SENATOR FROM THE STATE OF MONTANA**

Senator METCALF. Mr. Chairman, unfortunately, Senator Mansfield is unable to be present today as planned. He has asked me to present his statement in behalf of our bill, S. 2099, to increase the minimum loan level of wheat or feed grains. It is our hope that the subcommittee will see fit to recommend its approval by the full committee within the near future.

Joining me today in behalf of our bill is my distinguished friend from the eastern district of Montana. Before presenting him to you, I should like to say a few words about the bill you are considering.

Mr. Chairman, wheat is the major crop in my State. Though there is much attention directed right now to feed grains, we must bear in mind that there was a record wheat crop this year of over a billion and a half bushels, up 250 million bushels from 1970.

From what I can learn in the feed grain situation, the set aside program has failed to keep production in manageable size. It really should be repealed and positive acreage control programs restored. Failing that, we should take the steps recommended in a recent Wallace's Farmer editorial, the editorial says:

The huge 1971 crop returned feed grains to a burdensome surplus situation and pushed prices below loan as harvest began. This large crop at present prices is worth fewer total dollars than the smaller 1970 crop. The depressed price coupled with higher costs due to inflation and increased acreage means a drastic decline in farm income.

The effects don't stop there. Cheap feed tends to stimulate livestock production and bring lower prices in that area as well.

Wallace's Farmer and others have called for three steps to turn this situation around. They are:

1. Increase the minimum price support loans 25 percent;
2. Remove some of the surplus from the market by putting it in a strategic reserve from which sales cannot be made until the prices reach a level that will assure a good return to farmers; and
3. Congress should instruct the Secretary to invoke the provision in the Agricultural Act of 1970, which allows him to put on positive acreage limitations. He should invoke limitations for the 1972 crops.

Unfortunately, the winter wheat crop has already been planted and this will make it necessary to provide payments adequate to compensate winter wheat growers for turning under a portion of that acreage next spring after it has been pastured. If the wheat surpluses are to be brought under control again (in the absence of a program to reduce the wheat acreage for 1972) then provision needs to be made to add the likely to be produced surpluses to the strategic reserve total quantities which have been proposed in the pending strategic reserve bills.

I would be grateful if the text of the Wallace's Farmer editorial might be printed in the hearing record, together with my remarks.

Mr. Chairman, it is now my privilege and pleasure to present my distinguished friend and colleague from the other body, the Honorable John Melcher of the eastern district of Montana, who serves on the House Committee on Agriculture and Forestry. Mr. Melcher is here to endorse our bill, to speak for the grain growers of Montana and to offer his expert analysis of its effect on the surplus problem and farm prices. Though a relative newcomer to Washington, Mr. Melcher has already established his reputation as a gifted spokesman for agriculture. I am pleased to present my friend, John Melcher.

(Note: the editorial referred to above is printed on page 45.)

**STATEMENT OF HON. MIKE MANSFIELD, A U.S. SENATOR  
FROM THE STATE OF MONTANA**

Senator MANSFIELD. Mr. Chairman, I want to thank the committee for this opportunity to appear this morning in behalf of S. 2099, which Senator Metcalf and I introduced.

America's grain producers are in great economic difficulty. The new set-aside farm program has resulted in record crops and a return of the large surpluses that plagued agriculture in the United States during the fifties.

The corn crop this year is over 5.4 billion bushels. While I do not agree with the present administration policy of holding our grain prices at or below the world market levels in order to increase exports and attempt to close the dollar gap at the farmers' expense, it must be conceded that Secretary Hardin had a difficult decision last year when he forged the feed grain program. There was the threat of corn blight. If it recurred, there might be a shortage. It did not prove serious this year so good yields, plus large acreage resulting from the laxity of the new set-aside acreage program, has swamped us with corn.

The wheat situation is little different. In this instance there was no disease threat. But we overproduced as a result of the absence of positive acreage limitations and so now have a crop estimated at 1.6 billion bushels.

Wheat prices are down from a \$1.40 to \$1.50 per bushel on the average farm price range of last year, to a present level of \$1.25 to \$1.30. In Montana, where we suffer from intolerable freight rates, prices are near the \$1.05 to \$1.10 per bushel price support loan range, and appear to be going under loan level. We can have \$1 wheat in Montana unless something is done promptly.

Unless it is the policy of this Nation—and it is certainly not mine—to liquidate as many farm units as possible in spite of high unemployment and the absence of any program to help displaced farmers adjust, there is no excuse for a failure to provide grain producers with prompt relief.

Their plight is largely due to mistaken Government policies and programs. We have a responsibility in the matter, even though here in the Senate many of us did not want the set aside farm program in the Agricultural Act of 1970. However, we were told, in effect, that it was the very best that could be enacted. It was adopted, and whether we have individual responsibility for the fact or not, we do have responsibility now to deal with the plight of the farmer which has resulted.

Senator Lee Metcalf and I have before the committee at this hearing today S. 2099, a bill to increase the price support loan level for wheat and feed grains in the 1970 act by 25 percent in any year the Secretary announces a program which will increase reserves, or carryover, as we see 1971 crops have done.

Loan levels become a price floor. A 25 percent increase from the \$1 per bushel minimum for corn in the 1970 act to the \$1.25 per bushel we propose would mean over \$1.3 billion additional income to our feed grain producers. It would add \$400 million to farm return from the wheat crop—income that is desperately needed not just by farmers, but by our whole economy, which is lagging.

These price increases will not put pressure on our present price stabilization effort. Farm commodity prices are not under ceilings. The prospective loan increases we propose would only restore corn prices to their July level. In the case of wheat the new price level might be 10 cents or 12 cents per bushel over that period, but it would amount to only one or two mills increase in the cost of wheat for a 30 cent loaf of bread—and let us remember that the farmers' return from ingredients in bread is less than 3 cents per 1 pound loaf.

The increase in farm income we are calling for would come from restoring market price levels, and the cost to government would be minimal.

It seems to me a combination of the strategic reserve and our price support bill offers an excellent opportunity to correct mistakes that have been made in handling the farm programs. I hope the committee will approve measures in both of these critical areas.

Congressman John Melcher of eastern Montana has previously presented the price support loan bill to the House Agriculture Committee, where it is pending, I might add, with the subcommittee's 10-to-1 approval. Congressman Melcher will appear before this committee to speak in behalf of Senator Metcalf and me and will go into detail on the prospective results and costs of S. 2099.

You will recall Congressman Melcher appeared before this subcommittee last year in connection with our measure to require improved inspection of imported meat. We are all grateful to the subcommittee for its approval of that measure, which led to final Senate approval.

Senator JORDAN. Our next witness is Representative John Melcher.

Mr. Melcher, I am sorry we kept you waiting so long.

And Representative Neal Smith, would you come up and have a seat.

For the benefit of the ladies and gentlemen who are here, and Senators who are here, we are going to have to recess this committee about 5 minutes to 12 because I have got another one starting. But I will come back at, say, 2:15. But I want to finish Mr. Melcher and Mr. Smith this morning.

#### STATEMENT OF HON. JOHN MELCHER, REPRESENTATIVE IN CONGRESS FROM THE SECOND CONGRESSIONAL DISTRICT OF MONTANA

Mr. MELCHER. Thank you, Mr. Chairman and members of the committee.

I have a statement which I will submit for the record. And I will go over a few of the points.

Senator JORDAN. It will be included in its entirety.

Mr. MELCHER. The problem we are now confronted with, we are trying to repair the damage to grain farmers which has resulted from the first year's operation of the unfortunate set-aside farm program.

And there is considerably more involved than the fact that corn blight did not hold down corn production, which is estimated at 5.4 billion bushels this year.

And there is also a record crop of wheat, over 1.6 billion bushels, which is up 250 million bushels from 1970.

And we have a 25 percent or 195 million bushel increase in grain sorghum.

Barley is up, too.

And oat production has dropped off about 25 million bushels, obviously to provide acreage for some of the other increases.

The sale of 125 to 150 million bushels of feed to Russia is great news. But put in perspective with the problem we face, even if it were all a net gain in exports, it is still only 8 to 9 percent of the added production problem which faces us. The total increase in production of wheat, corn, barley, and grain sorghum this year over last year totals up to 1.8 billion bushels. After you take the Russian sale, we have still got about 1.6 to 1.7 billion bushels more grain to find a market for this year than we did last.

So both wheat and feed grain prices have broken seriously, and the comparatively small Russian sale is not going to lift markets back up to even their July levels.

With corn prices at less than \$1 and wheat headed under the \$1.25 per bushel national average price, grain producers are in real financial trouble. They need relief from the effects of the 1970 act. An increase in set-aside of acreage next year, which may not even reduce the feed crop to the level of use or disappearance, has not cured the immediate price and income problem. We could stand a half dozen of those Russian sales, and it really wouldn't absorb all the excess.

Subtracting all allotted crop acres and all conservation reserve acres from total crop land in the United States, there appears to be about 59 million acres of cropland and grass, hay, or other uses, which can be cropped if producers decide to do so, after set-aside and diversions. There is no assurance that next year's extra diversion will actually reduce acreage and production enough to reduce our surpluses, and there probably cannot be such assurance except by instituting planting limitations.

The Department of Agriculture has opposed the bill that I introduced in the House, and the same bill that was introduced in the Senate by Senators Mansfield and Metcalf, S. 2099. The Department submitted a statement at the House hearings estimating the cost at \$281 million.

The bulk of that is additional price-support loans, which are not net cost of \$242 million. The Department estimated that the increase in price support-levels would increase export subsidy costs by \$199 million, but save \$160 million of that on domestic wheat certificates for a net increase in payments of only \$39 million.

Farm income would be increased many times more than the \$39 million increase in export subsidies or the \$281 million figure, which includes the loans, and which are not an actual net cost. If the income from 5 billion bushels of the corn crop is increased 25 cents per bushel, growers of that crop alone would get \$1.25 billion more income from 1971 production. Returns also would be increased in sorghum, barley, and other feed grains.

The 25-percent increase would amount to 31 cents per bushel on wheat not covered by domestic marketing certificates, or more than \$300 million.

Farm income would be benefited at least by \$1.6 million or \$39 million payments and \$242 million more in loans.

Now, the Department is, of course, as the committee knows proposing to increase acreage diversion payments next year \$600 to \$800 million to cut the corn crop down about the same number of bushels, 600 to 800 million bushels.

There is no comparison in the cost-benefit ratios involved in the two suggestions. One is going to cost \$280 some million, part of which will be returned. And the other is going to cost \$600 to \$800 million, which, of course, are payments that won't be returned.

One effects the 1972 income of farmers and the other affects the 1971 income of farmers, the crop year we are in right now.

Senator Humphrey has referred to the axion, and I subscribe to it, too—that cheap grain ultimately leads to cheap beef, or other cheap livestock prices. So all of agriculture is bound up in the same problem, of fair grain price. If we can't do something to help the grain prices, then all of agriculture is going to suffer from it, whether it is poultry, milk, pig production, or beef production, it is all tied together.

I offer for the record, Mr. Chairman, the analysis of cost of a 25-percent increase in wheat and feed grain price support loans to which I have referred. The figures were obtained from the Department of the Department's witnesses who presented their overall estimate to the House subcommittees.

Every cent and dollar of income that can be generated for farmers is needed, and needed right now.

The 25-percent increase in price supports suggested is not enough. It is geared to what some of us feel the Congress might approve. It still would not give farmers anything close to parity, and in my opinion, we must finally link price support levels to a cost index—a parity level—to give our food and fiber producers equity, and annual crisis, and stop the outmigration from farms and rural communities, and bring about meaningful rural development.

Thank you very much, Mr. Chairman and members of the committee.

Mr. MELCHER. Mr. Chairman, on a previous occasion I appeared before this subcommittee on imported meat inspection legislation. You reported the bill to tighten inspection favorably, leading to Senate approval.

I very much appreciate that. This is consequently my favorite Senate subcommittee, and I am pleased and appreciative for this opportunity to appear before it again, and especially to join my Senators—Senator Metcalf and Senator Mansfield in advocating favorable consideration of our bill.

The problem we confront now is repairing the damage to grain farmers which has resulted from the first year's operation of the unfortunate set-aside farm program embodied in the Agricultural Act of 1970.

There is considerably more involved than the fact that corn blight did not hold down corn production, which is estimated at 5.4 billion bushels this year, up 1.3 billion bushels from 1970. It will be very unfortunate if the huge corn crop takes our attention away from the fact that under set-aside we also have a record crop of wheat—1,628 million bushels, up 250 million bushels from 1970. We have a 28 percent or 195 million bushel increase in grain sorghum production. Barley production is up nearly 60 million bushels from 410 to 470 million bushels. Oats production dropped off about 25 million bushels, obviously to provide acreage for some of the other increases.

The sale of 125 million to 150 million bushels of feed to Russia is great news, but put in perspective with the problem we face, even if it were all a net gain in exports, it is still only 8 to 9 percent of the added production problem which faces us. Total increase in production of wheat, corn, barley, and grain sorghum this year over last totals up to 1,800 million bushels—1,800 million—so the Russian sale leaves us with something between 1,600 and 1,700 million bushels more grain to find a market for this year than we had last.

Both wheat and feed grain prices have broken seriously, and the comparatively small Russian sale is not going to lift markets back up even to their July levels. Markets may react psychologically a little temporarily, but they finally adjust to the realities, and the realities are an enormous oversupply and too low farm price support loan levels to hold them up.

With corn prices at \$1 and wheat headed under the \$1.25 per bushel minimum loan, grain producers are in real financial trouble. They need relief from the 1970 act, with set-aside and low price supports, right now. An increase in set-aside of acreage next year, which may not even reduce the feed crop to the level of use, or disappearance, has not cured the immediate price and income problem. A half dozen Russian grain sales—even if they were in prospect—wouldn't absorb the excess.

The combination of bills this subcommittee is considering today—a 25-percent increase in minimum price supports and establishment of a strategic reserve of wheat and feed grains—can provide relief this year. I support both of them, and beyond that, the establishment of positive acreage limitation on future crops.

Subtracting all allotted crop acres and all conservation reserve acres from total cropland in the United States, as reported by USDA, there appears to be about 59 million acres of cropland in grass, hay or other uses which can be cropped if producers decide to do so, after set-aside and diversions. There is no assurance next year's extra diversion will actually reduce acreage and production enough to reduce our surpluses, and there probably cannot be such assurance except by instituting planting limitations.

The surest, most quickly effective, and least expensive way to provide producers with the economic relief they must have now is the bill which Senators Mansfield and Metcalf have before you to increase minimum price supports 25 percent in any year that the program

announced by the Secretary of Agriculture will build reserves or carryover stocks, as it has done in 1971.

Production in excess of use depresses markets. When we ask farmers to plant to build stocks we should give them protection from the price depressing effects the excess will have in the markets. That is what the bill proposes to do.

The Department of Agriculture has opposed the Mansfield-Metcalf bill, which I introduced in the House, at House hearings. They submitted a statement estimating its cost at \$281 million.

The bulk of that is additional price support loans, which are not net cost of \$242 million. The Department estimated that the increase in price support level would increase export subsidy costs by \$199 million but save \$160 million of that on domestic wheat certificates for a new increase in payments of only \$39 million.

Farm income would be increased many times more than the \$39 million increase in export subsidies or the \$281 million figure, which includes the loans and which are not an actual net cost. If the income from 5 billion bushels of the corn crop is increased 25 cents per bushel, growers of that crop alone would get \$1.25 billion more income from 1971 production. Returns also would be increased on sorghum, barley, and other feed grains.

The 25-percent increase would amount to 31 cents per bushel on wheat not covered by domestic marketing certificates, or more than \$300 million.

Farm income would be benefited at least \$1.6 billion for \$39 million more in payments and \$242 million more in loans, according to the Department's estimate. The Department is proposing to increase acreage diversion payments next year \$600 to \$800 million to cut the corn crop down about the same number of bushels—600 to 800 million bushels.

There is no comparison in the cost-benefit ratios involved in the two suggestions. Our proposal calls for only a fraction of the cost of the Department's scheme. Yet the results of establishing new improved price floors for grain will stabilize the market and permit farmers to get improved income where they should get it—in the marketplace. For far too long we have tolerated the current low loan rates on grains. Costs of a decade or more ago have increased so greatly that the old levels of loan rates and therefore the floor price for grains are no longer realistic.

In the broader sense, the weak grain prices adversely affect the rest of the farm and ranch economy.

All agriculture that uses grain—and that's most of agriculture—has a vital stake in this legislation to protect grain income. Most of us connected with livestock in the United States believe that "cheap grain causes cheap beef"—the same premise carries to other meats, poultry, and milk. All of those producers are in the same boat with grain producers, and it is a fragile craft that is having a difficult time in avoiding complete swamping by adverse economic waves.

Within the provisions of the President's price freeze and within the guidelines being drafted by the Price Commission—although agricultural raw products are exempted—raising the loan rates on grains does no violence to the President's new economic policies. First, grain prices were substantially higher than the loan rates during the 30

days on which the freeze was based. Second, in no way could the proposed higher loan rates cause higher retail prices for foods than existed during the freeze period.

The Price Commission has indicated they will allow modest increases in retail prices where justified, which presumably would include some food products. However, the current prices of grain are so low that the moderate improvements provided for in this legislation could not contribute to higher retail prices than existed before the President's freeze order.

I offer for the record, Mr. Chairman, the analysis of costs of a 25-percent increase in wheat and feed grain price support loans to which I have referred. The figures were obtained from the Department after the Department's witnesses had presented their overall estimate to the House subcommittee.

It should be noted, Mr. Chairman, that the House Agriculture Subcommittee on Livestock and Grains sent the bill to full committee with a 10 to 1 vote of approval.

We need positive assurance that acreages will not be expanded next year. An increase in the price support loan level is not an alternative to that. We must not run the risk of overproduction again next year. But producers need help now, and it can be provided at very reasonable cost by increasing loan levels.

Establishment of a strategic reserve would be a wise complement to a higher loan policy. Others have studied the problem in detail and will present alternative proposals. My own choice is for a reserve in the farmer-producers' hands both to give him the ultimate power to release it into the market, and to afford him the opportunity to earn storage income.

Every cent and dollar of income that can be generated for farmers is needed.

The 25-percent increase in price supports suggested is not enough; it is geared to what some of us feel the Congress might approve. It still will not give farmers anything close to parity, and in my opinion we must finally link farm price support levels to a cost index—a parity level—to give our food and fiber producers equity, and annual crises, stop the outmigration from farms and rural communities, and bring about meaningful rural redevelopment.

#### COSTS OF 25-PERCENT PRICE SUPPORT LOAN BOOST

The Department of Agriculture calculates the cost of increasing price support loans on wheat and feed grains at \$281 million, of which \$242 million would be loan money and \$39 million would be additional export subsidy money.

These are their figures:

	<i>Millions</i>
Grain sorghum, additional loan on portion put under loan.....	\$29
Corn, additional loan on portion put under loan (about 10 percent only goes under loan).....	113
Wheat, additional loan on portion put under loan.....	100
<b>Total added loans.....</b>	<b>242</b>
Wheat, additional export subsidies.....	199
Savings on certificates.....	-160
<b>Net cash outlay.....</b>	<b>39</b>
<b>Total additional outlay.....</b>	<b>281</b>

NOTE.—This data assumes that the price of corn will not go below \$1.03 national average and that the 32-cent advance payment on corn already made will be the full and final payment.

National average corn price was reported as \$1.13 per bushel on Sept. 15. It was \$1 on Oct. 15. Your bill will mean further savings to USDA as corn goes under \$1.03 and they have to make more payment. The higher loan would keep the price over \$1.03, which is the price necessary to make the 32 cents per bushel initial payment to corn producers the full payment to bring assured return to \$1.35 per bushel.

Senator JORDAN. Thank you very much for a very fine statement. Senator Miller, do you have any questions?

Senator MILLER. No questions.

Senator JORDAN. Senator Young?

Senator YOUNG. No questions.

Senator JORDAN. Mr. Smith, you may proceed.

**STATEMENT OF HON. NEAL SMITH, REPRESENTATIVE IN CONGRESS FROM THE FIFTH CONGRESSIONAL DISTRICT OF IOWA**

Mr. SMITH. First I want to say that the question of soybeans came up, and I want to speak primarily to my bill which has been reported out of the House. It is now in the Rules Committee, and I assume will be in conference. It has also been incorporated in some of the bills before this committee. Under that bill, although the term "soybeans" was taken out, if it were included there would be no purchases this year, because they can only purchase soybeans when the price is less than \$2.57, and also when there is going to be an addition to the carryover. And the estimate of the Department is that there will be a reduction rather than an increase in the carryover this year.

Mr. Chairman and members of the committee, I appreciate this opportunity to appear in support of the establishment of a reserve for agricultural commodities. I have sponsored and supported this proposition for 7 years and have seen the need for it time and again as an important additional tool in handling our food and agricultural problems.

In order to provide enough food for 205 million Americans on land where there were only 1 million Indians, we now have corn production so widespread in the United States that each new disease can spread very rapidly and together with uncontrollable weather conditions can produce severe shortage situations.

Only last spring the Department of Agriculture felt compelled to encourage a big increase in corn acreage for the protection of consumers because we had no insulated reserve and there was fear that weather and another corn disease together might produce a severe shortage. Now within months we have a huge surplus and farmers are selling grain at less than the cost of production. This is not really a unique situation and can be expected to happen again and again until we provide a better mechanism for stabilizing supplies to a better extent.

Some say producers do not want a reserve because it will hold corn over the market. The fact is that we already have a reserve consisting of a 700-million-bushel carryover from 1970 and a 800-million-bushel surplus in 1971 or a total of 1.5 billion bushels; and the real immediate question is how do we use the reserve we now have to help instead of hurt the producers and consumers in this country. For those who claim a reserve will hurt the producer's market, I also remind them that the price of corn was much higher 10 years ago when there was an even bigger carryover than there is today. At that time, the

carryover was more than 50 percent of 1 year's production, yet the average price to farmers was \$1.12 compared to \$1 today.

The difference is that at that time we had a program under which it was assured that production would be less than consumption and it was assumed that the grain taken from the carryover would be only the amount needed. In spite of the fact that total supply was larger, marketable supply was enough in balance so that we could maintain a price higher than we have at the present time. This proves conclusively that the total supply of grain in existence is not what determines price, but rather it is the marketable supply available which determines price.

With a reserve properly operated, we would operate an inventory control that way almost every successful business in the United States does and instead of farmers flooding the market with grain at giveaway prices some years and having little to sell in years when prices are better, the market would be made more stable. Last week, the administration announced that the Department of Commerce is approving sales of grain made by Continental and Cargill to Russia including 80 million bushels of corn at \$1.20 per bushel f.o.b., gulf port. Although this is only 1½ percent of our 5.4 billion bushel production, any export increase this year probably is welcome. However, upon examining the terms of the sale, we find there will have to be an increase of more than twice this amount just to earn the same number of dollars from exports compared to last year.

Last year 516 million bushels of exports brought \$815 million f.o.b., gulf ports or \$1.58 per bushel. But at \$1.20 per bushel f.o.b., gulf ports, it will take 675 million bushels of corn this year to bring the same number of dollars. In other words, at the price the corn was sold to Russia, farmers will have to give four bushels to get the money they received for three bushels last year in spite of the fact that their costs are much higher. This helps to support the strong indication that Russia, among others, already has a reserve grain policy and has outsmarted our business people.

It will be noted that although their production of sunflower seed has been fairly stable, they have not been selling to the West when oilseeds are cheap but when oilseeds were high a few years ago, they tripled sales to Japan. Then when oilseeds went down in price the next 2 years, they reduced sales. Oilseeds are a better price this year and it is strongly suspected they will get their money to pay for the corn by selling sunflower seed they have been saving. While American farmers sell corps when they are cheap and have too little to sell when they are high, apparently the Russians are buying what is cheap and selling when grain is higher. Also since the sale of corn to Russia was at less than the cost of production, in effect, the American farmers are subsidizing the Russian livestock industry.

I ask you, who is it that is applying the good old hard-head capitalistic principles of getting the most you can out of the market, Communist Russia or capitalist United States? I beg of this committee to give the American farmers a better chance compared to the Russians and to have a chance to at least sell their product at a price that will at least return cost of production and this reserve bill is the only hope left for helping farmers secure a reasonable price for this year's bumper crop.

By the Department's latest report on agricultural prices issued October 29, the average price of corn in Iowa, which produces 25 percent of corn in the United States, was 94 cents per bushel. The average price of corn in the United States, including feed deficit areas, was \$1 per bushel. This was 53 percent of parity. In the heart of the cornbelt, in Des Moines, Iowa, on September 14, 1968, President Nixon said, and I quote, "Seventy-four percent of parity is intolerable in my book; farmers are entitled to better, and I pledge that in my administration they will have better."

Since that time, corn has not only dropped to 53 percent of parity but also according to the latest agricultural statistics since 1967, interest has increased 34 percent, taxes have increased 46 percent, the cost of motor vehicles farmers buy has increased 24 percent and the cost of the farm machinery has increased 28 percent. To let the price of corn and other grain drop to this all-time low by comparison when something can be done about it is simply unconscionable.

Under the reserve bill approved by the House Agriculture Committee and under bills before this committee, the Secretary could and should buy some of this surplus corn off of the market and put it in an insulated reserve. The announcement that CCC will buy within the marketing year a given number of bushels of corn and hold it under the provisions of an insulated reserve would have the same effect as dumping that much grain in the ocean as far as this year's price is concerned. Since the insulated reserve could be called upon in future years, the Secretary would be free to tighten the set-aside program without fear that a shortage will develop. This would permit the set-aside program to work much better and without the recurring fear that the farmer will be financially wiped out if a good crop is produced. Under the House bill, the Secretary would pay the market price but would stop buying if the local price exceeds \$1.17, which is probably the equivalent of about \$1.40 f.o.b. gulf ports. That is about 20 cents per bushel more than Russia paid but 18 cents less than we sold corn for last year. The corn would be kept in storage and sold at not less than \$1.41 local prices. It also could not be sold unless needed according to statistics of the Department. This is a new limitation on the Department which they do not have under existing CCC acquisition and distribution laws.

The Department would also be permitted to sell in one location and buy at another location an equivalent amount of grain within a 48-hour period. This would permit these Government-held stocks of grain to be used to help the private trade fill any export orders which might arrive. As was illustrated only a few days ago, unexpected opportunities may arrive but if the grain is not available for delivery or is buried under some snow drift or will not be available for some weeks, the export opportunity may be lost. Instead of the Government moving particular bushels of corn under its title and becoming involved in all kinds of transportation and management problems the way they have been under the regular CCC operation, this provision would permit the Government to merely sell at one location and buy at another and let the grain trade take care of relocation problems. In other words, the reserve could be better used to help promote sales without the Government being the grain handler and merchandizer.

The bill also provides that the announcement of the quantities to be bought or sold during the year must be announced at a particular time. This would mean that the industry would know exactly what the reserve policy would be for that market year and make its business adjustments accordingly. When such decisions and announcements are delayed as is permissible with CCC regular stocks, there is always speculation as to what new announcements may be forthcoming and these possibilities and delays have consistently hurt the farmers.

Farmers are not the only people who should be interested in this bill. While corn is now selling at less than the cost of production, consumers cannot expect to reap any benefit from it. It has been shown time and time again that when prices plunge to a level less than the cost of production, the cost of food products to the consumers are reduced very little, if any. However, when there is a real shortage, the cost to consumers skyrockets. Also, cost only tells part of the problem because by rationing through a price mechanism, we also eliminate as consumers those who are living on insufficient diets. Thus, we have a situation where establishing an insulated reserve to be used only in times of shortage and acquired only in years when there is a surplus will actually be beneficial to both consumers and producers.

I think we should briefly note also that this could be very important with regard to our balance-of-payments problems. Since we are this year selling corn so much cheaper than last year, we will have to sell 675 million bushels just to earn the same dollar credits we earned from the sale of 516 bushels we sold last year. That means we will have to find new export markets for 79 million bushels in addition to those sold the Soviet Union just to stay even with dollar receipts. I doubt if we can find that many additional sales. There is no reason to believe that those who bought the 516 million bushels last year would not have paid the same price per bushel for corn this year. Were we to hold in an insulated reserve some of this surplus and keep the price where it was last year, we would both earn more dollars from these exports this year and have more to sell when it is needed in some future year.

Years of shortage in other countries cannot be predicted any more than they can be predicted in the United States because they cannot control their weather either. Naturally they will not want to rely upon us as a primary supplier of commodities unless they are fairly sure we will have the commodities when they need them. Therefore, it is not only in our interest from an income standpoint to have this reserve and stabilized prices but it is also in our interest from the standpoint of keeping customers.

Those who cannot dig up any better reason to oppose the reserve bill have thrown some scare figures around and claim it will cost tremendous sums of money. The undeniable fact is that it will cost about 17 cents per bushel for each bushel stored. Those are the Department's figures. If 600 million bushels are stored during the coming year, that will be a cost of \$102 million. I say that is cheap insurance and a good investment for all the reasons I have mentioned. However, the additional income tax that would be collected from a more stable price together with the additional dollars earned on foreign sales, should more than offset that cost. As far as the original

cost or investment in the grain is concerned, we should keep two things in mind. One is that it will eventually be returned with some profit to offset storage costs. The other is that unless the Government buys some grain now, a considerable amount of this corn will have to be paid for and come into Government storage anyway through the regular CCC operation next fall. However, the corn acquired under the regular CCC operation will only come into Government hands and off the market after it has hung over and depressed the market for most of the marketing year. Thus the same investments delayed will cost the Government the same but provides small benefits by comparison.

It seems to me the provision for a reserve at this time would help farmers, consumers, the balance of payments, promote exports, and create a willingness for foreign customers to depend on us for supplies and would permit the setaside program to work better. I respectfully and sincerely urge that the Senate quickly enact an appropriate reserve bill.

Senator MILLER. Could I ask my colleague from Iowa a question?

Senator JORDAN. Yes, indeed.

Senator MILLER. Does he have any idea why, when we had 50 percent of 1 year's production carryover, the average price was \$1.12 compared to a dollar today?

Mr. SMITH. It is because we had a feed grain program under which we purposely produced less than we would consume. And then under the program at that time, it was assumed they would only feed into the market the amount that was necessary to make up the difference between production and consumption. And that did stabilize the price at the \$1.12 level. And I think that proves that what really counts is marketable supply, not total supply.

Now, the administration announced this sale to Russia of 80 million bushels of corn. And although it is only 1½ percent of our total production, any increase in exports at this time, of course, is welcome. I think we ought also to note that the price was \$1.20 per bushel f.o.b. gulf ports.

Last year we sold 516 million bushels at a price of \$1.18 Gulfport, 38 cents more. And that means that the same customers that bought the 516 million bushels last year can buy this year's crop at \$196 million less. There is no reason to believe that they wouldn't have paid the same amount this year for the 516 million bushels.

Senator YOUNG. If you will yield there, Congressman. In the case of Japan, they devalued the dollar some 10 percent, that means that their yen will go 10 percent further too.

Mr. SMITH. You are quite right. So the amount to be paid for our exports is really an even greater reduction than \$196 million.

To say it another way, it will take 675 million bushels of corn this year to bring the same amount of dollars that we got for the 516 million bushels last year. So we are losing foreign sales credits too.

Thank you very much.

Senator JORDAN. Thank you very much. We appreciate your being here.

Senator Young, any questions?

Senator YOUNG. No.

Senator JORDAN. Senator Miller?

Senator MILLER. Yes.

On page 4 of your statement, you say that under the House bill—and that is the one pending in the Rules Committee—

Mr. SMITH. Yes.

Senator MILLER (continuing). The Secretary would pay the market price, but would stop buying if the local price exceeds \$1.17.

Mr. SMITH. That is right.

Senator MILLER. Is that the national average market price, or are you talking about \$1.17 at the elevator in north-central Iowa?

Mr. SMITH. That is the average local price over the last 5 years.

Senator MILLER. That is the national average?

Mr. SMITH. That is right, the national average of local prices.

Senator MILLER. That could be \$1.08 at Altoona, then, couldn't it?

Mr. SMITH. It would be less at Altoona but national averages are usually within 2 or 3 cents of Altoona prices.

Senator MILLER. What I am interested in is where is the Secretary going to buy for the purposes of the reserve?

Mr. SMITH. He buys wherever he thinks it needs to be located. And I would assume in view of the need to promote exports, that he would locate some at unfrozen ports, and hold it there, because we have had this situation before, where some exporter has a market for grain, and they don't have it. It may immediately be available from Argentina, but not from here. And whenever we have that situation, I think they ought to have some that they can sell to the private grain trade. Under my bill, they can sell as long as they buy within 24 hours the same number of bushels someplace else. In other words, an exporter finds a market, and so, the department would sell what we are holding down here in New Orleans, say, and replace it with a purchase from somebody in North Dakota the same day. So our total reserve is the same, but we helped the private grain exporter meet the extra responsibility.

Senator MILLER. I thought of that. I was wondering where is he going to buy at Altoona when the price is \$1.18, and say, some place in this area, it is \$1.16?

Mr. SMITH. In the bill it provides that they adjust their prices according to the historical price differential at different locations.

Senator MILLER. So that it might be \$1.08 at Altoona—

Mr. SMITH. Or it could be \$1.34 f.o.b. gulf ports.

Senator MILLER. Now, the chances are, he is not going to buy at Gulfport, he is going to buy from the corn producing country.

Mr. SMITH. I think he will buy some both places.

Senator MILLER. What guideline is he going to use to determine whether he is going to buy 50,000 bushels in a north-central Iowa market, 200,000 bushels in southern Illinois, or 200,000 bushels in Indiana? What is he going to use for a guideline?

Mr. SMITH. I would think the Commodity Credit Corporation buyers and the people that operate the reserves we now have would take into consideration a number of things. One, a critical surplus situation in any location. And they would try to get it out of there if that would help that locality. But in addition to that, looking forward to where some grain could be used for export, I would think that they would buy at those places where there is storage available at export points, where some could be located. And they might, for example, buy 100 million bushels to be delivered to a gulf port terminal in New Orleans by March. And then it would be delivered later. It would come out

of any place that the grain companies who sell it could buy it. But they make these judgments now.

Mr. MILLER. But that amount he bought in the example you gave, would that be a part of the reserve?

Mr. SMITH. Yes; that would be in the reserve.

Senator MILLER. Then perhaps within 30 or 60 days after it was purchased for the reserve, it would be released from the reserve?

Mr. SMITH. They couldn't release any more bushels than they bought the same day. In other words, they could buy 400 million bushels, and then in order to facilitate an export sale at a certain location, or in order to relieve a shortage that appeared suddenly at a certain location, they could sell some at that location provided they buy the same number of bushels somewhere else within 48 hours.

Senator MILLER. Then as I understand it, this concept of a reserve—and may I say, I didn't have this understanding before—is a sort of a floating reserve. When the Secretary would purchase for the reserve, instead of thinking in terms of having it sit for maybe a year or 2 years, to be sold to make room for fresher crops, which is a concept, as the Congressman knows, that we have had previously, his idea is that this reserve might have some crops taken out of it in 30 or 60 days to be replaced by other crops; and that would be done with a view to meeting our export needs or facilitating our export shipments.

Mr. SMITH. That is right, and compared to existing CCC law, it would be a much superior way to handle the reserve in order to help us meet our export responsibilities to what we have now. This thing of having to move particular corn all the way, and follow its title by Government people all the way from Iowa down to New Orleans is unnecessary. One man at CCC could sell at one location and buy at another and just let the trade take care of the movement problems. They will just sell one place and buy another perhaps for delivery 60 days from then, and let the trade worry about getting it down there.

Senator MILLER. This seems to me to be a substantial difference from other grain reserve bills we have had in this committee down through the years which have not had that feature in them. Those bills have more or less been intended to insulate the reserves from any distribution or any movement for a long period of time, possibly a year or two; isn't that a different feature from your bill?

Mr. SMITH. That is true in some of the bills. I drafted this bill personally. I labored over it for days about 7 years ago. And it has been in my bill ever since then. However, some of the bills have not had this feature in them.

Senator MILLER. I still have this concern, and I know my colleague will share it too, and that is that the action taken by the Department in buying in one part of the State or in one part of the country, as opposed to another, could have quite an impact on the local market conditions. Certainly we would not expect them to use their discretion and buy all of the corn needed for the reserve, let's say, from Illinois, or we would not expect them to buy it all from Iowa. We would expect them to do this on a fair basis. Now, what is a fair basis could be a very good question. I don't know whether we need some guidance on this or not.

Mr. SMITH. I don't really believe they do, for this reason. All of these years they have had this kind of discretion with regard to sales

and movement of corn, and CCC acquired corn, from one area and another.

Senator MILLER. That is right, and the Congressman is very much aware that that discretion has in some cases caused considerable discontent.

Mr. SMITH. But they have also found out that if they don't use some reasonable discretion, that they are going to hear about it from both the Senate and the House. And if they don't have a good answer, they hear about it, and if they do, they get by with it.

Senator MILLER. The only trouble is that they hear about it after the horse is let out of the barn door. I am sure that all of us from Iowa have had this experience. We have this purchasing discretion in the bill and I don't know whether it is feasible or not to put in some guidelines to cover purchasing. But I think it might be worth thinking about a little bit. If you have any ideas on it, I think all of us would appreciate them.

Mr. SMITH. I think we need as many guidelines in legislation as we are sure will work. But I think it would be difficult to lay guidelines telling them exactly where to locate grain. I would assume they would have the good judgment to look ahead, and if they think they are going to increase exports this year, they would try to be sure that there is corn in proper location for export, and to try to find a terminal facility where it can be placed. I think we do have to depend upon them to some extent. But certainly this legislation would give them a better opportunity to serve a useful purpose than they now have under existing legislation.

Senator MILLER (now presiding). Congressman Smith, I personally know you have been a leader in advocating this reserve type of program, and we appreciate your coming here and discussing it before this committee very much.

Mr. SMITH. Thank you very much. I appreciate it.

Senator MILLER. Without objection, the subcommittee will stand in recess until 2:15 p.m.

(Whereupon at 12:03 p.m., a recess was taken until 2:15 p.m. the same day.)

#### AFTERNOON SESSION

Senator JORDAN (again presiding). The subcommittee will please come to order.

Senator Miller and Senator Young, I am glad you could be back with us. You may proceed, sir.

#### STATEMENT OF KENNETH E. FRICK, ADMINISTRATOR AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. FRICK. Mr. Chairman, I am Kenneth E. Frick, Administrator, Agricultural Stabilization and Conservation Service, USDA. I have with me today Mr. Glenn A. Weir, Deputy Administrator for Commodity Operations, ASCS, and Mr. Claude T. Coffman, Deputy General Counsel, Office of the General Counsel, USDA.

We appreciate the opportunity to present the Department's views on the group of bills—S. 2093, 2099, 2444, 2500, 2678, and 2729—pro-

posing commodity reserves in one form or another. We have previously reviewed and commented on the bills.

Basically, they fall into three categories to be defined later. But all share a common concept: that of higher Government minimum prices either through increased loan rates or purchase prices for the acquisition of grains and soybeans in some specified quantity. One bill calls for dairy and poultry products as well. Such acquisitions would presumably accumulate reserves in Government ownership.

Before getting into a more detailed discussion of concepts and of the individual proposals, I want to assure the subcommittee that the Department shares its belief in the need for a reserve mechanism. Secondly, we share your objective of market prices for farmers as strong as possible within the constraints of a voluntary production adjustment program. Hopefully, the proposals can be discussed on this plane and not in the context of who is for and against higher corn prices and who is for and against a grain reserve program.

We now have an effective reserve mechanism in the resale loan program. Under the loan, the grain is controlled by farmers; thus, they decide if and when to sell and at what prices. This is far more satisfactory than leaving this decision to Government policymakers.

We need but look to the past to be reminded of the uncertainties and controversies prompted by the handling of Government commodities. Whatever the Government acquires, it must also dispose of at some future date. From your vantage points as longtime viewers of the national scene, you must agree that there has never been a time which was acceptable to all as the proper moment for the release of commodities from Government holdings. I am just as certain there will never be a universally accepted moment in the future, no matter what kind of a release formula is incorporated into legislation authorizing commodity reserves.

If we examine Government selling policies for two decades or more as a clue to the future, it is readily apparent that each Government farm program administrator has his own particular price targets for returning Government stocks to commercial or captive markets. These targets are determined by circumstances of the moment and can be prompted by nonagricultural as well as agricultural factors.

The trigger point for the emergency release of stocks can be and is always rationalized as a "necessity" for a variety of reasons: drought-prompted shortages, unforeseen export opportunities, fear of grain deterioration, and so on. But one thing remains crystal clear: rarely have farmers viewed the movements as anything but a threat to their prices.

No matter what the law's formula prescribes, the trade does not bid for and carry as large a supply of the commodity as they would if the Government were not carrying a reserve. This would be true even if the reserve were released only in a true emergency. But experience of the past shows that the definition of what constitutes an emergency can be a broad one. This uncertainty acts as a brake on private holdings which, in turn, increases the Government's role.

Over the recent years, we have seen a desirable shift in excess stocks from direct ownership by the Commodity Credit Corporation to one of continued farmer ownership under the resale program.

Thus, farmers are retaining control of the reserve stockpile and earn storage payments in the process.

I have a table which illustrates the transition from CCC holdings to resale holdings, along with storage payments earned by farmers for selected fiscal years.

It would be tragic to retard or reverse this desirable trend. There can be little disagreement that farmers' decisions reflecting the market process are a far better determinant for the movement of reserve stocks into use than the release of Government stocks by the often-times arbitrary decisions of Government policymakers. In other words, we ought to place our faith in the judgment of farmers as to timing the return of accumulated supplies into use rather than let Government farm program administrators control this timing. And I submit the table.

Senator JORDAN. It will be included in the record.

(The table referred to follows:)

QUANTITIES OF CORN UNDER RESEAL AND IN UNCOMMITTED CCC INVENTORY

[In millions of bushels]

	Reseal	Uncommitted inventory
Oct. 31, 1960 .....	277	1,413
Oct. 31, 1965 .....	365	528
Oct. 31, 1968 .....	474	246
Oct. 31, 1969 .....	410	294
Oct. 31, 1970 .....	296	136
Sept. 31, 1971 .....	203	97
Oct. 31, 1972 <sup>1</sup> .....	570	190

<sup>1</sup> Estimated.

*Storage income to farmers from resale*

Fiscal year:	
1961 .....	\$48,100,000
1966 .....	68,500,000
1969 .....	122,800,000
1970 .....	143,700,000
1971 .....	110,100,000

(Note. Additional information supplied by the Department is as follows:)

NUMBER OF FARM-STORED LOANS RESEALED, FISCAL YEARS 1971 AND 1970

Commodity	1971	1970
Barley .....	5,813	7,411
Corn .....	25,399	32,428
Grain sorghum .....	1,140	1,377
Oats .....	19,022	13,092
Soybeans .....	3,270	17,615
Wheat .....	18,357	15,891

FARM-STORED RESEAL PAYMENTS, FISCAL YEARS 1970 AND 1971 BY COMMODITY

	Fiscal year 1970	Fiscal year 1971
Barley .....	\$8,392,838	\$8,543,057
Corn .....	53,223,149	35,917,293
Grain sorghum .....	4,566,847	1,813,278
Oats .....	8,832,912	15,299,307
Soybeans .....	6,805,996	6,909,991
Wheat .....	21,693,747	22,372,944
Total .....	103,515,489	90,855,870

Mr. FRICK. The drawdown in stocks in recent months illustrates the advantages of farmer-controlled reserves and the decided lack of agreement on what to do with Government stocks. Farmers, by having a part of the reserve under their control in resale, were in a position to realize a substantial return over and above the loan rate as market prices went up. They realized this gain on a substantial quantity of grain. The more than 15 million tons of feed grains under extended loan in April 1969 were drawn down to 4.3 million tons by July 1971 as favorable market conditions permitted farmers to pay off their loans and market the grain. This drawdown in resale stocks took place when the season average price for corn was \$1.36 per bushel.

Soybeans offered a similar advantage for farmers as resale stocks dropped from 117 million bushels early in 1970 to 2 million bushels in September 1971. This occurred at a time when the season average price was \$2.84 per bushel, thus giving farmers a healthy margin above the loan level.

I'm sure that I don't have to remind you that during this same period a substantial movement was taking place out of Government stocks. As has been true in past periods of Government stock reductions, more than just a little criticism from many sources surfaced during the proposals even though the minimum and actual sales prices were kept at high levels relatively. But farmers benefited not one cent from the higher prices obtained for their former loan stocks.

Even the most ardent supporters of Government reserve acquisitions must find it difficult to subscribe to this as a better method of returning stocks into use as compared to the profitable return experienced by farmers under the resale mechanism. Little good purpose will be served by getting the Government back into the grain storage, handling, and selling business in a big way. This is what would happen under the reserve proposals.

We now have Government holdings trimmed down to acceptable levels and see no good reason to have them any other way. We believe that with the combination of the loan modifications put into effect in recent weeks and of the revamped set-aside program for next year, prices for grains are going to be stronger. Under the resale program, farmers will share in any increase in the market value of reserve stocks. If the Government takes over the reserve as envisioned by the proposals under discussion, only CCC would benefit from the higher market price.

We have initiated a series of actions in recent weeks that aim at giving farmers more opportunities to hold commodities off markets in order to strengthen prices. We are firmly committed to this course as a means to price improvement and are opposed to setting up artificial minimums at levels so high they guarantee continued unbalanced production. If we believed that guarantees could be raised without jeopardizing the effectiveness of a voluntary production program, we would have taken the step months ago. With a high guarantee that assures farmers more money for growing corn than for diverting acreage from production, the voluntary program would be ineffectual in meeting what continues to be a serious imbalance between production and use. High market prices are one thing; higher Government guarantees are another.

Some of the favorable factors toward higher market prices along with a series of changes in various programs to help farmers get better prices follow:

First, a larger quantity of corn is eligible for loan than ever before. This gives farmers an opportunity to hold a substantial part of the harvest off the market in order to strengthen prices.

Second, with a larger proportion of the crop eligible for loan, more farmers than ever can get immediate cash through the loan program and hold their grain for better prices after harvest.

Third, the facility loan program under which farmers can borrow money from the Commodity Credit Corporation to erect farm storage was made more responsive to current needs, thus enabling farmers to get 65 million bushels of additional storage during the first 3 months of this fiscal year. This is nearly double the activity of a year earlier.

Fourth, since January 1, nearly 70 million bushels of bin storage capacity has been shifted from Government to farm ownership, and thus is strategically positioned to help meet farmer storage needs this fall and reduce distress selling.

Fifth, the sharp reduction in Government-owned stocks of grain during the past year has removed the Government stocks as a major factor in tying up storage and overhanging the market.

Sixth, to help farmers get storage so they can get a loan, storage in Government-owned bins is available for farmers to rent. As a result of the stocks reduction about 270 million bushels of bin site space was available to farmers this fall.

Seventh, the loan program was changed to allow producers to enter into contracts to sell their grain for future delivery without loss of loan eligibility. This gives producers greater freedom to negotiate a better price.

Eighth, early announcement of a broad resale program which enables producers to extend support loans on 1969, 1970, and 1971 crops through 1973 maturity dates enhances the bargaining power of producers through farmholding of reserve stocks. They also earn income for the storage of the reserve on farms \* \* \* income that would be lost if the Government held the reserve directly.

Ninth, in order to make the loan available to all eligible producers, a distress loan for ear corn is available where permanent storage is short. This was designed to help cushion the adverse effects of the transportation tie-up which delays grain shipments and subsequently depresses farm prices.

Tenth, also to help storage short areas, loans can now be obtained at the local rate even though the grain is moved immediately to storage outside the production area. No transportation cost is charged producers. They still control the loan.

Eleventh, a major breakthrough in trade with Eastern Europe in nearly a 3-million-ton sale of feed grains was negotiated with the Soviet Union. This provides an added market for this year's large feed grain crop.

These actions are beginning to be felt in markets and in improved farm returns. More and more information is appearing that these modifications are working to help farmers. If these actions are allowed to work over the next few months, they will bring a more solid market gain than any of the proposals whose underlying purpose is to put the Government back into the grain business in a big way.

S. 2093 and S. 2099 would raise the minimum loan rate by at least 25 percent any time stocks are increasing. Bill S. 2444 has the same

provision but also contains an additional provision which provides for a loan repayment period of up to 3 crop years and authorizes the Secretary to terminate loans under specified conditions.

The Agricultural Act of 1970 does not specifically provide for acreage adjustment programs by individual commodity. The purpose of the program is to withhold a certain acreage of cropland from production of crops and thus promote a prosperous agriculture while giving producers opportunity to respond to markets as they see fit and select the crop or combination of crops they desire to produce within the available cropland acreage. To raise the loan on a crop because stocks were increasing would distort loan rate relationships changing farmers' price expectations and cropping patterns.

S. 2500 and S. 2678 are identical bills which authorize the Secretary to establish producer-owned and controlled emergency reserves of not more than 200 million bushels of wheat, 500 million bushels of corn or its equivalent in other feed grains, and 100 million bushels of soybeans. The bills require the Secretary to enter into agreements with producers to store such commodities and the Secretary is required to make loans to the producers at 125 percent of the current loan rate without interest and pay reasonable annual storage payments.

Loans at an increased level on a specified portion of the crop amount to purchases since the CCC would eventually acquire the commodity. The problem of disposing of the commodity and its detrimental effect on market prices would be a repeat of the folly of the past.

S. 2729 provides for the establishment and maintenance of reserve supplies of feed grains, wheat, soybeans, and dairy and poultry products. The reserve would be acquired through direct purchase.

I hope that we will not sacrifice solid gain over the longer period by following the temptation to overkill by hasty Government action. We have taken a number of actions to stabilize and increase prices in the face of heavy supplies. But this supply problem has been compounded by the lack of storage in some areas where needed because labor problems at the docks and in Chicago's elevators has stopped the movement from country points.

The continuation of work stoppages affecting the movement of grain is offsetting even the short-run effect of any efforts made to stabilize markets. If there had been no stoppages, the many changes made in the loan program would have increased corn prices significantly above current levels. With such a large share of the normal harvest movement of corn so impeded, it is virtually impossible to correct the market situation. Hopefully, the movement will resume shortly, relieving the congested storage areas, and giving farmers the opportunity to use their new tools to strengthen prices.

The feed grain program for next year will reduce carryover stocks and raise farm incomes. Prices will be higher and farmers will have the opportunity to get larger payments through added land retirement. Thus, the program now authorized can achieve the objectives of increased prices, income, and maintenance of strategic reserves. And this is being achieved with producers making the decisions.

The legislative proposals are clearly contrary to responsive public policy. While the avowed objectives are to raise farm prices, we see little evidence that this will be accomplished. We do see, however, that the passage of this type of legislation would negate much of the

constructive efforts aimed at market and supply improvement in the coming months. In short, the bills run counter to the best interests of farmers and would be costly to taxpayers.

Thank you, Mr. Chairman.

Senator JORDAN. Thank you very much.

Senator YOUNG?

Senator YOUNG. I don't have many questions to ask.

You will recall that last year when the House passed their version of the farm bill it would have permitted price supports for wheat to be set at any level from zero to 100 percent of parity.

Mr. FRICK. Yes, sir.

Senator YOUNG. Immediately Secretary Hardin advised the committee that the level of price for wheat would be \$1.15 a bushel, or 10 cents a bushel less than it was at that time. You recall that, don't you?

Mr. FRICK. Yes.

Senator YOUNG. This committee raised the minimum price support level to \$1.25 a bushel. Under the set aside, farmers have more freedom to plant. This has been used and it has in large measure resulted in depressed prices. Spring wheat acreage, I believe, was up almost 50 percent last year. This farm bill didn't pass until after winter wheat was seeded. What kind of a situation would we have had if this bill had passed a month before the hard red winter wheat which had been planted? You would have had a terrific acreage increase there. We have an impossible situation now in the spring wheat areas with wheat at \$1.05 to \$1.15 a bushel out in Montana and western North Dakota. Farmers can't live with this kind of a situation.

There is no use arguing with you. You do a good job defending your type of farm program. But it just won't work.

But why do you now give diversion payments on feed grains to reduce production, but not on wheat?

Mr. FRICK. Mr. Senator, we did come out with a wheat program earlier this year. We went to the maximum required set-aside. And, of course, since then we have come out with the feed grain program.

And, of course, another tool that is always available is the voluntary diversion left in the wheat program.

Senator YOUNG. Divert to what?

Mr. FRICK. We would get additional diversion from wheat.

Maybe I am not getting your question correctly.

Senator YOUNG. With the new program, I pointed out, spring wheat production went up 50 percent.

Mr. FRICK. Yes. But at the moment we are at the maximum set-aside permitted in wheat. And we believe that under the set-aside, the feed grain and the maximum wheat set-aside, that we would see a balance between wheat production and offtake in the 1972 year. We believe that as you put barley in the program, it will get some of the required diversion in the area where wheat is grown, and we will see a balanced production and offtake situation in wheat.

Senator YOUNG. This will help a little. But in the spring wheat area, you not only have this tremendous increase in the wheat production, but you have an increase in all the other grains with the exception of oats. So unless you idle enough acres, you are going to have just too much production to get a good price. This free market

by itself is not going to work. I have tried to tell you that before. There is no use arguing any more. You just can't sell this program to farmers and for a very good reason. You can't buy a \$18,000 tractor with \$1.05 wheat.

That is all I have.

Senator JORDAN. Senator Miller?

Do you want to answer that?

Mr. FRICK. My only point is that we say that our 1972 feed grain-wheat announcement should reduce our feed grain production below that which will be consumed in all feed grains, and it should balance wheat production and offtake.

Senator YOUNG. It should, but you know it won't.

You didn't answer my question. Why don't you have diversion payment for wheat the same as you do feed grains?

Mr. FRICK. At this point in time we don't feel that we need it.

Senator YOUNG. When spring wheat production was double what it was before?

Mr. FRICK. As we look at the offtake compared with the production in the coming year, that is where we are in our thinking. But it is still available to us to look at as we see more information over the next month or two.

Senator YOUNG. You had better take a hard look at it.

Senator JORDAN. Senator Miller?

Senator MILLER. Thank you, Mr. Chairman.

Mr. Frick, there has been some concern expressed by witnesses this morning which you heard, that the hoped for increase in prices that you referred to in your statement would not materialize in 1972. One of the points to support that position has been that even though the 1972 program might be successful in reducing the surplus, there will still be a very substantial surplus, and that will continue to depress the market price.

Another one is, I suppose, the futures market following the statement of the 1972 program. I made a review of the Chicago futures market for several days preceding and several days following the 1972 programs announcement. And I could at best find about a 2-cent improvement in the price. What is your answer to the failure of the futures market to reflect substantial increases in their futures prices following the 1972 programs announcement, and the point made this morning that even if you do reduce your surplus in 1972, that we are still going to have a substantial amount of this surplus hanging over the market so we are not going to get the improvement in prices that you forecast?

Mr. FRICK. If there is less production in 1972 than offtake, we would expect an improvement in prices, because to get enough grain for the market it will have to be brought out of stocks, resealed stocks, or off the farm. And a minimum of 15 percent over the loan will have to be paid to bring that grain out, or that is normally where the price tends to go. And as long as you have less production than offtake, prices have to go up to pull it away from people that own it. And, of course, their own grain is under protection of the loan.

Senator MILLER. Then why doesn't the futures market reflect that? I looked at the Chicago futures for 2 weeks after the announcement of the 1972 program, and I found a 2-cent per bushel improvement. I am sure you looked at the same thing.

Mr. FRICK. Of course, Mr. Senator, I think the futures market had figured pretty well that a large setback was required way before the program was ever announced. I think they had determined pretty well what was necessary. And I understand that if a person wants to use the futures market that he can make sales that would terminate using our loan, and if he has storage on the farm, he can make sales ahead for delivery that do reflect much better prices than today, much better prices. But I don't think there was any change at the moment of the announcement, because I think that the people there understood the type of program that would have to be announced.

Senator MILLER. I was hoping that the type of program would be a sufficiently closed door secret so that there would certainly be some market reaction. And that is why I say, I went back—actually, I think I went back 4 weeks day by day before the announcement, and then about 2 weeks after the announcement. In fact, I was a little bit disappointed that I could see at best a 2-cent improvement in the futures market following the 1972 program announcement. And you suggest the reason that we didn't find a better improvement is that the futures market had anticipated this probably even some weeks ago?

Mr. FRICK. I think so.

Senator MILLER. Well, what about the other argument that the substantial surplus will still exist? You rebut that by saying the Government has a 15-percent increase that it has to pay in order to release these stocks, is that what you are saying?

Mr. FRICK. Yes, as far as any sale by our Government. And everyone who holds those stocks knows that they can wait for a price rise before releasing them. Somebody has to pay more if they are going to get those out of stocks.

Senator MILLER. Will the farmer get the improved price or the Government?

Mr. FRICK. The farmer would.

Senator MILLER. Now, this morning Senator Humphrey gave us some figures from which, I suppose, the conclusion amounted to this. The net increase in Government costs, he said, would probably be between \$200 and \$300 million, which is only a fraction of the \$1.5 billion estimated increase in the market value of 1972 grains, which would result from the program he advanced. Do you have any comments you want to make on that? In other words, it looked to me as though, if his premises were correct, that, for the sake of \$200 to \$300 million additional costs, net cost as we put it, there would be an improvement of \$1.5 billion in income to farmers, which sounded pretty good, a ratio of 5 to 1. Then he contrasted that with the \$600 million I think he said it was \$600 million additional cost for the retirement program next year, or about a \$1 to \$2 ratio. You heard him this morning?

Mr. FRICK. Yes.

Senator MILLER. What answer do you have to that? Would you like to study it and furnish the committee an analysis?

Mr. FRICK. We would be happy to.

Senator MILLER. I think it would be more satisfactory if you could do that, because I think we ought to try to get together on our mathematics. If you agree with the mathematics, then it looks to me like we

have had a pretty good proposition advanced to us. But, on the other hand, if you don't agree with the mathematics, I think we ought to know about it. So if you could do that for the record, I would appreciate it.

Mr. FRICK. We will.  
(The information is as follows:)

SENATOR MILLER'S QUESTIONS

1. What is your answer to the failure of the futures market to reflect substantial increases in price following the 72 program announcement?
2. Even if you reduce 1972 output, we will still have a surplus, and we're not going to get price improvement. Will substantial surplus still exist?
3. Humphrey said "we would increase government costs by \$200 to \$300 million, but there would be an improvement of \$1.5 billion in income to farmers." Any comment on this? (Joined in this request for analysis by Senator Jordan.)
4. "How much distortion between loan relationships would there be if loans were increased to \$1.25 per bushel for corn? Please supply the mathematics
5. You stated this "bill will be costly to taxpayers." My question is, is this increased cost worthwhile to taxpayers?
6. How much higher will prices be in 1972?

*Response to Question 1*

The future market has reflected the 1972 feed grain program. On September 1 the December 72 future was 5¢ above cash corn, No. 2 Chicago, and the December 71 future. On November 15 the December 72 future closed 20¢ above cash corn and 10<sup>3</sup>/<sub>8</sub>¢ above the near future. We should point out that traders anticipated the 1972 program and bid up prices prior to the announcement on October 18. For example, the December 72 future rose 6<sup>1</sup>/<sub>4</sub>¢ from September 30 to October 18, 6¢ more than the cash market. In addition, future prices have remained relatively strong compared to cash prices.

*Response to Questions 2 and 6*

As indicated in response to question #4 provisions of the 1972 feed grain program are designed to increase farm income and reduce carryover stocks. In respect to reducing carryover stocks, it is estimated that a total feed grain stock reduction of 12 or 13 million tons could occur. This reduction would result in a workable stock level for 1972-73.

This reduction in the feed grain stock level should result in an increase in feed grain market prices. A situation whereby demand and supply are in reasonable balance should create a bullish price situation. It is estimated that the market price of corn will exceed loan value by about ten cents.

*Response to Question 3*

Purchase of 25 million tons of feed grains (mostly corn) and 250 million bushels of wheat at purchase prices specified in S. 2729 would cost from a low of about \$1.5 billion to a high of about \$1.7 billion. Additional expenditures would be incurred for transportation and storage.

Purchase of the above quantities would reduce the total available supply of these grains in the current marketing year to a level comparable to 1970-71. It is difficult to predict what effect these purchases would have on prices and loan activity. In order to increase the market value of these commodities by \$1.5 billion, market prices for individual commodities would have to increase 10-15 cents above the current loan. At this supply and price level it is likely that loan program cost would be reduced about \$500-\$600 million.

Recent actions taken by the Department should increase market prices to a level whereby it would not be necessary to make an additional program payment for feed grains. However, if a payment of 2 or 3 cents per bushel is necessary the cost would be less than \$100 million.

*Response to Question 4*

Provisions of the 1972 feed grain program are designed to increase farm income and reduce carryover stocks. The objective of reducing carryover stocks became very significant because of the large 1971 corn crop. The attached tables indicate the possible effect of raising the corn loan value. First, increasing the corn loan

level would have the effect of reducing program participation—which would free more acres for corn production—and would also lower program payments paid to participants. Secondly, the increased loan level should have the effect of increasing season average prices which would increase the farm value of production. However, the increased corn prices would have the negative effect of decreasing corn utilization which would result in a buildup of corn stocks. Ending stocks of corn for the 1971-72 year are projected to be about 1.4 billion bushels. As indicated in table 1, increasing corn loan value to \$1.25 could have the effect of increasing corn stocks over 800 million bushels. Any increase in corn stocks, especially of this magnitude, could have a very negative effect on corn market prices, regardless of the corn loan value.

The subject of raising corn loan value cannot be discussed as an isolated item. Included in Title V of the Agricultural Act of 1970 is the provision that the loan levels of other feed grains shall be in relation to the level that loans and purchases are made available for corn taking into consideration the feeding value of such commodities in relation to corn. Similarly, provisions provided in Title IV of the Act provides that loans and purchases on each crop of wheat shall be considered on competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains.

#### Response to Question 5

In our opinion increased costs which would result from this bill would not be worthwhile to taxpayers. The current resale loan program will accomplish the same objective at less cost. Any price increase which might result from direct purchases would be of short duration. In the long run, the reserve will overhang the market and depress market prices.

TABLE 1.—EFFECT OF RAISING CORN LOAN

[Million bushels]

Alternative number	Loan	Participation (percent)		Production <sup>1</sup>	Use	Change in stocks	Season average price
		Required <sup>2</sup>	Additional <sup>3</sup>				
1.....	\$1.05	83	66	4,530	4,850	-320	\$1.15
2.....	1.10	75	55	4,960	4,900	+60	1.09
3.....	1.15	60	45	5,287	4,850	+437	1.12
4.....	1.20	52	42	5,448	4,750	+698	1.16
5.....	1.25	50	40	5,491	4,650	+841	1.18

<sup>1</sup> All at 85 bushels per acre.

<sup>2</sup> The 25-percent set-aside required to participate in the program; participation is relative to the corn base acreage.

<sup>3</sup> Voluntary, additional diversion for payment; participation is relative to the corn base acreage in the required set-aside.

TABLE 2

Alternative number	Loan value	Season average price	Farm value of production (millions)	Program payments (millions)	Inventory outlays (millions)	Total Government expenditure (millions)
1.....	\$1.05	\$1.15	\$5,210	\$1,549	-\$336	\$1,213
2.....	1.10	1.09	5,406	1,346	+66	1,412
3.....	1.15	1.12	5,921	1,038	+503	1,541
4.....	1.20	1.16	6,320	890	+838	1,728
5.....	1.25	1.18	6,479	851	+1,051	1,902

Senator MILLER. On page 8 of your statement you say: "To raise the loan on a crop because stocks are increasing would distort loan relationships, changing farmers' price expectations and cropping patterns." I presume this is directed at the proposal to increase the loan price as was recommended this morning to \$1.25 per bushel for corn.

Mr. FRICK. Yes.

Senator MILLER. Your statement raises the question of how much distortion there would be, and what is this loan rate relationship we

are striving for. I don't recall that we have ever had a loan rate relationship or policy enunciated by the Congress. Maybe there is one that the Department has. And I think we would like to know what that is.

Mr. FRICK. Mr. Senator, in the type of program we have in the Agricultural Act of 1970, of course the farmer has the right to raise what he sees fit. Taking as an example, corn and soybeans, there is certainly this relationship of the price and what he is going to grow. And if we raise the loan rate on corn, there is less inclination for him to grow soybeans. As we all know at this time, we are short of soybeans and long on corn. And all we are saying is that we would tend to distort this picture more than leaving it as it is.

Senator MILLER. I suppose that it would. But I think the real gut question is, how much distortion would there be. I presume it would be less with a \$1.20 price support loan than \$1.25.

Mr. FRICK. I am sure that it is a relative thing.

Senator MILLER. And it would be less at \$1.15 than \$1.20, and less at \$1.10 than \$1.15. But all we are talking about is generalities. I must tell you that I had a survey made in one of my "typical" Iowa counties on what effect a \$1.15 loan rate for 1971 corn would have on planting intentions of the farmers, with respect to corn, soybeans, and so on. I could find no indication that there would be any change of plans.

So I think that we ought to have some kind of figures on this. This is a generality which doesn't, I must tell you, appeal to farmers when they want to know why. When I say it would tend to distort, they want to know how much it would tend to distort.

Senator Humphrey attempted to meet this this morning by pointing out some mathematics. This is why I think some mathematics would be helpful to us.

Senator JORDAN. We will have to recess for perhaps 20 minutes.

(Recess taken.)

Senator JORDAN. Senator Miller, you can continue with your questioning. And you can be excused, Mr. Frick, after Senator Miller finishes.

Mr. FRICK. We will see if we can do any mathematics on that.

Senator MILLER (now presiding). I think that this is a judgment that requires some mathematics. We don't have the mathematics available to us in this committee. We do have pressures and comments from dirt farmers and producers. You may have some mathematics which would be helpful here, but I think we are possibly under a judgment factor here, and we need to have a little of the guidelines that are used, and, perhaps, we can figure them out to our mutual satisfaction.

Now, I would point this out to you: At the conclusion of your statement you suggested that the bills involved would be costly to taxpayers. I must tell you, Mr. Frick, that as a member of the Senate Finance Committee, there is a tax bill that has been reported out of the Finance Committee that we will be taking up on the Senate floor very shortly, which is very, very costly to taxpayers in the context that you put it. There are literally billions of dollars of cost to the taxpayers in the form of restoration of the investment tax credit. Now, that is not going to be especially costly to some of the major taxpayers who get

the major benefit of the investment tax credit. It is going to be costly to the smaller people who have to pick up the tab to fill the hole left in the Treasury. I think that is essentially what you are talking about. But if we are talking about something that is costly to the taxpayers, the question is, is it worth it to the economy of the country.

Now, a judgment has been made that the cost to the taxpayers reflected in this tax reform bill is worth it to the economy. Personally, I think that some of its cost would be much better put in the rural areas of this country in the form of improved prices, or in the form of improved income, than through some tax cutting devices, the bulk of which may go to major corporations. But I think that "costly" to taxpayers is a relative term nowadays when we are trying to stimulate the economy, which is one of the major objectives of the administration. I recognize that the judgment factor on whether it is worth it to the economy to have this cost to the taxpayers is not a function of the Department of Agriculture. But I want to make the point, because I think it is one that is wearing on all of us here.

Now, on page 9, you referred to prices being higher, but you didn't indicate any suggestions of the spread on which prices might be higher, whether it might be 5 cents, 10 cents, 15 cents. I think it would be helpful if we had some idea. The farmers are concerned with how much higher.

And on page 6, of the 271 million bushels of binside space available, can you tell me how much has been occupied?

Mr. GLEN A. WEIR (USDA). Roughly, Senator, we have figures as late as 2 weeks ago that would show that we still have 125 to 150 million bushels of space available nationwide. Unhappily, this is not in some of the areas which are badly in need of space.

Senator MILLER. I think that is something that we would like to have for the record, how does this look in areas where we have an acute problem with respect to prices and storage, such as Iowa and maybe Minnesota and Illinois. Could you furnish those for the record?

Mr. WEIR. We would be very glad to.

(The information is as follows:)

CCC-OWNED STORAGE CAPACITY

[In bushels]

States	Storage owned by CCC as of Jan. 1, 1971	CCC-owned capacity sold through Oct. 31, 1971	Capacity utilized by CCC as of Oct. 31, 1971	Capacity rented as of Oct. 31, 1971	Capacity available for rent as of Nov. 1, 1971
Illinois.....	73,829,629	10,624,601	1,302,887	22,011,746	39,890,395
Indiana.....	23,330,785	4,062,235	283,718	3,877,528	15,107,304
Iowa.....	106,077,784	10,714,248	12,289,875	15,622,524	67,451,137
Kansas.....	10,437,632	7,255,918	1,409,620	94,250	1,077,844
Michigan.....	7,249,912	1,664,300	1,507,406	318,461	3,759,745
Minnesota.....	27,776,382	11,179,534	2,965,095	1,245,972	12,385,781
Missouri.....	12,891,074	2,686,092		1,442,305	8,762,677
Montana.....	4,387,440		1,163,785	539,500	2,684,155
Nebraska.....	62,535,994	6,783,873	9,894,560	832,378	45,025,183
North Dakota.....	16,619,646	3,252,264	8,826,218	739,024	3,802,140
Ohio.....	7,749,363	2,091,456	15,164	1,977,773	3,664,970
South Dakota.....	26,082,525	8,480,561	7,315,262	567,070	9,719,632
Virginia.....	1,357,000	191,000		950,000	216,000
Wisconsin.....	1,474,000	508,750	112,210	351,000	502,040
Total.....	381,799,166	70,094,832	47,085,800	50,569,531	214,049,003

Senator MILLER. I am sorry, I will have to recess the meeting until we can get back from a vote.

(Recess taken.)

Senator JORDAN (presiding). Mr. Johnson, you may proceed as you see fit.

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

Mr. JOHNSON. As members of the subcommittee will recall, Farmers Union did not support enactment of H. R. 18546, the Agricultural Act of 1970, enacted by the 91st Congress. We did not support the legislation because it did not meet the policy objectives of Farmers Union. The act was clearly inferior to the farm bill supported by a coalition of 32 general farm and commodity organizations. The coalition farm bill, S. 3068, was opposed by the administration.

The good judgment of the drafters and sponsors of the coalition farm bill has been demonstrated by the failure of the set-aside plan to balance supply with demand. In this connection I refer to the USDA Crop Production Report of October 12, 1971. Corn production is forecast at 5.4 billion bushels. This is an increase of almost 1.3 million bushels and 31 percent more than 1970. Corn production this year tops the alltime record and has tumbled average prices received by farmers from a level of \$1.34 per bushel on October 15, 1970, to \$1 per bushel on October 15, 1971.

These are average prices. There are many country points where corn prices are much lower than \$1 per bushel.

Wheat production is forecast at 1.6 billion bushels. This is an increase of 249 million bushels or 18 percent above 1970. This record high production has tumbled average prices received by farmers for wheat from \$1.43 per bushel on October 15, 1970, to \$1.30 per bushel on October 15, 1971.

Our convention delegates who draft the farm program and other policies of our organization have consistently recognized the importance of supply management in protecting price and net return to farm families. You will recall that the rapid buildup of corn, wheat, and grain sorghum supplies during the 1950's under programs of Secretary of Agriculture Ezra Taft Benson, resulted in increasing the cost of these programs and loss of income to farmers.

For example, at the beginning of Secretary Benson's term of office in 1953, CCC inventory as of June 30, for corn was 228 million bushels; for wheat 470 million bushels, and less than 1 million hundredweight of grain sorghum. The prices of these commodities respectively as of June 15, 1953, were: \$1.73 per bushel or 97 percent of parity (corn); \$2.06 or 84 percent of parity (wheat); and \$2.68 per hundredweight or 94 percent of parity (grain sorghum). These prices reflected the favorable balance between supply and demand. However, during the subsequent 8 years, production increased for all three commodities and prices tumbled.

By June 30, 1961, CCC inventories were almost 1.3 billion bushels of corn; 1.2 billion bushels for wheat and 392 million hundredweight for grain sorghum.

The prices of these commodities, respectively, as of June 15, 1961, were \$1.03 per bushel or 64 percent of parity (corn); \$1.72 per bushel or 73 percent of parity (wheat); and \$1.65 per hundredweight or 67 percent of parity (grain sorghum).

Farmers took losses on price between these years of 43 cents on corn, 16 cents on wheat, and 74 cents on grain sorghum. During most of these 8 years, production for these commodities increased over demand and prices dropped as a result. During this period the number of farms declined by 977,000—from 4,798,000 in 1954 to 3,821,000 in 1961; farm debt increased from \$16.9 billion to \$24.8 billion; the parity ratio dropped from 89 to 79 (measured on the 1910-14 base).

On June 30, 1971, CCC inventory of corn was at an alltime low of 92 million bushels; wheat 370 million bushels and grain sorghum 78 million bushels. These are the result of the supply management programs we have had in recent years, recent legislation, and more particularly under the 1965 Farm Act. Prices as of June 15, 1971, reflected the favorable supply—demand balance—corn was \$1.46 per bushel; wheat, \$1.46 per bushel and grain sorghum was \$2.43 per hundredweight.

These comparisons tell a grim story of the farmer's plight when he overproduces market requirements.

We should have learned from the experience of these past years that effective supply management is basic to creating a climate for workable price support and income protection programs. And, Chairman Jordan, you have a perfect example of this today yet in the tobacco program in your State. Thus, it is appropriate that alternative means of protecting producers from the price-depressing surpluses that we now have, be sought when adequate supply management tools are obviously denied producers.

The set-aside program of this administration is simply not working and, unfortunately, although efforts have been made to patch it up looking to the 1972 crop year, the likelihood is that it still will not deal effectively with the problems created by excess production this year.

Senator JORDAN. May I ask a question at that point. Would an increase in the set-aside for the 1972 crop be helpful?

Mr. JOHNSON. You are asking about corn?

Senator JORDAN. Wheat and corn both. Of course, they are both in big surplus now.

Mr. JOHNSON. They both have increased percentages of set-aside for the next year.

The situation is simply this, as I see it. The target production level for corn next year, we are told, is 4.8 billion bushels. We have 800 million more bushels this year, and we are in a surplus posture. And the prospect is that we may use as much maybe as 4.6 bushels. That would be an optimistic estimate, I would think. So, we still may take down only at best 200 million bushels of the 800 million bushels of corn that we have as surplus. So, we are going to still have corn at the next harvest season from the harvest season this year.

Senator JORDAN. I understand that.

Senator Miller, I just asked him whether the set-aside which they had set up for next year—I know it will go part of the way—ought to be increased to a larger set-aside.

Mr. JOHNSON. Mr. Chairman, I think I answered this question in the latter part of my testimony. If I don't clear up that question, we will come back to it.

Senator JORDAN. All right.

Mr. JOHNSON. Farmers Union commends the sponsors of these bills for their efforts to strengthen prices and income to producers.

We recognize that sponsors of these bills would like to have gone even further to increase prices and to protect income against excess production of wheat and feed grains. We in Farmers Union certainly would like to do more to improve prices and income of feed grains and wheat producers. The position of our delegates on wheat and feed grains programs is outlined in exhibit A, attached. I request your permission, Mr. Chairman, that it be inserted in the record following these remarks.

Senator JORDAN. It is so ordered.

Mr. JOHNSON. We do, however, support the direction of the bills before the subcommittee as steps in the right direction. These bills, either singly or in combination, deal with three categories of need: (1) to establish strategic reserves of commodities; (2) to provide an effective means to achieving a supply-demand balance, and (3) to improve prices and income.

These are all worthy objectives and we particularly acclaim those measures that would help farmers overcome their price difficulties resulting from the record 1971 crop.

Let me call your attention first to the bills which would attempt to deal with excessive supplies through establishment of strategic reserves. These bills are S. 2444; S. 2500; S. 2678; and S. 2729. S. 2444 would provide for reserves of feed grains and wheat; S. 2500 and S. 2678 would provide for reserves of wheat, feed grains, and soybeans; and S. 2729 would provide for reserves of wheat, corn, soybeans, barley, oats, grain sorghum, dairy and poultry products.

The second broad category dealt with is the need to provide effective supply management. Senate Joint Resolution 172 has as one of its objectives cutting production of feed grains and wheat below expected levels of utilization next year in order to work off some of the excess production of 1971. This joint resolution would assure producers of feed grains and wheat of payment for diverting acres, and calls for putting into effect the authority of section 105(c)(1) of the Agricultural Act of 1970 concerning feed grains. This section provides that the Secretary of Agriculture may call for diversion of feed grains from the farm base in a similar manner as that by which acreage was diverted under the Agricultural Act of 1965.

Farmers Union believes that this legislation is needed to effectively manage feed grain and wheat supplies in 1972.

This subcommittee is aware that price support programs must be administered in ways that not only underpin market prices, but keep program costs within reasonable bounds. The position of Farmers Union has always been that strong and effective price support programs should work in combination with effective supply management programs. It is through such a combination that costs of programs may be kept at reasonable levels. This is a commendable feature of Senate Joint Resolution 172.

In this connection, the prospect is that an additional payment may be necessary this year to maintain the \$1.35 per bushel support level called for under existing law for the production on one-half of the corn base. Parenthetically, Mr. Chairman, the legislation before the subcommittee to increase the loan levels of the 1971 crops of wheat and feed grains would prevent the necessity for further Federal outlay to provide support on feed grains this year.

For every penny that the 5-month average market price on corn falls below \$1.03, a Federal outlay of \$25.5 million would be required to be paid to producers. If the 5-month average market price for corn, for example, is as low as 93 cents, a Federal outlay of \$255 million would be required to be paid producers. Let me make it clear that this would not be an addition to net return.

Senator JORDAN. Is the 93 cents that you spoke of, is that realistic, or is that distress sales at some points where they couldn't find transportation, and they held it?

Mr. JOHNSON. The average price of corn in the country, as of October 15, is \$1. But, as you know, the loan level varies, depending upon the location, taking into consideration such factors as transportation costs. And if the 5-month market average price—and this period ends March 1—should be 93 cents, then the cost would be 10 cents below \$1.03, which would be \$225 million of additional program costs.

I used the 93-cent figure only to give an example of what the costs could be. They could be that low. It just depends on what the average market prices are over the period within this 5-month period that yet remains.

Senator JORDAN. What is the corn support of that now, \$1.05?

Mr. JOHNSON. Corn is supported at \$1.05 per bushel in national levels. But, again, the loan levels vary between country points.

Senator MILLER. If I may interject here, there are freight rate differentials that enter into the computation of the actual loan level in various counties throughout the country. Now, along the Missouri River, some of my Iowa counties are getting \$1.05, that is, the farmers are getting \$1.05. Some of the inland counties are getting 99 cents and \$1. So the \$1.05 is a national average only.

Senator JORDAN. Suppose a farmer is supporting his corn in his own bins. Can he still borrow \$1.05 on it?

Senator MILLER. He can borrow \$1.05 national average, but if he is in an inland Iowa county, he may only be able to borrow at 99 cents or \$1 or \$1.01.

Mr. JOHNSON. That is correct. But, Mr. Chairman, that is a different point from what I was trying to make.

Senator JORDAN. I understand.

Mr. JOHNSON. The point I was trying to make is that the payment to the producer may be excessive if that average five-month market price is below \$1.30. The producer already has gotten 32 cents in advance payment and the law requires that he gets \$1.35 per bushel.

Senator JORDAN. For wheat?

Mr. JOHNSON. For corn, on half of his production.

Senator JORDAN. On half of that?

Mr. JOHNSON. On half of it, let's keep that clear for the record, because the total price received by the producer on all of his production doesn't come up anywhere near that level.

So the point I am making is that to raise the loan level would be a means of actually saving additional Government outlay.

Senator Humphrey this morning explained how he could foresee savings to Government as regards wheat. And I would like to be associated with his explanation.

So to raise the loan rate would actually save the Government money and it would increase income to the producer. I have always thought that when you could put those two combinations together as a basic fact and could demonstrate that it would work, that it deserved support. And I would urge this committee to look at it in that light.

Senator MILLER. Could I interject something?

You said that you subscribed to what Senator Humphrey had said. But as I recall, Senator Humphrey pointed out that the extra payment for wheat producers cannot be saved, because the 5-month period is about over. And it is going to cost about \$200 million at 35 cents a bushel.

Mr. JOHNSON. I didn't mean to take any issue with that. We are looking at the situation a year ahead, if we could apply the same kind of an increase to the loan level, we could reduce the cost of the program. But that is true, the 5-month wheat marketing period beginning July 1 this year, which determines the payment is about to be over.

Mr. Chairman, my only point is that we could save some Federal money by increasing the support rate on corn now. As a matter of fact, I have always supported the concept in behalf of my organization that a good loan level is much cheaper and, basically, protects the producer to a greater extent than relying heavily on payments.

I might point out that I feel that over the period ahead of us, that we are very vulnerable in agriculture to increasing costs of the farm program. If we don't have a program that manages supply, that protects prices to the producer at levels considered reasonable by Members of Congress from all political persuasions—from a liberal city to a conservative rural Member of Congress who believes that we can make cuts almost any place, if we can't keep costs that are reasonable to that range of political persuasion in the Congress, we are going to be constantly subjected to attack when we come to this committee and to the Congress for continuing these programs.

Increasing the support levels would make up for the failure of the market place to maintain an average price that would make additional Federal outlay unnecessary. This defect in the set-aside most glaringly reveals its inherent weakness—that of providing producers less protection on price and income at a higher cost to the Government. This kind of program is unsound and its deficiencies must be corrected.

Mr. Chairman, I might say to you that I believe that one of the things that prompted our delegates not to support this farm bill under which we now operate is this very fact of a strong possibility that programs are going to cost more, exposing farmers to criticism, with less protection to their prices and income.

The third category of assistance that bills before the subcommittee provide, relates directly to the preceding commentary. S. 2093; S. 2099; S. 2444 would increase price supports on wheat and feed grains by 25 percent when there is an addition to reserve or carryover stocks. When stocks are increased, the effective price support loan for corn under these bills will be \$1.25 per bushel; for grain sorghum \$3.77 per cwt. and for wheat \$1.57 per bushel.

Senator MILLER. Could I ask a question at this point?

This is one thing that troubles me about these bills. That 25 percent increase, of course, would be operative in 1971 with respect to the

1971 crop. But if 1972 turns out the way the program is intended to, there will be a reduction rather than an addition to the carryover stocks. So it would not be operative then.

Mr. JOHNSON. Now, I don't know what type of interpretation could be placed on the language, but as long as we have stocks that we are carrying over, even though it may be from a previous year, I would administer the bill the same way we anticipate that it will be administered in 1971.

Senator MILLER. You know that the addition to the carryover stock from the 1971 crop is going to be around 600 million bushels of corn. Now, if the announced purpose of a 1972 program is to cut that carryover by 200 or 300 million bushels, the carryover a year from now, if it materializes, would be that much less. If it is less, then you certainly are not going to have an addition.

Mr. JOHNSON. You make a very good point, Senator, and one that deserves the consideration of this committee. Of course, I must point out that I am looking broadly at a package in my testimony, I am looking at one which would supply a better type of management, and one that would set up reserves as well.

Senator MILLER. If you would like to provide for the record a suggestion to the committee on that point, I think that it might be helpful.

Mr. JOHNSON. Let me give consideration to it.

Senator MILLER. Surely.

Mr. JOHNSON. Thank you.

We would like to suggest that soybeans be included. A 25-percent increase in the price support loan for soybeans will raise it to \$2.81 per bushel. This is a reasonable request due to the fact that the soybean market has ranged substantially in excess of this level for this year. Currently, for example, the October 15 market price of soybeans is \$2.96 per bushel.

Important to the subcommittee is the fact that if additional payment is necessary, it will affect only one-half of the production of corn. However, if loan levels are strengthened, as provided in these bills, prices of all wheat and corn production will be enhanced to meet emergency market problems this year. It is clear that increasing loan levels would be an economy move as well as providing greatly needed additional revenue to feed grain wheat producers.

We urge the subcommittee chaired by Senator Jordan to take action (1) to provide for a strategic reserve of essential commodities covered by legislation before the subcommittee; (2) to assure administration of wheat and feed grains supply management programs in ways that will effectively divert acres with proper payment needed to bring production below levels of utilization in 1972, and (3) to increase support loan levels by 25 percent for wheat, feed grains, and soybeans.

These are minimum essentials, Mr. Chairman, in any legislation that the subcommittee would approve. The emergency nature of the situation this year prompts us to call for immediate consideration of this legislation and early action to help solve the problems created by excessive supplies and the resulting sharp declines in market prices.

Mr. Chairman, I note that somebody has handed me some figures on average corn prices in two corn States, Illinois and Iowa. These figures are, for Illinois, 94 cents a bushel, and for Iowa, 93 cents a bushel. So

the example here earlier of spending as much as \$255 million more in payment, without giving producers any additional income whatsoever, may not be far off target. But I want to point out that merely use it as an example.

Senator JORDAN. Senator Miller, any further questions?

Senator MILLER. No questions.

Senator JORDAN. Thank you very much. We appreciate your testimony.

(The attachment to Mr. Johnson's statement is as follows:)

#### FARMERS UNION 1971 TARGET PROGRAM

We the delegates to the 69th Annual Convention of National Farmers Union meeting at the Washington Hilton Hotel, Washington, D.C., ask the help of the Congress, the Administration and all citizens of our Nation in preserving the family farm system of agriculture and in attaining the goal of parity for farm families, through the adoption of priority legislative and policy objectives in 1971. We ask the help of Congress for action as follows:

#### COMMODITY RECOMMENDATIONS

##### WHEAT

1. We urge the support of all concerned government agencies in strengthening international cooperation in trading of wheat. We will oppose any agreement or arrangement which would result in lowering wheat prices. We urge a strong formal agreement along the lines of the International Grains Arrangement that will strengthen the economic position of wheat producers.

We reject the premise that a grains arrangement stripped of minimum-maximum pricing provisions can be effective in protecting domestic wheat producers from low prices and declining farm net returns.

2. We call for a strategic reserve of wheat, one-half of which would be controlled by farmers under contract with the Commodity Credit Corporation. We recommend that the wheat storage payment be increased to at least one and one-half cents per bushel per month.

3. We strongly urge the continuation of the on-farm storage and loan resale policies of the Department of Agriculture.

4. We urge that one-half of the wheat certificate payment be made available at time of signup.

5. We propose an equalization of wheat price support loans through adjustment in the value of wheat certificates to assure every producer not less than 100 percent of parity price on the domestic portion of production.

6. We urge the continuation of the requirement that the USDA collect from exporters in the form of an inverse subsidy the difference between the domestic price paid for wheat and the price established under the International Grains Arrangement (IGA) price schedule for varying grades and classes of wheat. Export subsidies should be provided when necessary to keep United States wheat competitive in international trade.

7. We recommend bushel allotments rather than acreage allotments based on farm production history with mandatory control.

8. We urge that the \$1.25 national support price be the loan price at harvest time and that farmers do not have to store their wheat for 10 months in order to receive the loan price.

9. We propose that when diversion payments on wheat are in effect, such payments be based on the total price support on wheat (loan and certificate) instead of based on the loan price, the same as in the feed grains program.

10. We urge that our Federal Government negotiate with foreign countries exporting wheat and other grains to control their production in order to bring world supply in balance with world demand.

11. We favor allowing a farmer to maintain his base acreage allotment without seeding any portion of the base acreage, as long as a surplus exists.

12. We urge legislative action to increase the loan rate for wheat to \$1.50 per bushel and to provide for a 65-cent export certificate.

## FEED GRAINS

1. We support the establishment of a strategic reserve of feed grains, one-half of which would be in on-farm storage under contract with the Commodity Credit Corporation.

2. We urge restoration of the "small farmer" provision in the administration of the feed grains program.

3. We urge the Secretary of Agriculture to establish fair and equitable feed grains bases, with consideration given to conservation practices, tillable acres and other factors.

4. We urge authority for advance payments.

5. We urge that the corn loan rate be increased to \$1.30 per bushel with the loan rate on other feed grains based on the total support on corn and reflecting feed value relationships to corn. The corn loan rate and payment should reflect full 100 percent of parity and should be applied to the total feed grains base.

6. Yields on which payments are based should be adjusted to compensate for adverse weather or other disaster conditions.

7. The Secretary of Agriculture should be directed by Congress to increase the price supports on feed grains by the same percentage as he may increase the permitted acreage.

8. Payment for diversion should be restored in the feed grains program, both to get adequate set-aside and to increase the income of producers.

9. We strongly support the on-farm storage and resale program for feed grains. Storage payments should begin the date the loan is issued.

10. We urge that barley be reinstated in the feed grains program.

11. CCC-owned feed grains should not be released in a manner that will be detrimental to market prices during the harvest season. As a general rule, no release should be made from June 1 to January 31. No release should be made at less than 125 percent of the loan rate or less than the true 1910-1914 parity whichever is greater.

12. No producer should be required to set aside more than 50 percent of his tillable acres to qualify for program participation.

Senator JORDAN. Mr. Frazier?

Gentlemen, I think we are going to have to wind up and just let you submit your statements for the record. We are going to be voting all afternoon, and there are going to be some time limits on these amendments. And there would be no chance to get back for over a week, because it has been like this every day, and it will be through Thursday of next week. That is the only thing I know that we can do.

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

Mr. FRAZIER. Mr. Chairman, I understand. And so far as I am concerned, I am very happy to have my statement included in the record as submitted. And then if I may be of any further assistance to any member of the committee I am here in town, and I will be glad to work with you or your staff.

Senator JORDAN. I think that would be the best thing. I knew you were in town.

Mr. FRAZIER. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today on behalf of the National Farmers Organization. You have under consideration the bills S. 2093 by Senator McGovern, S. 2099 by Senators Mansfield and Metcalf and S. 2444 by Senator Symington, proposing to increase price support levels on grain when the Secretary of Agriculture announces a program that will add to the reserve stocks.

Senator Symington's bill also includes a provision extending the repayment period of each grain loan to the producer over a 3-year period. This provision is highly commendable.

You also have before you S. 2500 by Senator McGovern, S. 2648 by Senators Humphrey and Mondale, S. 2678 introduced by Senator Burdick and another bill S. 2729 introduced by Senators Humphrey, Hartke and Mondale. Although there are some variations, these bills are all designed to create emergency reserves to be held under the control of the Secretary in a manner that will insulate such reserve stocks from the market except for their use in times of severe shortage or emergency.

The National Farmers Organization is made up entirely of farm and ranch producers with membership in all 48 contiguous States. Our major objective is to improve prices received by farmers through collective bargaining on behalf of our members with processors and other purchasers. For example, we have devised and put into operation this year a special contract for wheat and grain sorghum growers in a six-State area of the Southwest. This contract is aimed at achieving prices for these 1971 grain crops at or above the new loan levels proposed in the first group of bills cited above. This contract provides for participating members a floor price on one-sixth of their production at rates of \$1.50 for Hard Red Winter wheat and a range of \$2.55 to \$2.65 on grain sorghum. The producer will receive market price on the balance of his production as it is marketed—and it is our hope that grain market prices may be strengthened to price the whole crop for these participating members at levels equal to or better than the guarantees on the initial one-sixth of the crop. Incidentally, we also are encouraging our membership to utilize the loan program and withhold grain from the market in this harvest time period in order to do our best in orderly marketing. So we come before you today with a record of having made every possible effort within our own organization to improve grain prices.

#### GENERAL BACKGROUND

Everyone familiar with grain farming today realizes that the 1971 levels of production—a corn crop of 5.4-billion bushels, a wheat crop of 1.6-billion bushels, and large crops in the other grains—have provided burdensome supplies to be carried over at the end of the year for some later use. It is equally well understood that in any year when supplies substantially exceed our needs for domestic and export use, grain generally will be priced at levels slightly below the loan rates established in the farm program. This margin invariably exists under these conditions because of the producer's expense in obtaining a loan, storing the grain, and holding it until loan maturity in order to realize the loan rate value. Hence we have in the grain belt today 90-cent corn, \$1.27 wheat, and \$1.65 per hundredweight bid for grain sorghum, even though the loan rates are \$1.08 on No. 2 corn, \$1.25 on wheat, and \$1.73 per hundredweight on grain sorghum.

It is understandable that the 1971 program was designed to produce more grain in view of the possibility of damage by southern leaf blight reducing 1971 corn yields, following our experience in 1970.

Under the law, the Secretary is obligated to assure the Nation of adequate supplies when he and his advisers design the provisions of the program for each crop year.

We do not question the motives of the decisionmakers when they planned the 1971 program but the economic facts are sufficiently well understood both in the Department and among producers to make the current prices easily predictable. What many people cannot understand about the attitude of the leadership in the Department of Agriculture is this—when it is determined that an increase in grain stocks is advisable and programs are designed accordingly, why is it necessary for producers to support a reserve for the benefit of the whole country by selling the entire crop at reduced prices?

It would be pure folly to assume that the current supply and price situation could not have been anticipated. It was necessary only to review the recent experience of 1966-67 to visualize today's price situation as a very real possibility. In the 1966 grain-marketing year we had unusually high exports and domestic utilization, resulting in a drawdown of carryover stocks of grain. The seasonal average price for corn was \$1.24 per bushel. A larger crop was planned and produced in 1967. Even though the carryover was increased only a modest amount, the average price received by farmers in the first 5 months of the 1967 marketing year was \$1.03 per bushel.

In the case of wheat a similar increase in production reduced the average farm price from \$1.63 to \$1.39 per bushel. In 1966, as in 1970, there were heavy sales of CCC-owned grain. It is now readily apparent that prices on the 1971 crops of grain are going to follow the patterns set in 1967 unless some action is taken.

#### LOAN RATE INCREASES

The proposals to increase loan rates by 25 percent for wheat and feed grains whenever the Secretary announces programs which will result in additions to reserve stocks are entirely reasonable in light of current grain markets and the present day costs of producing these grains.

In earlier public statements representatives of the Secretary of Agriculture contended that the modest increases in loan rates proposed by these bills would hamper exports and that it would be administratively difficult to determine when the design of program provisions would call for an increase in carryover. This contention is, in my opinion, refuted by the record—we set an export record in 1969-70 of \$7.8 billion on agricultural products from this country, when grain prices were much more favorable for producers than they are today. Even in the face of declining prices, Department personnel were predicting a lower level of exports from this marketing year. Nevertheless, the issue seems quite clearly defined—the Secretary has the authority to increase these loan rates now but has refrained from doing so. The proposals before you are quite modest when considered in light of their economic importance to grain farmers in our Nation and it is apparent that no satisfactory action will be taken unless the Congress initiates the action.

## RESERVES

Legislation proposing some type of emergency reserve for the important grains has been considered seriously in the Congress several times—especially in 1966 and 1968. Legislation of this type would fill an important gap in our current program authority. In the operation of the programs over the last 35 years, we have learned that both the variables of production and disposition invariably produce times of surplus and times of lowered reserves. We have never faced a serious shortage in supply in modern times. When reserve levels are low, the Secretary of Agriculture and his staff always feel responsible to assure the Nation of a sufficient supply. This is understandable. As a consequence, however, the USDA must err on the high side when formulating program projections each year for the next year's crop.

Consequently, the principles embodied in the bills proposed for the establishment of national grain reserves for wheat, feed grains, and soybeans are quite logical. It must be acknowledged that in a year of overproduction, such as we have now, someone must pay the storage bill to carry the excess grain. Actually, much of it will be carried either in CCC ownership or under loan—so there will be some expense to be borne by the Government regardless of whether favorable action is taken on these bills. We believe the only question really before you today is whether this reserve will be properly planned and isolated from the market to remove its influence on producer prices or whether we will continue to carry it largely at the expense of the producer. Those in opposition to this proposal generally contend that it would be a burden overhanging the market—that a decision could be made by the Congress, or in the executive branch, to release the grain at any time—and that consequently provision for such reserves would be unwise. We challenge this analysis. We believe this is only a poorly disguised argument in support of continuing a system in which we will have widely fluctuating market prices from year to year as the reserve levels go up and down. The truth is that we really never have tried to establish a reserve as contemplated in these bills and make it work. We in NFO believe it is time to try because producers understand these principles only too well and they are looking for leadership to act on a matter that is beyond their control as individuals.

## CONCLUSION

We support the principles of the provisions in both sets of bills. Something must be done to increase prices of 1971 grains if we are to avoid disaster for a large number of producers. The record to date would indicate that the leaders in the Department are concerned about prices, as evidenced by their early announcement of a 1972 feed-grain program. They have not moved to increase price-support levels for 1971 crops. We urge that action somewhat along the lines of the bills before you be enacted by the Congress in order that we may increase grain prices before the 1971-grain crop moves out of farmers' hands. To emphasize our position, this precaution is offered—waiting until next spring or next summer to act on grain prices may be helpful to those few producers who have storage and

can hold out that long, but, unfortunately, many of them cannot afford to wait that long to pay their bills—and not all of them are eligible for or in a position to use CCC price support loans. Farmers need an immediate action to increase grain prices over the months immediately ahead and ward off a certain decline in livestock prices thereafter.

We appreciate this opportunity to present briefly our views. If we may be of further assistance to you or members of your staff, you are assured of our interest and cooperation.

Senator JORDAN. Mr. Heinkel, you are not in town?

Mr. HEINKEL. No, I am not.

Senator JORDAN. Would you let him go ahead, Mr. Frazier?

**STATEMENT OF FRED V. HEINKEL, PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO. (Resumed)**

Mr. HEINKEL. I would be glad to submit my prepared statement for the record. I am Fred V. Heinkel, president of Midcontinent Farmers Association, Columbia, Mo. I would like to ask that my statement be inserted in the record. And I have just one or two comments.

Senator JORDAN. We will put it in the record as though read in its entirety.

Mr. HEINKEL. Mr. Chairman and members of the subcommittee, my name is Fred V. Heinkel, president of the Midcontinent Farmers Association, with headquarters in Columbia, Mo., and representing membership of over 152,000 members in Missouri, Arkansas, Oklahoma, Kansas, Nebraska, Iowa, Illinois, and other adjacent States. For clarification, members of the Midcontinent Farmers Association include members of the Missouri Farmers Association in Missouri and as aforesated a sizeable number of members from States that adjoin Missouri.

We have almost daily contact with our farmer members and in so doing know firsthand what their problems are as well as their suggestions for solutions.

We are here today in support of the principles of the two types of legislation before this subcommittee, because of the promise they hold as a part of the solution to the farm income problem. (Attached hereto is a statement of position unanimously adopted by our board of directors on Oct. 11, 1971.)

Certainly, right now is a good time to study these proposals when farmers of the United States are faced with the largest harvest in history. We have a choice example in this year's feed grains crop of the difficulty encountered under present legislation when the Secretary of Agriculture administered the program to assure an abundance of a specific commodity that has resulted in disastrous consequences to farmers.

Let me, with just a few figures, illustrate what farmers face. I'll be brief, because I'm sure you are aware that they are taking it on the chin this fall. To see how badly farmers are hurt, we need only compare 1971 with 1969 and 1970. Two years ago, in 1969, farmers harvested about 4.6 billion bushels of corn and the price during October, November, and December that fall averaged \$1.09 per bushel. Thus the crop had a value of slightly more than \$5 billion.

In 1970, with blight and drouth reducing yields, the corn crop was reduced to 4.1 billion bushels. Harvest prices averaged \$1.33 per bushel, which meant a total value of more than \$5.5 billion.

For fear of a recurrence of blight—to assure the Nation of an abundance of feed grains—administrative decisions were made by the Department of Agriculture to loosen up farm programs. Farmers were encouraged to plant more acres. In spite of the fact that 2 bad years in a row would be rather unusual, the administration altered program provisions to practically force farmers into greater production.

And we got it—a corn crop of about 5.4 billion bushels. Who paid for this “insurance”? Farmers are paying for it right now. Corn has been selling for from 85 to 90 cents per bushel. Farmers worked more hours, burned more fuel, put more wear on their equipment, spent more for fertilizer, seed and chemicals and will actually get less gross dollars for their crop. Basically, we increased corn production by approximately 32 percent while the price declined approximately 33½ percent. Of course, the net income to corn growers has been cut severely.

This is unfair to farmers. And it surely is embarrassing to the administration. It tends to discredit farm programs, in general, in the eyes of some. It certainly does not permit meeting the national aim of stabilizing farm prices. It is a sharp step backward in our attempts to improve farm income.

Producers of grain sorghum and other feed grains find themselves in practically the same dilemma. Had the provisions of the proposals we are considering today been in effect, this disastrous price decline would not have occurred.

We believe S. 2444, introduced by Senator Symington (and other like proposals), is simple, to the point, and its enactment would be highly advantageous to feed grain and wheat producers as a means to protect their income.

It appears to us completely justifiable, whenever it is deemed desirable by the Secretary of Agriculture to encourage increased production to build up stocks of grains, to provide price protection for those producers who cooperate. S. 2444 would do this through the provision requiring an increase in the minimum loan level during any crop year where such an increase is called for.

We also believe the 3-year repayment period is a desirable feature. This leaves with the producer the choice of holding or selling and repaying the loan at any time over 3 years rather than one. This places more control of the crop under producers of the crop and less with the Secretary of Agriculture.

The provision in S. 2444 permitting the Secretary to terminate crop loans if the price of the commodity in question equals full parity, is an adequate safeguard against dumping the product onto the market.

The Midcontinent Farmers Association, along with other farm organizations, have on previous occasions strongly advocated the enactment of a strategic reserve bill to permit orderly and effective administration of supply management and price support programs in agriculture.

Now, had we had reserve stocks of feed grains in a strategic reserve program as proposed by the bills under consideration by this committee, this undesirable situation could have been averted. It would have allowed a realistic appraisal of the possible blight threat. The reserve stocks on hand would have provided the “insurance” needed.

There would have been no need to trigger with the feed grains program. Farm income would be higher. And, we would not have the difficult problem, now facing us, of determining how to adjust in the other direction the 1972 feed grain program.

It is to this end that a strategic reserve would be most helpful. If, as we believe, price stability is a prerequisite to fair farm prices and improved farm income, then a practical supply of basic farm commodities held in reserve would permit such stability and still assure the abundance of commodities desirable to meet domestic and export demands.

Furthermore, we favor enactment of this legislation at this time because supplies of most commodities are sufficient to stock reserves. And, establishing a strategic reserve now could bolster badly sagging markets for these products. This would partially offset the unfair way the Nation has used corn farmers this year.

In any strategic reserve legislation, as far as practical, provision should be made that reserve stocks be maintained under producer control; that the reserve level of each commodity be established for each marketing year at an appropriate percent of the estimated export and domestic consumption of the commodity; and that other provisions for adding to or sale from the reserve be specifically designed so as not to depress prices. In other words, the strategic reserve must fit in with other farm programs and complement them in their aim to add stability to prices and permit higher income for farmers.

Twice in recent years—in 1967 with wheat and again this year with feed grains—farm programs were administered to assure an abundance, and accomplished this objective, but resulted in penalizing farmers with disastrously low prices and income. It isn't possible to fully assess just how much these two decisions cost farmers in lost income. But it has amounted to millions of dollars—and it is our guess that we can expect the repercussion of these cheap feed grains to adversely affect the livestock business in 1972 and probably even into 1973.

Mr. Chairman, we believe it to be in the best interests of farmers if this committee and the Congress would enact legislation making it mandatory to increase loan supports by 25 percent on any program designed to substantially increase carryover of farm commodities. We also believe the establishment of a strategic reserve is needed, too. This would greatly enhance the ability of the Department of Agriculture to develop administrative policies and procedures to better administer agricultural programs. The enactment of this legislation would be of some help to farmers for their 1971 crop and unquestionably would be of great benefit for 1972 and the future.

STATEMENT OF POSITION ON STRATEGIC RESERVE LEGISLATION UNANIMOUSLY  
ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF MIDCONTINENT FARMERS  
ASSOCIATION, OCTOBER 11, 1971

We urge your support of legislation to establish a strategic farm commodity reserve as provided for in H.R. 1163. Enactment of such legislation at this time is critically needed not only to protect domestic consumers against inadequate supplies, but also to help offset the tragic consequences of the ill-advised 1971 program for wheat and feed grains.

We recommend the bill be amended to include all major farm commodities, including cotton, and enacted with the urgency of the situation in mind.

Senator JORDAN. And I am just as sorry as I can be that time is running out on us. But there is nothing we can do about it.

We didn't have anything scheduled for this afternoon for your information.

Mr. HEINKEL. Is there time for one or two comments?

Senator JORDAN. Yes, I think we can do that.

Mr. HEINKEL. This morning, there was a little discussion here in regard to Senate bill 2444, section 2, page 2, as to whether it applied to soybeans. And I reread the bill since then, and I find that that section does not apply to feed grains.

Senator JORDAN. You mean it doesn't apply to soybeans?

Mr. HEINKEL. No, it doesn't apply to feed grains. I meant to say feed grains. It does not apply to feed grains. It applies to wheat only. Therefore, the \$1.25 referred to in there has no application to feed grains. The language applying to feed grains is in section (1), on page 1 of the bill beginning on line 6, which says: "Whenever the Secretary announces any feed grain adjustment program which will result in an addition to reserve stocks of corn, barley, oats, rye, or grain sorghums, the minimum loan rates available to producers of corn, barley, oats, rye, or grain sorghums during that crop year shall be increased by at least 25 percent."

So I find nothing in that language that raises the minimum loan rate.

The other comments are this, that these bills that you have before you are of two categories, one pertaining to the increasing loan rates whenever the program would result in adding to the surplus, and the others are to create a strategic reserve. And we endorse the principles of both of them, and think that both programs could work in parallel. However, if we had a good, effective, strategic reserve program, I doubt if this one would ever be used, or very rarely, because I think we could run a tight enough adjustment program to hold the surpluses down, and, therefore, this would not come into play.

Senator JORDAN. May I ask a question?

Really the reason that we ran into this surplus, particularly in corn this year, was that the blight came along and scared them, and they threw the gate open and they raised it.

Mr. HEINKEL. We recognize that.

Senator JORDAN. And the Lord was good to them except in North Carolina where the hurricane knocked most of our corn crop down. But they did raise it.

Mr. HEINKEL. And I think this type of bill could be of value to farmers in the country under this kind of situation, I mean S. 2444. But, again, I think if we had a good strategic reserve program, I don't think these kinds of situations would catch up with us.

Senator JORDAN. What is your idea about including soybeans, poultry, and dairy products?

Mr. HEINKEL. Well, I would include soybeans with the provision that it didn't become effective until we developed a surplus. And defined what a surplus meant. I have no great convictions about poultry. I just hadn't thought about it being included.

Senator MILLER. Could I ask Mr. Heinkel a question?

Senator JORDAN. Yes.

Senator MILLER. You heard the administration witness respond on this reserve program by saying that they already have one through the resale program. I would like to get your comments on that.

Mr. HEINKEL. Well, we have. But I don't think anybody unless it is the Government, knows exactly what it is. I think if you set up this kind of a program, we have set up the boundaries of it, the standards of it, and everybody will know what they are, and how we acquire it, and how much is in it and so forth. Our farmers have great confidence in it. And we have been in favor of that kind of a program for the past 15 or 20 years. We feel that it would work much more satisfactorily. Now, we think there ought to be some provision that these grains can be stored on the farms as they are now, even in a strategic reserve or under S. 2444 there ought to be provision where they can be stored on the farm. That is one good provision of this bill, it provides for farm storage. And the Secretary has no authority to release those grains into the market or dump them, as some would call it, which I think is desirable. Neither would he have any right under a good strategic reserve bill to dump those grains. They would come out under certain emergency conditions for domestic use or for export, and we don't feel that they would hang over the market as they have in the past.

Senator MILLER. That meets one of these arguments, which was that under the resale program, the farmer gets a lot of storage payment benefit. If you had a reserve program that had on-farm storage in it, then that would offset that complaint.

But another point he made was that when it comes to sale out of the reserve by the Government, the Government is the one that gets the profit, if there is a profit.

Mr. FRAZIER. May I comment, Senator?

Senator MILLER. Surely.

Mr. FRAZIER. I worked with these programs over many years.

The resale programs for years have contained a provision which permits the Secretary to mature the loan and call for a settlement at any time. This is a standard provision in all of the resale programs. This is the large difference.

Senator MILLER. What do they do, though, as a matter of custom?

Mr. FRAZIER. As a matter of custom, we have called them when someone in the Department felt that they were short of stocks and wanted them, or they refrained from announcing an extension for the next year. It is based on annual announcements, as you know.

Senator MILLER. But if there is a profit—

Mr. FRAZIER. Which does leave the producer in an unsure position so far as 2-, 3-, or 4-year planning he cannot count on the grain being held as you could under a reserve program.

Senator MILLER. But if there is a profit he gets it, doesn't he?

Mr. FRAZIER. Surely.

Mr. MILLER. But under the reserve, if there is a profit, the Government gets the profit.

Mr. FRAZIER. Some of the provisions in these bills contemplate that the grain held under resale could be figured in as a part of the reserve.

And I think that is one principle on which all of us are in agreement, and that that is a good provision.

Senator MILLER. In otherwords, what you want to tie into any reserve program is some kind of assurance that the Government isn't getting the profit, the farmer is getting the profit?

Mr. FRAZIER. Right.

Senator MILLER. I haven't studied the bill as thoroughly as I would like to but I am not sure that that point was brought out this morning in the testimony in behalf of the bill.

Mr. FRAZIER. It is a good point, and if you consider the resale quantities as a part of the reserve, then of course you would be bound to maintain them under reserve so long as you were maintaining any given amount in the reserve. And on that basis, the farmer would be reassured.

Senator JORDAN. Mr. Goepfinger?

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

Mr. GOEPPINGER. I would like to relate the practical points.

This relates to an experience which we went through in 1967, with sealed soybeans. From the testimony Mr. Frick gave, it would appear that soybeans which were held from 1967, when the average price was down around \$2.40, that by bringing them up to a sale in recent months where the price was around \$2.80, there would be a profit for the farmer. But the way it worked out was that with the storage that had been paid to the grower by the Government that had to be repaid, and the interest that had to be paid on the loan, we ended up paying the C.C. Office and the ASCS Office in our county \$37.50 on a bin of soybeans that we owned and had been carrying since 1967. So there wasn't any great advantage to us in storing these soybeans.

Senator MILLER. You are talking about commercial storage?

Mr. GOEPPINGER. No; I am talking about on farm storage.

We had received the storage payments during that period we carried it in our own bins, you see, which bins of course cost us money in the first place. But the advantage is, we did get the storage payments less \$37.50. However, we didn't get anything out of the market, we got zero out of the market because we also had to pay interest on the loans. And this amounts to a substantial amount.

Senator JORDAN. How many years, 3 years?

Mr. GOEPPINGER. From 1967 to December of 1971.

Senator JORDAN. That is 4 years?

Mr. GOEPPINGER. Right.

Senator JORDAN. The interest on that would run a lot of money.

Mr. GOEPPINGER. Per bushel it certainly would.

Mr. HEINKEL. I think the farm storage, you need to bear in mind, is designed to help the farmer increase his income from the sale of grain. Now, the gentleman from the Secretary's Office was putting a good deal of emphasis on the storage income. That is fine. But that puts the farmer in the storage business as such, and sometimes that is profitable and sometimes it isn't.

Mr. FRAZIER. Only a few of them take advantage of it.

Mr. GOEPPINGER. Because bins are costly and you have to pay for them somewhere along the line.

Senator JORDAN. You use these metal bins which are good.

Mr. HEINKEL. You must have aeration.

Senator JORDAN. I understand that. But do you have to turn this over every so often?

Mr. HEINKEL. Well, if you aerate, you don't.

Mr. FRAZIER. It depends on the area.

Mr. GOEPPINGER. In the case of corn, we have mechanical devices that turn the grain. One of them is called the stirator. And that is a pretty good description. It mixes the corn so that it is turned all the time.

Senator JORDAN. It is right in the bin. It is built in there so that you can do that electrically?

Mr. GOEPPINGER. Electrically. And also we have hot air to blow through it, so that it cannot only be aerated, but the corn mixed.

Senator JORDAN. Where do you get that hot air?

Mr. GOEPPINGER. From natural gas or propane gas.

Senator JORDAN. But each one of these bins has a heater connected with it?

Mr. GOEPPINGER. Oftentimes. In our case we have a way of conveying it from one bin to the other, so that we don't have a hot air blower on each bin.

Senator JORDAN. You have a portable thing like they do on airplanes so that in real cold weather they can pump either hot or cold air, whichever one they want in the plane.

Mr. FRAZIER. Could I add one more comment?

We have talked about the storage aspect considerably here. I would like to note quickly that I was very impressed with Senator Miller's reference this morning to the need for action on the 1971 loan rates. As we talk about the reserve program and what it would do, I think we tend to overlook the need for this type of immediate action. And I was rather impressed with the thought you expressed, that perhaps a desirable course right now would be to go ahead and mandate some action to increase loan rates on those 1971 crops, so that we would help these producers while they still have control of this crop—by next April, May, or June, we would be pretty far along with many of the producers.

Senator MILLER. The longer we wait on it, the less corn is going to be protected by that.

Mr. FRAZIER. Sure.

Senator JORDAN. Is it possible for the Secretary to increase the reserve for next year? I am talking about the acreage he takes out of production. Can he do that in addition to what they have already done?

Mr. FRAZIER. Yes, sir.

Senator JORDAN. Which would have a tendency to bring down the surplus next year? In other words, I am just thinking this. I realize that there is some immediate help needed right now for the 1971 crop. Suppose you could get the 1971 crop pretty well taken care of, and not running into 1972, and we could keep this from being another surplus like we have got right now. These reserves, you know, we had 17 million bales of cotton at once, and we had everything in this country full of cotton, or wheat, and so forth, and it took us a long time to get it back down. And we don't want to go back in that direction.

Mr. HEINKEL. We had 85 million tons of feed grains at once, and we had to work that down.

Senator JORDAN. That is right. And the way not to get in trouble is not to produce it.

But I agree with you thoroughly that something needs to be done on the 1971 crop, and the farmer who has already produced it is in trouble with it.

Mr. GOEPPINGER. We had a conference in mid-October with Secretary Hardin and several members of his staff. I identified myself as the president of the National Corn Growers Association. And Mr. Frazier of NFO was there with us. In addition there were representatives of the Grange and Farmers Union and MFA. This group just talked basically about corn.

We made three suggestions: No. 1, was to raise the corn loan rate; No. 2 was to ask the USDA administrators there to get behind and support the strategic reserve; and, No. 3, was for the Secretary to employ the powers that he had to go back to practically what would have been the old style of feed-grain program that we had between 1961 and 1970, which effectively controlled corn production. Currently, he has that authority under section 501(c)(1) of the present Farm Act. You now have a Senate joint resolution, I think, No. 172 here, that would call that into implementation. But the Secretary of Agriculture can voluntarily put it into effect for 1972. This is the only hope we really have of controlling production. Section 501(c)(1) puts strict limitations on each farm's corn acreage instead of allowing open production as it was in 1971.

In our National Corn Growers Association, we are fairly well convinced that next year we are liable to see far more production of corn than what the consumption will be, given normal weather, even if we have the total amount—the 25 percent and the two extra 10 percent employed by the Secretary because it is open on the other end for production, and farmers will just constrict on the nonintensive crops, such as oats, and put out just as much corn as they have in the past.

Mr. GOEPPINGER. I am Walter W. Goepfinger, a corn and soybean farmer living near Boone, Iowa, and am president of the National Corn Growers Association which has members in 44 U.S. corn-producing States. As Mr. Diehl has testified, this association has closely associated itself with development of foreign markets for U.S. corn for over a decade through the association's market development arm, the U.S. Feed Grains Council, of which I was its first president in 1960.

We have emphasized through the years the need for the United States to have an adequate reserve supply of corn to carry us through unforeseen shortages in order to assure our foreign customers that they will have an uninterrupted flow of grain to their livestock and poultry feeding operations once we have established ourselves with them as a reliable source.

This adequate reserve supply can work against the farmer, however, as its very availability to the open market causes this needed reserve to become a price depressant. There is only one real solution to this problem and that is to carry the needed contingency reserve in an isolated and sterilized position, unavailable to the market unless the provisions of S. 2093, S. 2099, S. 444, S. 2500, S. 2648, S. 2678, and S. 2729 are met. Without these everyone benefits except the man who is responsible for the production of the grain. The customer gets his grain cheaply, the United States obtains foreign exchange from the transaction, and the U.S. consumer of the end products of corn has

the benefit of being subsidized by lower prices for meat, milk, and eggs. But this is false economy for our Nation as a whole. All new real wealth must originate from one of four sources—the air, the water, the minerals in the earth, or the production of the soil. The agricultural production of our soil is by far the greatest source in this country of our new wealth. New real wealth from agriculture will remultiply itself now at a rate of about eight times in the rest of the economy. If we are to have a healthy, expanding, and vigorous economy the best place to insure that is in a healthy agriculture. Agriculture must have a better price structure than it now has if this is to be insured. The bills before you provide for this needed improvement for the foreseeable future. We urge their passage.

The future of expanded overseas markets for U.S. feed grains, especially corn, is bright as more and more countries turn to the high protein foods represented by animal, dairy, and poultry products. Only last week the sale of 80 million bushels of corn to Russia proved this. But the U.S. farmer must be a beneficiary along with the rest of U.S. economy and the world by giving him his fair share of the economic pie.

Thank you for giving us the opportunity to testify before you.

Senator JORDAN. Let's go off the record a minute.

(Off the record discussion.)

Senator JORDAN. On the record.

Mr. Diehl?

**STATEMENT OF WOODROW W. DIEHL, NATIONAL CORN GROWERS  
ASSOCIATION, BOONE, IOWA**

Mr. DIEHL. I am Woodrow W. Diehl, a corn, soybean, cattle, and hog producer living near Indianola, Iowa, and am a director of National Corn Growers Association which has members located in 44 U.S. corn-producing States. In 1965 and 1966 I represented Corn Belt farmers on President Johnson's National Food and Fiber Commission.

National Corn Growers Association was directly involved in 1959 and 1960 in the original activation of the U.S. Feed Grains Council as its overseas market development arm. The council now has eight corn market development offices in foreign countries with over 200 projects in 20 countries. From the council's start we have recognized the importance of having adequate supplies of U.S. corn and other feed grains on hand to meet our own and overseas customers' requirements regardless of whether we have large or small crops from season to season.

Mr. Chairman and members of the committee, we wish to express our appreciation to you for holding these hearings on S. 2093, S. 2099, S. 444, S. 2500, S. 2648, S. 2678, and S. 2729. These bills have now been referred to your committee for consideration.

This is a year when the U.S. Government farm program caused a record increase in feed-grain stocks. The 1971 acreage increase, applied to the largest of all the major grain crops in the United States, has created a corn crop of 5.4 billion bushels according to the latest USDA estimate. This breaks the old record by 700 million bushels. In addition the total tonnage of other feed grains which includes barley, oats, rye, and sorghum, will be much larger than 1970. The

people of the United States and our overseas export customers of U.S. feed grains need to have an adequate supply of feed grains. The farmers of the United States are willing to see to it that they are furnished with this. However, U.S.-corn farmers shouldn't have to suffer from and bear the brunt of low prices which this 5.4-million-bushel crop has brought us in order to insure the United States and our overseas customers of an ample supply of corn following the short crop of 1970. We now are faced with a far larger crop than the domestic and export needs of this country require. We estimate these needs for the 12 months at 4.6-billion bushels.

It is the purpose of this testimony to support the provisions of the above referred bills which have as their objectives so far as corn framers are concerned the following:

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

Second. To increase the price of U.S. corn in the marketplace from its present disastrously low level to a more adequate and reasonable one for the farmer.

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

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

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

We support the provisions of S. 2093, S. 2099, and S. 244 to protect the farmers from ruinously low prices as a result of providing the country with adequate corn and other feed grains. Adequate corn means adequate supplies of meat, milk, and eggs and many other products running into the total of hundreds in number which contain products of corn that are now on supermarket shelves.

We feel that a floor should be placed under the market price 25 percent higher than the \$1-per-bushel minimum provided by the present law and 20 cents per bushel higher than USDA has set this year. One difficulty with the loan program is that although it places a floor under the price system for some farm programs compliers, it is never possible for all the corn that all compliers produce to receive this support. Those compliers who do not have adequate or sufficient drying and storing facilities available to them are forced to sell when the market price is substantially depressed at harvest time during October, November, and December. At this time the level of the cash market will generally decline about 10 cents below the corn loan because of the heavy flow of grain. For many producers who take loans on their corn, the national loan of \$1.05 does not mean that they receive this figure. Much of the Corn Belt's main-producing area receives a loan of about \$1 per bushel under the present freight rate backoff loan structure, but October, November, and December sellers only get 90 cents or less per bushel when the cash market declines substantially below the loan support level. This is a tragic circumstance as it places them well below the cost of production. Illinois elevator bids were only 89 cents per bushel on October 16.

With everything that farmers purchase or pay for including taxes, interest, living costs, fertilizer, seed, farm machinery, insecticides, and labor having gone up in the last several years, a rise of 25 percent in the corn-loan minimum certainly is in order at this time. Farm prices are the core of farm prosperity and of preventing further off-farm migration. A 25-percent increase in the corn-loan minimum would mean a national average of \$1.25 per bushel. That still would only be 66 percent of our present \$1.88 parity, and 37 cents below the \$1.62 corn-level of 17 years ago.

Most corn loans are eventually repaid by farmers and the corn repossessed by them. Hence, the additional money needed for feed-grain loan funds isn't going to be lost to the Government. The effect of such an increase in the corn loan would also carry itself over into better prices for grain sorghum, barley, and oats and the whole livestock and poultry community. Agriculture's prosperity is Main Street's and the United State's prosperity—and its depression too if things are not profitable on the land.

It is much better for the farmers of the United States and the citizens of the country as a whole to have a prosperous agriculture than a depressed one. It is the responsibility of the country as a whole to see to it that farmers are adequately remunerated for their services to the country. With practically all segments of the economy having received increases in their income for their services rendered in the past few years, corn farmers should be included by granting them more income protection in years when stocks of grain are being rebuilt than they now have. There are so many examples of substantial wage settlements in the recent past that I won't attempt to elaborate them here.

With corn forming the chief basis for the production of U.S. meat, milk, poultry, and eggs, its price influences the prices of the aforementioned high protein end products. "Cheap corn means cheap livestock, dairy, and poultry prices" has long been an axiom in agriculture and has been proven many times. For the past two decades

there has been a tendency in both national parties to sweep agriculture under the national rug and to pursue cheap food prices to the supposed benefit of urban areas. This is becoming easier to do after every reapportionment of Congress following the official census each decade. Thus the voice of rural and farm communities is cut more and more.

Agriculture's problem basically is one of low prices for its products. The population migration off the farm is following the dollar. Farm prices have not begun to keep pace with price rises in other sectors of our economy. Farmers are rapidly becoming second-class citizens economically despite the fact that they work much longer average hours per day than their city cousins. They are being squeezed to death by their own efficiency.

Additional credit for farmers, more REA service, RET service, better roads, more schools, and all the other infrastructure items that go into making up the farm community mean nothing if prices do not make it possible for farmers to earn a comfortable living. This is the root of the farm problem. Credit for farmers today is a liability to them with farm debt having gone from 8 billion 20 years ago to a staggering 60 billion today—twice the national debt before World War II. The interest alone on this debt computed at 7 percent is \$4.2 billion—one-fourth present net farm income, without considering the required principal payments.

You gentlemen are to be congratulated upon considering and recognizing the needs for a strategic food reserve and higher farm prices for corn, the most valuable crop grown in the United States. We stand ready to assist you in convincing your colleagues in Congress for the need to pass the above referred to bills.

Thank you most sincerely for giving National Corn Growers Association the opportunity to bring this testimony to you.

Senator JORDAN. Mr. Brooks?

#### STATEMENT OF WILLIAM F. BROOKS, PRESIDENT AND GENERAL COUNSEL, NATIONAL GRAIN TRADE COUNCIL

Mr. BROOKS. Mr. Chairman, my name is William F. Brooks. I am with the National Grain Trade Council.

I am willing to submit our statement in opposition, if you will, to any of the reserve proposals as they are pending here in the pending legislation.

Senator JORDAN. Fine. It will be put in the record in its entirety. I will assure you that we will read it.

Mr. BROOKS. We appreciate this opportunity to present again our views on the establishment and maintenance of reserve stocks of grains and oilseeds. Our views will be limited to reserve stocks of these commodities. We will therefore not comment on the pending proposed reserve inventories of dairy and poultry products.

The National Grain Trade Council continues to be interested in strategic stocks of grain and a sound long-term grain carryover policy. The Council supports "a national policy designed to insure a sufficient annual carryover or reserve of each and every food and feed grain of a quantity bearing a fixed percentage relationship to total annual consumption. The Council urges the immediate establishment of such goals and recommends that any supporting or enabling legislation

recognize private commercial inventories as being the most desirable and liquid source of said carryover or reserves; that the legislation clearly stipulate the condition under which any of the carryover or reserves would be held by the Federal Government and the acquisition and disposition of Government stocks would require fixed and completely predictable obligations on the Government and complete and immediate disclosure of the Government's intentions and activities at all times."

In our judgment the pending proposals, individually and collectively, fail to meet the criteria of a sound and complete carryover and reserve stock program.

S. 2093 and S. 2099 would increase the minimum loan by at least 25 percent when a grain adjustment program "will result in an addition to reserve stocks." In establishing loan rates, the Secretary already has broad discretion and presumably does establish loan rates at the highest level he can justify, taking into account domestic and export requirements and an adequate carryover.

These two proposals are, as are the other pending proposals, silent as to what is a sufficient carryover. These proposals and others refer to, but do not define "reserve stocks"; what constitutes "an addition to reserve stocks," and, except in S. 2729, carry no date or dates before or on which decisions must be made and announced.

S. 2444 and S. 2500 and S. 2678 which are identical would require an increase in loan rates when an adjustment program "will result in an addition to reserve stocks". S. 2444 would permit loans of three-year duration. S. 2500 and S. 2678 would permit loans to be called if certain percentile supply conditions existed or at the option of the borrower.

We believe that these proposals contain the deficiencies we have noted for S. 2093 and S. 2099. And those deficiencies and others are found in S. 2729 which we take to be a substitute for S. 2648.

S. 2729 would authorize a strategic storable food commodities reserve of up to "(1) three hundred million bushels of wheat; (2) a total of thirty million tons of feed grains; (3) one hundred million bushels of soybeans." S. 2729 sets minimum and maximum purchase prices for these commodities and a minimum resale price 5 percent above the maximum purchase prices. S. 2729 attempts to limit the quantities which might be sold for unrestricted use during any marketing year.

S. 2729 would permit, perhaps require, direct intervention by the government in the marketplace. Under section 4(c), the Secretary might buy and sell substantially equivalent quantities of grain on an almost daily basis.

This buy-sell provision would create an intolerable situation with frightening price control possibilities. Under this provision, the Commodity Credit Corporation could engage in extensive buying and selling operations at the same level and create conditions which would make it impossible for the private trade to operate except as agents for the government.

It is not necessary for the government to buy and sell its grains and oilseeds for the purpose of rotating or managing its stocks. If those stocks are stored on a commingled basis, as is the custom under the Uniform Grain Storage Agreement, it is the responsibility of warehousemen to rotate, freshen, or do whatever is required within reason, to keep the grain in condition.

Recent decreases in exports have resulted from factors beyond the control of producers, the grain trade, and the government. That a healthy export movement of grain and oilseeds is possible when all sectors of the economy and Government cooperate to increase exports was demonstrated last week when a projected cash sale of feed grains to the U.S.S.R. was announced. As recently as last Friday morning, this Committee's Subcommittee on Agricultural Exports heard testimony on the adverse effect on agricultural exports when that cooperation is lacking. Exports of grains and oilseeds should be encouraged and promoted. We believe they will not be encouraged and cannot be promoted through increases in loan levels.

Grains are produced and marketed by some farmers who have not agreed to participate in acreage diversion programs. Assuming for the moment that enactment of a combination of the pending proposals did result in a higher market price temporarily, would nonparticipants benefit to a greater degree than participants? And would not this nonparticipant benefit discourage participation in later years? More appropriately it might be asked—would not a congressionally set increased loan level this year lead to an additional congressional increase again next year until export markets were lost and grain marketing became a State monopoly?

Because the pending proposals would, if enacted, probably decrease—at least tend to decrease—export possibilities; because they are not designed primarily to insure a sufficient annual carryover bearing a fixed-percentage relationship to total annual consumption; because they do not recognize private commercial inventories as being the most desirable and liquid source of sufficient annual carryovers; and because all the pending proposals, and in particular S. 2729, would permit, if not require, direct intervention of the Government in the marketplace, the National Grain Trade Council recommends against the enactment of S. 2093, S. 2099, S. 2444, S. 2500, S. 2678, S. 2648, and S. 2729.

If you have any questions about it, any members of the committee, we are located here in the city.

Senator JORDAN. Thank you very much.

Gentlemen, I am sorry that we have had sort of a "come and go" meeting, but I did the best I could. Thank you very much.

Mr. GOEPFINGER. We are going to file the statements with you, but I would also like to file this headline of the Des Moines Register today.

(The article referred to follows:)

[From Des Moines Register, Nov. 10, 1971]

**DUMP CORN IN IOWA STREETS—RECORD CROP, DOCK STRIKE ARE BLAMED;  
ELEVATORS SWAMPED BY HARVEST**

(By Veryl Sanderson)

There's too much corn for the amount of storage space in Iowa and some elevators have started dumping shelled corn on city streets.

Hundreds of thousands of bushels of shelled corn are in the streets of Clarion, Belmont, Kelly, Marathon, West Bend, Albia, Webster, Harper and other communities.

As Iowa Highway 159 ends in Harper in Keokuk County, a pile of 72,000 bushels of shelled corn blocks traffic. Another pile of 135,000 bushels of shelled

corn is wedged between two steel bins at the W. C. Gretter & Sons elevator in Harper. This pile is growing as more truckloads are delivered.

"The city council has really been co-operative," said Bill Gretter, "in letting us put corn on the streets. They want to help the farmers get their corn out of the fields."

"We have a licensed storage capacity here of 1,100,000 bushels and that's all filled," Gretter said.

"There are so many machines (combines and corn pickers) out in the field that we can't handle all of it," he said. "We couldn't buy corn Monday because we didn't have any place to put it."

#### RECORD CROP SEEN

"Today (Tuesday), we did start shipping some truckloads to Muscatine and we could start buying again. "There are a lot of corn acres this year because the government soil bank program cut back in diverted acreages. And the average yield this year is 125 bushels an acre around here."

U.S. Agriculture Department officials are predicting a corn crop for Iowa in excess of one billion bushels—a record.

"Farmers planted more corn this year because they feared the blight would hit hard and cut yields," one official said. "The blight didn't hit hard and weather conditions were such that the yields are good."

The yields and increased acreage are only two reasons for the glut on the market and the low prices.

One factor is the on-again, off-again dock strike in the Port of Chicago and Gulf of Mexico ports.

#### JUDGE REFUSED

Chicago strikers were ordered back to work by a federal court injunction Oct. 6. Hundreds of barges were loaded with corn and shipped to Chicago for export shipments.

Then, following a hearing on the injunction last week, the federal judge refused to sign an order to continue the injunction.

"The result," groaned one exporting company official, "is that Lake Calumet looks like it has a bridge of loaded barges crossing it. And these barges can't unload because the longshoremen went back on strike."

Strikers in the Port of New Orleans last week were ordered back to work by a federal court order and the machinery slowly creaked into gear Monday. But it will take some time before the elevators at the port and barges will be able to take their capacity. New Orleans is the main port for exported corn and soybeans from Iowa.

"I shipped a few truckloads to the (Mississippi) river Monday but they wouldn't take any more Tuesday," said Francis Lee, manager of the Warder and Lee Elevator at Webster.

#### FIRST IN 25 YEARS

"This pile of corn on the street here will reach 80,000 bushels by nightfall," he said. "This is the first time in the 25 years that I've been here that we've had to pile corn in the streets."

The Webster elevator is licensed by the Iowa Commerce Commission for about 759,000 bushels of storage space and that is full, Lee said.

As of Dec. 31, 1970, the Commerce Commission had 110,237,000 bushels of storage facilities licensed in Iowa. Wally Dick, warehouse superintendent, estimated Tuesday that total storage in Iowa for corn and soybeans has now reached 248 million bushels.

"The only legal way corn can be stored in the open by elevators is if the corn is company owned. Warehouse receipt corn should be inside," he said.

Wayne Van Den Berg, Dick's assistant, added, "Warehousemen are trying to license anything they can but space is just running out. They can't build bins fast enough and government and on-the-farm bins aren't available."

#### 200 APPLICATIONS

"We had 200 applications for licenses last month, ranging from one to 70 storage facilities per application," he said.

With only an estimated 75 per cent of the corn harvest completed, farmers are looking to elevators to take the excess harvest they can't store on their farm, even at the current low market prices.

Shelled corn at the local elevator level Tuesday was bringing about 95 cents a bushel.

Evidence of the critical storage problem also can be seen on Iowa farms in the number of picket cribs erected to hold ear corn and the amount of ear corn piled on the ground.

Senator JORDAN. We will also place in the record the statement of Senator Hartke.

(The statement follows:)

STATEMENT OF HON. VANCE HARTKE, A U.S. SENATOR FROM THE  
STATE OF INDIANA

Mr. Chairman, I am pleased to testify today in behalf of S. 2729, the Strategic Storable Agricultural Food Commodities Act of 1971, of which I am a co-sponsor.

S. 2729 authorizes the Secretary of Agriculture to establish and maintain a reserve supply of soybeans, corn, grain sorghum, barley, oats, wheat, and dairy and poultry products. The reserve inventories could include 300 million bushels of wheat; 30 million tons of feed grains; 100 million bushels of soybeans and dairy and poultry products at such levels as determined by the Secretary.

Although food reserve bills have been considered in the Congress for a number of years, there is no better time than now to enact strategic reserve legislation.

In large part because of weaknesses in the supply management provisions of the set-aside farm program, we are now faced with serious overproduction of several basic crops. The U.S. Department of Agriculture has predicted record crops of corn, wheat, soybeans, and sorghum grain.

As a result of the surpluses generated by these record yields, prices to the farmer have moved to disastrously low levels. For the month ending October 15, 1971, corn was \$1 per bushel compared with \$1.11 in September and \$1.34 a year ago. Wheat averaged \$1.30 per bushel, compared with \$1.26 in September and \$1.43 a year ago.

My State of Indiana has lost a great deal of farm income under the set-aside farm program. You recall that last year in the Senate we passed an amendment that would have supported feed grains at 75% of parity. At the insistence of the Nixon Administration, this Senate provision was beaten down in conference with

Nixon administration, this Senate provision was beaten down in conference with the House, and the \$1.35 per bushel fixed figure is the effective level of support for corn under the 1970 Agricultural Act.

In 1971, Indiana farmers lost approximately \$3.9 million of income from corn production alone, as a result of the loss of 75% of parity support. This figure of \$3.9 million represents the difference in income on Indiana's corn production between the \$1.35 per bushel support level and the level of support that 75% of parity would have provided.

During 1972 and 1973, Indiana corn farmers will suffer additional losses of \$9.2 million (in 1972) and \$14.4 million (in 1973), below what 75% of parity would have provided, if returns from corn remain frozen at \$1.35 per bushel.

The feed grain program that has been announced by the Administration for 1972 retains the \$1.35 figure for the support of corn. The newly-announced program holds out promise of increasing somewhat the income from feed grains in 1972. In view of the surpluses that will hang over the market, however, it is doubtful whether income will actually be increased.

Furthermore, the attempt by the Administration to shore up the set aside program has made it necessary to make some changes in the 1972 program that will add more instability to the farmer's situation. For instance, the decision on acceptance of additional voluntary set aside acres above 35% for feed grains can be made by the Secretary as late as March 1972.

The strategic reserve that would be created by S. 2729 would make it much easier for the Secretary of Agriculture to make early and effective decisions to stabilize production of basic food commodities. If the reserve had been in existence last year, there would have been no reason to plan additional acreage to compensate for the anticipated blight damage that never materialized. If the reserve existed this year there would be no reason for the Secretary to keep the farmer guessing until the last minute on whether additional grain set aside with payments would be approved.

In both of these cases, the Secretary would have been able to plan production on the low side, thus heading off the possibility of overproduction and surplus

accumulation. He could have done this because the reserve would have been there to protect consumers from food shortages in the event of production below domestic needs in any given year.

I would add, parenthetically, that even with a reserve it would still be difficult to stabilize production with the diffused approach to the set aside. Clearly preferable to the set aside is the commodity-by-commodity approach to supply management that was in effect prior to the Agricultural Act of 1970.

We need the strategic commodity reserve as provided in S. 2729 for at least two reasons: (1) In order to protect the consumer from the danger of short-run shortages in the food supply, and to provide a ready supply of food for use in fulfilling emergency needs both here and abroad; and (2) in order to facilitate the administration of effective supply management programs that are essential if our farm commodity programs are to operate in a successful manner.

Mr. Chairman, I urge you and your Committee to take early and positive action on S. 2729.

Senator JORDAN. We will leave the record open for a week and anybody that has any further statement to put in, can do so.

And that will bring the hearing to a close. Thank you for being with us.

(Whereupon, at 4:15 p.m., the subcommittee adjourned subject to the call of the Chair).

(Additional statements filed for the record are as follows:)

STATEMENT OF HON. ARTHUR A. LINK, REPRESENTATIVE IN CONGRESS FROM THE SECOND CONGRESSIONAL DISTRICT OF NORTH DAKOTA

Mr. Chairman, I am proud to be a co-sponsor of H.R. 8290, the companion measure in the House of Representatives to S. 2099, which you are considering today. The Subcommittee on Grains and Livestock of the House Agriculture Committee, of which I am a member, favorably reported H.R. 8290.

First of all, I wish to emphasize that agriculture is in a full-scale crisis. In many parts of my state of North Dakota, whose economy is based 80 to 85 percent on agriculture, the cash price of wheat dropped this fall to less than \$1 a bushel. The latest farm parity ratio was 68 percent—close to the levels of the Great Depression.

Second, I wish to stress that sick condition of agriculture is a key cause of sluggishness in the general economy. Agriculture still is the nation's largest single industry, employing 4½ million workers and purchasing \$56 billion of goods and services.

It is no coincidence that record low farm prices are accompanied by a 6-percent unemployment rate—the highest in a decade.

H.R. 8290, whose primary sponsor is Congressman John Melcher of Montana, and S. 2099, would be a significant way to ensure farmers a fairer and more stable income for wheat and feed grains.

Few people realize that the farmer receives only 2½ cents for a 27-cent loaf of bread and only 2½ cents for a 31-cent package of corn flakes. Consumer expenditures for food were 22 cents of each \$1 in 1940; 20 cents in 1960; and 16½ cents in 1970. So the consumer, as the years pass, is spending less and less of his cash on food.

Under H.R. 8290 and S. 2099, when the Secretary of Agriculture sets acreage allotments for these crops that would result in an addition to reserve stocks, an increase of at least 25 percent in their minimum loan levels would be triggered. The purpose is to protect producers against depressed grain prices that would result from increased supplies.

According to the U.S. Department of Agriculture Crop Report of October 1, 1971, wheat production rose 18 percent over 1970; durum 74 percent; corn 31 percent; grain sorghums 28 percent; barley 14 percent; while oat production fell 2 percent.

With surpluses overhanging the market, prices received for these grains have declined this fall. Average price received by farmers for wheat on September 15 was \$1.26, compared to \$1.40 on January 15. Comparable figures for other grains were: corn \$1.10 ad \$1.43; barley 90.2 cents and \$1; oats 57 cents and 67½ cents (on February 15).

H.R. 8290 and S. 2099 would relieve this downward pressure on farm prices.

Mr. Chairman, H.R. 8290—S. 2099 is a modest measure, but it would help stabilize grain prices at higher levels. It would help all of rural America, and it would be of particular value to a state, such as my state of North Dakota, whose economy is based 85 percent on Agriculture.

STATEMENT OF JERRY REES, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. Chairman and members of the committee, my name is Jerry Rees, executive vice president of the National Association of Wheat Growers. The NAWG appreciates this opportunity to indicate its views with regard to the important legislation under consideration here today.

Our national president, Gene Moos, a wheat producer from Edwall, Washington, recently testified before the Livestock and Grains Subcommittee of the House Committee on Agriculture in favor of establishment of a strategic reserve for agricultural commodities. I would like to submit President Moos' statement for the record. In brief, Mr. Moos' testimony indicates NAWG support through resolution of its membership for much needed reserve legislation. Specifically, we urge that a strategic reserve of wheat be maintained for the purpose of national defense, an adequate food supply and emergency distribution—provided that the stocks are isolated from the market at 100% of parity. The cost of such reserves should be charged to national defense, and other appropriate agencies serving the public interest, and not alone to the cost of farm programs.

Passage of a strategic reserve bill would have an immediate effect on wheat prices. Wheat production has increased substantially under the "set-aside" program contained in the Agriculture Act of 1970. This production comes from increased acreage of 8% and an increase in production of 18% despite the fact winter wheat producers were unable to adjust acreage for the new program in 1971. The National Association of Wheat Growers recently conducted a survey of member states and found evidence that wheat acreage will continue to expand in 1972—probably by as much as 20%. This expansion is brought about by the mechanics and psychology of the "set-aside" program. We could very easily have 55-60 million acres of wheat in 1972 yielding a potential 1.8 to 2.0 billion bushel crop.

These estimates are even more staggering when viewed in conjunction with the current world wheat situation which is characterized by sharp increases in world production and significantly reduced import demand. Competition for world markets is intense and we have been seriously disadvantaged in gaining access to these markets because of continuing dock strikes. Because of these adverse developments, the NAWG expects carryover stocks of wheat on July 1, 1972, to be as high as 1 billion bushels. The growing surplus has depressed wheat prices to current loan levels.

A strategic commodity reserve is an important step towards protecting farm income and bringing some balance to the supply and demand situation. We should not forget, however, that there are administrative steps which also can be taken towards these ends. The 1972 Feedgrain Program recently announced by the Department of Agriculture is a very good example. In the long run this program should improve the income and price outlook for the feedgrain producer, and we congratulate Secretary of Agriculture Hardin in taking this action. The program, however, falls far short of controlling excessive wheat production and it is quite apparent that price-depressing stocks will continue to accumulate unless an effective, voluntary diversion for pay program is offered in conjunction with the 1972 wheat provisions. We urge the members of this subcommittee to support the NAWG's effort to obtain such a program.

The national average loan rate of \$1.25 per bushel for wheat came into effect in 1965. During this 7-year period, the income of wheat producers has been basically frozen while production and living costs, taxes and the like have increased substantially. The National Association of Wheat Growers supports legislation pending before this subcommittee designed to raise commodity loan levels.

If producer income had been maintained through the help of an effective loan program, the current loan level would be much higher than that offered in proposed legislation. A 25% increase in the loan level with adjustments to maintain the relationship between the different commodities affected is urgently needed. This subcommittee might also want to consider placing loan levels on a graduated scale so that farmers can keep pace with the rest of the economy—perhaps the loan level could be adjusted yearly to reflect changes in parity or increases granted under Phase II of the President's New Economic Policy.

With respect to world markets, in relationships developed over the years with producers in Canada, Australia and the EEC, we find that our country's abundant supplies and low prices have been market depressants. It is felt that a policy adjustment which brought about an increase in the loan rate would cause world prices to work up dramatically.

Altogether, we feel the benefits in terms of producer income which would result from an increase in loan rates far exceed the cost of such action as outlined by the Department of Agriculture.

Thank you, Mr. Chairman, for this opportunity to appear before your subcommittee and present the views and recommendations of the National Association of Wheat Growers.

(The statement referred to above is as follows:)

STATEMENT OF EUGENE MOOS, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, BEFORE THE LIVESTOCK AND GRAINS SUBCOMMITTEE, COMMITTEE ON AGRICULTURE, HOUSE OF REPRESENTATIVES, SEPTEMBER 15, 1971

Chairman Purcell and committee members, I am Gene Moos a wheat producer from Edwall, Washington and the current President of the National Association of Wheat Growers. I am accompanied today by Jerry Rees our Executive Vice President. Our association represents wheat producers in our member states of Washington, Oregon, Idaho, Montana, Colorado, South Dakota, Nebraska, Kansas, Oklahoma and Texas.

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

In the discussion of the need for a reserve, I feel it is important to review the first year performance of the set-aside farm program and its impact on production and prices. Perhaps the single most distinguishing feature of the set-aside program is its flexibility—the options it provides allow the individual producer to utilize his acreage in a variety of ways. As Secretary Hardin told the Senate Agricultural Appropriations Subcommittee during hearings on USDA's 1972 budget: "We seek to make farm products more competitive and to help farmers reduce production costs through more efficient use of their total resources. Under the new programs, many farmers will have increased opportunities to make decisions on their own about what and how much they produce."

There can be little question that this guiding principle of the new programs has, in effect, given many producers the option of putting many more acres into production than previously—and, even more important, that many producers have exercised this option. Just how much additional acreage will be brought back into production as a result of this feature remains unknown, but the most recent crop reports strongly indicate a dramatic increase in production.

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

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

In terms of supply—carryover stocks of wheat at the end of the crop marketing year July 1, 1972 could be as high as a billion bushels. As for feedgrains, October 1, 1972 carryover stocks could be 50 million tons or higher. Although these carry-

over stocks of wheat and feedgrains will not set new national records, they could well set off a new generation of farm surpluses. Certainly they will be high enough to be a major market depressant, and there is little prospect that either wheat or feedgrain prices will be much above loan support levels during this marketing year. Set-aside exponents are on record indicating that guaranteed price supports are to be calculated at a level to support the cost of production. What this means then is that wheat and feedgrain producers would be condemned to total reliance on direct Government payments for their living costs.

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

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

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

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

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

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

These then are the concerns of NAWG and all producers. Can the 1970 Agriculture Act be administered in such a way during the next two years as to reverse this accumulation of surplus stocks of wheat and feedgrains? NAWG believes this accumulation of stocks can be reversed but not unless the following things happen. One—The feedgrain set-aside requirement must be raised to at least 35% with proportionate increases in the support payment while at the same time voluntary diversion payments must be made available for both wheat and feedgrains for 1972. The above recommendations will probably cost an additional billion dollars over and above anticipated farm program costs for 1972. We agree this is very expensive and difficult considering the present budget difficulties confronted by the Administration. However, we have to point out that in the absence of such an emergency effort to control the size of the 1972 crop, the U.S. will accumulate stocks of wheat and feedgrains to the point that economic disaster will threaten the farm community.

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

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

Four—It is important that the U.S. present a more positive position in behalf of agriculture in negotiating trade rights with other countries and asserting these rights under current agreements.

Five—Positive action is needed to open West Coast ports for shipping and prevent a tie-up of Gulf and East Coast ports.

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

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

WASHINGTON, D.C.

Hon. HERMAN TALMADGE,  
U.S. Senate,  
Washington, D.C.

The National Grange, assembled in our 105th Annual Session in Charleston, W. Va. on Nov. 9, 1971, is in strong support of the following legislation now pending before the Senate Committee on Agriculture and Forestry.

S. 2093 to protect producers' income when rebuilding reserve stocks of wheat and feed grains by increasing the loan level by 25%.

S. 2648 to authorize the establishment and maintenance of reserve supplies of soybeans, corn, grain sorghum, barley, oats, and wheat for national security and to protect domestic consumers against an inadequate supply of such commodities; to maintain and promote foreign trade; to protect producers of such commodities against unfair loss of income resulting from the establishment of a reserve supply; to assist in marketing such commodities; to assure the availability of commodities to promote world peace and understanding.

JOHN W. SCOTT,  
Master, National Grange.

A. EDWARD ANDERSEN,  
Master, Nebraska State Grange,  
Chairman, Agriculture Committee, National Grange.



