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# AGRICULTURE—ENVIRONMENTAL AND CONSUMER PROTECTION APPROPRIATIONS FOR 1975

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## HEARINGS

BEFORE A

## SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

SUBCOMMITTEE ON AGRICULTURE—ENVIRONMENTAL AND CONSUMER PROTECTION

JAMIE L. WHITTEN, Mississippi, *Chairman*

GEORGE E. SHIPLEY, Illinois
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GEORGE E. EVANS, ROBERT B. FOSTER, and CHARLES W. SNODGRASS, *Staff Assistants*

## PART 1

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Printed for the use of the Committee on Appropriations

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# AGRICULTURE—ENVIRONMENTAL AND CONSUMER PROTECTION APPROPRIATIONS FOR FISCAL YEAR 1975

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MONDAY, MARCH 4, 1974.

## U.S. DEPARTMENT OF AGRICULTURE

### SECRETARY OF AGRICULTURE

**WITNESSES**

**HON. EARL L. BUTZ, SECRETARY OF AGRICULTURE**
**JOSEPH R. WRIGHT, ASSISTANT SECRETARY FOR ADMINISTRATION**
**DON PAARLBERG, DIRECTOR, AGRICULTURAL ECONOMICS**
**JOHN A. KNEBEL, GENERAL COUNSEL, OFFICE OF THE GENERAL COUNSEL**
**JEROME A. MILES, DIRECTOR OF FINANCE, DEPARTMENT OF AGRICULTURE**

### INTRODUCTION OF WITNESSES

Mr. WHITTEN. The committee will come to order.

We have with us today the Secretary of Agriculture, the Hon. Earl L. Butz, and his associates.

I notice Mr. Campbell is not with us. Will he soon be back?

Secretary BUTZ. Mr. Chairman, Mr. Campbell is back and his surgery was very successful, I am happy to report. Having been out of the office for 4 weeks, he asked for time and he said, "My desk is covered up."

I said, "I think we will excuse you and let you uncover your desk."

Mr. WHITTEN. Express our appreciation that he has recovered fully and we thoroughly understand.

Mr. Secretary, as you know, since you and I have been on the same program a few times, I like to give a few remarks before you start. I recall the time when Mr. Benson was on your side of the table after 4 years of service, and I led off, describing what the committee was interested in, as I saw it. After I had finished, Mr. Benson, who was quite well known in religious circles as one of the presiding elders of the Mormon Church, said "I guess, Mr. Chairman, in the hereafter you and I will be arguing about the farm program."

My reply was, "Mr. Secretary, where I thought you were going, and where I hope to go, I didn't think there would be any arguments."

CONCERNS OF THE COMMITTEE

I would like to lead off again today to say there are things that disturb us.

One of the things that disturbs me the most is all these proposed reorganizations. I would like to place in the record at this point a summary of these reorganizations, and then we can discuss them one-by-one.

[The information follows:]

## Financial Adjustments Pursuant to USDA Reorganizations

| Reorganization and Agency | Funds (In thousands) | Positions |
|---|---|---|
| OMS Information Activities (FY 1974 adjustment): | | |
| From OMS to -- | | |
| Cooperative State Research Service | $68.9 | 3 |
| Economic Research Service | 324.1 | 21 |
| Farmer Cooperative Service | 133.2 | 8 |
| Office of Communication | 65.1 | 5 |
| Rural Development Service | 65.0 | 3 |
| Statistical Reporting Service | 78.0 | 5 |
| Total adjustment | 743.3 | 45 |
| Transfer of the Economic Development Division (FY 1975 adjustment): | | |
| From RDS to ERS | 2,181 | 94 |
| Reorganization of International Activities (FY 1975 adjustment): | | |
| FAS (including International Organizations Staff) | 32,151 | 658 |
| EMS | 3,620 | 171 |
| Total adjustment | 35,771 | 829 |
| Reorganization of Departmental Administration (FY 1975 adjustment, preliminary estimate): | | |
| From OIG to -- | | |
| Office of Audit | 13,784 | 501 |
| Office of Investigation | 7,693 | 324 |
| Office of Management and Finance | 425 | 20 |
| Total adjustment | 21,902 | 845 |
| From OMS to -- | | |
| Office of Management and Finance | 128 | 18 |
| Office of Operations | 245 | 48 |
| Office of Personnel | 177 | 32 |
| Agricultural Research Service | 165 | 8 |
| Agricultural Marketing Service | 107 | 7 |
| Rural Electrification Administration | 17 | 1 |
| Director of Agricultural Economics | 3,198 | 192 |
| Total adjustment | 4,037 | 306 |
| From OIS to the Office of Management and Finance | 454 | 18 |

It disturbs me to see the changes that you have made in the Department and the changes which you propose. I'm afraid we're forgetting many of the lessons by history.

For example, I see you want to charge the Agricultural Conservation Program. I think many people don't realize the contributions of this program in which American agriculture producers put up about half the money and the Government half the money and the landowner puts up the labor. Until the Government began to restrict this program, we had over a million Americans participating in that program officially.

By setting the example for the rest of the Americans, we had several times that many doing it on their own land because they saw the value of it.

Having been chairman of this committee since 1949, with an exception of 2 years, I remember a lot of these things. I remember that the Soil Conservation Service was set up because we recognized in the early 1930's and from then up to recently, that we needed to leave to our people a rich land. We needed to leave them trees, and under programs sponsored by this committee we planted 5½ billion trees. We needed to leave them reservoirs, and over 2 million have been constructed under these programs.

Without these 2 million water pools, there is no telling how short our beef supply would have been this year. You and I know this, but many city folks don't know that cattle will go only so far from water. These 2 million pools gave us that much more potential grazing area, which kept the beef shortage from being even worse.

We went through a period where the Agricultural Conservation Program wanted its own set of engineers. The Soil Conservation Service wanted some money to contribute to their work. To resolve that difference, this committee recommended and got through the Congress a provision that 5 percent of the Agricultural Conservation Program funds could be used by the agriculture conservation group to employ technical services of the Soil Conservation Service. We stopped ACP from setting up a new set of technicians. That has worked mighty well for many, many years, but now you want to stop this by having all of the SCS technicians directly funded.

### IMPORTANCE OF COUNTY COMMITTEEMAN SYSTEM

Another thing that disturbs me is that you are changing the way that program practices are selected in the Agricultural Conservation Program. Up until now these practices have been selected by locally elected committeemen. They met and selected the practices which they felt were of value to that area and in which they were willing to put their money. Those practices were put together in a catalog, came to Washington, and the Department went over them and selected them and sent back the catalog, and the local people could select from those total practices the things that were of benefit to them.

I remember one practice that they did in my area. I live in an area where in the hill section a whole lot of land would get eroded in 1 hour if it is plowed. So we had a program, which went through this committee system, to put all this area under fence. Now there isn't a problem with plowing it up. There isn't an erosion problem now, and it cost the Government very little.

Each area could select from that catalog which they created, which you went over, which you sent back. Not only that, but this group could turn to the soil technicians and say, "Come here and plan all this for us and we will pay that part of your costs." We have had some 400 or 500 soil technicians paid through this 5 percent.

I am disturbed that in spite of all the good results you have killed this Agricultural Conservation Program for the last 2 years. You changed the name first to Rural Environmental Assistance Program, and now you want to call it Rural Environmental Program. In addition, the practices are down to 12, and instead of being selected by locally elected committeemen, you dictate the practices from Washington and tell them what 12 practices they can have.

The committee system has been kept in name only, the practices will be approved and sent out from here. Mr. Frick, who heads this agency, in the first speech he made after he became the head of that program, spoke against his own program. I followed him on that program and spoke against Mr. Frick, as you can imagine.

WE MUST NOT FORGET THE LESSONS OF THE PAST

With the support of the committee, I had reprinted last year, part 9, of our hearings in 1956 and 1957. These hearings disclose a lot of things that I think everybody in the Department ought to reread so we won't repeat the mistakes of the past.

The record shows that the Commodity Credit Corporation, a $14.5 billion corporation, has the authority to support and the directive to support the price of commodities. We had this program for agriculture just as we had the minimum wage and the right of labor to organize, and all these other things built into the law to keep equality among various sectors of the economy. We supported the price of farm commodities at a comparable level to 1909 and 1914.

This $14.5 billion corporation with this directive under the law to support these commodities didn't even have a sales policy, didn't have a sales manager. To correct that, this committee recommended, and Congress approved, the setting up of a sales manager and sales program to handle this big corporation which had no provisions for sales.

Not only that, but that corporation had authority to sell in world trade at competitive levels.

This reprint of the hearings reveals that the Commodity Credit Corporation had on hand $8 billion in commodities and no sales manager and no sales program, at a time when the law contemplated selling them in world trade for what they would bring. They were held off world markets because of an erroneous policy of the Department of Agriculture in refusing to sell these commodities competitively.

In taking that action, the Foreign Agricultural Service and those they were identified with had talked our State Department into talking the White House into holding our commodities off world trade so the big international companies could make a killing under the umbrella we held in world trade. I can cite chapter and verse for all of this. (See vol. 9, 1974 hearings, pp 33–37.)

We set up a sales manager and, if you recall, we talked the Department into offering a million bales of cotton for sale. They hoped to sell it in a year. They sold it in less than 5 weeks. Because we had

that $8 billion—and this is in the report, too, because they had $8 billion of commodities on hand under the law—the Secretary counted those commodities and used them to cut back acreage. (See vol. 9, 1974 hearings, pp. 43–48.)

I said, "Mr. Benson, I wish you would make a survey and see how many American farm families you put on the road because you won't sell these commodities but cut back acreage."

By his own survey it was 55,000. (See vol. 9, 1974 hearings, pp. 31–32.)

I could go on down the list of these mistakes that we made in the past. What disturbs me now is that this sales manager, which this committee had to create, is now being put back under the Foreign Agricultural Service, which was the source of our trouble to start with. It was that group which influenced the State Department, and I have witnesses, to advocate to the White House that we hold an umbrella over world markets. Now the sales manager has been put under the Foreign Agricultural Service again.

OFFICE OF THE INSPECTOR GENERAL

I could also review with you the fact that we had some problems in the Department some years ago in creating the Office of the Inspector General. Up until then each agency kind of policed itself. We had two or three bad things happen and we created the Office of Inspector General. Now I see that that office has been abolished in spite of its good record.

OFFICE OF MANAGEMENT SERVICES

We also were told over the years that we had some 12, 14 small groups in the Department that were not big enough to provide their administrative services economically. So we in the Congress set up the Office of Management Services to supervise the bookkeeping and the recordkeeping of these smaller agencies.

In spite of this past experience, the Office of Management Services has been abolished and the Inspector General has been spread throughout the Department, which was the trouble to start with, in the opinion of the Congress.

I could go on and on with this kind of thing but you are familiar with the various changes that have been made. I bring those things up because this committee has some serious doubts about it and we have some doubts as to whether the Congress can afford to go along with the authority to transfer money we appropriate for one purpose to another purpose, which means we may have to have a line item appropriation.

I still hope where you and I go there won't be any arguments.

Secretary BUTZ. That depends on where you go, Mr. Chairman.

Mr. WHITTEN. What you recommended and what we agree with.

Now that I have had my say, I will let you have yours.

Secretary BUTZ. Thank you. Whether we do depends on where you are going, my friend.

Mr. WHITTEN. If there are two of us, it might depend on where you go.

## Opening Statement of the Secretary

Secretary Butz. Thank you very much, Mr. Chairman.

I have a prepared statement which I think I will insert in the record, if that is all right.

Mr. Whitten. We are glad to have it in the record.

[The information follows:]

Mr. Chairman and members of the subcommittee: As always, I appreciate the opportunity to appear before this distinguished committee in support of the budget for the Department of Agriculture. I am confident that again this year, this committee will act in the interests of that part of the economy which provides the food and fiber on which the rest of us depend.

Agriculture and farmers have done well this last year. Farmers realized net income in 1973 was more than $25 billion—up from $19.7 billion last year. All in all, agriculture is in better shape today than it has been for a long while.

We can be proud that this improved financial standing has come from the marketplace, not from the taxpayers' pocketbooks through Government subsidies. This represents a big step and a difficult one. It started with the Agricultural Act of 1970 and continued with the passage of the Agriculture and Consumer Protection Act of 1973. These legislative measures have turned around 40 years of Government involvement in farming. Farmers now can make their own management and cropping decisions. Traders and others are free to enter the marketplace for grains without having to worry about whether the Government will release huge stockpiles of grain the next day.

Our U.S. farm economy not only is fulfilling our own domestic needs but is responding powerfully to new world demand pressures and crop shortfalls. In the 1973 calendar year, it exported an eye-opening $17.7 billion worth of commodities and products— a rise in value of 88 percent over the 1972 level. As a result, we now have the first favorable balance of trade in 3 years.

The 1973 agricultural trade surplus of $9.3 billion wiped out a deficit of $7.6 billion in nonagricultural trade. This left the Nation with an overall 1973 trade surplus of $1.7 billion, our first trade surplus since 1970. That is stabilizing the dollar, strengthening our international trade posture, and helping pay for much-needed oil and consumer goods that add to the level of living of all Americans.

There are some in this country who seek to put limits on our exports, especially on wheat and cotton. But we in the Department are adamant in our position that such limits should not be. Farmers must have free access to the markets of the world.

Even as we cite the positive advances of last year, tighter fuel and fertilizer supplies are likely to push farm production costs further. Already, prices paid by farmers for labor, equipment, supplies, and interest on loans have shot right along with prices farmers receive for their produce. In some localized instances, some serious adjustments will have to be made to circumvent the challenges presented by shortages of inputs farmers need.

Right now we are riding on a crest. It's difficult to make wrong production decisions when the market will take everything you can grow. It's difficult to make wrong marketing decisions when corn is $3 a bushel and soybeans are $7, or wheat $5. It's not likely that grain prices will stay at these prices forever. We expect strong markets through 1974 and probably into 1975. What happens after that, no one really knows. I, personally, am optimistic about the continuation of strong demand.

### PRACTICAL LIMITATIONS TO PRODUCTION

As farmers across the Nation put pencil to paper and make plans for sharing in the new production opportunities, they will be looking for data and facts on which to base their individual decisions. In providing such assistance, we must be as factual as possible. While it is my belief that we should be optimistic, nevertheless there are some practical limits to production that farmers should know about before they make their final determinations. The public should be aware of some of them too.

### LIMITED NUMBER OF ACRES

First, the number of acres available for additional production is a physical limitation. Removing legal restrictions to planting does not automatically mean that every acre will be cropped. Sometimes expansion requires sizable additional

investments in equipment, hiring of additional labor, or other production inputs not immediately available. Add to this the inborn reluctance of many farmers to jump into a new situation, and it's unlikely that every available acre will be planted immediately.

The additional acres available for 1974 production include 16.8 million acres of 1973 set-aside, plus about 19 million acres freed up for 1973 production but not used. Also there are about half a million more acres of long-term cropland adjustment program land in conservation uses that may be released from contract that could go into crops.

Much of this land will not go into crops. Actually we expect about 10 to 16 million more acres in major crops in 1974 than in 1973, and not all that will go into wheat, feed grains, soybeans, or cotton. Our totals represent what could be planted to all of the major crops.

Not all the land pulled back into production last year was top quality producing land. We can expect that, as additional acres are brought into production, average yields may drop, more fertilizer will be required, and in some cases supplemental irrigation also will be needed.

### MUST KEEP SOME LAND IN GRASS

We must also include as a limitation those acres which were put into grass and trees to tie down the land and keep it from blowing and washing. In our enthusiasm for newfound marketing opportunities, we must not risk creating another Dust Bowl. At the same time, we need not be unduly influenced by pressures from what some people refer to as the "cult of conservation" that has sprung up during the past 30 to 40 years which would prevent tilling any land on which grass now grows.

In that matter, it seems to me there is room for a trade-off. It should be based on local conditions, with strong inputs by local leaders who recognize local needs and conditions better than central planners in Washington.

### WATER LIMITATIONS

Another limitation has to do with the amount of water available to bring new land into production. Livestock producers and dairymen have learned not to push too many cows onto limited pasture. They know that when they have enough animal units to use all the grass for which there is available water, they must stop. This is a practical limit on livestock or dairy production.

We have the same kind of limit with grain. We push corn as far west from the Corn Belt as water is available and then we yield to grain sorghum or wheat.

Irrigation alters the limit to some extent, but irrigation takes a lot of capital. In many places, the water table is receding faster than the rate of recharge. State and local governments are greatly disturbed over the rate of use. Many have imposed some legal limits on rates of withdrawal. Some communities have acute competition between water for people and water for crops. Where costs of reclamation run too high, there is a very real question whether society can justifiably use tax dollars to provide water for agricultural production. It may be in the national interest to find needed additional production more cheaply somewhere else.

### AVAILABILITY OF SERVICES AND SUPPLIES

A built-in limit on production has to do with the availability of machinery, parts, fuel, and other services and supplies from off the farm. That's true, even though our high degree of mechanization constitutes the chief reason American agriculture is able to produce high quality food and fiber in such great quantities. The extent to which these off-farm goods and services continue to be available will partly determine the amount of increased production we can expect.

### COSTS LIMIT PROFITS

Cost also is a limiting factor. Not only is fertilizer costly, for instance, but you don't get an equal response from every additional application of fertilizer. After the first 300 or 500 units—or whatever the recommended application may be—additional increments of fertilizer do not produce the same amount of increase. It's a limiting factor directly related to the farmer's net profit.

### CHEMICAL FEARS

Environmental constraints may severely limit agriculture's capacity to produce. There is no doubt in my mind but that we must get our environmental concerns in order if we are to have the food we want. The pressures against using chemicals believed to be injurious to humans or to animals cause farmers and others to spend far too much time defending the legitimate use of insecticides, herbicides, and antibiotics. People must decide whether they prefer the howl of the coyote to an economically priced sirloin, the absolute safety of the total ban on DES (diethylstilbestrol) to the relatively safety of DES-fed beef which has high quality and is more abundant and reasonably priced.

Society and Government rightly should be concerned about public health and safety. But sometimes emotionalism prevails when the public interest and economy might better be served by a more scientific approach to the problem.

### FUEL AND TRANSPORTATION SHORTAGES

Fuel certainly is a limitation. In 1973, farmers used about 4 billion gallons of gasoline, 2.5 billion gallons of diesel fuel, and another 1.3 billion gallons of liquid petroleum gas. If they are to increase production in 1974, they will need additional fuel, not to mention nitrogen fertilizer made from natural gas. We continue to monitor the fuel and fertilizer situation closely and are pleased with the high priority given to farm fuel needs.

Closely allied to fuel is the limiting factor of transportation. The transportation industry itself is a major user of fuel—primarily gasoline and diesel oil—and the switch to truck transportation from railways introduces new limits beyond shortages of rolling stock. Rate structures, regulations, availability of backhaul, trip-leasing and, all the rigidities we've built into transportation through the years, plus the limitation of turnaround time of rail cars and trucks at ports and terminal elevators require continued teamwork between the transportation industries and Government.

### RESEARCH PROVIDES THE KEY

Finally, another limit we face is in the field of research. Considering the complexity of public interests and needs, we in agriculture always wonder if the public will really support the kinds of research needed to get the breakthroughs we need. Research provides the key to expanding production from a limited acreage, with a limited amount of water and fossil fuels.

We've seen both physical and scientific breakthroughs in our lifetimes. But the breakthroughs of the future will be heavily scientific. Our geographical frontier is gone, yet the frontiers of the mind—the frontiers of science and discovery—are still before us.

Today farmers are operating from a position of strength. The public is more aware of the value of agriculture than ever before. Farm production has become an essential part of our foreign policy, and trade negotiations are not putting agriculture behind industry in importance.

### DIRECT PAYMENTS

The 1975 budget reflects many of the changes which I have just described. For instance, more of the farmers' income now comes from the marketplace instead of from Government payments. As a result, in the 1975 budget, direct payments to producers amount to only $461 million, compared with $2.5 billion in 1974 and $3.9 billion in 1973.

Of the $461 million in direct payments in 1975:

$175 million relates to the disaster provisions of the Agriculture and Consumer Protection Act of 1973 which require payments to farmers where production of wheat, feed grains and cotton is less than two-thirds of normal production as a result of natural disasters;

$91.5 million is to carry out the Sugar Act program;

$4 million is for direct payments under the extra long staple cotton program;

$48.7 million relates to payments to farmers under the cropland conversion and cropland adjustment programs for contracts which were entered into in the mid-1960's and which will be paid off by 1978; and

The sum of $141.8 million is for conservation cost-sharing and indemnity payments.

Legislation will soon be considered to revise the Sugar Act. In addition, we plan to ask the Congress to eliminate those provisions of the Agriculture Act relating to disaster payments since the Federal Crop Insurance Corporation has crop insurance generally available to protect farmers from such losses. We hope we can work with the Congress to develop legislation and reduce payments even below the levels included in the 1975 budget.

### FOOD PROGRAMS

On the other hand, the food programs of the Department which include food stamps, child nutrition programs, commodity donations excluding Public Law 480, supplementary family feeding programs and nutrition education will amount to about $5.9 billion in 1975. This will be about 64 percent of the Department's cash outlays in 1975. Only 6 years ago, in 1969, those same programs cost $1.2 billion and represented only 14 percent of the Department's budget.

In 1975 the food stamp program is expected to cost almost $4 billion. Also, we are asking the Congress to appropriate an additional $500 million in supplemental appropriations for 1974 for this program, bringing 1974 costs up to $3 billion. These increases are the results of new legislation which required that this program be made available in every area in the country, increased the bonus value of the coupons, and increased the number of persons eligible for the program. Legislative changes in the school lunch program also increased costs by requiring that the Government's payments per lunch be increased.

In the President's budget message, he indicated that he plans to seek legislation to transfer the food stamp and related nutrition programs of the Department of Agriculture to the Department of Health, Education, and Welfare. I have discussed this idea with this committee before. These are welfare programs. The transfer of them to HEW will put them with the other welfare programs of the Government where they can be considered as a part of a total welfare program.

### COMMODITY CREDIT CORPORATION

The amount of money we expect to spend for the operations of the CCC in 1975 is well below $1 billion. This is the lowest amount for CCC activities since 1958. As agricultural commodities move in the marketplace directly to consumers instead of into CCC inventories, our costs will go down substantially. For example, in 1972 costs for storing, handling, and transporting CCC inventories amounted to almost $265 million—$725,000 per day. In 1975 these same activities will cost only about $18 million or about $50,000 per day. These 1975 CCC costs will come primarily from the feed grains and rice programs.

The 1975 budget does anticipate substantial increases in production for the 1974 crop year. We now expect wheat production to be up by about 20 percent over the 1973 crop, feed grains by 14 percent, and cotton by 5 percent. We expect yearend inventories of all of these commodities to be higher by the end of the 1974 crop year than at the end of the current marketing season. Most of these inventories will be free stocks and not under the control of the Commodity Credit Corporation. Although soybean production will be down slightly in 1974, we expect yearend inventories to climb. However, these inventories will also be in free stocks and will not add to CCC costs.

### CONSERVATION COST SHARING

In the 1975 budget we are proposing the consolidation of several separate conservation cost-sharing programs. During the past 38 years, beginning with the Soil Conservation and Domestic Allotment Act of 1935, a number of separate conservation programs have been authorized which permit cost sharing with farmers. The first of these was the agricultural conservation program.

Later legislation was enacted to authorize a special Great Plains program, an emergency conservation measures program, and a water bank program. The new farm bill authorized long-term cost sharing nationwide and a timber incentives program. In the 1975 budget we are proposing the combination of all these authorities. This combined program will provide for annual and long-term cost sharing for soil and water conservation, timber incentives, long-term cost sharing for recreation and wildlife, and emergencies.

We expect to enter into agreements with farmers under this program in 1975 to the amount of $138.2 million. However, in line with the committee's directive

in its 1974 conference report, the amount shown in the budget for these programs reflects only their 1975 costs. The future year costs of long-term contracts entered into in 1974 and in 1975 will have to be provided for in future budgets. Our estimate of the total amount required in future years is $75.8 million. We believe that this level of funding is in line with the actions of the Congress in recent years in providing funds for these programs.

### RESEARCH, EXTENSION, REGULATORY, AND CONTROL PROGRAMS

We are proposing increases in 1975 in a number of our research, extension, regulatory, and control programs. Domestic production is nearing capacity level. Domestic and foreign demand are continuing to increase. Higher income and expanded welfare programs have increased consumer demand for meat and will continue to exert pressure on meat prices. Livestock production, however, has not kept pace with increased production of other agricultural commodities. Research is needed to reduce the cost of meat production. More crops research is needed, particularly in the area of soybean yields. Increased work needs to be done in the important area of improved control and use of pesticides. In addition, as authorized in the Agriculture Act of 1973, we are planning to carry out a study in 1975 on the possibilities for a program to eradicate the boll weevil. As in the case of the Federal Government, the operating costs of the State extension services and the State experiment stations have increased and we have included a request in the 1975 budget to meet their increased operating costs.

The 1975 budget includes a number of changes aimed at protecting our livestock industry. We are continuing our work with the Government of Mexico in the screwworm eradication program with the hope that the biological barrier which we have developed between the United States and Mexico can be moved to the Isthmus of Tehuantepec where it will be much less expensive to maintain. We are also planning to work with the governments in Central and South America to establish a barrier zone for foot-and-mouth disease so that upon completion of the Inter-American Highway we can protect our livestock industry from this dangerous disease. We have also asked for funds for the construction of a veterinary biologics laboratory at Ames, Iowa.

### AGRICULTURAL ECONOMICS

Farmers continue to rely on the Department for facts upon which they can make their production and marketing decisions. We must be assured that the information that we provide to them is accurate and timely. In our 1975 budget we are asking for increases for the Statistical Reporting Service and the Economic Research Service to improve our forecast and to update information on the cost of producing wheat, feed grains, cotton, and milk.

### RURAL DEVELOPMENT ACTIVITIES

Loans and grants for water and waste disposal systems, community facilities, and business and industrial development will be increased from $760 million in 1974 to more than $1 billion in 1975.

Housing loans and grants are projected for 1975 at more than $2.1 billion—about the same as the 1974 level. The housing program for 1975 puts greater emphasis on the use of existing housing, rental housing, home repairs and rehabilitation, and makes housing loan programs available to a greater extent to persons with the greatest housing needs.

Guaranteed and insured rural electric and telephone loans are budgeted at $2.3 billion in 1975—an increase of almost $400 million over last year and an increase of $1.4 billion compared with fiscal year 1973.

### FORESEEING THE FUTURE

To forecast the future always has been difficult but now that agriculture basically is on its own two feet again, this committee and the Department can feel fairly optimistic about what may be in store for agriculture and farmers for the next few years. Certainly there will be problems and problems often necessitate change. If we can keep our programs flexible and keep our goals founded on abundance and peaceful international trade, we will be able to bring to rural people many of the economic and physical amenities of life that have bypassed them for so long. This concludes my statement.

Mr. WHITTEN. I know you know that I hold you in the highest personal regard but these things are serious to me because no nation in history ever took as few people to maintain as high a standard of living for as little a percentage of income as this country—and you are changing it all. You are asking us to go along with you on that change.

Secretary BUTZ. You have opened up several questions, Mr. Chairman. I took mental notes of them but I should have taken written notes.

Mr. WHITTEN. You will remember them because we have argued about them before.

Secretary BUTZ. I am sure that you will refresh my memory if I omit some.

USDA SUPPORT FOR FARMERS

First, I want it never to be said that the Department of Agriculture under my administration has not been a Department favorably disposed toward farmers. I hope we have given that impression.

Mr. WHITTEN. Favorably disposed? I am sure that you are favorably disposed. It is not your mental attitude but these specific actions.

Secretary BUTZ. I mean, we take actions in the interest of American agriculture. Indeed, only this morning, in our biweekly agency heads meeting, top staff meeting, I raised the question and we had perhaps a half hour's discussion dealing with the statement that had been made by one of our top staff that we may be leaning too much toward the producer and too little toward other sectors of the American economy. So much so that we are being criticized for it.

Mr. WHITTEN. Could I interrupt there?

When those on the farm are only 5 percent and those off the farm are 95 percent, wouldn't you figure the racket would be raised by the 95 percent and not the 5?

The fact you are hearing more noise from the 95 percent is not surprising to me. You let them get hungry and then you will really hear something.

Secretary BUTZ. I quite agree.

Mr. WHITTEN. The complaints about gasoline lines will be nothing, as compared with complaints about grocery lines.

Secretary BUTZ. The thing that disturbed me, Mr. Chairman, as I pointed out this morning, is that some Members of the other body of this Congress who are members of the Senate Committee on Agriculture and Forestry, traditionally have been, I may say partisan in their attitudes and utterances toward the producing side of agriculture. They have now apparently swung to the other side and are giving utterance to the consumer side of this story.

The only point I want to make is that I hope during my own administration in this Department of Agriculture that we will always be regarded as a farmer's Department of Agriculture. We may differ on the ways to get there.

REORGANIZATION OF COMMODITY CREDIT CORPORATION SALES PROGRAM

Let me take up two or three of these reorganizations that you mentioned. First, the Export Marketing Service and the General Sales Manager.

I well recall, Mr. Chairman, the discussions in this committee when I was here previously for 3 years during the Eisenhower administration, when you pressed very eloquently and effectively, I may say, for an aggressive sales policy in the Commodity Credit Corporation. It is true at that time that we did in fact own $8 billion worth of commodities that were a serious drag on the market. They constituted a ceiling of——

Mr. WHITTEN. You mean on the domestic market. We held them off world markets.

Secretary BUTZ. That is correct.

Mr. WHITTEN. We really could have made food available to people around the world, but we wouldn't do it. The surpluses were a drag on the domestic market because we wouldn't sell them in world markets. Is that a fair statement?

Secretary BUTZ. That is correct.

At that time the world market was substantially below our domestic market, but nevertheless you made the point effectively that our commodities were not being sold on the world market. I think it is a fair statement to make that in large part, through your insistence on this matter, the sales policy in the U.S. Government was changed. Our commodities did move into world market channels. There was a sales manager set up in the CCC during the Eisenhower years. Again, I think this was also at the insistence of this committee. He was reasonably effective. Later the Export Marketing Service was established. The Export Marketing Service was headed by an administrator who was also the sales manager. It was a joint position. I think this worked quite well. And along about that time there was established in the Foreign Agricultural Service an export market promotion program. This committee authorized an appropriation of $16 million, I am told, to be used for foreign market promotion work in cooperation with private industry groups or trade groups. I think this has been a very wise and very effective program. I think it was a wise expenditure of public funds. It continues. This has been administered in the Foreign Agricultural Service. The Export Marketing Service, aside from the function of the sales manager of the CCC, had first been in the Foreign Agricultural Service. It was pulled out and established as a separate agency some 4 years ago.

We now have had this latest reorganization in which the Export Marketing Service was transferred back to the Foreign Agriculture Service and combined with the work of the export promotion program, and the vast network of cooperation from industry groups. I think this is a logical, and I hope effective administrative setup, the functions of the sales manager, administrator of our Export Marketing Service, and the head of the market promotion program together in the Foreign Agricultural Service. We have not eliminated a single function, but have created what I think is a stronger and more effective administrative unit than before. We now have a unified approach to the whole question of market promotion, market development abroad, and sales of our own commodities of which we don't have any.

### REDUCED COMMODITY INVENTORIES

When the Export Marketing Service was set up, the CCC owned substantial quantities of feed grains and wheat and cotton and other commodities. Now our ownership of those is virtually nil. We have

a little oats, and that is about all at the moment. When the Export Marketing Service was set up we had a very substantial barter program which now has been reduced substantially by virtue of the fact that we don't have any commodities. We had a very substantial Public Law 480 program, which again has been reduced substantially by virtue of the fact we don't have many Government-owned commodities. We had a rather extensive credit program under CCC, which again has been substantially reduced by virtue of the fact we don't have any commodities.

It seemed very logical therefore to combine these three functions of sales manager, CCC, and the functions of the Export Marketing Service with the market promotion activities, which had already been in the Foreign Agriculture Service. Thus the whole program could be effectively coordinated with the increasing participation of our agricultural attachés abroad in this market promotion and sales.

We think it will make a more effective unit than the preceding——

FOREIGN AGRICULTURAL SERVICE AND THE RUSSIAN GRAIN SALE

Mr. WHITTEN. I am one of those who hopes that you are right, but I have every reason to differ with your high hopes. Let me point out again that when we started all this argument way back yonder, most of the people in the Foreign Agricultural Service at that time were waiting to get in the State Department. We went through the wars and because of our efforts they gained the right to report directly to the Secretary of Agriculture rather than the State Department.

The recent Russian wheat sale has again raised questions about the Foreign Agricultural Service. Russia was 20 billion bushels of wheat short, we sold them 30, which gave them the 10 billion extra bushels of wheat to use around the world to gain political leverage.

Our foreign agricultural attachés were the ones who should have informed us about the fact that we had the only wheat surplus in the world. Whatever the merits of the charges and countercharges, and I know nothing irregular about this sale of wheat to Russia, I do think it was very shortsighted not to put in that contract they would have to spread the purchases over 3 years, so they couldn't take it all at one time and leave them in the saddle in dealing with world affairs.

Beyond that commonsense remark, I don't know anything specific about the sale, but I am saying the Foreign Agricultural Service is the organization that could or should have kept you informed, if I understand it properly, and yet they seem to have broken down. Yet you now want to put the sales program under that group which has just made a major mistake.

Secretary BUTZ. They kept us informed to the extent it was humanly possible to do so. In 1972, even the Russians themselves could not forecast the hottest, driest summer in 100 years in Russia.

Mr. WHITTEN. I suspect, having been in Russia, they would have claimed they could.

Secretary BUTZ. I was there shortly before that, and they were not forecasting it.

I want to assure you, Mr. Chairman, on this matter of moving our Export Marketing Service into the Foreign Agricultural Service, it was done only with the intention of strengthening the program. To be perfectly frank with you, many of the functions that had been performed, and performed well, by the Export Market Service were not here any longer. Again, to be perfectly frank, we had a surplus of personnel in that organization who could be utilized effectively in the transfer.

FACTORS NEEDED TO ASSURE ALL-OUT PRODUCTION

Mr. WHITTEN. Could I interrupt at this point?

I do not mean to be discourteous to you, and I am not trying to limit you to your statement here, but we want this thing thrashed out.

The CCC stocks are way, way down in view of the Russian sale as well as other things. You are very proud of it, and I am proud of you for having recommended and Congress having passed a new farm program where now we are going all out for production, which I believed in, and believed in in 1965 and said so on the floor. We need to be a country where if we are going to have 95 percent of our people urban, they are going to insist we produce, and they should. I think we have to do that.

There are two or three conditions which must be met if this program of all-out production is to succeed. The farmer cannot keep it up if he does not make money at it. In perishables, you have to have section 32 funds or other funds to buy out the surplus to keep the price reasonable so that he can stay in business. You have to have a sales organization so if he produces more than we need domestically, we will be able to move it in world trade so prices won't break. But you have diminished the position of the sales manager at a time when you have a new farm program that this fall or next fall, may produce surpluses that will make the position more necessary than ever. You cut it out because we have a temporary slack period. That is very shortsighted.

AID TO INDUSTRY IN POSTWAR CONVERSION

The American farmer is taking it in the neck from the press. But this is nothing new. In the earlier hearings, it is documented that during the period we are talking about when you held up $8 billion of commodities, when you had the farmers in World War II and Korea planting fence corners, do you know what we did for business? I asked the Economic Research Service to do a study of this question. I will have the study printed in full in the record. The study shows that as far as subsidies to industry are concerned, that shortly after V–J Day 300,000 contracts with industrial concerns were canceled, and the Government paid out approximately $6.8 billion to cover the costs of industrial plant expansion.

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Also at that time we voided $5.6 billion in excess profits taxes. Through September 30, 1949, real property with a value of $3.9 billion was sold for $1¼ billion.

The American farmer was to plant the fence corners in World War II, like now, and he did it. He produced it, and you held them off world markets. You counted on him to cut acreage back, but the Economic Research Service study shows that industry got $19.6 billion to help them to adjust because they had done what you asked them, and the farmer only got $360 million. That is quite a difference.

What scares me is that too few of us remember this, and you may get the farmer to go all out all over again and put a sales program under the Foreign Agricultural Service which was a party of fixing him up before. You can see why I am disturbed.

STUDY OF SUBSIDIES TO INDUSTRY

I will place the study by the Agricultural History Group of the Economic Research Service in the record at this point.

[The study follows:]

RECOVERY OF INDUSTRY AFTER WORLD WAR II

COSTS OF CONVERTING INDUSTRY AND AGRICULTURE TO PEACETIME PRODUCTION AFTER WORLD WAR II

A number of substantial studies of Government subsidies to both industry and agriculture have been made over the years. Several of them have been published as committee prints by the Committee on Agriculture of the House of Representatives and by the Joint Economic Committee of the Congress. In addition, some of the material has been offered in hearings before the Committee on Appropriations of the House of Representatives. Without exception, these studies have shown that subsidies to industry have far outweighed subsidies to agriculture.

During and after World War II, many parts of the American economy received subsidies. These included subsidies to consumers, business, maritime organizations, airlines, and farmers.

In comparing postwar reconversion payments for industry and agriculture, Representative Jamie L. Whitten, of Mississippi, said during hearings on the Department of Agriculture appropriations for 1953:

"Of course, this tremendous expansion to meet our war needs left many dislocations at the end of hostilities. For instance, shortly after V–J Day over 300,000 contracts with industrial concerns were canceled, and at that time the Government paid out approximately $6.8 billion to cover the cost of industrial plant expansion, plus a reasonable profit. Also, at that time relief from excess profits tax for corporations resulted in applications for tax reductions totaling nearly $5.6 billion. Further, a large number of Government-owned war plants built with Government funds was sold to private corporations at considerable reduction below cost. Through September 30, 1949, real property having a value of $3.9 billion had already been sold for around $1¼ billion.

On the other hand, no reconversion assistance was given to agriculture, other than the support programs of the Government. And on all this operation, both during the war and in the period of reconversion, the cost of the entire farm price-support program was less than $1 billion as compared to the $15 billion expense in connection with industrial reconversion.

A year later, additional information was available on certain subsidies to business. The table inserted in the appropriations hearings for the Department of Agriculture for 1954 by Congressman H. Carl Anderson, of Minnesota, pro-

vides a reasonable basis for comparison between agricultural and industrial subsidies. The pertinent portion of the table is as follows:

| | |
|---|---|
| Losses under price-support program: | |
| Basics (profit) | —$13, 011, 290 |
| Nonbasics | 1, 077, 628, 515 |
| Total (net) | [1] 1, 064, 617, 225 |
| Federal expenditures for: | |
| Consumer subsidies (losses) | [2] 4, 204, 268, 768 |
| Business reconversion payments (including tax amortization | [3] 40, 787, 864, 000 |
| Subsidies to maritime organizations | [4] 106, 000, 000 |
| Subsidies to airlines | [5] 218, 716, 000 |
| Total | 45, 316, 848, 768 |

[1] Since beginning of program in 1933.
[2] From July 1941 through June 1949.
[3] Since end of World War II (VJ-day).
[4] From January 1947 through March 4, 1953.
[5] Since 1951; prior year figures not available.

It will be noted in the preceding table that part 2 included subsidies to consumers, maritime organizations, and airlines. Business reconversion payments, including tax amortization, totaled nearly $41 billion.

Representative Fred Marshall, of Minnesota, inserted a special study on subsidies in the House appropriation hearings for the Department of Agriculture for 1959. This study brought the preceding table up to date. The total shown for "Business reconversion payments (including tax amortization)" was $43,262 million. This sum was broken down as follows:

(*a*) Rapid tax amortization for defense plants (through January 8, 1958), $23,094,000,000;

(*b*) Cost of termination of war contracts (as of July 1, 1946) $6,800 million;

(*c*) Difference between cost and sale price of real property held by War Assets Administration (as of September 30, 1949), $2,650 million.

(d) Gross amount of applications for relief from excess profits tax (as of June 30, 1948), $6,530 million;

(*d*) Tax relief resulting from carryback allowances for anticipated losses under the quick-refund provisions of the Tax Adjustment Act of 1945 (as of June 30, 1956) $4,188 million. Item (d) indicates application for relief from excess-profits tax. Actual allowances granted were much smaller. The actual net loss to the Government aon the $$4,300 million of claims which have been processed as of June 30, 1953, was some $262 million. Does not include "percentage depletion subsidies" discussed later in report.

If we include only those losses from claims for relief from the excess-profit tax which had been processed, the total of the "Business reconversion payments" is about $37 billion, but this includes rapid tax amortization during the Korean war. It would seem more reasonable to use the figure on this from the study by the Joint Economic Committee in 1960, in which it was stated that "During World War II, certificates of necessity were issued for a total of $7,300 million, of which about $5,700 million was reported for tax purposes." Using this figure and including only those losses from claims for relief from the excess-profit tax which had been processed when the table was compiled, business reconversion payments resulting from World War II would total $19.6 billion.

In assessing war-related and reconversion costs, it should be noted that Congress, in a successful effort to assure the production of farm products needed to supply Hitler's opponents, and, later, our own Armed Forces and civilian population, passed legislation to assure farmers of specific levels of price supports for particular crops. The first act, approved on May 26, 1941, raised the loan rates of cotton, corn, wheat, rice, and tobacco, for which producers had not disapproved marketing quotas up to 85 percent of parity. The loan rates were avail-

able on the 1941 crops and were later extended to subsequent crops of cotton, corn, wheat, peanuts, rice, and tobacco.

Legislation raising the loan rates for basic commodities was followed by the "Steagall amendment" on July 1, 1941. This amendment directed the Secretary to support at not less than 85 percent of parity the prices of those nonbasic commodities for which he found it necessary to ask for an increase in production.

The rate of support was raised to not less than 90 percent of parity for corn, cotton, peanuts, rice, tobacco, and wheat, and for the Steagall nonbasis commodities, by a law approved on October 2, 1942. However, the rate of 85 percent of parity could be used for any commodity if the President should determine the lower rate was required to prevent an increase in the cost of feed for livestock and poultry and in the interest of national defense. This determination was made for wheat, corn, and rice. Since the price of rice was above the price support level, loans were not made.

The following were entitled to 90 percent of parity by the Steagall amendment: manufacturing milk, butterfat, chickens, eggs, turkeys, hogs, dry peas, dry beans, soybeans for oil, flaxseed for oil, peanuts for oil, American Egyptian cotton, Irish potatoes, and sweetpotatoes.

The price support rate for cotton was raised to 92½ percent of parity and that for corn, rice, and wheat was set at 90 percent of parity by a law approved on June 30, 1944. Since the price of rice was far above the support level for rice, loan rates were not announced. The Surplus Property Act of October 3, 1944, raised the price support rate for cotton to 95 percent of parity with respect to crops harvested after December 31, 1943, and those planted in 1944. Cotton was purchased by the Commodity Credit Corporation at the rate of 100 percent of parity during 1944 and 1945.

In 1954, the Department published a compilation of the realized cost of various agricultural programs by fiscal year for the period 1932 through 1953 (see table attached). Two categories of programs, those primarily for the stabilization of prices and farm income, and those primarily for wartime, defense, and other special needs, for fiscal years 1941–1949, cover the years for which reconversion programs were in effect for agriculture, although some "realized" costs might have taken place in subsequent years, just as costs of some earlier programs could have been realized in the years 1941–1949. It could be argued that only the cost of price support operations, a total of $360.4 million for those years, should be considered. This includes the costs relating from wartime price support legislation. If we count all costs of programs for the stabilization of prices and farm income, 1941–49, the total amount is $2,783 million. Then, if programs primarily for wartime, defense, and other special needs are added to all costs for the stabilization and prices of farm income, the total is $3,080.5 million.

In summary, reported subsidies or costs to the taxpayer of industrial reconversion relating to World War II was $19,600 million. Realized costs of price support operations for fiscal years 1941–1949 total $360 million. So far as costs to the Nation are concerned, these two figures would seem to be reasonably comparable.

# APPENDIX B

TABLE B-1. REALIZED COST OF AGRICULTURAL AND RELATED PROGRAMS, BY MAJOR CATEGORIES, 1932–1953 (*Millions of Dollars*)

| | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 | 1946 | 1947 | 1948 | 1949 | 1950 | 1951 | 1952 | 1953 | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 *Programs Primarily for Stabilization of Prices and Farm Income:* | | | | | | | | | | | | | | | | | | | | | | | | 1 |
| 2 Commodity Credit Corporation: | | | | | | | | | | | | | | | | | | | | | | | | 2 |
| 3 Program operations: | | | | | | | | | | | | | | | | | | | | | | | | 3 |
| 4 Price support programs | — | — | — | — | 8.7 | 5.3 | 0.4 | 4.6 | 7.4 | 34.0 | 69.1* | 49.9* | 5.9* | 29.4 | 30.1* | 71.9 | 125.4 | 254.7 | 249.2 | 345.6 | 67.4 | 61.1 | 1,110.1 | 4 |
| 5 Supply, foreign purchase, commodity export, and other CCC activities | — | — | — | — | — | — | — | — | — | — | 0.1* | 2.0 | 12.4* | 5.8 | 35.9* | 242.7* | 38.4* | 4.7* | 2.7* | 1.6 | 1.3 | 6.4 | 319.8* | 5 |
| 6 Administrative and other general costs | — | — | 0.6* | 0.9* | 11.7 | 3.9 | 2.1 | 3.0* | 8.7 | 2.2 | 9.6* | 12.1 | 10.4 | 26.1 | 33.2 | 13.9 | 6.5* | 15.9 | 48.1 | 42.0 | 34.6 | 55.3 | 299.6 | 6 |
| 7 International Wheat Agreement [a] | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 75.6 | 180.4 | 171.3 | 130.8 | 558.1 | 7 |
| 8 Removal of surplus agricultural commodities [b] | — | — | — | — | 32.2 | 35.2 | 35.2 | 211.6 | 143.9 | 226.1 | 196.3 | 112.0 | 63.4 | 24.9 | 19.2 | 78.4 | 51.2 | 75.6 | 96.6 | 46.0 | 37.5 | 82.3 | 1,567.6 | 8 |
| 9 Sugar Act | — | — | — | — | — | — | 27.4* | 6.5* | 25.2* | 30.0* | 32.7* | 0.6* | 21.3* | 32.9* | 5.2* | 7.4* | 13.1* | 23.3* | 14.5* | 14.8* | 21.8* | 19.4* | 296.1* | 9 |
| 10 Federal crop insurance | — | — | — | — | — | — | — | 4.4 | 7.7 | 9.8 | 14.8 | 14.6 | 18.1 | 2.9 | 21.5 | 36.9 | 1.8* | 0.4* | 9.6 | 4.6 | 8.7 | 6.4 | 157.8 | 10 |
| 11 Acreage allotment payments under the Agricultural Conservation Program | — | — | — | — | — | 313.6 | 217.4 | 350.7 | 380.2 | 326.7 | 332.5 | 218.1 | 193.1 | — | 22.5 | — | — | — | — | — | — | — | 2,354.8 | 11 |
| 12 Other, including Agricultural Adjustment Act of 1933, parity payments, and other adjustment and surplus removal programs | 297.8 | 75.1 | 48.2* | 179.6 | 417.3 | 84.9 | 0.5* | 28.0 | 224.1 | 197.2 | 202.7 | 203.7 | 156.7 | 6.1* | 1.5* | 2.2* | — | 10.9 | 25.0 | 18.9 | 7.2 | 7.7 | 2,078.3 | 12 |
| 13 Total | 297.8 | 75.1 | 48.8* | 178.7 | 469.9 | 442.9 | 227.2 | 589.8 | 746.8 | 766.0 | 634.8 | 512.0 | 402.1 | 50.1 | 23.7 | 51.2* | 116.8 | 328.7 | 486.9 | 624.3 | 306.2 | 330.6 | 7,510.4 | 13 |
| 14 *Programs Primarily for Conservation of Resources:* | | | | | | | | | | | | | | | | | | | | | | | | 14 |
| 15 Agricultural Conservation Program (exclusive of acreage allotment payments) | — | — | — | — | 0.5 | 55.1 | 88.8 | 119.8 | 202.0 | 132.7 | 136.6 | 212.0 | 226.6 | 278.9 | 275.3 | 329.2 | 230.6 | 167.6 | 237.2 | 275.5 | 262.0 | 270.3 | 3,500.7 | 15 |
| 16 Soil Conservation Service programs [c] | 0.2 | 0.2 | 0.1 | 0.2 | 3.5 | 21.0 | 24.2 | 25.7 | 30.9 | 23.0 | 23.4 | 23.4 | 25.1 | 28.2 | 34.6 | 43.1 | 41.3 | 47.9 | 52.8 | 52.1 | 56.0 | 59.6 | 616.5 | 16 |
| 17 Forest Service programs [d] | 19.6 | 12.2 | 6.8 | 8.3 | 9.5 | 14.2 | 17.9 | 21.4 | 24.3 | 18.9 | 17.8 | 18.5 | 18.3 | 21.0 | 28.0 | 36.4 | 37.7 | 33.8 | 33.5 | 9.8 | 7.6 | 6.2 | 421.7 | 17 |
| 18 Flood prevention program | — | — | — | — | — | — | 0.3 | 1.4 | 2.3 | 2.9 | 1.5 | 0.4 | 0.1 | 0.1 | 0.6 | 2.6 | 3.8 | 5.9 | 6.7 | 7.5 | 7.8 | 6.3 | 50.2 | 18 |
| 19 Total | 19.8 | 12.4 | 6.9 | 8.5 | 13.5 | 90.3 | 131.2 | 168.3 | 259.5 | 177.5 | 179.3 | 254.3 | 270.1 | 328.2 | 338.5 | 411.3 | 313.4 | 255.2 | 330.2 | 344.9 | 333.4 | 342.4 | 4,589.1 | 19 |
| 20 *Credit and Related Programs for Electrification and Telephone Facilities, and Farm Purchase, Maintenance, Operation, and Housing:* | | | | | | | | | | | | | | | | | | | | | | | | 20 |
| 21 Lending programs: | | | | | | | | | | | | | | | | | | | | | | | | 21 |
| 22 Rural Electrification Administration | — | — | — | — | — | 0.2 | 0.7 | 1.3 | — | 2.5 | 1.0 | 1.9* | 4.4* | 1.9* | 0.9* | 2.5 | 6.5 | 9.7 | 14.4 | 20.2 | 23.2 | 26.7 | 99.8 | 22 |
| 23 Farmers Home Administration | 13.7 | 13.2 | 13.7 | 14.5 | 9.5 | 14.5 | 12.2 | 17.7 | 11.4 | 9.3 | 7.1 | 0.3* | 9.8* | 7.6* | 2.6* | 4.9* | 4.6* | 4.8* | 3.2* | 5.4* | 5.3* | 5.1* | 83.2 | 23 |
| 24 Farm Credit System | 5.4 | 6.5 | 22.3 | 33.5 | 49.9 | 55.2 | 60.0 | 61.1 | 58.5 | 51.5 | 50.9 | 48.1 | 43.2 | 18.1 | 9.4 | 7.3 | 7.0 | 152.3* | 11.2* | 8.0* | 7.8* | 2.6* | 506.0 | 24 |
| 25 Grants and other expenses, including salaries and expenses related to the above lending programs | 4.9 | 6.6 | 9.1 | 12.7 | 77.3 | 157.7 | 110.8 | 72.5 | 72.9 | 69.8 | 67.3 | 51.3 | 39.8 | 36.0 | 37.6 | 42.5 | 26.4 | 29.0 | 33.8 | 35.4 | 37.1 | 36.8 | 1,067.3 | 25 |
| 26 Total | 24.0 | 26.3 | 45.1 | 60.7 | 136.7 | 227.6 | 183.7 | 152.6 | 142.8 | 133.1 | 126.3 | 97.2 | 68.8 | 44.6 | 43.5 | 47.4 | 35.3 | 18.4* | 33.8 | 42.2 | 47.2 | 55.8 | 1,756.3 | 26 |
| 27 *Research and Education:* | | | | | | | | | | | | | | | | | | | | | | | | 27 |
| 28 Research | 20.6 | 18.1 | 15.3 | 15.6 | 18.4 | 20.9 | 22.6 | 25.7 | 30.2 | 31.2 | 31.6 | 30.9 | 28.2 | 29.7 | 31.6 | 37.1 | 42.4 | 52.6 | 56.8 | 55.2 | 54.8 | 55.2 | 724.7 | 28 |
| 29 Extension Service, incl. payments to States | 10.1 | 9.9 | 9.4 | 9.3 | 17.4 | 17.0 | 17.9 | 18.5 | 19.2 | 19.2 | 19.5 | 19.5 | 19.5 | 19.4 | 23.9 | 27.4 | 27.2 | 31.1 | 32.1 | 32.3 | 32.6 | 32.6 | 465.0 | 29 |
| 30 Total | 30.7 | 28.0 | 24.7 | 24.9 | 35.8 | 37.9 | 40.5 | 44.2 | 49.4 | 50.4 | 51.1 | 50.4 | 47.7 | 49.1 | 55.5 | 64.5 | 69.6 | 83.7 | 88.9 | 87.5 | 87.4 | 87.8 | 1,189.7 | 30 |
| 31 *Other, Chiefly School Lunch, Marketing Services, Control and Regulatory Activities:* | | | | | | | | | | | | | | | | | | | | | | | | 31 |
| 32 School lunch program [e] | — | — | — | — | — | — | — | — | — | — | — | 1.0 | 33.7 | 45.4 | 56.6 | 77.5 | 68.4 | 75.0 | 83.2 | 82.8 | 83.6 | 82.8 | 690.0 | 32 |
| 33 Other | 23.9 | 22.2 | 18.0 | 37.1 | 41.5 | 34.7 | 35.6 | 33.7 | 32.8 | 30.9 | 31.1 | 31.0 | 35.8 | 36.3 | 40.3 | 48.5 | 40.5 | 48.1 | 52.8 | 55.2 | 53.9 | 57.4 | 841.3 | 33 |
| 34 Total | 23.9 | 22.2 | 18.0 | 37.1 | 41.5 | 34.7 | 35.6 | 33.7 | 32.8 | 30.9 | 31.1 | 32.0 | 69.5 | 81.7 | 96.9 | 126.0 | 108.9 | 123.1 | 136.0 | 138.0 | 137.5 | 140.2 | 1,531.3 | 34 |
| 35 *Programs Primarily for Wartime, Defense, and Other Special Needs* | — | — | — | — | — | — | — | — | — | — | 5.3 | 14.1 | 73.8 | 54.7 | 31.1 | 31.3 | 41.3 | 45.9 | 31.5 | 1.6 | 8.2 | 5.4 | 344.2 | 35 |
| 36 Total, above items | 396.2 | 164.0 | 45.9 | 309.9 | 697.4 | 833.4 | 618.2 | 988.6 | 1,231.3 | 1,157.9 | 1,027.9 | 960.0 | 932.0 | 608.4 | 589.2 | 629.3 | 685.3 | 818.2 | 1,107.3 | 1,238.5 | 919.9 | 962.2 | 16,921.0 | 36 |

* Excess of credits—deduct.

a. The expenditures under this program are for payment of the difference between the price specified in the International Wheat Agreement and the domestic market price of wheat. The program is essentially international in nature, and is included in this classification with the kinds of items to which it most nearly relates.

b. Exclusive of cash payments for school lunch programs.

c. The amounts shown include the purchase of 9,643,738 acres of submarginal land at a total cost of approximately $60,061,000.

d. The amounts shown include the purchase of 14,450,711 acres of land at a total cost of approximately $68,532,000.

e. Includes costs under the National School Lunch Act and Section 32 funds used for cash payments for school lunch programs.

f. Includes 19.3 million representing the cumulative net loss of capital subscribed to the Regional Agricultural Credit Corporations which were liquidated in 1949.

COOPERATION WITH THE STATE DEPARTMENT

Secretary BUTZ. Mr. Chairman, let me point out first that while we cooperate with the State Department, obviously, we must and should cooperate with the State Department, I want to assure you that our Foreign Agricultural Service is no more under the State Department than I am under the Secretary of State. We are both autonomous, independent but cooperating branches of the Government.

Secondly, did I hear you say correctly you fear we will be plagued with surpluses again?

RISK OF FUTURE SURPLUSES

Mr. WHITTEN. I said, when you take the bridle off and turn them loose to produce and urge them to produce, we very well could have a big amount on hand again.

Secretary BUTZ. If that is a real and genuine fear at the moment——

Mr. WHITTEN. Isn't that what you expect?

Secretary BUTZ. Not with surpluses, no, sir.

Mr. WHITTEN. Surplus to what?

Secretary BUTZ. The futures market currently indicates a very strong price for nearly everything that we can produce this summer.

Mr. WHITTEN. I hope that you are right. I think probably you are right for 1 year.

Secretary BUTZ. If anybody is grossly upset about the possibility of excess production in 1974, unduly depressing prices, all he has to do is go down to the elevator and sell what he expects to produce in 1974 right now at a pretty good price.

Mr. WHITTEN. I am inclined to agree with you for one fall, but I am not as sure you are right about the long-term future.

NEED FOR VIGOROUS EXPORT MARKETS

Secretary BUTZ. This is true only because we have a vigorous and continuing export market and because we continue to keep our export markets open, which is one of the things we insist on in the Department. We make every possible effort to keep our export markets open and healthy.

Mr. WHITTEN. We learned our lesson before.

Secretary BUTZ. Our drive now is to keep these exports moving through commercial channels, keep them moving through nongovernmental channels, to the extent that can be——

Mr. WHITTEN. That is good.

Secretary BUTZ. The important thing is to keep our market promotion activity going and keep the channels open and keep it clear to our foreign purchasers that the United States is a dependable and creditable supplier in a free market. If we can do that, hopefully the need for a sales manager in CCC, in the same respect we had that need 10 years ago, will diminish to the vanishing point.

ROLE OF PRIVATE INDUSTRY

We don't have surpluses now because we turned business loose to sell them. Indeed, we are criticized for letting business sell as much as they have.

Mr. WHITTEN. Recently we had a law paying people not to produce.

Secretary BUTZ. That law is gone now.

Mr. WHITTEN. I am saying that when you turn them loose and ask them to produce, you have to have some means to be sure it moves. I don't believe that you can solely trust private business. I could call the names of three or four international companies, but I won't because I am not trying to smear them, who have not always followed the public interest. You are aware of the names in oil, fats, cotton. I could name half a dozen in each case who were worldwide operators and who were parties to us following the policy back in those short-sighted days of holding our $8 billion off world markets and they were getting rich around the world here. They didn't think they were doing anything wrong. [See Volume 9, 1974 hearings, pages 6–8.]

Secretary BUTZ. Those days are gone, Mr. Chairman.

Mr. WHITTEN. I am trying to make a record here. If you help me, we can build a record which will help people remember the lessons of the past.

Secretary BUTZ. I agree. We are going to keep our stuff moving in world markets.

NEED FOR AN AGRICULTURAL ATTACHÉ IN CHINA

Mr. ANDREWS. Mr. Chairman.

You mentioned a minute ago the cooperation between the agencies. You mentioned the State Department cooperation. The chairman brought out our concern about knowing what goes on to prevent another one of these Russian wheat sale things. We need to know what is going on.

I understand at the present time the State Department is not cooperating. They won't let an agricultural attaché go into China. We have a $1 billion market there this year coming up and they will not allow you to send a man in there, although at the time of the Chinese Trade Fair they had people in there from other agencies such as Commerce. You do have an outstanding individual who was ready to go from Hong Kong, do you not?

Secretary BUTZ. Yes; we still have an outstanding individual in Hong Kong who knows the Chinese language. As I understand it, Mr. Andrews, the size of the delegation in Peking is limited pretty much by the agreement between the size of the delegation here and the size of the delegation there. I am informed that the delegation there now currently is at the diplomatic level and not at the Department of Commerce level or Agriculture level.

Mr. ANDREWS. I understand that they gave permission to the Commerce people but not your agency.

Secretary BUTZ. Could be. I am not aware of that.

Mr. ANDREWS. Yet agriculture is generating 3 times the trade that any other part of our economy is with China at the present time.

Secretary BUTZ. Our sales to China this year will reach $1 billion.

Mr. ANDREWS. Has the Secretary of State specifically told you that he was turning down your request for an agriculture attaché to go into China? Have you made a request?

Secretary BUTZ. We have suggested that as soon as possible we would like an agriculture attaché to go into China. At the moment there is no commercial attaché there and no military attaché. I understand there is no attaché of any kind similar to an agriculture attaché.

Mr. ANDREWS. There was a Commerce man that went to that trade fair and yet Agriculture was left out?

Secretary BUTZ. I am not familiar with that.

Mr. ANDREWS. Is it also true the Chinese would welcome an agriculture attaché? The problem is not with the Chinese but with our own State Department?

Secretary BUTZ. This I don't know.

Mr. ANDREWS. Do those striped-pants boys in the State Department realize the contribution agriculture makes to the world balance of payments situation?

Secretary BUTZ. I do my best to educate them.

USDA REORGANIZATIONS

Mr. WHITTEN. I have also been concerned about the reorganization and regionalism of the Agricultural Research Service. In the years I have been here, I found out any time you regionalize anything you make it impossible for the folks who have the responsibility to get things done. You put another layer between those that fill the regional position and the fellow where the problem is.

I wish you would devote some attention to that. The same thing is true of the Inspector General. With the experience we have had in Boston with meat inspectors and the experiences we had had in other areas, it raises some serious doubts as to whether we don't need a semi-independent Inspector General as against abolishing the job or dividing it out.

AGRICULTURAL CONSERVATION PROGRAM

I also know it is a step in the wrong direction in the Agricultural Conservation Program to get away from the committee system, where the practices were selected by those who know the community. I have every reason to believe Mr. Frick has never been for the program he administers.

I can cite chapter and verse from the day I got here. These things are very, very disturbing to me. I know in this budget that you have a few million extra dollars for the Soil Conservation Service to offset the loss of the 5 percent transfer money from the ACP program but next year there will be just one figure for them.

LINE-ITEM APPROPRIATION POWER OF CONGRESS

In the Congress we generally haven't done it, but the Congress has the power to make a line-item appropriation, so you wouldn't get the money unless you used it for a specific purpose. That is the other extreme. We don't want to go to that extreme, but we may be forced to unless we can resolve these differences. When we write our bill, we want to give you all the latitude we can afford, but not anything we cannot afford.

OFFICE OF THE INSPECTOR GENERAL

Secretary BUTZ. Let me talk to the four areas in reorganization. I addressed myself to one of them before. The Office of Inspector General was set up during the Freeman administration, I understand, after the

Billie Sol Estes case. It was needed to replace the full list of independent agencies that reported to the Secretary. We have now split the Office of Inspector General into two divisions. We have the Office of Investigation which still reports directly to the Secretary, to me, through the Under Secretary, Phil Campbell. This is an independent agency. It will be concerned with irregularities, dishonesty, compliance with the law, all that type of thing. No Secretary of Agriculture has ever been completely comfortable knowing that we have 80,000 employees and a budget of the magnitude we have. All human beings are subject to temptations, and you are never completely comfortable you won't wake up int he morning with a major scandal of some kind. Therefore, you do need an independent capable, and vigorous Office of Investigation. This remains. This group will have approximately 350 people, as I understand it; between 300 and 350. This may or may not be adequate. It has been performing that function.

The other part of the old Office of Inspector General, Audit Division, has now been transferred as a body administratively responsible to the Assistant Secretary for Administration so that audits of the ongoing programs of the Department can be used as a management tool, can be used as a budget tool, can be used in planning.

Heretofore, reports back from those audits were not properly cranked into our total planning, budgeting and management procedures in the Department.

We hope that this can be done in the future. I want to assure you that in the division of these two functions, they will, still be closely coordinated. We think they will function better with one reporting directly to the Secretary and the other reporting to the person primarily responsible for management in the Department. This will in no wise diminish the vigilance of the Department in looking for irregularities, in detecting misappropriation, in detecting malfeasance.

Mr. WHITTEN. That all sounds good. But the point I wish to make here is that I always thought you changed things because they were not working. I have not heard these agencies were not performing effectively.

What is wrong with the way it was going on over the last 4 or 5 years? What is wrong that makes you want to change it?

NEED FOR BETTER USE OF AUDIT DATA

Secretary BUTZ. We were not properly utilizing data we were getting from our Audit Division in our management, our total control program of expenditures of funds, our budgetmaking process and planning processes. This now integrates at the end of that very process.

Mr. WHITTEN. Could you cite examples?

Secretary BUTZ. Well, sure. I think our budget people under Jerry Miles here should have access to audits made on whatever program we have.

NEED FOR INDEPENDENCE OF COMMODITY CREDIT CORPORATION

Mr. WHITTEN. One of the things that I found the greatest fault with through the years is that the officials of the Commodity Credit Corporation are employees of the Department of Agriculture. This means that politics, under some circumstances, under some administartions,

might dominate their decisions. We saw this when they had $8 billion of commodities and refused to sell them, and counted them in the United States. They cut acreage back and put 55,000 families on the road, according to your own figures.

Shouldn't we give some thought to giving independence to the board of the Commodity Credit Corporation, and shouldn't we give the Inspector General a little more independence instead of bringing him under the wraps of the head of the agency?

Secretary BUTZ. That is a matter of statute, Mr. Chairman. The statute sets up the CCC and we do have an advisory committee to the CCC.

AGRICULTURAL CONSERVATION PROGRAM

I think the agricultural conservation program had gotten to the point where a very substantial number of the so-called practices on which we cost-shared were annual practices.

Mr. WHITTEN. You mean they did them every year and you want to do them every once in a while?

Secretary BUTZ. They were not long-term conservation practices. A large share of them were the kinds of practices that were good husbandry, which good farmers should do, and did do.

Mr. EVANS. Would you set out for the record those practices which you considered not to be appropriate?

Secretary BUTZ. We would be glad to supply that for the record.

Mr. EVANS. Not just an illustration but list all those.

Secretary BUTZ. Glad to do that.

[The information follows:]

1973 REAP PRACTICES WHICH WERE NOT INCLUDED IN THE 1974 RECP

B–5. Developing facilities for livestock water.
D–1. Interim cover crop.
G–2. Shallow water areas for wildlife.
G–4. Other wildlife conservation practices.
G–5. Wildlife food plots.
I–1. Animal waste storage and diversion facilities.
I–4. Other animal waste management practices.
J–4. Excess water management systems.
J–5. Conservation tillage (demonstration practice only).
K–1. Disposal of crop, orchard or woodland residues without burning.
L–1. Disposal pits for solid waste.
M. Other pollution abatement practices.

NEED FOR LONG-TERM AGRICULTURAL CONSERVATION PROGRAM PRACTICES

Secretary BUTZ. It is our feeling that the practices should emphasize broader, in the main, truly long-term conservation practices, the kind that most farmers would not do without some financial assistance and perhaps should not be asked to do without some financial assistance. However, other practices are also permitted to some extent. They vary in different parts of the country. As I understand it, there is a sort of grandfather clause. These county committees can do some other practices if they can demonstrate their value.

County committees are still elected and still intact. They still have a good deal of autonomy in the way they run the programs.

Mr. WHITTEN. We are going to have a county-elected committee but nothing to do because you tell them from Washington what they are to do. Is that right?

Secretary BUTZ. There is a narrower list of practices they can choose from than before.

Mr. WHITTEN. Twelve?

Secretary BUTZ. I don't know the exact number.

Mr. WRIGHT. Fourteen.

Mr. WHITTEN. Who selected these practices, Mr. Secretary?

Secretary BUTZ. These were generated in ASCS.

Mr. WHITTEN. Who?

Secretary BUTZ. There was a full discussion in ASCS and the proposals finally came up to the policy group. I was involved myself, and the Under Secretary was involved before this list was finally decided on.

Mr. WHITTEN. Extension Service and county agents?

Secretary BUTZ. No, sir. This is not their program. This is a program essentially run by the ASCS. The Soil Conservation Service has some input in it, as you said. Five percent of this appropriation was set aside to take care of the Soil Conservation Service.

Mr. WHITTEN. Was it to take care of the work the Agricultural Conservation Program needed in the way of agricultural engineering assistance from the Soil Conservation Service?

Secretary BUTZ. You asked who generated this decision. The effected agency——

Mr. WHITTEN. I feel whoever did it would be proud of it and we would be glad to have his name in the record.

Secretary BUTZ. It is in the ASCS. You want the name Mr. Frick. He is the head of that Agency. This finally becomes a group decision. I take some responsibility for it myself. Put my name in the record, if you wish.

Mr. WHITTEN. You can take care of yourself. I have had experience with you before.

Now we come to why you consolidated these county offices.

CONSOLIDATION OF COUNTY OFFICES

Secretary BUTZ. That is a very good question. That is the fifth one?

Mr. WHITTEN. That is all connected with ASCS?

Secretary BUTZ. No; it also involves the Farmers Home Administration, the SCS, and the FCIC. It is a very good question.

Mr. WHITTEN. Thank you.

Secretary BUTZ. A lot of progress had been made prior to our recent move in consolidation of county offices. Prior to last fall when we announced this new drive for one-stop service, over half of our counties in the United States had offices which were, in fact, cohoused at the county level, under one roof. Very few of them had gone beyond that in consolidation or coordination of the services they offered. It was simply deemed in the interest of more efficient service to our farmers, first, to have these various agencies colocated so that you didn't have to go here to your ASCS office, there to the SCS office and elsewhere for other services. At the moment we have four agencies in this effort.

It was deemed that it would provide better service to rural residents to colocate them and probably result in some economies if we could do that.

Secondly, it would be better if we moved toward the point of having a common receptionist so that many of our Soil Conservation Service offices, where there is only one man or two men and a girl—You could have a common secretary, common communications system, and one set of duplicating equipment. We are moving toward getting terminal computer facilities in these offices out there so that we can better communicate with them, with various programs, payrolls, everything else involved, and we will have one terminal. One computer terminal will serve the entire group as we move toward that. These were compelling reasons why it seemed desirable to colocate them, to move toward a common use of the service and facilities they have.

We felt it would make sense from the standpoint of better delivery of services to our farmers, would make sense from the standpoint of more efficient administration and more efficient utilization of personnel.

Mr. WHITTEN. Mr. Secretary, in connection with your statement may I say that this committee years ago urged that where possible and feasible, these various governmental activities should be under one roof where feasible and economical. We never advocated getting GSA to build one of these expensive buildings so they could be in there. I feel sorry for you a lot of times, and I know you do me, but you operate under a personnel ceiling fixed by Mr. Roy Ash of the OMB. Many of your programs are stifled. not because Congress didn't give you the money. We gave you the money for the Agricultural Conservation Program, but you couldn't get Mr. Ash to approve it. You couldn't get Mr. Ash to do that.

We gave you money for lots of things, but in many cases he wouldn't let you have the money. In other cases, there was a personnel ceiling, where even if you had the money, you could not have spent it.

This committee strongly believes in protecting our environment. We provided $150 million for grants for rural water systems, because they make rural life better and keep people from moving into our cities and relieve overcrowded cities. Mr. Ash froze that. He didn't like the words "freeze" and "impounded." I said he put it in reserve. He sat on it and still has it. A few months ago he released $30 million. I don't know whether that got out or not.

Since you have a limited number of personnel, whose place is the receptionist going to take?

RECEPTIONISTS IN CONSOLIDATED OFFICES

Secretary BUTZ. In all probability, the receptionist will come from personnel currently employed in the local offices, and will probably perform other duties in addition to being a receptionist. It simply means in smaller offices out there you have somebody that knows where you can get service. In many soil conservation offices, there is one technician and one girl, sometimes one technician. He is out in the field. Somebody comes in and nobody can help. If we can get them put together in a service center, there is always somebody that knows where you can go and get service.

Mr. WHITTEN. Anybody on the street could tell you that. This is not new, this abolishing and consolidating of a whole lot of offices.

Secretary BUTZ. In this combination, we will be moving them together in a service center. In some counties, small counties, it ultimately means a combination of facilities and personnel. We thought we always had to have a representative out in every county because we tended to organize around county seats. Farmers Home Administration has shown that it isn't necessary. In most States FHA has multicounty units, and functions quite well. They have only 1,700 offices out of 3,000 counties.

Mr. WHITTEN. Mr. Secretary, I think that I am going to pass on to Mr. Andrews, who I think has a few more questions.

PROGRESS ON CONSOLIDATED OFFICES

Mr. ANDREWS. How far along are you with this single service center?

Secretary BUTZ. Just getting started. We never contemplated moving rapidly on it. We have announced our guidelines. We announced this last fall at a meeting down in Temple, Tex., where we had all our State people in from the 50 States for the 4 USDA agencies involved. Chairman Poage and I were both there, together with other staff members, to explain the service center concept.

It is still in the preliminary planning stage. We are giving a great deal of autonomy to the State administrative committees to plan this at the local level, likewise at the county office. At the county level we try to give autonomy to the personnel and the agencies involved.

Mr. ANDREWS. Your people have also said you will consult with the local congressional delegation before you will ratify any changes?

Secretary BUTZ. That is correct.

SOCIAL EFFECTS OF CONSOLIDATED OFFICES

Mr. ANDREWS. How much weight are you giving to the social effects of this program? Let's look at a large county say in my home State of North Dakota. The county seat town is maybe a town of 2,000 people and 40 miles away is a town relatively of the same size. Probably the Farmers Home office is in one town and the ASCS office is in another. They do that so they can neighbor back and forth and share the business between towns deliberately. The farmers prefer it that way. Will you change offices like that, in the absence of demonstrated savings?

Secretary BUTZ. It depends a great deal on the recommendations of the State administrative committee in a case like that. We would have to be guided by the recommendations of the State administrative committees. I would like to see us as far as possible proceed with colocation of these offices. There may be cases where we can't do it.

Mr. ANDREWS. You will rely on the State committees giving you the inputs of the human needs and desires?

Secretary BUTZ. Right from the start we have said that.

Mr. BURLISON. Will my friend yield on that point?

Mr. ANDREWS. Sure.

UNIFORMITY OF CONSOLIDATED OFFICES

Mr. BURLISON. Mr. Secretary, doesn't this mean we can expect a great deal of lack of uniformity between the States with respect to colocation?

Secretary BUTZ. Ultimately I would hope not too much. We have a great lack of uniformity now, even within the States, as you know. As I have said, over half the counties have offices colocated now. They are moving in that direction. The pressure has been on for years in that direction. We will never get completely uniform.

Mr. BURLISON. It doesn't appear to me that it would be fair or equitable to farmers to have one State retaining their office in each county, and a neighboring State that may have combined three counties. It just doesn't strike me as being a very fair and equitable way to run Federal programs.

Secretary BUTZ. We do that now with the Farmers Home Administration where there is a great deal of variation. In some cases you will have one officer per county. Overall, we average about 1½ counties per office.

Mr. BURLISON. As a result of policy determination at the national level rather than individual policy made in each State.

Secretary BUTZ. Each State makes its own rules on how it does it within the national guidelines.

ADJUSTING TARGET PRICES FOR INCREASED COSTS

Mr. ANDREWS. Mr. Secretary, in your prepared statement you talk about the need to stimulate production in order to meet the needs of the consumers not only of our own Nation but in order to gain the balance-of-payments overseas that we need to solve some of the other problems in our country. Do you feel that there would be merit in adjusting target prices to include increased costs so that the farmer will, in effect, have more stimulation to step up production?

Secretary BUTZ. As you know, there is an escalator clause in the act of 1973 that does, in fact, increase target prices as costs go up for the 1975–76 crops.

Mr. ANDREWS. But doesn't that escalator clause omit, overlook, or not take into account the cost increases that were incurred this year and last year?

Secretary BUTZ. Yes, sir, that was in the act.

Mr. ANDREWS. Aren't these the two greatest years of cost increases, with the cost of fuel and fertilizer doubling and machine parts going up?

Secretary BUTZ. Quite right, but current prices are so far above the target prices that target prices at the moment are more or less academic as an incentive to production.

Mr. ANDREWS. Do you find in the reports you get from your people in the field that there is a limited incentive, shall we say, or concern among the farmers not to go all out on production, for fear they will break the market and end up in the hole? The target prices now, and I think economists will point this out, with the new costs to farmers, wouldn't return cost of production.

INCENTIVE FOR FULL PRODUCTION

Secretary BUTZ. No, sir, I don't think that fear is very real. As I said, if anybody has fear of overproduction in 1974 resulting in price breaks all he has to do is sell his 1974 crop forward. Feed grains, wheat, soybeans, or cotton he can sell at a very good price. As a matter of fact, the very high demand we have for fertilizer and the very grave concern we have about energy to take care of the added acres is in itself of, I think, evidence that farmers do plan to plant the added acres. Our best statistical surveys indicate they do plan to plant the acreage.

SAVINGS FROM THE RUSSIAN WHEAT SALE

Mr. ANDREWS. In this budget presentation for the Commodity Credit Corporation reimbursement for net realized losses, you have a figure of $4,249 million for the 1975 fiscal year. This contrasts with a $3,301 million figure for the year before, or an increase of $947 million. Yet, in the report you gave to GAO when they investigated the Russian wheat sale you pointed out that there would be a net savings to the Government of close to a half billion dollars because of the Russian wheat sale. Shouldn't this savings to the Government, be reflected in a lowered budget estimate for the Commodity Credit Corporation, or where will that close to half billion dollar saving to the taxpayers by virtue of the Russian wheat sale show up?

Secretary BUTZ. I think that would show in the following year's budget. The fiscal year 1975 figures to reimburse CCC for losses are essentially for the 1972 crop. I wonder if Mr. Miles for the record can give the exact figures on this. There is about a 2-year lag between the CCC costs and the appropriation to reimburse. Would you indicate what that is?

Mr. MILES. Mr. Andrews, the budget request for 1975 is for fiscal year 1973 losses, which amounted to $4,093 million plus $155 million for fiscal year 1972 losses, which were not appropriated last year in the 1974 budget.

The losses we expect in 1974, the current year, amount to $2.5 billion, which is $1.5 billion less in losses to the corporation than 1973. This will show up in next year's budget.

The following year, 1977, we will ask to restore the losses incurred in 1975. These losses are expected to be under a half billion dollars. So we went from losses in 1973 of over $4 billion to $2.5 billion in 1974 to expected losses in 1975 of less than half a billion dollars, a net reduction of $3.5 billion over that 2-year period.

LEVEL OF FARM PAYMENTS

Mr. ANDREWS. On page 34 of the President's budget, it states that farm prices or payments will be at $800 million in 1975. Your statement says they will be $461 million. Does this mean that you have revised your estimates downward since this budget was presented to our full committee about a month ago?

Secretary BUTZ. Mr. Miles.

Mr. MILES. Mr. Andrews, the costs in the budget in brief involve all CCC costs. These include not only direct payments to producers under the wheat, feed grains, and cotton programs, but costs of inventory, interest costs which are involved when CCC has to borrow money from the Treasury, transportation costs for moving commodities, warehouse charges that are paid on commodities in storage, and loans that we have outstanding on any of the crops for which price support loans are available. So the amount shown in the budget includes all costs of the Corporation including direct payments to producers.

The $400 million figure that you are quoting from the Secretary's statement involved direct payments under such programs as wheat, feed grains, and cotton, and some other direct payments which are not included under CCC, such as the sugar program, National Wool Act, conservation cost sharing programs, indemnity payments to dairy farmers, beekeepers, and programs of that nature.

Mr. ANDREWS. What we are trying to do is make a record so we can take it to the floor and answer the questions of our colleagues, and they are considerably and properly concerned over some of these figures that have been floating around. Actually the way these figures come in is extremely misleading to the average member of the public, certainly to the average Member of Congress.

If you go around using this figure of $461 million, and then we take out a bill on the floor for $4.2 billion in reimbursement to CCC, it will get pretty confusing to the Members who haven't followed the financial intricacies of this program.

What would happen if this money wasn't appropriated? Do we need to put this reimbursement in when your farm program and your anticipated needs and your testimony here all would indicate that we are not going to be relying as much on the CCC in the foreseeable future?

EFFECT OF THE REIMBURSEMENT FOR COMMODITY CREDIT CORPORATION LOSSES

Secretary BUTZ. I think, Mr. Chairman, what would happen if you didn't reimburse the losses would simply be that the borrowing authority of CCC would be depleted and would not be restored. This is essentially a restoration of the borrowing authority of the Commodity Credit Corporation.

Mr. ANDREWS. This restoration capital then doesn't in effect cost the Government any money until and unless they need to use it.

Secretary BUTZ. It makes up for costs that have been incurred in the past. There is a 2-year lag because we didn't know until this year what the 1973 incurred losses were.

RUSSIAN GRAIN SALE

Mr. SCHERLE. In the Wall Street Journal is an article that alleges that the Russians have reached another benefit from the wheat deal. In other words, and I quote: "In effect we have already repurchased 37 million bushels from the Russians when they agreed to defer receipt of current crop wheat until the new crop comes in." In other words,

they bought low, are selling high to us, and they contracted to buy back through the futures market at a lower price, is that right?

Secretary BUTZ. May I speak to that. I read that same article in the Wall Street Journal. It conveys the wrong impression. The Russians deferred shipment of 1 million tons of wheat for which they had contracted old crop wheat into the new crop year. This was an arrangement between Expohkleb, the Russian buying agency and the American company that held the contract. However, I may say that on two occasions I personnally met with the Soviet Ambassador in Washington, pointing out it would be advantageous to us and to the whole international wheat market if he could defer as much as possible into the new crop year. I want to give credit to them. They had a valid contract to ship old wheat, but they took the position that they had enough wheat short of the 1 million tons contracted to be shipped to them to get them into the period when American new crop wheat would become available. If that 1 million tons could be shipped in July and August from our new crop it would tide them over until their new crop became available.

It was on that basis that this arrangement was made between Expohkleb and the American company which handles this contract. To make that kind of shift the American company had to make some kind of adjustment in the futures market with which I am not familiar. They had to cover themselves obviously because they had to be covered by old crop wheat. They had to shift this to become covered by the new crop wheat. As far as the Russians are concerned they will get the same number of bushels. Half is to be shipped in July, half to be shipped in August. By that time our new crop wheat will be flowing in the market.

Mr. SCHERLE. I will continue this later on my time.

SHORTAGE OF FARM MATERIALS

Mr. ANDREWS. Have you done any in-depth studies on these critical farm input materials other than fuel and fertilizer? We talked before about fuel and fertilizer shortages but what about chemicals, plastics, baling wire, and phosphorus for feed? What effect will embargoes have on these inputs? Are we going to have another emergency fiasco in these fields? What type of studies are you as Secretary of Agriculture directing?

Secretary BUTZ. Studies on this are being done by the Economic Research Service and Dr. Paarlberg can speak to that, but you put your finger on some very critical areas. Baling wire is a case in point. We have gotten ourselves in to a position in this country of depending heavily on imported baling wire. This situation was aggravated in the last year or so by price ceilings on baling wire which made it unprofitable to produce baling wire. That is a relatively small product in the total product mix of the large steel companies.

We requested the Cost of Living Council to grant price relief to manufacture of baling wire and other steel products used in agriculture. The Cost of Living Council did that several weeks ago. At that point I personally got on the telephone with the head member in six of our principal baling wire manufacturing companies in this country, and I am told now that all except one is back in full produc-

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tion. But one firm is not back in production, for what reason I am not quite sure. This will still not give us all the baling wire we need, especially on the west coast, because we have depended so heavily out there on imported baling wire from Japan which isn't coming in the current situation.

I don't know what more we can do now. We have made it possible for these companies to sell baling wire at a price that covers their costs.

Mr. ANDREWS. And you are taking steps to see that these are resolved before they become even more critical?

USDA ACTION ON SHORTAGES

Secretary BUTZ. Yes, sir, as far as we can. In the case of phosphates for feed we have some of the same problems. There was another feed program, Hexane is used in the separation process of soybeans to separate the oil from the meal. We ran short of a small total quantity but Hexane is very critical in this process.

Mr. ANDREWS. Would you provide for the benefit of the committee at this point in the record a description of what you are doing to make sure that we don't get into crises in each of these separate areas that I have outlined?

Secretary BUTZ. I will be delighted.

[The information follows:]

BALING WIRE

USDA urged the Cost of Living Council to provide price relief to steel firms producing baling wire and other steel products needed by farmers. On January 25, 1974, the Cost of Living Council granted most baling wire manufacturers some price relief and flexibility in pricing their products.

Baling wire manufacturers were contacted by the Department to explain the importance of this product to farmers, to point out the expected effect on food production and prices, and to request their cooperation in helping to solve the wire shortage.

USDA is urging baling wire producers who have not resumed production or are producing on a restricted basis to determine whether some satisfactory solution to their problems can be worked out.

FEED PHOSPHATES

Phosphatic feed supplements are in short supply. USDA and other Government agencies have been working to obtain needed fuels for production of these supplements, and diverting more phosphoric acid to phosphatic feed supplement production. USDA urged the Cost of Living Council to decontrol prices of feed phosphates, which was done on October 25, 1973, the same time fertilizer prices were decontrolled.

Because of indications that livestock nearing market stage are being fed more phosphates than necessary, the Department initiated action which resulted in a study of minimum levels of feed phosphates required by animals at various stages of growth. This study by the National Academy of Sciences is currently underway, and a report is due soon.

FERTILIZER SUPPLIES

Mr. ANDREWS. As far as fertilizer is concerned you mentioned the shortage. You also mentioned the fact that farmers are getting 100 percent of needs in fuel. Is the fertilizer industry because of its key relationship to the agriculture establishment of this country getting 100 percent of fuel needs for the production of fertilizer? Is the fer-

tilizer plant making anhydrous ammonia getting the full amount of natural gas it needs or 80 or 70 percent of last year's use? I have had conflicting reports. Mr. Simon with whom I attended a lunch with a group from the Congress said yes they are getting their full needs. The fertilizer industry themselves tell us they are not. What are they getting and what are the rules?

Secretary BUTZ. It varies area by area. There are some anhydrous ammonia plants that are not getting what they need. They make anhydrous ammonia out of natural gas and natural gas simply isn't equal to total demand. With respect to fertilizer, we are going to ship more total tons of fertilizer to farmers this year than we did last year. Much of that was plowed down last fall. We had a very good fall season in the whole middle American area, fall plowings ahead of schedule including nitrogen. Even so, this will perhaps be our most critical element this spring, although the total tons of nitrogen will exceed the year before. I might ask Dr. Paarlberg to comment. The ERS is very close to this.

Mr. PAARLBERG. We have just completed a report not yet published that goes into this question, Congressman Andrews, about the availability of natural gas feed stock from nitrogen fertilizer. The report states that, while there are spotty difficulties here and there, on the whole, the supply of natural gas has been sufficient to keep the plants going.

Mr. ANDREWS. It is not your understanding, then, that they are being given 100 percent of needs.

Mr. PAARLBERG. It is my understanding that, wherever this is possible, they are getting 100 percent of needs. There are some places as the Secretary said where they, for reasons of simply the shortage of gas, they don't get it.

Mr. ANDREWS. Obviously, if there is no gas, they can't get it, but, if it is there, you say they are getting the total consumption they need. In your judgment, at what percent of capacity is the ammonia industry of this country operating today?

Mr. PAARLBERG. At 92 percent.

Mr. ANDREWS. What is the normal percent of capacity that the industry operates under?

Mr. PAARLBERG. For the past several years, they have been operating somewhere between 80 and 90 percent of capacity. This is an overdrive. They are doing their utmost.

### PRICE SUPPORTS ON MILK

Mr. ANDREWS. Aren't you about reaching the deadline for setting higher price supports on milk?

Secretary BUTZ. We must do it by April 1.

Mr. ANDREWS. What level do you anticipate and how will that be reflected in this budget?

Secretary BUTZ. I hope it will not affect this budget, because at the present time the commercial price of milk and dairy products is above the support level. The CCC is not acquiring product. We have acquired a little butter recently but mostly to meet our needs for food distribution and not as a price support operation.

I think, Mr. Chairman, that in the main we could set the price support level at any place within the permissible range and that action

would have very little if any impact on the budget. Fortunately the price of dairy products is above the support level.

Mr. ANDREWS. Do you feel that it might be wise to set the price at a sufficiently high level to encourage production?

Secretary BUTZ. This is under study right now in the Department. It must be set between 80 and 90 percent of parity. In any event, the price support level will have to be raised in terms of dollars.

RURAL ELECTRIFICATION ADMINISTRATION LOAN POLICIES

Mr. ANDREWS. What is your REA policy going to be on insured guarantee loan ratio?

Secretary BUTZ. You mean the ratio between the insured and guaranteed loans? I can't speak to that. I am not that familiar with it. I am sure Mr. Hamil will address himself to that when he comes up.

Mr. ANDREWS. Are you anticipating that the insured loan funds which aren't a direct impact on the budget or on the taxpayer, will be allowed to operate at the total level necessary to clear the demand.

Secretary BUTZ. We hope to. One of the good things about the REA Act of last year was that there was no ceiling on loans under the guarantee provision, and we hope and we anticipate that we will be able to meet the legitimate demand with the funds we have.

Mr. ANDREWS. This is the direction that you are asking Mr. Hamil to move in?

Secretary BUTZ. That is correct.

AGRICULTURAL CONSERVATION PROGRAM

Mr. ANDREWS. What about these conservation funds? What type of stand are you going to take on that? Are we going to have a broader conservation program now that the impetus is on all out production? It is going to take more incentive to get the farmers to put the soil conserving grass or trees into position than it did 3 or 4 years ago. Disastrous impacts on the environment could be, as you pointed out in your remarks to the committee, much more likely to happen as farmers go in and break up soil that is marginal. Will you put an added emphasis on these conservation programs in order to counteract that?

Secretary BUTZ. We are going to do our very best to make sure that we do not break up soil that shouldn't be broken up, as you say. Our Soil Conservation Service brought before me the other day an estimate of potential soil losses from class II and class III lands that might be brought back into production if the incentive to plow them up becomes great enough. Those figures shock you, and I am sure you have seen the same figures. We are mounting an educational program with our Extension Service, with our Soil Conservation Service, with our ASCS personnel, to show that we should not break up lands that are subject to high wind erosion or water erosion, either one.

On the other hand, I may say that the incentive not to break up good grassland is still pretty strong too, because the price of feeder cattle remains pretty good and in the long run I think will be fairly attractive for the cow-calf operators, so we do have pretty attractive alternative outlets for lands that should be in grass.

EUROPEAN PRICES FOR COMMODITIES

Mr. ANDREWS. Mr. Secretary, one final question. A moment ago when the chairman was questioning you, you mentioned the fact that 3 years ago the world price level for grains, for commodities, was considerably lower than it is now. Weren't you referring to the dump price really? Hasn't the price in the European market always been at about what it is selling for now, only we haven't been able to get access to that European market?

Secretary BUTZ. These prices are higher than they used to be but your statement is correct, that the internal European price under the so-called common agricultural policies has consistently been above world prices, and it has been difficult to pierce that market.

Mr. ANDREWS. In other words, the $4.50 to $5 price level for wheat is something that has been around for a long period of time.

Secretary BUTZ. It may not have been that high but at about our price level.

CONSUMER DECISIONS AND FOOD PRICES

Mr. ANDREWS. Wouldn't you also say the consumers who are questioning these new prices for agriculture are really the ones who brought about, in a sense, the demand from overseas? No one has ever brought this point out, but in any home with some teenagers, you look on the back of the hi fi set and it says made in Japan. There is the Honda motorcycle. You talk about German baling wire, Volkswagens, and they save gasoline, but they were a consumer decision made by the consumers, of the United States over the last 5 or even 10 years. Those consumer decisions put dollars in the hands of the Europeans, put dollars in the hands of the Japanese. In fact, didn't the Japanese end up with a $4 billion surplus of payments just a year ago?

Mr. BUTZ. Yes, sir.

Mr. ANDREWS. And with those dollars rattling around in their back pocket then they came back and made the conscious effort to see what they could get with those dollars, they found what the consumer in the United States had totally overlooked that the greatest bargain, in our Nation was in food and farm products, so in a sense the U.S. consumers gave the purchasing power to the other people in the world, and they came in and bought what our consumers had overlooked all this time, the genuine bargains that were here.

Secretary BUTZ. You state it very well. I might state it another way. The consumers of America have opted to purchase a great deal of foreign made products, and they have found that the best way to pay for them is with American farm products.

Mr. ANDREWS. Isn't it also true that there is a lot more at stake than just agricultural income. When through a series of machinations, and I don't know who was at fault, the export embargo was put on soybeans, the value of the dollar on the international money market immediately plummeted. Two months later when you had the courage to stand up and say there will be no more export controls on wheat or feed grains or any other grain "as long as I am Secretary of Agricul-

ture" that announcement was followed by an immediate increase in the value of the dollar in the European money market, is that not true?

Secretary BUTZ. Yes, sir.

Mr. ANDREWS. So a lot more is at stake than just farmers income.

Secretary BUTZ. Yes.

Mr. ANDREWS. Thank you, Mr. Chairman.

THE 1975 BUDGET

Mr. WHITTEN. Mr. Secretary, the Department's 1975 budget estimate indicates an increase in new obligational authority of $3.3 billion in 1975 over appropriations to date for fiscal year 1974. Offhand, it would appear you are getting about a 30-percent increase in funds. However, when we deduct the $1.6-billion increase for the food programs and the increased funding for Commodity Credit Corporation losses and other loan losses, we find your funding level is about the same in 1975 as 1974. This is notwithstanding an expected inflation rate of about 6 percent, and the additional demands your Department will face in fiscal year 1975. Do you really feel that you can fully and adequately carry on the work of the Department based on the budget estimate we are considering today?

Secretary BUTZ. You are correct that it is very difficult, and perhaps misleading, to make a comparison between the total fiscal year 1974 funding level and the total fiscal year 1975 level proposed in the budget. A meaningful comparison would require an indepth analysis of the program and other differences between the 2 years. With these differences taken into consideration, I can say that the funds recommended in the 1975 budget would permit the Department to adequately carry out its assigned responsibilities.

PRICE SUPPORT PAYMENTS

Mr. WHITTEN. There are some who feel that the Department's budget for fiscal year 1975 should be reduced in view of the fact that support payments to farmers in calendar year 1974 will in all probability be greatly reduced. For the information of those reading this record, would you explain why the 1975 budget estimate does not reflect a large reduction because of this situation?

Secretary BUTZ. The estimated reduction in support payments in calendar year 1974 is not reflected in the fiscal year 1975 budget appropriation request because of the 2-year lag between the time support payments are recorded as CCC losses, and the appropriation request is made for reimbursement of these losses. In this case, the payment reduction effect would be reflected in the appropriation request contained in the fiscal year 1977 budget, when we ask for restoration of fiscal year 1975 losses. Because of this 2-year lag, the 1975 budget appropriation request includes reimbursement of $4.2 billion for support payments made in fiscal year 1973.

FARM INCOME

Mr. WHITTEN. In a way you serve two masters. First, you have an obligation to the farmers of this Nation to make certain that we have a viable agricultural production program. On the other hand, you are

faced with an increasing responsibility to assure adequate food supply to the people of this Nation, and there is increased feeling that this responsibility also extends to the people of the world. First, I would like you to project what you deem the situation will be from the farmers' and ranchers' standpoint in the coming year.

Secretary BUTZ. We think 1974 will be another good income year for the Nation's farmers. Foreign and domestic demand for farm products is likely to remain strong; and even though output is expanding, farm prices will average higher this year, leading to larger cash receipts from marketings. However, direct Government payments will drop substantially and offset some of the gain in marketing receipts. And with the sharp rise in farm production expenses, realized net farm income may be down $1 to $2 billion from the record level of 1973. Still, the 1974 net income to farmers will be the second highest on record.

FOOD SUPPLY SITUATION

Mr. WHITTEN. Using the same crystal ball, I would like you to comment on what you think the food supply situation will be especially with regard to adequacy and cost.

Secretary BUTZ. Per capita food consumption is expected to return to near record-high levels in 1974, although some items will remain short relative to demand, especially through the first half of the year. Red meat supplies will likely recover a substantial part of the 6-percent decline experienced in 1973, but will remain below the record-high levels of 1971–72. Dairy output may slip a little from last year due to the smaller dairy cow herd, but poultry and egg production will likely exceed 1973 levels. Stocks of most crop food products, especially wheat, processed fruits and vegetables, potatoes, and dry beans and peas, are low relative to other recent years. But supplies are expected to be sufficient to maintain a continued high level of consumption until large crops can be harvested and processed. Thus, total supplies of food and feed available for domestic use are expected to expand sharply as 1974 harvests get underway.

Retail food prices this winter are averaging about a fifth above a year earlier reflecting the present tight supply situation and rising costs of processing, transporting, and distributing food products. Further price rises are likely into the spring but the rate of increase is expected to slow in the next several months. Food prices are likely to stabilize in the summer and fall as larger supplies move to market.

ACREAGE AVAILABLE FOR PRODUCTION

Mr. WHITTEN. There currently is a maximum effort being made for all-out farm production. May we have your thoughts on just how much more land in this country can be converted to cultivated acreage on a practical basis?

Secretary BUTZ. The current estimate indicates that there is approximately 432 million acres of land defined as 1974 cropland for the United States. About 336 million acres is projected to be planted to the 1974 principal crops. This leaves a residual of 96 million acres that could be used for increased production. However, about a third of this acreage is normally used for summer fallow purposes.

AGRICULTURAL RESEARCH

Mr. WHITTEN. Many agricultural experts contend that agricultural research has lagged far behind our present and future needs. To what extent do you think we can increase agricultural production during the next 5 or 10 years as a result of additional agricultural research?

Secretary BUTZ. The exact extent to which this can be achieved is unknown, just as the outcome of a single research experiment cannot be predicted with certainty. However, we know that increases in most well-managed research programs will accelerate the rate of new knowledge and in turn increase agricultural production efficiency. Promising areas of good returns to increased research efforts include studies of hybridization of wheat, grain sorghums, and soybeans, decreasing genetic vulnerability of crops, multiple births in cattle, brush control on ranges, increasing nitrogen utilization of plants, and developing new plant sources of protein.

IMPORTANCE OF AGRICULTURAL EXPORTS

Mr. WHITTEN. As the food and fiber supply becomes more limited, there is increasing pressure for us to limit our agricultural exports. First, I would like you to comment for the record on what our agricultral exports mean to this country's national economy.

Secretary BUTZ. I will be glad to do that.

[The information follows:]

WHAT AGRICULTURAL EXPORTS MEAN TO THE NATIONAL ECONOMY

Farmers, nonfarm workers and consumers in every part of the country benefit from agricultural exports. For farmers, exports mean a larger farm income—income from the marketplace rather than from Government payments. For nonfarm workers, agricultural exports mean thousands of jobs that otherwise would not exist. For consumers, exports mean cheaper food over the long run by permitting farmers to produce more food at more efficient levels, allowing for per unit cost reductions. For all America, U.S. agricultural exports provide benefits by contributing to the Nation's balance of payments and adding stability to the dollar.

TO FARM INCOME

Export sales account for the production of around 1 acre out of 4 as an average for all crops, but a much larger proportion for some crops is exported. Exports in calendar year 1973 were the equivalent of three-fourths of U.S. wheat production; two-thirds of rice production; around half the production of soybeans and sales of cattle hides; two-fifths of the production of tobacco, cotton, tallow, and almonds; and one-third the production of feed grains.

The value of U.S. agricultural exports during calendar year 1973 reached 17.7 billion, up 88 percent from that of the preceding year.

As a result of expanding agricultural exports, U.S. cropland in production was increased by 25 million acres in 1973, and a further increase of up to 17 million acres is expected in 1974. The record total net farm income of $20 billion in 1972, followed by another record of about $26 billion in 1973, have been brought about in large measure by the substantial rise in U.S. agricultural exports.

The gap between farm and nonfarm income has narrowed. The average per capita disposable income for farm people was 93 percent of that of nonfarm people in 1973 compared with 64 percent 10 years ago.

TO FARMERS' EFFICIENCY

Exports add to farm returns and permit farmers to produce at nearer full capacity with lower per unit costs. Until recently, the United States has had costly programs to take land out of production—about 60 million acres in 1972. This resulted in less than full efficiency, and in higher unit costs.

Under the impact of stronger foreign and domestic demand, this land is being brought back into production. Farmers can use more of their land, which costs almost the same whether idle or producing and make fuller use of their know-how to produce more food and feedstuffs from virtually the same capital investment they have had before.

When producers can lower average costs from what they would have been under restricted production, and at the same time increase supplies, the result should benefit the farmer in terms of higher income and the consumer in terms of greater abundance of food at lower prices.

Exports permit the farmer to produce at the fullest capacity practical and this benefits the farmer as well as the American public.

TO LEVELS OF EMPLOYMENT

The Export-Import Bank calculates that each $12,500 worth of agricultural exports creates one U.S. job. On the basis of this estimate, the increase in exports in calendar year 1973 over calendar year 1972 was sufficient to create 660,000 new jobs.

TO BALANCE OF TRADE

Agricultural exports have increased more than 216 percent during the past decade from $5.6 billion in calendar year 1973 to $17.7 billion in calendar year 1973 and are expected to reach $20 billion in fiscal year 1974. All of this increase in value was in commercial sales, contributing significantly to the U.S. trade balance.

Agricultural exports during calendar year 1973 made a net contribution to the U.S. balance of payments of $9.3 billion, enough to more than offset a deficit of $7.6 billion in nonagricultural trade. Our total trade balance was favorable for the first time in 3 years.

TAXPAYERS

There are reduced costs for the taxpayer. The substantial rise in exports has enabled the farmer to depend on the market for his living. This has brought changes in the domestic farm program that are expected to have cut program costs by $3.5 billion in 2 years by the end of 1974. Costs were $4 billion in 1972. They were down to $2.6 billion last year, and we are estimating less than one-half billion dollars in 1974.

EXPORT CURBS

Mr. WHITTEN. Do you foresee a situation in the immediate future where it will be necessary to curtail our argicultural exports in order to assure an adequate supply for domestic use?

Secretary BUTZ. We do not expect to have a supply problem in 1974, unless we have very abnormal weather conditions. The problem we had in 1973 was largely the result of a temporary and unusual combination of factors including the increasing demand of farm products, acreage restraints, and a particularly severe run of bad weather in 1972. We have now released our unused land in order to increase production. Other countries are doing the same thing. We expect world grain production to rise by 3 percent and oilseed production to gain 1½ percent. These harvests should provide increased stocks throughout the world and greatly diminish the supply problems of the United States.

SOIL EROSION RESULTING FROM INCREASED PRODUCTION

Mr. WHITTEN. We have already received preliminary reports of unusual soil erosion in areas where additional acreage has been put under cultivation. Do you feel this is a real danger, and if so, what can the Department do to alleviate this problem?

Secretary BUTZ. Any time you go for increased production you also increase the risk of soil erosion in areas where you have put additional acreage under cultivation. We are aware of this potential problem and

are taking action to help our farmers both produce more and protect more. I have specifically asked the Soil Conservation Service and the Extension Service to give special attention to this matter by assisting farmers and ranchers with their conservation problems.

In addition, the rural environmental conservation program and the Great Plains conservation program can be of much assistance in helping farmers to carry out conservation and environmental protection practices as part of a good conservation plan. While the Department cannot dictate to farmers, we believe these efforts, along with our farmer's past experience, will combine to bring about good conservation farming while we expand production to meet our needs.

WORLD FOOD BANK

Mr. WHITTEN. You have attended several international meetings on world food supply. What is your feeling about the role the United States should play with regard to a world food bank?

Secretary BUTZ. We are strongly opposed to creation of a world food bank or other internationally controlled stockpile because it would take away the flexibility we need to manage domestic policies so as to insure that production continues to come along on stream. The principal contribution the United States will have to make to any world food security system will be to keep producing so that world food reserves can be rebuilt. Increasingly, we expect that the responsibility of purchasing and carrying stocks can and should be that of the importing countries whose food security is principally at stake.

Nevertheless, we wholeheartedly concur in the need to plan for future world food requirements. The World Food Conference to be held in Rome next November provides an opportunity to assess the world supply and demand outlook for major commodities and to explore the principles of assuring adequate reserves to meet growing world demand. Certainly one vital element of any world food security system must be the full and frank exchange of information among both producing and importing countries. Another general principle should be that of burden sharing—no longer is it appropriate that grain-producing countries be expected to carry commercial reserves for all the world's potential paying customers, nor that one or two countries, the United States and Canada, for example, perform the lion's share of this role. Once the Conference has examined these issues—and the United States has the negotiating authority—we will be able to look at possible solutions under GATT in the multilateral negotiations.

DISASTER RESERVES FOR GRAINS

Mr. WHITTEN. Section 813 of Public Law 93–86, the Agriculture and Consumer Protection Act of 1973, directs you to establish a disaster reserve of grains in this country. What action have you taken in this connection to date?

Secretary BUTZ. About 50 million bushels of oats owned by the Commodity Credit Corporation was transferred and identified as disaster reserve of grains in compliance with this provision of the Agriculture and Consumer Protection Act of 1973.

PUBLIC LAW 480

Mr. WHITTEN. The budget estimate provides $778.4 million for the Public Law 480 program. This is an increase of $224.8 million over the amount appropriated in 1974; however, of that increase, $212.6 million is related to receipts and changes from prior year balances and costs. What will be the trend for this program in fiscal year 1975?

Secretary BUTZ. We currently anticipate that the trend under Public Law 480 in 1975 will be for somewhat larger shipment quantities at lower unit prices than prevailed for most commodities in fiscal year 1974. Because of commodity availability problems in 1974, shipment quantities are expected to be reduced by about one-half of the fiscal year 1973 level for most commodities, and unit values for those commodities increased substantially.

TRANSPORTATION SHORTAGES

Mr. WHITTEN. Mr. Secretary, I am sure a good bit of your time these days is spent in combating shortages of necessary materials and facilities vital to farm production. I would like to review some of them with you at this time.

Let's start with rail transportation—what is the current outlook for the coming crop year and what is your Department doing to improve the situation?

Secretary BUTZ. The railroads have acquired about 15,000 covered hoppers in the past year. Private shippers acquired an additional 10,000. This will certainly help, but will not completely resolve the freight car shortage problem. The Interstate Commerce Commission is reporting a daily shortage of 20,000–25,000 rail cars.

Early last fall, our Agricultural Marketing Service initiated a monitoring system to determine where the shortages are most severe within 14 critical States. This system depends on the voluntary participation of the 5,500 country elevator operators affected. The elevators are asked to return a completed questionnaire each week. The information requested includes grain stocks on hand, anticipated receipts, number of cars received, and the number of cars needed.

With this data we can pinpoint areas which have the most severe problems. We provide this information to the ICC and the Association of American Railroads who have the authority to direct railroads to distribute cars equitably and to improve service to specific points.

We foresee few problems affecting the early harvests. However, if severe car shortages should arise, we believe the monitoring system should alert us to them as they develop.

By fall, shortages of a more extended nature are anticipated. The expanded production for this year will put a greater strain on the rail system.

There is also every indication of a serious shortage of truck transportation this spring and summer. Fresh meats and fresh fruits and vegetables will certainly be affected. Our analysis reveals that the reduction in speed limits, and other restrictions will reduce the truck transport capacity by 12–30 percent. We are convinced that action by the Congress is needed to permit greater productivity in motor carrier operations. Specifically, we support the Department of Transporta-

tion's proposal to increase truck length and axle weights on the Interstate Highway System for the duration of the 55-mile-per-hour speed limit.

FUEL SHORTAGE

Mr. WHITTEN. The energy shortage is all pervading in its debilitating effect on our economy. What is the outlook for the coming year as far as agriculture is concerned and what is your activity in assuring adequate supplies?

Secretary BUTZ. The fuel situation is tight and troublesome but I do not expect widespread shortages in agriculture. The mandatory allocation program provides priority for agricultural operations. If spot shortages occur, as they did occasionally last year, they will cause genuine concern and inconveniences to farmers experiencing them. However, we do not believe there will be enough of these spot shortages to significantly affect overall agricultural production.

Our activities to assure adequate supplies of fuel to farmers are many and varied. I have established a USDA energy office to coordinate energy matters within the Department and to be our principal liaison with the Federal Energy Office. We have worked cooperatively with farm and commodity organizations on fuels, as well as with the farm equipment industry. We have developed and distributed suggested conservation measures to assure most efficient use of available energy.

We have been trying to obtain a higher priority in the use of natural gas for food and agricultural purposes. Several organizations are cooperating with us on this, and our efforts will be continued.

FERTILIZER SHORTAGE

Mr. WHITTEN. The price of fertilizer continues to increase and it becomes more difficult to obtain. May we have your analysis of the situation in this country for the coming year?

Secretary BUTZ. The Cost of Living Council decontrolled fertilizer prices to allow domestic prices to become more competitive with world price and to make exporting of fertilizer less attractive. I urged the Cost of Living Council to decontrol fertilizer prices. A price increase was necessary under the circumstances. Some producers were considering closing marginal plants and there certainly was no incentive for expanding needed productive capacity with the prevailig controlled prices.

The fertilizer idustry implied a reasonable increase in prices and committed itself to divert 1.5 million tons of materials scheduled for export to the domestic market in return for price decontrol. Prices have increased drastically when compared with the levels under control. But remember that domestic fertilizer prices were depressed when price controls were imposed.

Prices have increased more than anticipated since decontrol. Our latest monitoring report shows that prices paid by farmers have increased 70 to 80 percent for nitrogen, 50 percent for phosphate, 28 percent for potash, and 45 percent for mixed fertilizer since price decontrol. On top of this, there are growing indications that speculators are asking even higher prices. High price levels are with us as long as we have a sellers' market. This will persist until industry expands sufficiently to supply the quantities of fertilizers demanded by farmers.

Plants are under construction to relieve the tight supply-demand position for phosphate. We expect some relief in 1975 and should be

in a more comfortable supply position by 1976. Expansion of domestic nitrogen production is less promising. There are only two domestic plants under construction, and inability to be assured of natural gas supplies is hindering the start of others.

Some large nitrogen plants have been announced in Canada but 2 to 3 years will be required before they start production.

IMPOUNDMENTS

Mr. WHITTEN. Mr. Secretary, in last year's hearings we had considerable discussion on impoundments and program terminations. Fortunately, the problem is not as acute this year. I see you have switched some of the programs around, and have failed to recommend funds for various housing and water and sewer programs. You still have about $661 million in reserve of 1974 funds. May we have your comments.

Secretary BUTZ. The Department has always been proud of our ability to adapt to the changing needs and requirements in our management. For this program the Department's programs are continuously reviewed, and sometimes changed to meet new conditions.

The 1975 budget reflects this sort of review. For instance, we are proposing a rural environmental program through which we will consolidate several separate programs into a single program making about $200 million in cost share assistance over the life of the contracts available to farmers for conservation purposes. This entire program will operate through our proven country committee system.

In regards o the apportionment of funds into reserve, there are nearly as many reasons for doing this as there are programs affected. For instance, reserves may be established when changes in the operation of a program result in the need for decreased funding. A prime example of this is the Rural Electrification Administration loan program, in which loans are now made on an insured and guaranteed basis in the private money market rather than on a direct basis with Government outlays as was previously done. This change alone has resulted in the placing in reserve of about $450 million of prior-year unobligated balances which were provided for direct loans and are no longer needed. Reserves are also established out of savings due to workload reduction, increased efficiency and productivity, reduced program needs, and other reasons.

It is true that reserves are sometimes established in order to meet fiscal limitations imposed by Congress through outlay ceilings or debt limitations, or by the Office of Management and Budget as a method of reducing inflation. When this kind of reserve is necessary, items such as construction which can be delayed without creating serious problems, are deferred and the funds placed in reserve. In addition, low-priority programs may be reduced if necessary to meet the particular sitaution involved.

Mr. WHITTEN. Please insert in the record an itemized tabulation, by bureau and program, of all funds that are currently not available for obligations.

Secretary BUTZ. I will be happy to provide that.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Amounts of Funds Withheld from Use in USDA Apportionments
(In thousands)

| Agency and Item | Amount withheld from: 1974 Appropriation | Amount withheld from: Funds Appropriated in prior year |
|---|---|---|
| Agricultural Research Service - | | |
| Principally construction of facilities at Akron, Colorado ($750,000) and Beckley, W.Va.,($700,000) .. | - - | $1,520 |
| Animal and Plant Health Inspection Service - | | |
| Balance of Contingency Fund available for outbreaks of insects, plant diseases, and animal diseases .... | $378 | - - |
| Animal Quarantine Facility (Funds provided for moving quarantine facility from Clifton, N.J. Balance to be released upon availability of suitable location). | - - | 64 |
| Extension Service - | | |
| Nutrition education program ..... | 3,200 | - - |
| Agricultural Stabilization and Conservation Service - | | |
| Salaries and Expenses - Due to decrease in workload . | 2,619 | - - |
| Water Bank Act ..... | - - | 11,645 |
| Rural Environmental Assistance Program - | | |
| - 1974 Crop Year funds expire for obligations on December 31, 1974 ..... | a/ 85,000 | - - |
| Emergency Conservation Measures ..... | - - | 10,000 |
| Cropland Adjustment Program (Funds not needed to meet contract requirements) ..... | 1,600 | - - |
| Commodity Credit Corporation: | | |
| Administrative Expense Limitation ..... | 269 | - - |
| Agricultural Marketing Service - | | |
| Perishable Agricultural Commodities Act Fund ..... | 130 | 140 |
| Marketing services funded by producers ..... | - - | 1,101 |
| Soil Conservation Services - | | |
| River Basin Survey and Investigations ..... | - - | 59 |
| Watershed Planning ..... | - - | 535 |
| Watershed and Flood Prevention Operations ..... | - - | 17,454 |
| Resource Conservation and Development ..... | - - | 4,439 |
| Farmers Home Administration - | | |
| Mutual and Self-help housing ..... | 168 | 832 |
| Rural water and waste disposal grants ..... | - - | b/ 120,304 |
| Rural Electrification Administration | | |
| Balance of Funds for direct 2% electric and telephone loan programs ..... | - - | 455,635 |
| Foreign Agricultural Service - | | |
| Special foreign currency appropriations ..... | - - | 1,240 |
| Subtotal, Agriculture Appropriation Act ..... | 93,364 | 624,968 |
| Forest Service - | | |
| Forest protection and utilization - Cooperative law enforcement funds required for 1975 ..... | 2,072 | - - |
| Forest roads and trails ..... | - - | 474,637 |
| Youth Conservation Corps (Fund for last half of summer program in 1974) ..... | 3,107 | - - |
| Expenses, Brush Disposal ..... | - - | 21,554 |
| Forest fire prevention ..... | - - | 109 |
| Construction and land acquisition (Recreation facilities in West Virginia and Missouri) ..... | 1,315 | - - |
| TOTAL ..... | 99,858 | 1,121,268 |

a/ Includes $15 million to be provided by transfer from the Environmental Protection Agency.
b/ 1974 Appropriation Act provides for use of 1973 balance of $120,000,000.

NOTE: REA insured loans have been apportioned at the $618 million level for electric and $140 million for telephone loans. Due to the indefinite nature of the authorization, no funds are withheld from use.

RURAL ENVIRONMENTAL PROGRAM

Mr. WHITTEN. We have had much discussion about the REAP program. I notice in your 1975 budget estimate you now call it the Rural Environmental Program. Please explain for the committee what this newly titled program will encompass and what happens to the old programs which are not funded.

Secretary BUTZ. In 1974, we are operating the rural environmental conservation program which provides for annual and long-term cost-sharing agreements and forestry incentive annual cost-sharing agreements. The new rural environmental program will provide for cost sharing for these same purposes and also incorporate the previously separate Great Plains conservation, water bank, and emergency conservation measures programs. With this new program we will be able to provide about $200 million in cost-share assistance to our Nation's farmers as they strive to increase production.

RURAL ELECTRIFICATION AND TELEPHONE PROGRAMS

Mr. WHITTEN. Another program which we had difficulty with last year was the rural electrification and telephone programs. Congress enacted legislation last year that put these programs outside the scope of the budgetary process. Notwithstanding, I understand loans were delayed for a while in spite of the assurances that were given to Congress. May we have your comments on the current operations of these programs.

Secretary BUTZ. The legislation to which you refer, Public Law 93–32, was approved May 11, 1973. Between that time and the end of the fiscal year, June 30, almost $300 million in insured electric and telephone loans made under the Rural Development Act were refinanced or converted to insured loans under the revised Rural Electrification Act. An additional $180 million in insured loans were made to two power supply borrowers in Minnesota to construct a generating plant in the North Dakota lignite fields.

NORTH DAKOTA LIGNITE FIELDS

The guarantee amount was $454 million, and a transmission line 409 miles long will conduct the power to the Dean Lake, Minn., area. REA is announcing another guarantee of $162 million in loans from supplemental sources for a coal-fired steam generating plant to be constructed by the South Mississippi Electric Power Association. I understand that there are still elements of the guarantee program to refine, but I think Mr. Hamil and his staff have done an excellent job in implementing the new legislation.

COMMODITY EXCHANGE AUTHORITY

Mr. WHITTEN. Congress is currently considering legislation to revise the operations of the Commodity Exchange Authority. Do you have any recommendations as to what should be done in this connection?

Secretary BUTZ. The Department recommends that H.R. 13113 be enacted if modified in such a way as to make the Commodity Futures Trading Commission an agency within the Department of Agriculture

with the Secretary or his designee as chairman. The Commission should be required to use the Department's General Counsel and legal staff, administrative law judges, and administrative services. The Commission's budget should be a part of the Department's budget. We believe these changes would make the Commission's operations more economical and efficient without detracting from the objective of an independent body to regulate the futures markets. The Department opposes the provision granting authority under which the industry could establish voluntary futures associations. We feel that there is no need for such associations and that the functions authorized to be carried out by the associations should be carried out exclusively by the Commission.

TRANSFER OF THE FOOD STAMP PROGRAM

Mr. WHITTEN. In the President's budget message, he indicated he proposes to transfer food stamps and related nutrition programs to the Department of Health, Education, and Welfare. The enactment of legislation will be required to achieve this objective. May we have your comments on the transfer of the food stamps program?

Secretary BUTZ. The historical advantages of having the Food and Nutrition Service as part of the Department of Agriculture have been overcome by recent changes in the nature of food assistance programs and in the Nation's food supply. At present, with few situations of food surplus anticipated, these programs have little direct relationship to other Department of Agriculture activities. On the other hand, as they have grown, both geographically and in dollar amount, it has become increasingly necessary to coordinate them with similar programs in the Department of Health, Education, and Welfare. Most of the functions now performed in the Food and Nutrition Service have counterparts in HEW. For the most part, the Food and Nutrition Service programs are administered through welfare, health, and education agencies in the States—to whom it is confusing and inefficient to have to deal with separate Federal agencies which perform essentially the same functions.

Mr. WHITTEN. What are the "related nutrition programs" that are under consideration for transfer?

Secretary BUTZ. All other programs being administered by the Food and Nutrition Service. These include the national school lunch program, school breakfast, special milk, and the other child nutrition programs. The new women, infants, and children program and other supplemental funding activities would be included. Plans are to transfer the Food and Nutrition Service intact with no significant alterations in internal organization.

Mr. WHITTEN. What is your opinion of the desirability of this action?

Secretary BUTZ. It is a move whose time has come. Programs with similar operation and common purposes should be under a common administration. It makes no management sense to have major human resource oriented programs administered outside the Cabinet department assigned overall responsibility for human resource development. The enormous budget for the food progams distorts the budget pic-

ture for Agriculture. There is a tendency to attribute this spending to farm programs. This is, of course, grossly incorrect and unfair to farmers. The proposed transfer will remove this distortion.

CONSOLIDATION OF COUNTY OFFICES

Mr. WHITTEN. While we are on the subject of reorganization, you are currently in the process of developing plans for the consolidation of county offices. While the committee is always glad to see changes that will improve operating efficiency and economy, we want to be sure that these field organizations retain the ability to adequately serve the programs for which they were established. May we have your comments on the objectives which you hope to achieve in improving the realinement of county offices.

Secretary BUTZ. In establishing U.S. Agricultural Service Centers, we hope to achieve the following objectives:

First, centers will provide the fullest feasible range of USDA services at a single location. The services of Agricultural Stabilization and Conservation Service, Federal Crop Insurance Corporation, Farmers Home Administration, and Soil Conservation Service are to be obtainable through every service center where the agency programs are operational. Where feasible the Extension Service, other USDA agencies, and appropriate state and local agencies will locate in service centers. Second, the centers will provide a greater range of expertise and modern office equipment including an improved communications system to better serve USDA clientele. By establishing service centers housing several USDA agencies, we can take advantage of some of the latest equipment that individual agency offices could not efficiently use. This will enable agency personnel to use their time to the best advantage and will provide farmers with the best possible service. Third, the program will provide for offices at or near trade centers where farmers and other rural residents generally conduct business. Fourth, we will establish service centers in which resident agencies share common housing, with a common entrance and a common telephone system as well as some office equipment and, where feasible, cross-utilization of personnel, and finally the program will provide more effective assistance to farmers, ranchers, and others involved in the development of rural areas.

ANIMAL IMPORT FACILITIES

Mr. WHITTEN. There is an increasing demand for additional animal import center facilities. In the conference report on the 1974 appropriations bill, we directed that the Department immediately evaluate the overall need for additional quarantine facilities, and if it was found that they were urgently needed now, a proposal should be submitted to the Office of Management and Budget for inclusion in a budgetary request. The 1975 budget estimate contains no provisions for this facility. What is the current status of your review?

Secretary BUTZ. Since we feel that the costs of constructing an offshore import center should be met from private sources, we did not request appropriated funds. In recent weeks we have initiated discussions with industry representatives to acquaint them with our desire to cooperate with the industry in the construction of a suitable facility

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under which private sources would provide the resources at a site provided by the Department. After the center was constructed, we would provide supervisory quarantine services similar to such arrangements at other import facilities. We have published a notice in the Federal Register requesting public comment on our proposal.

SECTION 32

Mr. WHITTEN. Mr. Secretary, I continue to be concerned about the dispersement of section 32 funds for purposes other than which the fund was originally established. I say this realizing that some of the legislation recently enacted by the Conrgess does not give you much latitude in this connection. Ordinarily you carried forward from year to year a fund of about $300 million to be used in emergencies when it was necessary to buy up perishable commodities. However, I notice your reports indicate that at the end of fiscal year 1974, you expect to have only $132.8 million to carry over into 1975. As the price of food increases and you are forced to use these funds under existing legislation for the various nutrition programs you administer, your estimate of carryover could be optimistic. Is it your opinion that this fund is sufficiently liquid to carry out the purpose for which it was established if the need should arise?

Secretary BUTZ. Since 1971, the unobligated balance in section 32 funds has been less than the $300 million maximum allowable carryover. During this period, we have had no problem in maintaining adequate funds for purchasing surplus commodities. With the continuing heavy market demand and tight supply situation we now face in the commodity market, I feel that the section 32 budget is sufficient to handle any surplus problems which may arise in fiscal year 1975.

PACER STUDY

Mr. WHITTEN. For the past few years, this committee has been emphasizing the absolute need for your Office of Information to get the facts on agriculture across to the general public. I notice in several of your recent speeches you have been quoting the PACER study. What progress is being made in giving the general public a better understanding of our agricultural economy?

Secretary BUTZ. I'm glad that you mentioned that because the PACER study is one of the basic steps in giving the general public a better understanding of our agricultural economy. It has given us for the first time a broad-scale reading on what the public does know and think about such things as food prices, the image of the farmer, the use of pesticides, the environment, rural development, and food quality.

The PACER study shows that consumers have a very good image of the farmer as far as his personal qualities are concerned. They realize that he has had a tougher time financially than the average American. They see him, rightfully, as concerned about his environment, and doing something constructive about it. However, it also shows just how little public understanding there is of some of the factual "economics" of food production and marketing.

As you mention in your question, I have been incorporating some of the PACER material into my speeches. The study has been very helpful to me. The study can give all of us a clearer grasp of the job that needs to be done to help upgrade the public understanding of the basic economics of farm production.

The findings of the PACER study have been given wide publicity by the private press following a large press briefing in Chicago attended by about 400 people. We have used the material extensively in the Department of Agriculture. This will contribute to a better understanding of our agricultural economy.

This committee can take much of the credit for this. As you know, the PACER study was done by the national professional agricultural communicator organizations through a contract with the USDA Office of Communication which funded the study through funds provided by this committee to help achieve a higher level of public understanding of our agricultural economy.

I think that considerable progress has been made in the last year. The Office of Communication has an active program underway. I would like to say, too, that the lesson that we learned from price controls, with people seeing baby chicks drowned on a television news program, has given consumers a more vivid picture of the real-life economics of food production. People realized that something was wrong when controls forced hatcherymen to drown baby chicks to prevent a further loss in income. Consumers realized that every baby chick that was drowned represented two drumsticks that shoppers didn't see in the stores a few weeks later.

Consumers got the same lesson when farmers sent pregnant sows to market. Farmers felt that they couldn't take the risk of raising those pigs to market weight and losing money on them in a control situation. People understood that this represented ham and bacon that wouldn't be on the meat counter 6 months to a year later.

People also have had ample opportunity to see food prices inching up at the store at the same time that farm prices were dropping. Last fall, cattle and hog prices dropped by one-fourth or more from levels of the summer. Prices at the supermarkets didn't reflect that kind of a decline. In just the last couple of weeks, we have seen cattle prices dropping while beef prices were rising in the store.

Consumers, I hope, are beginning to understand that farm prices are volatile; that they go up and down—while most consumer costs go up and stay up. I believe that consumers are beginning to understand better that what we want and need is more production, not more economic controls. Increased production is the way to get adequate food at reasonable prices. When I say reasonable prices, I mean a level of prices that will cover the farmer's costs and make him a fair profit in order to maintain his capital needs, keep up the fertility levels and conservation needs on his land, allow him a decent level of living, and encourage good young people to stay in agriculture to meet our growing food needs at home and abroad.

We're making progress on this front of a better understanding of the role of agriculture in our economy, but we have a constant demand to keep up the flow of information and to do a better job. We're addressing ourselves to that in the Department of Agriculture.

MILK PRODUCTION

Mr. WHITTEN. Mr. Secretary, according to the latest reports on milk production the trend continues downward. January production was off 3 percent from a year earlier and that was the 15th consecutive month that production was below that of the corresponding month a year earlier. Milk cows on farms were down 3 percent from a year earlier and the January milk production per cow at 824 ponuds was down 2 pounds from a year earlier. May we have your assessment of this situation.

Secretary BUTZ. We are expecting milk output to remain below year-earlier levels during the first half of the year. Feed prices will probably stay high into summer, but farm milk prices will be well above 1973 levels, improving the dairy income picture.

However, milk output could move above year-earlier levels during the latter part of 1974. Farmers are likely to produce large feed crops this year, so dairy feed supplies should be larger and prices more reasonable in late 1974. Improved milk-feed price relationships will likely cause milk output per cow this year to resume its long uptrend.

Mr. WHITTEN. To what extent should milk imports be looked to in an effort to alleviate what appears to be a serious shortage of milk in future months?

Secretary BUTZ. As you know, milk production dropped sharply in 1973 and dairy supplies became very tight. We allowed additional imports on a temporary basis of cheese, nonfat dry milk, butter, and butter oil because there just weren't enough available here. Dairy product supplies continued down early this year, particularly nonfat dry milk, and we have authorized further additional temporary imports of cheddar cheese and nonfat dry milk for 1974. These import quota increases have been responses to our supply situation and have had the purpose of supplementing our domestic production.

We don't believe there will be a shortage of milk in coming months. Milk production will likely be recovering this year, and additional imports will therefore be less necessary. However, supplies of some dairy products may remain tight. We will be keeping an eye on developments in our dairy industry in coming months.

FOOD PRICE FORECASTING

Mr. WHITTEN. The committee has received a special report appraising the deficiencies of your Department in food price forecasting in 1973. The report was critical of your ability to deal adequately with interactions of food, agriculture, and other parts of the economy. Do you agree with this assessment?

Secretary BUTZ. I assume you are in reference to the report prepared by Dr. Karl Fox for the Council of Economic Advisers. Yes; I believe the report is a correct assessment of the situation. But I hasten to add that Dr. Fox noted in his report that he found no evidence that any U.S. agency did an adequate job of forecasting developments during 1972–73. He felt the whole Federal Establishment is ill-prepared in terms of data, models, analytical procedures, and patterns of interagency communication for the tasks of forecasting and policy formation in the open economy of 1973.

Mr. WHITTEN. What action have you taken or do you contemplate to improve Departmental predictions?

Secretary BUTZ. Our plans for improving forecasts are correctly summarized in Dr. Fox's report. The Economic Research Service has given top priority among all of its research activities to improvements in forecasting work. ERS currently has underway a review of its forecasting record over the past several years and data and analytical procedures currently used for making forecasts. We are requesting an increase of $513,000 for the Economic Research Service to expand this review and to develop additional data sources and analytical techniques. Dr. Quentin West, Administrator of the Economic Research Service, will outline in detail the work that would be done with the requested increase when he appears before this committee.

Mr. WHITTEN. Do you feel that agricultural economists engaged in this work should be kept absolutely free of any political influence on their predictions?

Secretary BUTZ. Absolutely. I want the best possible analysis of economic conditions and I think the Congress and the public should demand and receive the same.

### ASSISTANCE SECRETARY FOR ECONOMIC INTELLIGENCE

Mr. WHITTEN. What is your reaction to the recommendation for an Assistant Secretary for Economic Intelligence?

Secretary BUTZ. We do not believe such a position is needed at this time. The Director of Agricultural Economics, in collaboration with the Assistant Secretary for International Affairs and Commodity Programs, is fulfilling the role Dr. Fox evidently had in mind in recommending an Assistant Secretary for Economic Intelligence.

It should be noted that we recently submitted to the Congress legislation that would upgrade several of our policy positions to be more consistent with their expanding responsibilities. This proposal includes a provision that would raise the position of Director of Agricultural Economics to the Assistant Secretary level.

### RURAL DEVELOPMENT PROGRAM ACCOMPLISHMENTS

Mr. WHITTEN. Congress passed the Rural Development Act of 1972 in August of that year. Pursuant to congressional intent this act provided many services and facilities to enhance the economy and living conditions in rural areas. Despite glowing reports that are issued regularly from your Department on accomplishments in this connection, we have not been able to discern much effect the program has had so far in the rural areas. May we have your comments.

Secretary BUTZ. Programs administered by the Department of Agriculture have historically contributed to the development of rural America. Notable fields embraced by these programs include housing, electrification, water and sewer facilities, education, research, soil and water conservation, marketing assistance, youth programs, nutritional services, and farm assistance programs. Our pride in these accomplishments and contributions has been reflected in departmental reports and publications.

The Rural Development Act of 1972 incorporated and broadened many of the Department's ongoing rural development programs and added several new authorities. Among the latter, the authority to make business and industrial loans, the title V research and educational program, and the responsibility for coordinating a nationwide rural development program are major new features.

The Rural Development Act was passed in August 1972, at which time the fiscal year 1973 budget had already been submitted. Some aspects which required no appropriations action were promptly implemented. The implementation of other features of the act was dependent on fiscal year 1974 appropriations. Funding for these activities was approved by the Congress in October 1973 and received by the Department in November. Departmental regulations were prepared in advance and, in the case of title I programs, the acceptance of preapplications were authorized to permit immediate departmental action on receipt of appropriations.

In the 4-month period that funds needed to implement the major cost items of the act have been available, a major effort has been made to extend these benefits to the people and communities of rural America. Additionally, we have initated a vigorous coordination effort centering on selected Federal agencies which administer programs that have a potentially greater application to the needs of rural communities and areas.

We believe that our reports in the field of rural development have accurately reflected the progress that has been made. With the assistance of the Rural Development Act, which enables a more comprehensive approach to the task, we are confident of continuing and increased success.

I will insert for the record some additional information on our rural development programs.

[The information follows:]

RURAL DEVELOPMENT REPORT

COMPARISON - FHA LOANS AND GRANTS -- FISCAL YEARS 1969-1975*

(Dollars in Thousands)

| TYPE OF LOAN | 1969 | 1971 | 1972 | 1973 | 1974 (Estimate) | 1975 (Budget) |
|---|---|---|---|---|---|---|
| Farm Ownership | $ 277,120 | $ 268,436 | $ 355,505 | $ 408,089 | $ 350,000 | $ 350,000 |
| Farm Operating | 275,000 | 275,000 | 337,166 | 454,620 | 525,000 | 350,000 |
| Emergency | 114,716 | 127,636 | 108,911 | 557,766 | 300,000 | 100,000 |
| Other Farm Loans | 10,644 | 15,396 | 14,509 | 11,472 | 44,000 | 44,000 |
| TOTAL FARMER PROGRAM | $ 677,480 | $ 686,468 | $ 816,091 | $1,431,902 | $1,219,000 | $ 844,000 |
| Rural Housing (Individual) | 486,221 | 1,367,768 | 1,566,620 | 1,730,256 | 1,995,000 | 1,993,000 |
| Rental Housing | 17,355 | 26,788 | 40,118 | 105,063 | 144,000 | 146,000 |
| Other Housing | 3,531 | 2,083 | 3,737 | 12,516 | 16,000 | 4,000 |
| TOTAL HOUSING PROGRAMS | $ 507,107 | $1,396,639 | $1,610,475 | $1,857,835 | $2,155,000 | $2,143,000 |
| Water and Sewer | 164,647 | 261,704 | 299,999 | 399,995 | 470,000 | 400,000 |
| Business & Industrial | -- | -- | -- | -- | 200,000 | 400,000 |
| Other Community Services | 33,354 | 16,846 | 7,972 | 23,731 | 50,000 | 200,000 |
| TOTAL FACILITIES AND SERVICES | $ 198,001 | $ 278,550 | $ 307,971 | $ 423,726 | $ 720,000 | $1,000,000 |
| TOTAL LOAN PROGRAM | $1,382,588 | $2,361,657 | $2,734,537 | $3,713,463 | $4,094,000 | $3,987,000 |
| TOTAL GRANTS | 34,067 | 46,455 | 50,300 | 35,444 | 45,000 | 30,000 |
| TOTAL LOANS AND GRANTS | $1,416,655 | $2,408,112 | $2,784,837 | $3,748,907 | $4,139,000 | $4,017,000 |

*Fiscal Year Ends June 30

February 1974

RURAL DEVELOPMENT REPORT

COMPARISON - REA LOAN FUNDS -- FISCAL YEARS 1969-1975*

ELECTRIC

| Fiscal Year | Loan Funds |
|---|---|
| 1969 | $329,000,000 |
| 1970 | 340,000,000 |
| 1971 | 337,000,000 |
| 1972 | 545,000,000 |
| 1973 | 618,000,000 |
| 1974 | 618,000,000 (Insured) |
| | 1,005,000,000 (Guaranteed) |
| 1975 | 618,000,000 (Insured) |
| | 1,386,000,000 (Guaranteed) |

TELEPHONE

| Fiscal Year | Loan Funds |
|---|---|
| 1969 | $120,000,000 |
| 1970 | 123,300,000 |
| 1971 | 128,800,000 |
| 1972 | 124,100,000 |
| 1973 | 145,000,000 |
| 1974 | 140,000,000 |
| 1975 | 140,000,000 |

*Fiscal Year Ends June 30

February 1974

USDA RESPONSE TO INVESTIGATION OF AGRICULTURAL RESEARCH SERVICE

Mr. WHITTEN. Would you please give us your comments on the report of the Surveys and Investigations Staff, House Appropriations Committee, on USDA research activities. This report was prepared last year, and I will have it inserted in the record as an appendix to this volume of hearings.

[Staff Assistant's Note: The report appears on pp. 423 to 504 of vol. 1.]

Secretary BUTZ. As the report indicates, agricultural research is a large and complex undertaking. It involves numerous organizations, thousands of highly trained scientists of many disciplines and specialities and a mind stretching array of problems and opportunities.

Agricultural research has made tremendous contributions to the well-being of our Nation and of the world and it will be called upon to do even more in the times ahead.

Considering the complexity of the subjects dealt with, we feel that the report generally represents a fair and objective evaluation. Of course, there are some individual items that might be subject to misinterpretation because of the way they are presented. Statements by one or a few scientists or research leaders, are sometimes used to suggest that these views are more broadly held than they actually are.

The report recognizes the ever growing need for and the difficulties and complexities of effective planning and coordination within the total agricultural research system. The numerous organizations in the system have demonstrated their capacities to select, support, and conduct research projects and to derive valuable information and technology from them. Leaders of the system have been working intensively in recent years to more effectively develop and analyze the information base available to all. They are trying to foster extensive communication within the system to aid all levels of research decisionmakers and implementers.

Mr. Chaiman, with your permission I will introduce for the record a few examples of items in the report that may be subject to misinterpretation. My purpose in this is not to discount the general usefulness of the report, but to indicate instances where the report could be clarified.

[The information follows:]

1. The four regional deputies in ARS have responsibility for implementing research programs only within policies and programs approved at the national level.

2. Persuasion is not the only influence of the ARS national program staff. It reports to the Administrator's level and although its members do not have actual line authority, they have significant impact on ARS programs. Their concurrence is sought in all major program changes in ARS.

3. The ARS Board of Directors is not a decisionmaking body. It serves as a sounding board and forum for major policy matters. The Administratior makes final decisions based on the best information he can obtain from all sources.

4. Within ARS the authority to close a facility is reserved to the Administrator, but the final approval in most instances is reserved to the Office of the Secretary.

5. The Department system for reviewing research to prevent duplication, including the use of CRIS, is followed by ARS.

6. Twenty months of experience in the new organization has indicated there is no real need for concern over "little ARS's" developing. Adequate controls and review systems have been established. The national program staff provides effective overview to keep all programs in the proper prospective. Area directors really cannot develop local or area interests unless they are consistent with overall goals

and missions since NPS concurrence is required for any significant program changes.

7. There are several constraints which promote effective utilization of Federal-grant funds provided through the Cooperative State Research Service. For example, 28 percent of funds appropriated under the Hatch Act are spent on regional research projects. These projects are reviewed critically each year by a technical committee composed of State and Federal scientists. Furthermore, State directors of research programs are, in themselves, competent scientists who have reached positions of authority.

8. The list of pilot pest control presented to Congress was developed during January 1972 in the Office of the Administrator in consultation with program leaders at Beltsville. Several lists of representative types of pilot tests were developed prior to definite proposals made to Congress for funding. These lists of examples contained more candidate pilot tests than were funded. Moreover, the list submitted for fiscal year 1973 funding included items not previously listed. The items first proposed for fiscal year 1973 funding were carefully selected from longer and more extensive lists that served as examples for internal administrative considerations.

9. Cooperative USDA-State agricultural experiment station pilot pest control tests are research oriented to determine and develop new pest suppression and elimination technologies. As results lend themselves to implementation, they are being included in pest management and elimination programs that are receiving a workable level of grower acceptance and participation.

RECENT ENVIRONMENTAL PROTECTION AGENCY ACTIONS

Mr. WHITTEN. Mr. Secretary, one other personal question. Last year I believe it was when Mr. Ruckelshaus was here, I expressed in connection with the Administrator of the Environmental Protection Agency he had more power than a good man would want and more power than a bad man should have. Now we have Mr. Train there, and I believe Mr. Train assumes that he has got more power than Mr. Ruckelshaus had. I have before me his news release.

Secretary BUTZ. Does he have more than he wants and more than he should have?

USE OF DDT

Mr. WHITTEN. This is 2 p.m. eastern daylight savings time last Friday. The order puts you in your place—those are my words—the last paragraph is as follows:

> Given, however, that DDT use is authorized only for the 1974 control season, the Forest Service is required as a condition of my approval of this exemption, and I have personally stressed this to the Chief of the Forest Service as well as to the Secretary of Agriculture to undertake without delay a fully funded comprehensive research program on Tussock moth control which will support registration of effective and environmentally acceptable alternatives to DDT before next year.

If I seem to have been a little sharp, it was not intended, but I think I have been mighty mild as compared with this.

Last year, I asked the Environmental Protection Agency to tell the committee where in history they had found where DDT did any damage to anybody—when properly used. They did not know of a single case. Now they are down to making a study in Switzerland and several other foreign countries to try to find out if maybe sometimes somewhere it might have hurt somebody some way.

Throughout known history scientists have never come up with another DDT, and yet you are under orders from Mr. Train to do so by the first of January 1975. What are you going to do?

Secretary BUTZ. May I say first that it says in there that he had consulted with me and with the Chief of the Forest Service.

Mr. WHITTEN. Well, but you second. He says "as well as to the Secretary of Agriculture."

Secretary BUTZ. May I say that I called Mr. Train at about this time, and added whatever influence I had in making DDT available for control of the tussock moth. I have flown over that territory by helicopter. I have seen it, beautiful Douglas Fir and tree fir that the tussock moth ate up. I have seen it in landing on a mountain top. It makes your heart bleed to see that when you know you have the technology on hand to stop it and you can't do it. It is a very unfortunate thing. As you may suspect I took the privilege of calling the head of a regulatory agency. I may be investigated for doing this. I said, "I simply want you to know I have seen this. We must move."

He said "well, the decision is coming up Friday" or whenever it is. You will probably have to get permission to do it. He said I will probably have to criticize the Forest Service and the Department for not having the biological system. I said I think I can understand that you are being bitten on the other side for this thing too. When I read it I thought the criticism was a bit too far. I want to state before this committee that I have been engaged in research work all my life too and academic work and I have administered research work, and never did I tell one of my scientists that by February 15, 1975, you must have the answer to a question, because it is not the way science works.

Mr WHITTEN. As a scientist you are aware too that throughout known history they have never come up with another DDT, have they?

Secretary BUTZ. No, sir.

Mr. WHITTEN. Mr. Secretary, I call on you for a whole lot, but that is a little more than I would call on you for. Thank you very much.

Secretary BUTZ. I feel very strongly about this.

FUNDS FOR RESEARCH

Mr. WHITTEN. I know you do and I wanted the record to show that. In the first place, will you put in the record the amount of money that this committee has made available to the Department, and which you have done your best to use in the area of pest control research. It has been substantial and we have given it to you just as fast as you can use it.

Secretary BUTZ. Yes, sir, and may I tell you, Mr. Chairman, I appreciate very much the strong support you have given on the side of sensible use of pesticides.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Appropriations for Research on Chemical and Non-chemical Means of Pest Control, 1966-1975

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| Agricultural Research Service: | | | | | | | | | | |
| Non-chemical | 28,418,000 | 29,543,000 | 29,292,000 | 30,402,000 | 32,365,000 | 36,198,000 | 43,048,000 | 46,684,000 | 48,904,000 | 49,887,000 |
| Chemical | 11,788,000 | 12,097,000 | 12,573,000 | 12,774,000 | 13,184,000 | 15,967,000 | 18,501,000 | 19,578,000 | 20,509,000 | 20,921,000 |
| Total, Agricultural Research Service | 40,206,000 | 41,640,000 | 41,865,000 | 43,176,000 | 45,549,000 | 52,165,000 | 61,549,000 | 66,262,000 | 69,413,000 | 70,808,000 |
| Cooperative State Research Service: | | | | | | | | | | |
| Non-chemical | 4,105,000 | 4,140,000 | 3,950,000 | 4,143,000 | 4,145,000 | 4,969,000 | 5,302,000 | 6,388,000 | 4,609,000 | 5,387,000 |
| Chemical | 5,225,000 | 5,269,000 | 5,027,000 | 5,274,000 | 5,275,000 | 6,342,000 | 6,277,000 | 6,975,000 | 6,654,000 | 7,052,000 |
| Total, Cooperative State Research Service | 9,330,000 | 9,409,000 | 8,977,000 | 9,417,000 | 9,420,000 | 11,311,000 | 11,579,000 | 13,363,000 | 11,263,000 | 12,439,000 |
| Economic Research Service: | | | | | | | | | | |
| Chemical | 500,000 | 500,000 | 512,000 | 528,000 | 334,000 | 309,000 | 284,000 | 260,000 | 280,000 | 300,000 |
| Total, USDA: a/ | | | | | | | | | | |
| Non-chemical | 32,523,000 | 33,683,000 | 33,242,000 | 34,545,000 | 36,510,000 | 41,167,000 | 48,350,000 | 53,072,000 | 53,513,000 | 55,274,000 |
| Chemical | 17,513,000 | 17,866,000 | 18,112,000 | 18,576,000 | 18,793,000 | 22,618,000 | 25,062,000 | 26,813,000 | 27,443,000 | 28,273,000 |
| Total, USDA | 50,036,000 | 51,549,000 | 51,354,000 | 53,121,000 | 55,303,000 | 63,785,000 | 73,412,000 | 79,885,000 | 80,956,000 | 83,547,000 |
| Forest Service: | | | | | | | | | | |
| Non-chemical | 3,683,000 | 3,771,000 | 3,174,000 | 3,609,000 | 4,332,000 | 4,698,000 | 5,620,000 | 5,759,000 | 5,978,000 | 6,045,000 |
| Chemical | 3,122,000 | 3,191,000 | 2,088,000 | 3,001,000 | 3,560,000 | 3,752,000 | 4,365,000 | 4,346,000 | 4,487,000 | 4,560,000 |
| Total, Forest Service | 6,805,000 | 6,962,000 | 5,262,000 | 6,610,000 | 7,892,000 | 8,450,000 | 9,985,000 | 10,105,000 | 10,465,000 | 10,605,000 |

a/ Includes only funds provided in the Agricultural-Environmental and Consumer Protection Appropriation Act.

March 12, 1974

FUEL AND TRANSPORTATION SHORTAGE

Mr. SHIPLEY. Mr. Secretary, on page 7 you alluded to the fuel and transportation shortages. To quote you, it says on page 7 about the middle of the page, in talking about the fuel and transportation shortage: "And the switch to truck transportation from railways introduces new limits beyond shortages of all rolling stock." What do you mean by the switch from railways to trucks?

Secretary BUTZ. Well, for example, the badly distressed Penn-Central and allied systems in the northeast have many short lines that simply do not pay, and to save the railroad system some of them have to be abandoned. I think everybody admits that. In those cases you simply have to shift from rail transportation. You have a distribution point on the rail where the line closes down. Maybe three cars a week go up there and back. That is what we have in mind in that case. It does shift from rail to truck for local transportation.

Mr. SHIPLEY. I thought this was the point you were making, but isn't it true that in many of these elevators that are on the so-called bankrupt or marginal profit rail lines today, the reason they only ship three car loads a day is because they could not get any more cars? This is the general complaint that I find throughout central and southern Illinois. Possibly there could be more grain shipped by rail had they been able to get the cars.

SHORTAGE OF RAILROAD CARS

Secretary BUTZ. I think that is right. There has been a shortage of cars. This has been alleviated. We have added about 5,000 covered hopper cars to the rolling stock in the last year, and another substantial number on order is being manufactured, but we are still short.

Mr. SHIPLEY. Last week I directed a question to Dr. Paarlberg, and he indicated that with regard to the Department of Transportation report and recommendations on doing away with some of the rail service in rural areas, he indicated I think at that time, and I stand corrected, Doctor, if I misquote you, the Department of Agriculture has had some input into this recommendation. Is this true?

Secretary BUTZ. Yes.

Mr. SHIPLEY. And I think he also said that the Department of Agriculture had issued some dissenting reports to those recommendations. Is that true?

Secretary BUTZ. Yes.

Mr. SHIPLEY. Who in your Department worked with the Department of Transportation, or who in the Department was in charge of this input to DOT?

Secretary BUTZ. It is our Agricultural Marketing Service that has a Transportation Services Group. That is headed by John Laught who is very competent in the area of transportation.

DEPARTMENT OF TRANSPORTATION RECOMMENDATIONS

Mr. SHIPLEY. We are going to have hearings shortly on the reorganization proposals. It is strange to me, and I am sure your people noticed it too, that there were not any surveys made in any metropolitan area. It just simply said it was too complex a problem to go into. But it

seemed it was very easy, just a matter of mathematics in rural areas. It would be easy to go into the rural parts of America and figure out what lines are utilized and what are not, and what those regions may be.

It seems very unfair to me that the DOT would come out with a report as strong as they have. I have read it and it is a very detrimental proposal I believe to rural America and to the farmers. Will you or your people testify at any of these hearings, the public hearings they are having across the country starting March 11?

Secretary BUTZ. I don't know what our schedule is. I know the farmer organization people will testify. Whether our own people will I am not——

Mr. SHIPLEY. I was trying to find out if your input is over now or are you going to have more?

Secretary BUTZ. General counsel reminds me that we expect to place a statement in the record but if we don't testify the farm organization people will. Their voice will be heard.

Mr. SHIPLEY. I am sure of that but I wondered if your input has stopped now. Of course you know the procedure it has to go through before it is completed, but I just feel this is very important to the country. Would it be possible for an individual Member of Congress to have access to those recommendations or your input to this study?

Secretary BUTZ. Indeed. It is a matter of public record. We will be glad to send it to you.

Mr. SHIPLEY. I wanted to know this.

Secretary BUTZ. We will send it to you.

Mr. SHIPLEY. That is all I have, Mr. Chairman.

Mr. WHITTEN. Mr. Evans.

RURAL HOUSING FUNDS

Mr. EVANS. Mr. Secretary, rural housing funds have recently been released after a long battle. I understand now, correct me if I am wrong, that there is some timidity on the part of the Department to spend the funds, because of language either in the committee report or in the bill itself, which seems to emphasize the long term the permanent stationary farm worker as opposed to the migrant worker. My question is, is this a fact? Is there some confusion or misunderstanding about what the intent of Congress was?

Mr. MILES. I believe you are referring to the domestic farm labor housing program, Mr. Evans, and I believe the 1974 report of the Congress did specify that a large portion of these funds should be used for transient labor, for migrant labor, whereas the authorization in the act, as we understand it, provides for any domestic farm labor. It is my understanding that the Farmers Home Administration is presently reviewing its regulations to attempt to insure that they are complying with the directive of the Congress, and yet making funds available to nonprofit groups to reinstitute the farm labor housing program.

It is a difficult program to administer, as you recognize. Mr. Evans, because if you deal solely with migrant laborers, who are only in a community for a very short period of time, then it is difficult to build adequate housing which would only be occupied for 2 or 3 months of the year.

The Farmers Home Administration is currently reviewing their criteria. They are attempting to comply with the committee directive, and yet build housing that really meets a demand and is available to people for a greater portion of the year than what might be suggested if it were only to deal with migrant laborers.

Mr. EVANS. It would be fair then to say that there is no attempt to continue to withhold these funds.

Mr. MILLS. No, sir. That is not the intent at all.

DOMESTIC FARM LABOR HOUSING REGULATIONS

Mr. EVANS. The regulations will handle both the stationary labor and the migrant labor.

Mr. MILES. That is correct.

Mr. EVANS. When do you anticipate these guidelines will be out?

Mr. MILES. I wouldn't want to say exactly. I know that they are being worked on right now. My guess is that they will be out within a few weeks. I suggest that you raise this line of questioning when the Farmers Home Administration testifies before this committee, and I am sure they could give you an up-to-date report on it.

Mr. EVANS. I hope they are well on their way by the time they come before the committee.

Mr. KNEBEL. May I add something to this point? As you are undoubtedly aware, sir, there was an action brought here in the district court in the District of Columbia, and only recently we entered into a consent order in that case. Plaintiffs, of course, are very anxious that the money get out without any limitations whatsoever. This timidity, as you characterized it, of the Farmers Home Administration, is occasioned by the court order and we want to make sure that, on the one hand, we comply with the orders of the court and, on the other hand, that we comply with what we consider the clear guidance that this committee included in the report of last year. This is exactly why the review is underway at the present time.

WHEAT SUPPLIES

Mr. EVANS. Thank you, Mr. Secretary, there have been all kinds of estimates on the amount of wheat supplies that we have now and that we have contracted to ship abroad, what we will have next year and what the crop will be next year. Would you state for the subcommittee what the latest USDA estimate of the carryover of wheat on July 1 is, and on what basis you have come to a determination?

Secretary BUTZ. Our latest estimate remains unchanged, a carryover of 178 million bushels. This has been questioned. This has been questioned by the American Bakers Association in the last week especially. They have allegedly taken our own carryover figures and our published export commitments. As of last week these commitments included approximately 155 million bushels of wheat with no firm destination, and no firm price. We feel confident that much of this will not be shipped and never was intended to be shipped.

Mr. EVANS. Let me ask you about that point right there, Mr. Secretary. Is that based upon custom and history in the market, where there are similar contracts or have been similar contracts in the past?

Secretary BUTZ. No, sir. This volume of no specified market commitment is much higher than normal, and was put on primarily as insurance against the possibility of export embargoes or export controls of the kind we had on soybeans last year. I think in retrospect our experience with soybeans last year was a great mistake. We cut across existing contracts, and when we did that, we simply encouraged the placing on the books of a large number of export contracts between American parent and foreign subsidiary or to a reseller, without specified destination or specified price.

Mr. EVANS. What would be normal for such contracts for unspecified destinations or unkown destinations?

Secretary BUTZ. It is hard to say what would be normal but it should be substantially less than what we have.

Mr. EVANS. You estimate 155 million bushels.

Secretary BUTZ. We have less than that right now. The figure right now, which came out Friday, I think was down to around 122 million bushels as I recall. We had a drop of about 33 million bushels in the published figures. We are going to have a substantially bigger drop next week I am sure. Just let me say that last week, or at the end of the week before last, I personally telephoned the heads of the four companies that had the bulk of these unspecified contracts. The two larger companies don't have any. They decided not to have any. As near as we can tell they don't have any. That is Continental and Cargill who don't have any without unspecified price or unspecified destimation. The other companies had sales of this type ranging in volume from 15 million bushels to 155 million bushels, as I recall. I discussed this with the heads of each of those companies, and said, "These figures are being used against us here. The bakers are saying we are going to run out of wheat. You and I know you are not going to ship those contracts."

In each case the heads of the companies said, "We will substantially reduce them in our reporting." This was Friday a week ago. That afternoon they called me back and said, "You are right. We are going to move toward a substantial reduction but it won't show in next month's report." That was last Monday. Last Monday's report was published by our Statistical Research Service on Friday. This showed 122 million bushels of those type contracts down I think 17 million from the figure we had when I talked with them.

Now then, I would anticipate that when the figures that those companies report today are published next Friday, they will show a very substantial drop in these unspecified commitments. The head of one of the companies said, "I have talked with my vice president in charge of this and he tells me we won't ship 75 to 80 percent of those contracts the way things now look. We are getting close to the time when we will know there will be no need for export controls on wheat.

USES OF PUBLIC LAW 480 FUNDS

Mr. EVANS. Turning to another subject, Mr. Secretary, I am sure you are familiar with the article written by Jack Anderson that I think Senator Goldwater put in the Congressional Record, in which he alleges that great quantities of Public Law 480 food for peace funds have been used not for food but for military buildings in Vietnam, Cambodia, Laos, and other countries over there. In fact I think his

article said, "In South Vietnam the Thieu regime is permitted to spend a full 100 percent of the food proceeds on military buildup." He goes on to say: "Classified documents show that the President started off this fiscal year with a reasonable request of $30 million to finance food for peace shipments to Cambodia, but bit by bit the White House requests ballooned to $137 million and are likely to go higher." I would very much appreciate your observations on this. If you can do it now it would be fine, if you can't place in the record for the last year what countries got these funds.

Secretary BUTZ. Yes; we will put that in the record.

[The information follows:]

COUNTRIES RECEIVING COMMON DEFENSE GRANTS UNDER TITLE I PUBLIC LAW 480

The Jack Anderson article of February 4 refers to title I Public Law 480 sales agreements with the Governments of the Khmer Republic (Cambodia) and Vietnam. Both of those Governments pay for commodity shipments in local currencies under the the currency use payment provisions of section 103(b) of the act. Portions of those payments are in turn earmarked for common defense grants authorized under section 104(c) of Public Law 480. Section 104(c) has been a part of the Public Law 480 legislation since its enactment in 1954, and provides that local currencies may be used to "procure equipment, materials, facilities, and services for the command defense including internal security."

The only countries receiving common defense grants in fiscal year 1973 and 1974 as the result of sales agreements under title I are Cambodia and Vietnam. Currently 80 percent of all Camodian riels received are reserved for such grants; 20 percent are set aside for U.S. expenditures in Cambodia. The same ratio of common defense grant and U.S. use currencies was used in Vietnamese agreements during fiscal year 1973, but since October 1973, 100 percent of all Vietnamese piasters received in payment for commodities has been reserved for common defense grants.

It should be pointed out that section 40 of the Foreign Assistance Act of 1973 (approved December 17, 1973) provides for a complete phaseout of common defense grants under all legislative authorities, including Public Law 480, unless prior authoritizing legislation is enacted. Under the provisions of section 40, after June 30, 1974, no new agreements may be entered into which would provide for such grants.

The difference in program estimates for Cambodia results from much higher than anticipated rice requirements in that country, coupled with higher than anticipated unit costs for all commodities, including rice.

Secretary BUTZ. In general let me say that the Anderson article dealt primarily with the disposition of proceeds that the indigenous government obtained for Public Law 480 commodities we may have extended them under title I. The actual funds were generated internally. The disposition of those funds is determined largely by the National Security Council, and in some cases they have been used entirely for defense purposes or for internal improvement.

Mr. EVANS. Is that by law?

Secretary BUTZ. This is a function of the Public Law 480 Agreement.

Mr. EVANS. Is that permitted by law? I don't think we can do that unless it is for common defense. Doesn't the law say common defense?

Secretary BUTZ. This deals with details I am not familiar with.

Mr. EVANS. Is it your job or the duty of the Department of Agriculture to make sure these funds are expended for the purposes intended by the law?

Secretary BUTZ. Obviously they have to be spent as intended by the law and I am sure the law wasn't circumvented here but I will give the answer to this for the record. I simply don't have it.

[The information follows:]

PAYMENT TERMS UNDER TITLE I, PUBLIC LAW 480 AGREEMENTS

Payment for commodities received under title I sales agreements may be made to the U.S. Government in two ways. Payment terms under title I agreements generally provide for annual installments in dollars, over long-term credit periods of up to 40 years, with grace periods of up to 10 years, at interest rates not less than those specified in Foreign Assistance Act legislation. In addition, the proviso of section 103(b) of Public Law 480 provides that payment may be accepted in local currencies on commodity delivery, in amounts determined to be needed for U.S. uses under sections 104 (a) and (b), common defense grants under section 104(c), "Cooley loans" to private enterprise under section 104(e), and loans or grants to finance maternal/child health and voluntary family planning programs under section 104(h). Such local currency payments are called "currency use payments" and are applied to the earliest installments of interest and principal which ordinarily would be due under the long-term financing arrangements of an agreement. To date title I sales agreements have provided for currency use payments only for U.S. uses and for common defense grants.

However, currencies generated by sales of title I commodities in-country, to the extent that they are not needed for currency use payments, are available to the participating government, and title I agreements require that they be used for agricultural self-help measures specified in each agreement, and for other economic development purposes. The Agency for International Development monitors country use of such currencies to insure their use for purposes specified in the title I agreement.

HANDLING OF PUBLIC LAW 480 AGREEMENTS

Mr. EVANS. Is any of this classified information?

Secretary BUTZ. Not to my knowledge. Counsel reminds me that prior to the time that agreements are signed and sales contracts are actually let, they are classified information. We are all the time negotiating agreements under Public Law 480, but once the agreements are made, they are published, we get it out in a news release. Every time we have one we get out a regular news release in our department on it.

Mr. KNEBEL. They are very market sensitive before they are actually signed.

Mr. EVANS. But there is nothing in terms of national defense that requires any documents thereafter to be classified to your knowledge, is there?

Mr. KNEBEL. Nothing I can think of right off the top of my head, sir.

Secretary BUTZ. Not so far as we are concerned.

Mr. EVANS. It is a rather serious complaint that this gentleman is making in his article, particularly in view of the fact that this program is for food. It is not for munitions or military use whatsoever.

USE OF PUBLIC LAW 480 PROCEEDS

Secretary BUTZ. It was for food and we sent the food to them. The use of proceeds is a separate problem. You will remember several weeks ago a new arrangement was negotiated with India that took care of more than $3 billion in rupees that had piled up on food that had been shipped to them. These rupees became an embarrassment and a treaty was worked out between the State Department and the Indians, while I am not familiar with all the details, this treaty resolved a good share of that, or over $1 billion worth of Indian rupees that can be used to pay us expenses for a number of years. More than $2 billion will be

granted back for internal development of one kind or another, including agricultural development, maybe irrigation, drainage, or fertilzer plant construction.

What the arrangements are in some of these other countries like Cambodia and Vietnam I can't say. This is outside the Agriculture Department.

Mr. EVANS. That is not within your purview. Whose purview is that?

Secretary BUTZ. It is essentially National Security. We have some input into it but Defense Assistance is essentially matter involving National Security considerations.

Mr. EVANS. In other words, the use of funds generated by Public Law 480, the use of those local currencies is beyond your control. That is a National Security Council responsibility.

Secretary BUTZ. Or the State Department in many cases. It is a joint decision. Where we can extend long-term credit, the indigenous government sells the commoditions to generate currency. How they use that currency is a matter of treaty.

Mr. EVANS. If it is for food and you were to discover that this program for food is being taken by another country and converted into something other than food to feed its people——

Secretary BUTZ. They can't really do that because we don't send them money. We send them food commodities.

Mr. EVANS. And if the commodities were taken and converted to funds that were then used for another purpose, would this come to your attention?

Secretary BUTZ. Used for another purpose? If the commodities are converted into funds as they nearly always are, either the funds are repaid to us or they are loaned back to the indigenous government, or in some cases there is an outright grant. We make grants under title I too, but we try to hold those to a minimum.

Mr. EVANS. That is your authority to make grants?

Secretary BUTZ. That is correct.

Mr. EVANS. Or to make the loans.

Secretary BUTZ. It is our authority but decisions like that are made in concert with State and AID.

Mr. EVANS. If you would supply that for the record, I would appreciate it.

Secretary BUTZ. Counsel reminds me GAO nearly always follows up on the end use of it too.

[The information follows:]

TITLE I, PUBLIC LAW 480 FINANCING ARRANGEMENTS AND TITLE II, PUBLIC LAW 480 DONATIONS POLICIES

Title I provides authority to sell commodities to friendly countries on long-term credit arrangements. In most cases, title I agreements provide for initial payments (down payments in dollars to U.S. commodity suppliers at the time of export), and currency use payments (CUP), as authorized by section 103(b) of the act. The CUP is made in local currency, and may be required for the purposes indicated in testimony given above. To the extent that CUP's are to cover U.S. expenditures in the recipient country, a U.S. balance-of-payments savings is effected. Grant authority under title I is limited to grants of currencies received as CUP's for common defense and maternal/child health and family planning purposes.

Title II of Public Law 480 provides authority to donate commodities and finance ocean freight to meet famine or other extraordinary relief requirements, to combat malnutrition, to promote economic and community development in friendly

developing areas, and for nonprofit school lunch, preschool, and needy person feeding programs outside the United States. Commodities furnished for those purposes may be provided directly through bilateral agreements, or distributed through private relief agencies and intergovernmental organizations such as the World Food Program. Commodities donated under title II authority are generally required to be distributed to recipients free, or under food-for-work programs. In some limited instances commodities are permitted to be sold, with the currencies generated by such sales permitted to be used for internal operating costs.

FARM EROSION PROBLEMS

Mr. EVANS. Mr. Secretary, there was referred to in previous testimony an expressed concern about the possibility of another Dust Bowl by planting fence to fence. As a matter of fact I am led to believe out my way some farmers are beginning to plant instead of summer fallowing. We had dust bowls out there in the thirties.

Secretary BUTZ. There is some danger, Mr. Evans, and we are quite concerned about it. I think we have to be quite careful that farmers under the spur of $5 per bushel don't put land to the plow that shouldn't be put to the plow. This would be disastrous.

Mr. EVANS. What would you recommend we do if that seems to be a serious possibility?

Secretary BUTZ. I think in that case we would have to mount, as we are now mounting, an educational program in our Extension Service and Soil Conservation Service. I think we are mounting a broad educational program to inform farmers not to do this. I think there is one essential difference between now and the 1930's, however. In the 1930's, when they developed these dust bowls, we had plowed up too much land but now, however, I think the cow-calf operation down the road is sufficiently attractive that that grass on marginal lands is a good economic use for those lands. The incentive to use them for grass is now a strong incentive.

Mr. EVANS. If that incentive fails us, and if overplanting were to seriously increase, about the only other policy we have left is to give the farmer a chance to retire his land for a price, let the Government rent it away from him as we have done in the past, or do you have any other suggestions?

Secretary BUTZ. In the past we did it primarily as a production control technique, and we may have called it conservation. It was easy to favor that kind of conservation as long as you had too much production. At the moment it is hard to be for that kind of conservation where you simply retire land. I think now we have to move as much as we can toward the highest economic use for all the available land, and the highest economic use may be grass.

Mr. EVANS. I was just saying, assuming the grass doesn't turn out to be the highest economic use?

Secretary BUTZ. In that case we may have to try some other alternative. At all costs we must avoid another dust bowl.

Mr. EVANS. At the present time though you don't see that as a serious problem.

Secretary BUTZ. No. We have some dry areas now in some parts of Colorado, southwest Oklahoma, and the Panhandle of Texas. This is going to impair our wheat yield somewhat this year. There is some blowing developing there. There has been some talk of a 20-year weather cycle and they can't detect it. You may get 2 dry years in a row but no evidence of a cycle.

USDA COMMODITY DONATIONS

Mr. EVANS. On another question, in fiscal year 1973 the United States donated 980 million pounds of food commodities to schools under the lunch program and donated 127 million pounds to charitable institutions, such as nonprofit homes for the aged, and gave about 3 million pounds to the Red Cross. As I understand it, the Assistant Secretary sent you a memorandum January 25 recommending a phaseout of commodity purchases, USDA commodity purchases. I also understand they recommended an all out opposition to legislation to extend commodity purchase authority. Would you comment on this please.

Secretary BUTZ. It was an analysis. I personally asked for an analysis of the most efficient and most effective method of distributing foodstuffs as we now do under section 32, and under section 6 and section 416. We distribute these foodstuffs to schools. We distribute them to local charitable and eleemosynary organizations. When we had surplus commodities actually owned by CCC, I think there was no question about the wisdom of the Government making direct distribution of foodstuffs. Now this committee makes appropriations. We get an appropriations of so much money under section 416, there is so much money under the school lunch program. Under the school lunch program we make a cash distribution and we also distribute commodities.

I think I very properly raised the question of looking to see whether or not the efficiency and effectiveness of the entire program could be increased by making a total cash distribution, and letting local units decide themselves the kind of commodities they want, rather than have us impose on them the kind of commodities we think they ought to have, especially when we have to go into the market to buy the commodities.

Mr. EVANS. Have you made the determination?

Secretary BUTZ. No, sir; but it was in response to my inquiry that the memorandum was written. It was sent to McGovern and it blew up into a national story. It is the kind of thing I have to face all the time in the Department. We examine every program we have. I personally think that there is much merit in moving toward paying cash only for these programs, and letting the local units decide themselves what they want.

I asked for an analysis of how much different our food purchase pattern would be if that were done and the conclusion was that the local units would tend to buy the lower priced categories of food which would mean those that were in greatest supply. Probably you would have about the same impact on the market and about the same impact on the price to producers if you did that as you do with us making the purchases now. Again I defended what I did. I think any Secretary of Agriculture should constantly be raising those questions. That is what the memorandum was.

COMMODITY PURCHASES TO SUPPORT FOOD PRICES

Mr. WHITTEN. Will the gentleman yield?

Mr. Secretary, there again I can't say you are wrong. I can say that my experience on this committee leads me to feel that that is not the way to look at this thing. I recall here that under your predecessor,

Secretary Benson, we had a drought, and so the Secretary started buying up cattle until the market in Mississippi was flooded. In my view, if he had provided the food so as to keep those cattle off the market, it would have stabilized. By buying or announcing he was going to buy, he made a flooded market get flooded even further. That is one side.

The other side was at that time we had hogs that had fallen in price, and Mr. Benson said if they got down as low as 11 cents he would buy a whole lot of hogs. Of course they promptly ran it down to 11 cents so he had to buy them. I consider this thing differently as you well know. Section 32, as I understand it, is primarly to support the income of producers so that they will keep producing.

Your proposal to send the money out rather than commodities is very risky in so far as protecting the future food supply. It is about as wise as revenue sharing. We had the Chairman of the Federal Reserve Board, Dr. Burns, before the full Appropriations Committee last month. Somebody asked him about revenue sharing. He said I have to apologize for that one. I was the one who promoted it and I made a whale of a mistake.

To send out cash on the ground that people will buy the right thing is trusting them a lttle more than experience through the years has shown to be wise. Section 32 is for the purpose of strengthening markets so that the producer will get a sufficient income to stay in the production business.

If you had a surplus—let us use the illustration of bales of cotton—five of them, five people had to buy it but six had to sell it. The price of the one would make the market for all six. It is better for the Government to buy that sixth one and then you have a supply that matches your demand and you have obviated this.

In my experience on this committee, there have been many times when the Department said, "We will buy up all the eggs at 30 cents a dozen. The minute they said that and the man knew he would get 30 cents a dozen the price stabilized and you didn't have to buy much of anything because having the money to carry out what you said you were going to do, and the public, seeing you were going to do that, they immediately started paying that price. The consumer might want 5-cent eggs, but if you have them for a year, the next year you are not going to have any eggs at all.

I have been reading all these milk stories and it has not bothered me except in a different way. They are quitting producing milk because the land is so valuable around the edges of town they are quitting right and left and the consumer cannot afford this.

Your theory that we should send them the cash and they will buy the right kind of thing, historically has not been true. If you use your knowhow to go in there and buy the things that need stabilizing, so that the fellow in the production of it can see the Government is going to see he doesn't lose his shirt, then you will keep the supply available for the consumer and all of it fails if you don't keep the supply.

Secretary BUTZ. Mr. Chairman, in the last year there has been some difficulty in finding enough commodities where they are about to lose their shirt to spend the section 32 funds we had.

PURPOSE OF SECTION 32

Mr. WHITTEN. One of our colleagues in Congress thought he had found an open sesame in section 32. He used section 32 money to buy food and distribute it instead of using it to support prices. He began by buying up the food and eating it. It is like eating up your seed corn. Section 32 is to strengthen production, keep the production going. They have been siphoning it off to buy groceries to eat this week instead of planting corn for next year.

Mr. EVANS. You anticipate coming before the Congress with a recommendation to change the law?

Secretary BUTZ. Not right now. This is in a preliminary stage. We are looking at alternatives as we should be doing constantly and would come before the Congress, as we would have to, to make any change.

FOOD STAMP PROGRAM

Mr. EVANS. Returning to food stamps. Congress votes for adjustment of the coupon allotment under the program to reflect changes in food prices. It was my understanding this was to provide more coupons for spending on food stamps, more bonus coupons. Under your release, many of the working poor will be required to pay more to receive the same or smaller number of bonus coupons. I am told that an elderly person with a monthly net income of $155 who previously paid $27 to receive $38 in food stamps, must now pay $31 to receive $42 worth of food stamps, only $4 more. In effect, this individual has to pay $4 more to get the same. Is that correct?

Secretary BUTZ. I will have to supply that for the record.

[The information follows:]

FOOD STAMP PURCHASE REQUIREMENTS

Yes, the example you cite is correct. However, there is a reason for this increase in the purchase requirement.

All households of the same size receive the same total coupon allotment. But the amount that a household pays for the coupon allotment varies according to need. The law requires that the purchase requirement represent a reasonable investment on the part of the household but limits it to no more than 30 percent of the household's income. Households with less than $30 receive the total allotment without paying anything. Then, as household income increases, the amount that a household pays increases, reflecting a decreased financial need for food assistance.

However, there was an inequity between the proportionate amounts of income paid for coupons by households at the highest income levels and those at lower income levels. As a result of a January 1972 decision by the Department to insure that no program participant lost benefits because of major program changes in 1971, households at the upper levels of income paid less proportionately for their coupons than households with lower incomes.

For example, under the January 1972 schedule of coupon issuance, a two-person household with a monthly net income of $50 paid $10 or 20 percent of its income for $60 in food coupons. At the same time, a two-person household with a monthly net income of $220 paid $40 or 18.1 percent for $60 in food coupons. Since the higher income household had more money available to meet the costs of everyday living, and thus, could reasonably have been expected to pay a higher proportion of its income for food coupons, it was inequitable that it pay a lower proportionate purchase requirement.

Thus, to reduce the inequity, when coupon allotments have been increased substantially, the purchase requirements for these higher income households also have been increased. Most of these households, however, simultaneously received

increased benefits. For example, under the January 1974 schedule of coupon issuance, the household with $50 in monthly net income still pays $10 for the coupon allotment which is now $78 a month. However, the household with $220 in monthly net income now pays $56 for the coupon allotment. Thus, both households now pay a reasonable purchase requirement which is well within the 30-percent limit.

Mr. EVANS. Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Burlison?

FEDERAL REGIONAL COUNCILS

Mr. BURLISON. Thank you, Mr. Chairman.

Mr. Secretary, can you tell us about the Federal regional council? What is that and what is the purpose, and how long has it been in operation and how it is working?

Secretary BUTZ. The Federal regional council is a concept that came out of the OMB primarily. You pull together the local representatives of major Federal departments for groups of States. The Department of Agriculture was late in getting into this thing. We are into it now and still not in every one of them. We are just now going into every one I think it is having its birth pains, having its problems.

Mr. BURLISON. You say this was suggested by OMB?

Secretary BUTZ. It was set up initially by OMB as a management tool.

Mr. BURLISON. Do these people report to OMB?

Secretary BUTZ. No, sir. Our representative in each case reports to us, but there is a head of each Federal regional council, and the head will report back to the OMB. Our representative reports directly back to us, to the Under Secretary, and in every case the Under Secretaries of the various departments in Washington are responsible for their representation in the Federal regional council

Mr. BURLISON. What does the Washington man report on?

Secretary BUTZ. Let me take the agricultural representative, with which I am most familiar. We use him primarily to coordinate our programs in the field If disaster strikes, he is there to move in If the flood occurs in Rapid City, S. Dak., as it did a year ago, we have somebody in Denver to begin to coordinate the various programs we have, coordinate them with the other Federal agencies—HEW, HUD, or whoever else is involved.

It is this type of activity that commands a lot of his attention. For ongoing programs, such as rural development, where we want as close a coordination as we can get with HUD, with SBA, I think we hope to get that kind of coordination in the Federal regional councils. It is still young and new, having its birth pains. I may say it is not without some problems. We have got to be careful it does not interprose another layer of management because our USDA management tends to run from the agency administrator to the State administrator.

Mr. BURLISON. Another layer of bureaucracy without really understanding the need for it?

Secretary BUTZ. That is a real problem.

STRATEGIC RESERVES

Mr. BURLISON. I notice in your speech to the Tennessee Farm Federation of December 11, 1973, you stated:

> There is virtually universal agreement around the world that maintaining reserve stocks of food for commercial use is wise and necessary.

My colleague, Mr. Smith, has been instrumental in submitting amendments on the House floor for strategic reserve of agricultural commodities and some of those battles that he and I and others have fought there have been very close decisions. We have been on the losing side thus far but by a few votes and then only because of the adamant opposition of the administration to those programs. This statement that I quoted sounds like a pretty strong reversal of position. Would you comment on that.

Secretary BUTZ. I would be glad to.

Our position is not against reserves. The only question we argue is who should hold the reserves and who should manage the reserves. We indeed have held public reserves in this country as recently as 18 months ago, substantial ones owned by the CCC. It would be nice to have them now. It is easy to forget that as recently as 18 months ago, when we had those reserves and food prices began to go up, the public pressure to dissipate those reserves became tremendous, irresistible. Not just pressure from the public but pressure from this body right here reflecting public pressure forced us into a premature liquidation of reserves. In retrospect, we put them on the market too soon, too much at one time, and clogged distribution channels, and caused snarls in transportation.

Mr. BURLISON. Is the reason we shouldn't have reserves because we released them too soon?

Secretary BUTZ. No, there is evidence you should not have them publicly held. When they are publicly held, and prices start up, you inevitably get pressure to release them before you need them. How nice it would be to have them now, except they were released prematurely. There is another way to have reserves in this country. Right now we discover that there are commercially held reserves, price increase pulls them out. We are teaching some buyers to carry their own reserves. For entirely too long foreign and domestic purchasers have grown accustomed to the CCC carrying their inventories for them.

Mr. WHITTEN. Let's put in the record that CCC held this inventory for them because our Government wouldn't sell like the law provides.

NEED FOR PUBLIC RESERVES

Secretary BUTZ. They would sell at the domestic price. My point is that now we are in a new ball game. Some of our foreign purchasers, the Japanese to be specific, are now buying forward and because they decided they cannot run the risk of having only a 6-week grain supply available. They have now bought forward. I think our people have got to learn they must buy forward too. Reserves will be carried but it is a

question of who carries them. My position is that the private trade should carry them and the private trade will and is carrying them.

Mr. SMITH. Would my friend yield?

Who is going to carry it? As soon as you sold that corn it became a reserve of the private trade. I don't quite understand your argument. You sold it too soon. That I agree with. But then you followed that by saying it would be better if the private trade held it. As soon as you sold it, the private trade owns it.

Secretary BUTZ. The private trade is holding some of it. We have enough wheat to get through this year. We may come out with a relatively small supply. It may be tight but we have enough to get through this year. The private trade was spreading this out.

Mr. SMITH. That was the reason for the reserve? You would be required to hold it until you couldn't sell as much as you sold a year ago?

Secretary BUTZ. That is quite correct. In any situation as we have now with rising food prices, the demand to do something to lower food prices is so overwhelming that no public body can continue ownership of stocks that are visible.

Mr. SMITH. The 1974 Economic Report of the President says:

> Any accumulation of contingency reserves would require the Government to purchase commodities in the market.

Is that consistent with what you said?

Secretary BUTZ. Any accumulation of publicly held contingency reserves would. If we did that now we would become another buyer and raise the price beyond the current level.

Mr. SMITH. We better go back and read the rest of it:

> Also recognizing this country has an interest as the world's major exporter in maintaining necessary levels of stocks, since otherwise we would not be a reliable supplier of food for the world. * * *

I agree 100 percent, and you would with that?

Secretary BUTZ. Yes, sir.

### COSTS OF PUBLIC RESERVES

Mr. SMITH [reading]:

> A contingency reserve would not have to be large or costly in order to offset most instances of poor harvests or abnormal demand. Large costs in the past have grown out of excessively large stock buildings under price support programs. The prospects are reasonably strong that market conditions will not again lead to excessive stocks buildings in the near future. Any accumulation of contingency reserves would require that the Government purchase commodities in the market.

I don't believe that squares with what you said.

Secretary BUTZ. What are you reading from?

Mr. SMITH. The Economic Report of the President, 1974.

Secretary BUTZ. Each man is entitled to his own opinion. I sometimes argue with the Council of Economic Advisers.

Mr. SMITH. This is the President's report.

Secretary BUTZ. It is written by the Council of Economic Advisers.

### PRESSURE TO SELL PUBLIC RESERVES

Mr. BURLISON. Mr. Secretary, I am not sure that I altogether follow or altogether agree with your conclusion that the public interest can

be protected only if these stocks are held by private interests. It seems to me that we can expect a greater responsiveness to the public interest when the public is handling this, and the most current example that comes to my mind is the situation we find ourselves in with oil.

I am convinced that much of our problem is the private interest holding down their production, holding down their distribution, keeping it off the market in order to influence these prices. I would be fearful of the same thing happening if the private interest controlled our wheat and soybeans and cotton and our corn. I am not so sure that I follow your argument that the public interest could be protected only if these products, reserves are in the hands of private individuals.

Secretary BUTZ. I think the best evidence is what happened in the last 18 months in which the pressure presumably reflecting public interest forced a premature liquidation of the reserves that we have had.

Mr. SMITH. Would the gentleman yield? Who was pressuring to sell this corn a year ago?

Secretary BUTZ. Everybody was.

Mr. SMITH. I have not been able to find anybody that was. Certainly the farm community didn't want it sold. Elevator operators didn't want it sold. Who wanted it sold?

Secretary BUTZ. That is not the signal we got in the Department.

Mr. SMITH. Not from OMB. I am talking about from the people. They wanted some money——

Secretary BUTZ. We got it from people who wanted lower food prices. They felt that if we had this corn and oats in the market, we would feed more beef and have lower beef prices. I am talking about the attitude of the person who does not understand the economics and mechanics of all of this.

Mr. SMITH. This was sold in January. That was before we had the beef problem.

Secretary BUTZ. The pressure was still to get rid of it.

As the kind of pressure the chairman said he puts on CCC down there. Get rid of it. The chairman himself said he didn't like it and the only reason he didn't like it we didn't have sense enough to sell it.

Mr. WHITTEN. Those last words are yours. I didn't use those words. I said there was sufficient pressure on the State Department, which in turn put it on the White House, which means they could determine this. That happened under several administrations.

### GAO REPORT ON COMMODITY DISTRIBUTION

Mr. BURLISON. Mr. Secretary, the GAO released a report on September 18, 1973, dealing with a matter that I don't believe has been touched on today. I would like your response to that report. Among some of the other recommendations of the GAO dealing with commodity distribution program, it recommended that you revise the minimum lot sizes for all food types to qualify for the most economical rail rates. In other words, they were alleging rather gross waste in funds through this transportation problem. What is the Department doing in this regard, if anything?

Secretary BUTZ. I cannot tell you how far we have gone with that. I can supply that for the record.

[The information follows:]

REVISED MINIMUM LOT SIZES FOR ALL FOOD TYPES TO QUALIFY FOR THE MOST ECONOMIACAL RAIL RATES

As noted in GAO's audit, the Department concurred with this recommendation as it pertains to schools. As canned fruits and vegetables have become available this year, the States have been requested to increase minimum lot sizes to 100,000 pounds. Consideration is also being given to increasing lot sizes for other food types, wherever feasible.

Current availability and price conditions in the food market have made it increasingly difficult for Food and Nutrition Service (FNS) to meet its commitments to the needy family program. As a result, many shortages have occurred in the number of food items being distributed this year. Due in part to this unavailability of commodities for distribution to needy families, many States are requesting entry into the food stamp program. Also, recent legislation mandates a phaseout of the food distribution program for needy families by June 30, 1974. In view of the above reasons, we deem it infeasible to require major changes, such as increasing lot sizes, in the needy family program.

In addition, maximum size cars often are not available when needed. Large refrigerated cars, in particular, are not adequate to provide all commercial and Government needs for transportation. Smaller truck-size units must be established for some commodities. As an example, about 85 percent of fresh and frozen meats move commercially in truckload lots. Consequently, the size of Agricultural Marketing Service (AMS) contract units for frozen meats has been set at the maximum that can be hauled by truck without violating State highway regulations. Such contract units can be and are combined into double or triple units for rail shipments, where feasible, but these units will be of variable size.

VARIETY OF DISTRIBUTED COMMODITIES

Mr. BURLISON. Another of the recommendations was for the Department to consider providing a lesser variety of foods for the school lunch program. GAO alleged that this could be done without jeopardizing the nutritional value of the food. Do you have any response to that? Would you want to supply that for the record?

Secretary BUTZ. That is a case where the GAO recommendation was on the side of efficiency. On the other side, the school lunch people get a demand for variety. That is one of the advantages I think would accrue if you gave them the cash and let local people decide themselves what they want to buy.

LOSSES IN THE COMMODITY PROGRAMS

Mr. BURLISON. Another of the points raised by GAO was that in certain areas there is a substantial shortage or slippage or loss or theft of these foodstuffs. Their suggestion was a closer evaluation of the unloading operations in these areas where the shortages occur.

Would you supply for the record steps taken by the Department in this area.

Secretary BUTZ. Be glad to. That is a matter for the Office of Investigations, where you never have enough people to go around.

[The information follows:]

CONSIDER PROVIDING A LESSER VARIETY OF FOODS FOR THE SCHOOL LUNCH PROGRAM

As noted in the audit, the Department agrees that distribution costs could be reduced by providing a lesser variety of foods to schools. However, as stated

earlier, rising food costs and unavailability of certain food items have reduced the variety presently being donated. At this time, the Department, wherever possible, is purchasing all foods being offered by vendors in order to meet its commitments to schools. However, the variety remains very limited. Consequently, further reductions in variety would be more difficult now than in prior years.

EVALUATING UNLOADING OPERATIONS OF CONSIGNEES IN STATES HAVING FREQUENT SHORTAGES

The Minneapolis ASCS commodity office prepares a loss and damage report periodically. This report will be further refined to show whether shortages occur during the loading operation, during transit, or during unloading. The information will be provided to AMS commodity divisions and to FNS regional office heads so that appropriate action can be taken to correct checkloading deficiencies or to prevent pilferage at destination or during stopoffs. The information also will be useful to ASCS in developing claims against vendors, carriers, and warehousemen.

Mr. BURLISON. I mentioned 3 points of that GAO report. There are several others. Would you supply for the record what steps the Department has taken in the other areas?

Secretary BUTZ. Yes, sir.

[The information follows:]

DEVELOP GUIDELINES TO ASSIST STATE DISTRIBUTING AGENCIES IN MINIMIZING DELIVERIES OF SMALL ORDERS AND ORDERS REQUIRING STOPOFF DELIVERIES

Again, the Department has requested that States place orders for distribution to schools in as large a quantity as possible. However, the unavailability of foods has necessitated, in many cases, that the item be allocated by carlots to each State for distribution to schools as well as needy families. Thus, FNS is making the decision as to quantities being shipped and ordered for all programs. This insures that all States are receiving their equitable share of all available foods. In all cases, we are attempting to minimize small orders and stopoff deliveries. However, with the impending phaseout of the food distribution program for needy families, we do not believe it is practical to develop a hard set of guidelines regarding delivery of small orders and stopoff deliveries.

REVIEW PERIODICALLY DISTRIBUTING AGENCY ORDERING PRACTICES

The Department has begun monitoring more closely State distributing agency practices to insure maximum ordering of quantities and larger package sizes for schools and needy families. In addition, we have restricted schools and institutions in their ordering practices. These outlets must order in large pack sizes except where orders for families must be combined with schools and/or institutions to insure carload deliveries to one destination.

SEE THAT THE RESULTS OF A FOOD AND NUTRITION STUDY ARE ADEQUATELY CONSIDERED IN DETERMING THE NEED FOR FUTURE CHECKLOADING; THAT IS PRESHIPMENT INSPECTION

As noted in the audit, the Department has studied the feasibility of eliminating checkloading, not only for shipments to central warehouses but for all shipments. It is the unanimous position of all concerned parties (FNS, AMS, ASCS) that checkloading should be continued. Checkloading provides the following:

1. Insures that commodities shipped are those which have been inspected in the course of preparation and packaging.
2. Insures that number of packages are as billed.
3. Insures that labels, case markings and conditions of containers are as required by contract provisions.
4. Insures that condition of carrier is suitable for receipt and handling of product being shipped.
5. Insurance to vendors that their product is acceptable when it leaves their plants, and that they will be paid accordingly.

In addition, some shipments are made to multiple consignees. Without checkloading at time of shipment there is no practical way to determine responsibility for any shortages which may be claimed.

Elimination of checkloading in many instances would not reduce either costs of personnel because inspectors sample, check weigh, examine containers, and

checkload in one operation. The elimination of one element would not obviate the others.

DIRECT THAT AN INSPECTOR BE PRESENT AT ALL TIMES WHEN CHECKLOADING IS REQUIRED AND THAT HE COUNT EACH UNIT AS IT IS LOADED

The Agricultural Marketing Service has checkloading responsibilities for all commodities purchased by the Department for domestic distribution. AMS has reaffirmed the policy that checkloading each vehicle is necessary. Checkloading refers to identifying the commodity which was previously inspected and found to meet contract requirements, examining containers for compliance with labeling and container marking requirements, and to determining the number of containers per car, truck, or lot. The presence of inspectors assigned checkloading responsibility is required until loading and sealing of full units are complete. GAO has observed that only one of 10 inspectors counted units and remained during checkloading. Actions of the nine inspectors were contrary to existing AMS policy and the expected performance of its employees. Consequently, managers of that Agency would like detailed information relative to the commodities and locations where the nine inspectors failed in this regard so that appropriate corrective measures can be taken.

PROVIDING THE AGRICULTURE MARKETING SERVICE WITH A MEANS OF EVALUATING CHECKLOADING PROCEDURES

The Minneapolis ASCS Commodity Office prepares a loss and damage report periodically. This report will be furtuher refined to show whether shortages occur during the loading operation, during transit, or during unloading. The information will be provided to AMS commodity divisions and to FNS regional office heads so that appropriate action can be taken to correct checkloading deficiencies or to prevent pilferage at destination or during stopoffs. The information also will be useful to ASCS in developing claims against vendors, carriers, and warehousemen.

AGRICULTURAL MARKETING SERVICE GRANTS FOR MARKET DEVELOPMENT

Mr. BURLISON. The next subject is one that we will get into more detail when we have the Marketing Service people up here. But I wonder just as a policy matter if you would like to comment on this. It is my understanding that this budget recommended by the President cuts down substantially on the cost-sharing program for market development and promotion. Can you give the rationale for this decision?

Secretary BUTZ. You are talking about the payments to the State departments of agriculture?

Mr. BURLISON. Yes, sir. Cost-sharing program.

Secretary BUTZ. The program was $1.6 million. The current budget recommends a substantial decrease in that. When this money was divided up State by State it didn't amount to a great deal for each State. It went into State departments of agriculture where in some cases it was very wisely used, we felt, and effectively used. In other cases it was used primarily for promotion of farm products, as sometimes happens, and it was our general feeling that in the order of priorities this was not a top priority item.

Mr. BURLISON. It is true that not a great deal of money is involved, $1.6 million; $39,000, as I recall, for my State. But it is also my recollection that this program is entirely eliminated rather than cut back. Is that true?

Secretary BUTZ. That is correct.

AUTHORIZATIONS FOR PROGRAMS

Mr. BURLISON. Mr. Secretary, I think that you would need to provide this for the record. I don't think you and your staff would have

the answer to this question on your fingertips. I would like to know and be happy if the general counsel would respond to this:

Are there any of the programs covered in the agricultural section of this budget that you are responsible for, any of those programs that are not authorized by law in distinction to authorized by Executive order?

Mr. KNEBEL. To the best of my knowledge at the present time there are none. The food stamp program I think is the last one that I recall started up by Executive order, but it was actually carried out as a pilot program under section 32.

Mr. BURLISON. I would like to request for you to examine all of the appropriations in the budget for which you have responsibility and state whether there is any item anywhere in that portion of the budget from which you have your authority by Executive order as distinguished from statutory law.

Mr. KNEBEL. Mr. Burlison, are you asking us to look at, for instance, the employment of people who work on programs such as the Federal regional councils that are authorized by Executive order?

Mr. BURLISON. Any funds that are included in the budget for agriculture. I am asking if there are any authorizations of those funds that is by Executive order rather than statutory law.

Mr. KNEBEL. You are talking about more than the program itself. Anybody that we have got doing anything?

Mr. BURLISON. That is funded out of this portion of the budget.

Mr. KNEBEL. Yes, sir.

PROGRAMS AUTHORIZED BY EXECUTIVE ORDER

Mr. BURLISON. The reason I ask that is because apparently fairly recently there has been a decision on the part of the presiding officer in the Committee of the Whole, that has held any programs that are not authorized by law, but merely by Executive order, can be stricken by point of order. I want to find out if there are any programs left in the Department of Agriculture that we are being asked to fund in this portion of the budget that are authorized by Executive order rather than statutory law.

Mr. KNEBEL. We will be pleased to provide that for the record so that you can take it to the Rules Committee.

[The information follows:]

ACTIVITIES CONDUCTED PURSUANT TO EXECUTIVE ORDER

Contract Compliance activities (E.O. 11246, as amended by E.O. 11375).

Federal Regional Councils participation (Executive Order 11647, as amended by Executive Order 11731). However, section 603 of the Rural Development Act of 1972, Public Law 92–419, requires the Secretary of Agriculture to provide leadership and cordination for a nationwide rural development program. Our participation in Federal regional councils is a mechanism for carrying out that responsibility.

Federal executive boards participation (Presidential memorandum such as that of Jan. 19, 1972).

PRICE CEILINGS

Mr. BURLISON. Mr. Secretary, back in September of last year at Portland, Maine, you were addressing the National State Departments of Agriculture, and you said: "We have seen the disastrous re-

sults that can take place when we ignore the lessons of the past and give in too quickly to the pressures of politicians."

I would like to know what you were referring to. What did you have in mind?

Secretary BUTZ. I think I was referring to the imposition of price ceilings, I think. Was that a talk before the American Society of Foresters?

Mr. BURLISON. The National Association of State Departments of Agriculture.

Secretary BUTZ. I think I was referring to the imposition of price controls. In retrospect, in agriculture we admit that they were counterproductive.

Mr. BURLISON. Were you referring to the decision we freeze beef prices when prices on other agricultural commodities were not frozen?

Secretary BUTZ. The consumer pressures, of course, take political expression or form. In June a year ago, 2 or 3 weeks before the President imposed phase 3 of price controls, the majority caucus in the Senate unanimously passed a resolution asking for a 90-day freeze across the board. The minority was about to do the same thing. It is that kind of pressure that I speak of. It builds up to the point that you take action. At that time there was tremendous pressure from many, many sources for price ceilings, which in retrospect I personally feel was an unwise economic decision.

Mr. BURLISON. Publicly, didn't you support the decision to freeze prices on beef?

Secretary BUTZ. Publicly I acquiesced for a while but I also publicly opposed to it long before it was discontinued.

Mr. BURLISON. Were you referring also in that statement to the decision to place export controls on soybeans?

Secretary BUTZ. Yes, sir, which again, I think, was an unfortunate decision. Except——

Mr. BURLISON. Again a decision that you joined in with Mr. Shultz and publicly approved of?

Secretary BUTZ. That is correct. At that time I think we had to go through that instance to prove to ourselves we shouldn't do it again.

Mr. BURLISON. I notice from your statement before the committee, your statement that was placed in the record, that you said there are some in this country who seek to put limits on our exports, especially wheat and cotton. I take it from your last statement we learned a lesson in soybeans and you are not under any circumstances going to permit this administration to place any embargo on wheat or cotton?

Secretary BUTZ. You place more power on me than I am aware that I exercise.

Mr. BURLISON. Are you going to come back next week and publicly acquiesce again?

Secretary BUTZ. No, sir. I am vigorously opposing——

Mr. BURLISON. Say the politicians demand we press——

Secretary BUTZ. At the moment politicians are not pressing for it as vigorously as they did a year or so.

GYPSY MOTH

Mr. BURLISON. Mr. Secretary, there has been an allusion here to the problem with the tussock moth in the Northwest and EPA permitting use of DDT on it. I have just been on this committee 2 years, but it seems to me I heard the same thing last year and I have been reading for years about the problem with the gypsy moth in the Northeast. Has there been any agreement, any acquiescence to permit the use of DDT in the Northeast with the gypsy moth?

Secretary BUTZ. That is not included with the present EPA order which simply involves the tussock moth in the Northwest. The gypsy moth is a serious problem. It can be controlled by DDT but we sit by and watch this problem spread year by year.

Mr. BURLISON. That was my recollection of the situation. I am wondering why the distinction has been made between the tussock moth in the Northwest and the gypsy moth in the Northeast. Is there any rationale for this? Would the Secretary put something in the record on that?

Secretary BUTZ. The tussock moth has a specific affinity for the needle of the Douglas-fir. I think the commercial damage is much greater with the tussock moth than it is with the gypsy moth.

Mr. BURLISON. I will ask you to enlarge on that answer for the record if you will.

Secretary BUTZ. Yes.

[The information follows:]

TUSSOCK MOTH AND GYPSY MOTH DAMAGE TO FOREST LANDS

In 1973, the Douglas-fir tussock moth defoliated approximately 800,000 acres in the West mostly on commercial timberlands. In Oregon and Washington about 1.5 billion board feet of mortality and growth loss occurred in 1972 and 1973. This loss is valued at over 77 million dollars. In 1974, serious defoliation on some 650,000 acres and 950 million board feet of mortality is anticipated.

Defoliation from gypsy moth occurred over about 1.8 million acres in 1973. Forest values other than timber are involved. Mortality from defoliation in hardwoods occurs more gradually than in Douglas-fir and is less concentrated even in severely defoliated areas. Thus, the immediate effects on the environment and on timber are less damaging.

Both pests cause significant losses to wildlife habitat and other forest values, but there is not sufficient data to quantify these effects. In recognition of the importance of the tussock moth and the gypsy moth, the Department places high priority on programs leading to their effective control.

RESEARCH FUNDING

Mr. BURLISON. Mr. Secretary, the budget as I understand it, provides for an increase in research funds for soybeans as well as meat production.

Secretary BUTZ. Red meat and soybeans especially.

Mr. BURLISON. Could you in some detail give us the increase for these research funds, what it is directed at and the amount of it?

Secretary BUTZ. Yes. The total increase for ARS and CSRS is $4,112,000 for red meat and $307,000 for soybean research. In the case

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of soybeans we have got a crop that has great potential with a growing world demand. We plateaued on soybean yields for some while, and we need a breakthrough on increasing soybean yields like we have had on corn. We have had two major breakthroughs on corn yield, one on hybrid corn and the other when we mechanized the cycle. We have had those two big jumps in corn but soybeans have continued at about the same level. We have a problem right now with the present price of soybeans. We have a problem of getting the acreage of soybeans we want because they have to compete with corn and cotton for acreage. The yield factor is such that it is hard to compete. We think if we can get a major breakthrough in soybean yields it will be tremendous for in this country particularly in beef cattle research.

Mr. BURLISON. Before you leave soybeans, let me interrupt to say that is another area in which we are in total and complete agreement. Your remarks sounded an awfully lot like the plea I made with this subcommittee last year for increased soybean research, and this committee did increase the President's budget last year in the amount of $1 million for soybean research, $600,000 for ARS and $400,000 for the Cooperative State Research Service. I am delighted to see the President is increasing soybean research this year. I am hopeful that this subcommittee and the Congress will go along with that. I appreciate your response.

Secretary BUTZ. Thank you very much. In the case of cattle our people have clearly indicated a preference for beef as their animal protein. We eat normally two-thirds as much beef as pork. The limiting factor in beef production really is that we haven't learned yet how to get more than one calf per cow per year. If we could get a breakthrough in increasing the amount of twin calving, if we could get some breakthrough in increased rates of feed conversion, we could greatly increase beef production. Currently we expend 6 to 7 pounds of feed to get a pound of beef compared with 4 to 5 pounds for pork and 2½ pounds for poultry. I know they have different digestive systems, but I think the opportunity for a scientific breakthrough in beef is tremendous and it is one of the areas of great potential payoff. That is why we are putting so much increased emphasis on beef.

Mr. BURLISON. Thank you, Mr. Secretary.

Mr. Chairman, I would like to reserve the balance of my time. I have one other question a little later, after my colleagues complete their questioning.

Mr. WHITTEN. I yield now to Mr. Natcher. Mr. Natcher has been on this committee 18 or 19 years and everything we have discussed he has been right in the forefront. Bill Natcher gives real service as you know, Mr. Secretary, and we are glad to yield to him at this time.

AGRICULTURE'S FUTURE

Mr. NATCHER. Mr. Secretary, when I first started out on this subcommittee, you and our friend, Dr. Paarlberg used to appear before the subcommittee with Secretary Benson and you looked worried and you were worried. That was back in the days, as you well recall, when farmers were leaving the farm just as fast as they could leave. We had some $11 billion in surplus commodities. The Commodity Credit Corporation was written up and compared generally with

General Motors, General Electric, and A.T. & T. Prices for commodities were extremely low. I think, Mr. Secretary, that you are serving during one of the best periods of the last 30 years as far as agriculture is concerned. You don't have as many worries, Mr. Secretary. You don't have many as far as agriculture generally is concerned. I think that the future today is brighter for agriculture than at any time since I have been a Member of Congress. Would you agree with that, Mr. Secretary?

Secretary BUTZ. Yes, sir, I agree wholeheartedly.

Mr. NATCHER. While you are serving as Secretary what are you going to do about continuing this situation so that the farmer will continue receiving a fair share of the national income?

Secretary BUTZ. I think we have made very significant changes with the cooperation of this Congress. We have turned agricultural policy around from our 40-year stance of curtailment of production to one of market expansion. As your chairman himself says he has pushed for this and you have joined him. I recall back in the Eisenhower days when you were right beside him on that point in supporting market expansion, keeping world markets open, getting the Government out of the commodity business, getting markets direct to our farmers, and getting our farmers' income in the marketplace and not from Government. I think this is a rather substantial change of agricultural policy that this Congress has permitted with the new agricultural legislation. This committee has certainly gone along with and supported it. I think we can keep that momentum rolling. It will be good for farmers.

Along with that is a program of rural development, where again with the support of this committee we are consciously trying to develop rural opportunities with guaranteed and insured loans that I think is a move in the right direction.

EUROPEAN COMMON MARKET

Mr. NATCHER. Mr. Secretary, as you and I know, from time to time all down through the years we have had our difficulties as far as the Common Market is concerned. What is the situation generally now as far as the Common Market is concerned? You read in the papers from time to time that it has changed considerably, from the standpoint of the operation generally.

Secretary BUTZ. It is not easy, Mr. Natcher. As we approach the trade negotiations in GATT this fall, one of the great difficult hurdles we face is the European community and the common agricultural policy of the European community. I don't think we object to the common agricultural policy per se so much as the way it is administered, with the fact that they do maintain artificially high internal price levels. We think they could be better served if they went more toward a livestock economy based on increased uses of American feed stuffs that could be shipped in by water to Rotterdam, where they have that marvelous water transportation system that fans all over northern Europe. Internal points in Germany and France freightwise are, for example, practically as close as Paduca in your home State is to Harrisburg, Pa.

This is a political problem. I was in Europe for 10 days last fall. I was in personal conference with the Minister of Agriculture of each

of the nine European community nations except Luxembourg, five of them in their home capitals. I came back reasonably encouraged by the prospects for liberalization of trade barriers, except in France a nation with a large number of fairly small farmers who are politically potent. They form in part the political strength of the Gaullist Party which is the current party in power in France. I think this continues to be a problem even right now in our negotiations with them to get more wheat put on the international market. I think we will make progress, but it will not be easy.

EXTENSION PROGRAMS

Mr. NATCHER. Mr. Secretary, we have programs in the Department of Agriculture that have proven to be successful programs. Our conservation programs, our extension program, our research program, our control programs, REA, and others. From time to time I worry a little bit about some of the programs in the Department from the standpoint of cutting back, taking away certain duties and obligations and certain changes that are proposed at times. I still believe, Mr. Secretary, as far as extension is concerned that the county extension agents and the home demonstration agents carry the word to the American farmer. This is good and the other programs I mention are of great concern to all of us. Do you agree with that?

Secretary BUTZ. I certainly do.

Mr. NATCHER. All of these programs in Agriculture that you and Dr. Paarlberg and all of your associates have worked so hard on have benefited the farmer down where I come from, and under no circumstances should these programs be cut back or changed radically.

You know we have a lot of demands sometimes that certain duties should be changed as far as extension is concerned. I think it is bad, Mr. Secretary.

Secretary BUTZ. You have a very good extension program out of the University of Kentucky at Lexington.

DEFENDING THE FARMER

Mr. NATCHER. We certainly do. Mr. Secretary, you know when you first appeared before this committee as the new Secretary, you and I discussed generally one thing that I think a Secretary should always do. That is to stand up for the American farmer. Even when the President, regardless of who it is and regardless of party, when he starts in on agriculture I always like to see the Secretary stand up for the farmer. Mr. Secretary, I have listened to you. I watch you on television. I read your speeches, and I think you have tried. I say that to you frankly.

Secretary BUTZ. Thank you.

Mr. NATCHER. That means a lot to me and my people. Somebody has to stand up for the farmer. You have seen some of them cut and run. I have seen Secretaries weaving back and forth with programs generally concerned with the American farmer and agriculture. I think the Secretary at all times should stand up for the farmer.

Secretary BUTZ. Mr. Natcher, those Secretaries that you saw were probably afraid of the chairman.

Mr. NATCHER. Mr. Secretary, I want to thank you for appearing before this committee. I do hope that since you are serving during one of the best periods in the history of this country as far as agriculture is concerned, that you will leave your mark on agriculture whereby we will have programs and different innovations and changes in agriculture that will benefit the farmer on into the future. I think this is the time to do it, because I think the future is brighter now than at any time since I have been a Member of Congress. We are rapidly becoming the food basket of the world and, Mr. Secretary, that is good. Thank you, Mr. Chairman.

Mr. WHITTEN. Thank you, my friend.

Mr. Secretary, my colleague from Kentucky measured his fish first. I agree with everything he said except he stopped just one notch short. As you look after the American farmer and American agriculture, that is the best way to look after the American consumer, so I would say that your approach is to hit the lick where the lick needs to be hit, because that is where the consumer's living is going to have to come from.

Mr. NATCHER. Mr. Chairman, I would agree on that.

Secretary BUTZ. Mr. Chairman, at this point may I say I appreciate what Mr. Natcher said and what you have said, about the incumbent Secretary of Agriculture, but I also want to say that the President has backed me up very vigorously. When I became Secretary, agriculture was in kind of a depressed condition. If he gave me any single mandate, it was to raise the income of rural people. He has backed me up, and while I haven't won them all, I have won more than my fair share down at the White House with his backing.

Mr. WHITTEN. I appreciate your statement and am glad to have it. We yield now to Neal Smith, not only successful in his own right, but a very excellent Congressman as are all members of this subcommittee, and hard working.

Mr. SMITH. Thank you, Mr. Chairman.

BARTER PROGRAMS

Mr. Secretary, we have had a number of discussions here this afternoon—I guess if you kind of summarize it, it indicates that the future cannot be measured by the past. We have problems now that we have not had before. There is every indication that the world demand will remain high for some time to come, and we have fertilizer shortages that a year ago no one would ever have thought there would be. Export controls were applied last summer, and now Japan is convinced that we no longer are a reliable market. We have all these problems, and they demand a different approach, and not just relying on the tools that have been used in the past.

In regard to this, I wonder if you have been thinking about it down in the Department, or maybe you have done something about it. Isn't it about time to think seriously about a barter program of some kind, a 3- or 5-year barter program with some of these countries, so they can be assured that they will have a supply of something they need and we, in turn, will get something we need?

Secretary BUTZ. That is a commodity barter program?

Mr. SMITH. That is right. In the past, you know we have been sort of looking down our noses at anything like that. We are bankers in this country. We don't want to barter. That is something for somebody else, but isn't it time to think differently?

Secretary BUTZ. Mr. Smith, we did have a barter program in the Commodity Credit Corporation, as you know; it was used for years as a means of enhancing the sale of some products that were in surplus, products essentially owned by CCC. We have now pretty well terminated the barter program except for the completion of some barter deals that had been made previously.

I think the difficulty with that is that you have got to guarantee an exchange at a price ratio, and this is a very difficult thing to do. We have been approached by some of the countries in the last year. When I say we have been approached, American companies have been approached for a 5-year commitment on soybean sales, for example. They could make that in quantity, but when you start to get a firm price, they always backed away from it because there is no way to cover yourself. At the present time, we have the futures contracts for a year or a year and a half down the road, but you can't cover yourself on price. You can't predict currency devaluations. You can't predict where the float on currencies is going to come, and I think that is the real problem.

I think, Mr. Smith, the line we are taking now is to get just as near to full production as we can get in this country. If you do that, I think that is the best guarantee we can have of accessibility to supply.

LONG-TERM CONTRACTS TO PROTECT PRICES

Mr. SMITH. But to get that kind of protection and to get that kind of production, I agree that the commodities market in and of itself is not the total that can be used. As you say, it only goes for a year and a half to start with. What you have to do is go one step further and contract with some producers, 3- and 5-year contracts. We have never done it in the past, but what is to keep it from being done now?

Secretary BUTZ. I think there is nothing to keep it from being done if you want to enter into that kind of long-term contract. What you are suggesting is that the international grain trader make a contract with the producer. We have textile mills right now that have purchased the entire 1974 crop of cotton. Some, I am told, have gone so far as to purchase the 1975 crop of cotton from larger producers at a price. They leave themselves pretty exposed. What you are suggesting is that an exporter could contract with an Iowa producer, for example, to buy soybeans the next 5 years at a price.

Mr. SMITH. That is right. What I am suggesting is that you explained earlier in the afternoon how you had facilitated this agreement for Russia to delay taking some wheat. Well, that is your job. Also it seems to me that the Department should facilitate getting these kinds of charter contracts started. It seems to me that although it has never been done before, and although there may be some mistakes made, that we can't just rely upon using the tools we have had before. We ought to start moving in directions like this. Don't you think so?

Secretary BUTZ. It can be done. I suppose when you do that though it has its impact on the domestic market structure, doesn't it? That is, if you commence substantially to contract for 2, 3, 4, and 5 years down the road it would have a buoyant effect on the domestic price.

Mr. SMITH. It could have a stabilizing effect also because some of these producers aren't going to gear up knowing that they have 1 year that is a sure market, and after that they don't really know. That is one of the problems now.

Secretary BUTZ. They are virtually gearing up to it now.

Mr. SMITH. A lot of them don't know whether they want to or not. That is one reason they are so uneasy. They are not complaining about present prices. They just don't know what is going to happen next year and the year after. You said in your statement you don't have any crystal ball either.

Secretary BUTZ. That is right.

Mr. SMITH. It just seems to me that when we have shortages in this country and also the ability to increase production in the agricultural field, and the demand worldwide for those products, somehow we ought to be able, with the help of the Department of Agriculture, to somehow get this together so we have some long-term agreements like other countries have been able to negotiate.

FORWARD CONTRACTING AND FUTURES PRICES

In addition to that, you spoke of forward contracting. Do you know that right now in Iowa that if you go to forward contracts in corn they subtract 50 cents from the futures price in Chicago? Up until a year ago it was 20 cents.

Secretary BUTZ. Why do they do that?

Mr. SMITH. Because the risks are so great that they have just got to cover themselves. This for all practical purposes is really denied to the producer for a forward contracting market. He doesn't want to contract now and take 50 cents less in the futures price. Yet I can't blame the elevator operators. They saw it last summer. They had contracted, locked in a 3 cent margin. The margins were changed. All kinds of costs across the board were changed on them. They couldn't get transportation, and so they just feel that to protect themselves they have to subtract 50 cents. Really, in 1 year's time we have gone a long way toward denying to the local producer the advantages that he should have from the commodity marketing setup. To take advantage of it, he has got to pay 30 cents more per bushel.

Secretary BUTZ. Hopefully that margin would decrease as we get more stability in markets. The past year has been a very uncertain time in markets.

Mr. SMITH. They are not going to forget very soon what happened last year. Of course, one of the reasons, and that is the reason I am bringing this up now, is that you ought to try to get somehow some confidence back in the commodity market.

Secretary BUTZ. Right.

COMMODITY MARKET REGULATION

Mr. SMITH. To do this we have a bill up. The Department is supporting most of the bill. One thing that is in disagreement is whether it ought to provide for a full-time commission or a part-time commission. As I understand it, the Department thus far has taken the attitude that it ought to be a part-time commission, with the Secretary of Agriculture as a member.

Secretary BUTZ. That is correct.

Mr. SMITH. But in view of the need and to get some confidence back in the commodity market, wouldn't it be a good idea to move kind of boldly in this area at this time? Make the Commission independent, or full time at least? You don't need another job, do you?

Secretary BUTZ. No. The Secretary of Agriculture has enough to do, that is right, but I think this is a question of administrative philosophy. In the administration of any program you have got to have a focal point of decisionmaking, a focal point of administration. The question is whether you do that best with a commission of several members or with an administrator who is responsible to a commission for policy determination, but who has the job of administration in his hands. It has been my personal observation and experience that Commission administration is generally not good administration. With full-time commissioners you always find something to do. You will find something to occupy your time which means then you carve up areas of responsibility. Central coordination and unified administration is more difficult that way than if you have a single focal point for administration responsible to a commission.

Mr. SMITH. The SEC has worked pretty well, hasn't it? That is a full time commission, the Securities and Exchange Commission, isn't it?

Secretary BUTZ. It could be. I am not familiar with their operations.

Mr. SMITH. But in this case if you have a part time commission you only have a full time administrator. Say, on the twentieth of the month it appears that there is a squeeze in the market, and some action has to be taken. The administrator calls out to the various corners of the United States, get the commissioners in here in 24 or 36 hours later. You can't get confidence back in the commodities market that way.

Secretary BUTZ. It depends on how much authority the commission gives the administrator. They could give him limited authority to act in cases like that, I should think.

Mr. SMITH. We are talking about something that is very important to an awful lot of people.

Secretary BUTZ. That is correct.

NITROGEN SUPPLIES

Mr. SMITH. On nitrogen you said they are operating at 92 percent. Assuming that that is full capacity, which is very close to it——

Secretary BUTZ. It probably is above optimum capacity, isn't it, Dr. Paarlberg?

Mr. PAARLBERG. Yes, sir, it is.

Mr. SMITH. If they were to continue at 92 percent there would still be a shortage wouldn't there?

Secretary BUTZ. A shortage relative to the demand. The demand is up this year, Mr. Smith, as you well know, with $3 corn and $5 wheat the demand for any nitrogen is tremendous. It pays to put it on. The marginal return for the marginal application makes it pay.

Mr. SMITH. Then we don't have the dry forms of nitrogen that we had a year ago.

Secretary BUTZ. We probably have more dry forms than a year ago. We are going to ship more total tons of nitrogen this year than we did a year ago.

Mr. SMITH. Going to ship?

Secretary BUTZ. I mean ship internally more total tons than we did a year ago, but it will still be short of the current demand.

SOYBEAN RESEARCH

Mr. SMITH. You spoke of extra money for soybean research. How has this extra money been used that we appropriated last year? Has it been used for genetics or herbicides or what?

Secretary BUTZ. I don't have the breakdown. I presume both of them. We have a broad program of research in all the crops. I should think in soybeans it would have been distributed for breeding, cultural practices, and pest management.

Mr. SMITH. It seems to me the greatest impediment we have to a breakthrough in yields on soybeans has been the lack of good herbicides. We have them for corn and cotton but not for soybeans. I keep hearing all this talk about genetics and so forth, but I just wonder if they are really giving enough attention to herbicides.

Secretary BUTZ. I think we do have a pretty effective herbicide for soybeans though. Part of the problem is the carryover effect and that makes it difficult to use in rotation.

Mr. SMITH. If there are any good herbicides for soybeans I haven't heard of them. I know the farmers out in Iowa would like to know what they are. You see big ads in the slick magazines about all these, also showing pictures of clean rows of soybeans, but about the only way they have found to control weeds in Iowa is to use the available herbicides and wait until about 30 days after they should to plant the soybeans. If they had a good enough herbicide they could plant those soybeans earlier, get greater advantage of the extra hours of sunlight and they could raise more soybeans.

Secretary BUTZ. Right.

Mr. SMITH. We don't have any good herbicides, as far as I have been able to find out.

MEAT INSPECTION

With regard to meat inspection, the National Advisory Committee study group made a report, and in their report they recommended a proposal that would do this:

Products would bear inspection or identification marks of uniform design with all inspected and passed products eligible for distribution in interstate and foreign commerce. In other words, whether they came from a State inspection system or the Federal inspection system they would all have the same label and move interstate. There has been a lot of concern about that. I know the Department has not yet officially taken a position. Can you enlighten us on your position on that?

Secretary BUTZ. No, I cannot. This is under study, as I understand it. My personal position is that we ought to move in the direction of a single inspection service in each State. We have got a duplication with a Federal service and a State service. We now say the State service must be equivalent to the Federal service in terms of quality and standards. I think we should have either a Federal or State service. Instead of having two of them, have it uniform. I cannot see the sense of hav-

ing two of them in the State of Iowa, Missouri, or any place like that. We should have one service in each State whether it is State of Federal.

Mr. SMITH. We are moving fairly fast, according to the Federal system?

Secretary BUTZ. Unfortunately.

Mr. SMITH. I want to point out that under that law if a State becomes derelict in its duty, or they slip backward, it takes about 6 months to a year to get them back up to standard.

Secretary BUTZ. Yes, sir.

Mr. SMITH. If we move away from the Federal system, I am afraid we are going to lose a lot of the confidence that consumers now have that they are getting good wholesome meat whenever they buy in the butcher shop and it has a Federal seal.

Secretary BUTZ. If we have a State system the Governors have to support it.

Mr. SMITH. You wouldn't know whether it came from the State that slipped backward if it only had one seal on it. I remember when an inspection bill was up, a lot of people said, "This is terrible, it is going to ruin the beef market." But what it did was give consumers a confidence when they buy something with a seal on it it was good, wholesome meat. I think it increased demand for beef instead of decreasing it. I would hate to see the Department adopt this advisory committee report. Within a year, or 2, or 3 we would have a bad example and we would then lose again the consumer's confidence in the meat inspection system.

That is all.

Mr. WHITTEN. I yield now to the gentleman from Illinois.

Mr. WHITTEN. Mr. Michel.

EXPORT CONTROLS

Mr. MICHEL. Mr. Secretary, there is a lot of talk about export controls, as you say, for wheat and cotton. We've been hearing about dollar-a-loaf bread and the like. I would like you to respond for the record to the dollar-a-loaf speculation, if you will—just do a short statement as you have done before and submit it for the record.

Secretary BUTZ. This Department is opposed to putting export controls on wheat or other agricultural commodities. We believe prices in a competitive market are the most effective means of allocating supplies among domestic users and foreign buyers. Moreover, market prices give an indication of the strength of demand for a commodity and signal farmers when market conditions make it practical to produce more. More production is the key for supplying the expanding markets for agricultural commodities and for moderating price levels. Farmers are responding to these market signals, and we expect the 1974 wheat crop will be by far the largest in history.

Wheat supplies will be tight until the 1974 harvest begins, but it is not reasonable to expect the raw materials costs will go up enough to warrant a retail price of $1 for an ordinary 1½ pound loaf of white bread. Wheat prices would have to go to about $33 per bushel to justify such a price.

Mr. MICHEL. I would also like to have some comment from you as to what actually happens when we get export controls—the chain reac-

tion we have. What do export controls do to our overseas markets? To farmers' expectations? To our balance of trade and balance of payments? If farm exports go down, what happens to trade and payments, and then what happens to our dollar, and what the consumer can buy with it? Aren't export controls good for consumers? Don't they lower the price of food?

Secretary BUTZ. Export controls are not, as may seem at first glance, a cheap, easy way out of a squeeze on U.S. supplies of a farm commodity. A threat of export controls could accentuate domestic price instability by encouraging foreign hoarding in excess of efficient stock levels, followed by a dishoarding as the situation eased.

If export controls were imposed on undelivered export commitments as well as on new sales, there would be severe problems of equity and administration in deciding how to cut these sales back. The meat ax approach—cut all commitments by an equal portion—would not be equally fair to each foreign government.

Over the long term, such an export system would surely drive our foreign customers to export suppliers to other nations or to artificial and inefficient stimulation of their own marginal domestic production. Thus, export controls would work poorly in the short run, and would permanently damage our overseas markets.

A decrease in our long-term prospects for expanding agricultural exports would tend to weaken the dollar abroad, and would result, eventually, in less farm income and less prosperity here at home. Export controls might temporarily lower the price of food but they would probably increase price instability.

### AVAILABLE ACREAGE FOR PRODUCTION

Mr. MICHEL. Mr. Secretary, just how much acreage do we have in production now—total? If every available acre were planted—and I mean every one—what would that total be? Obviously the return, the production, on some of these acres would be marginal, at best, but for the record, what would the grand total be?

Secretary BUTZ. Approximately 336 million acres are currently in production of the principal crops. Of this total, about 64 million acres is planted to the category of other crops, which is mostly hay. According to the conservation needs study prepared by the Soil Conservation Service, there is about 432 million acres of cropland in the United States for 1974. Conceivably, a portion of this acreage could be marginal for cropland use, however, acreage identified as grassland could also be utilized for the growing of crops.

Mr. MICHEL. Following that train of thought, on page 12 of your statement, you refer to the capacity level of domestic production, and say we are nearing that level. What do you estimate to be our top capacity, if we were to assume optimum conditions? How would that compare with 1973 production, and what we expect for 1974?

Secretary BUTZ. It is very difficult to identify the capacity level of U.S. production. There are several million acres of cropland that could be brought into production. Yield increases have been averaging 1 to 3 percent per year. However, other very important variables are adequate seed, fertilizer, and fuel and most important of all is the weather during the growing and harvesting season.

SOYBEAN RESEARCH

Mr. MICHEL. You say on page 12 of your statement that more crops research is needed, particularly in the area of soybean yields. Last year we provided additional funds in this bill for soybean research. Has this money been utilized, and are you requesting more this year?

Secretary BUTZ. The additional funds provided in fiscal year 1974 for soybean research have been allocated to give badly needed operations support to ongoing research throughout the soybean belt. The increased program emphasis attributable to these funds is primarily on breeding and production with the objective of developing varieties and technology essential to accomplishing a significant breakthrough. Such a breakthrough is of tremendous importance to this country in more effectively meeting the real potential this crop has in accommodating a growing world demand. Our budget request for next year includes items for increases for further expanding the research on production of soybeans and other oilseed crops with potential for American agriculture.

FERTILIZER SHORTAGE

Mr. MICHAEL. What is your best estimate on the shortage of fertilizer? For the record, what is in short supply, how short, and where? Are some parts of the country in worse shape than others?

Secretary BUTZ. Nitrogen and phosphate are in short supply. The potash supply should be adequate, except for any transportation problems that may be encountered. We estimate a shortfall this year in nitrogen of as much as 5 percent. The shortfall in phosphate will be about 12 percent.

However, the high plains of Texas, Montana, North Dakota, Michigan, and northern Indiana appear to have the more serious shortage at this time. The nitrogen shortage extends to practically all the States.

Phosphate shortages are appearing in a slightly smaller number of States, but is widespread.

FUEL SHORTAGE

Mr. MICHEL. What about fuel? From the facts available to you do you foresee a fuel shortfall for agriculture?

Secretary BUTZ. I do not foresee widespread and crippling shortages but I do expect some spot shortages. We feel that many of these spot shortages will be caused by the delivery system as much as or more than the shortages of supplies.

As you know agricultural production is extremely seasonal. The heavy fuel demands are in the spring and run through the fall. Timeliness is very important in the production of agricultural commodities. It is then necessary that the needs for agriculture be anticipated in advance in order to allow for timely marketing and transportation of the essential fuels to where needed.

The Department is furnishing to the Federal Energy Office and local fuel distributors, available information on proposed plantings, estimated acres for harvest and other pertinent information which

will be of benefit in anticipating farm fuel needs. We are encouraging farmers to provide advance information to their fuel distributors on their anticipated needs in the months ahead.

Mr. MICHEL. Just how closely do you monitor the fuel and fertilizer situation, and what steps can your Department take to help when help is needed?

Secretary BUTZ. The Department's monitoring of the fuel and fertilizer situation is carried out by the county offices of the Agricultural Stabilization and Conservation Service. These offices assess the local situation based on contacts with farmers, fuel distributors, fertilizer suppliers, county committee members, and other local agriculture agencies. The local situation is reported on a biweekly basis to the State ASCS office where the county reports are combined with other available data. The State situation is then forwarded to the Washington office of ASCS.

ASCS has specific duties relating to the administration of the petroleum allocation program. These duties at the local level are to be a source of information on the allocation program provisions; maintain and make available the appropriate forms to farmers, their distributors, and others having fuel supply difficulties; assist these people when requested in the completion of the forms; verify specific information for FEO upon request of that agency; and to work aggressively with local distributors on fuel needs of farmers. We also help at higher levels with those cases which cannot be resolved at the local level.

These local ASCS offices cannot, however, be of assistance in obtaining fertilizer supplies. There is no legislative authority to govern the distribution of any agricultural production inputs, except fuel, during peacetime. We do, however, use the monitoring information at the Washington level in working with other agencies to increase production and to achieve more equitable distribution of the items in short supply. We try to work informally with industry on these matters.

### DES WITHDRAWAL PERIOD

Mr. MICHEL. You don't see the DES controversy as settled or resolved now, do you? Don't we need more information about the effect of DES? Shouldn't we be using the scientific approach you mention to try to answer in a more definitive way the questions about DES that are still hanging fire?

Secretary BUTZ. No; it is not resolved. Current regulations do not permit any demonstrable residue of DES in the food supply. As far as research relating to DES residues in meat is concerned, the adequacy of current research information depends on the detection methods and level that are established for monitoring purposes. At the present time a withdrawal period of 14 days should not result in detectable residues from oral feeding of DES. If the accepted analytical method for detecting DES residues in animal tissues is limited in accuracy to the one part per billion level, there should be no detectable residues from ear implants when used according to label instruction. We assume that within a few years analysts will be able to detect DES in animal tissue in less than 100 parts per trillion. With this

assumption, we would recommend a withdrawal period of 30 days, with the last 15 days in a clean lot—that is, a feeding area which does not contain manures contaminated with DES. Obviously, it is not possible to conduct research on residues at the parts per trillion level at this time because the necessary technology does not now exist.

With essentially 100 percent of the DES used in feeds appearing in the excreta, it is important to know what happens to this compound in the environment. Specifically, there is little or no information about the degradation of DES in manures, whether DES is taken up by plants, whether it is leached from soils, or whether it appears in runoff water.

FOOD PROGRAMS

Mr. MICHEL. Would you provide for the record the changes that have taken place in the food programs to expand them so dramatically? What do these changes mean in dollars and cents for the recipients?

Secretary BUTZ. Legislation enacted last year has expanded program benefits considerably. Public Law 93–86, the farm bill of 1973, contains a number of amendments to the statutes governing the food stamp program. Three of these will have a substantial impact on program costs. They are the requirement that the basic coupon allotment be adjusted for higher prices semiannually, and that the first adjustment be made January 1, 1974; the provision permitting persons eligible for the supplemental security income program to remain eligible for food stamps in most States; and a mandate for a nationwide program by July 1, 1974.

On January 1, 1974, the Department announced an increase in coupon allotments to reflect the level of retail food prices recorded in August 1973. The monthly allotment for a family of four was raised to $142, up $26 from $116. We expect the monthly bonus to average $21 per person during the remainder of fiscal year 1974, up almost $6 over that reported for December.

Public Law 93–150 increased per meal reimbursement rates for school lunches, including free and reduced-price lunches, and school breakfasts. The new law also included a provision that all these be adjusted every 6 months to reflect the change in the cost of food away from home. Eligibility for the free and reduced-price lunches was extended to children with family incomes up to 175 percent of the poverty guidelines.

Regular lunches are now reimbursed at the rate of 10½ cents each, and this increased reimbursement is ultimately reflected in the cost of the lunch to the paying child. States are now guaranteed 47¼ cents for each free meal and 10 cents less for each reduced-price meal.

Regular breakfasts are now reimbursed at the rate of 8½ cents each, and free and reduced-price breakfasts are reimbursed at 20½ cents and 24¼ cents, respectively.

The higher reimbursement rates and extended eligibility standards should encourage increased participation by the Nation's schoolchildren.

Mr. MICHEL. Last year we were provided with a chart relating to CCC borrowing authority. Could we have that updated? And, could we also have a new table, such as appears on page 187, showing direct cash payments to farmers. Would you also update the chart appearing on pages 188 and 189 relating to the five States which are the largest producers of wheat, feed grains, rice, tobacco, peanuts, and soybeans?

Secretary BUTZ. We will provide these for the record.

[The information follows:]

STATUS OF STATUTORY BORROWING AUTHORITY
AS OF DEC. 31, 1973
(Millions of Dollars)

| | |
|---|---|
| Statutory Borrowing Authority | $14,500.0 |
| Total Borrowing Authority in Use | 9,724.2 |
| Net Statutory Borrowing Authority Available | $ 4,775.8 |

ANALYSIS OF BORROWING AUTHORITY IN USE

| | |
|---|---|
| Investment in: | |
| Outstanding Commodity Loans | $ 1,265.9 |
| Inventories | 393.7 |
| Subtotal | 1,659.6 |
| Special Activities (Recoverable Program Costs Not Covered by Appropriations to Date) | 175.2 |
| Other Activities | |
| Cash | 449.4 |
| Accounts and Notes Receivable | 1,623.7 |
| Storage Facility and Equipment Loans | 278.0 |
| Other Assets | 71.9 |
| Subtotal | 2,423.0 |
| Unreimbursed Realized Losses | |
| Fiscal Year 1972 | 155.5 |
| Fiscal Year 1973 | 4,093.9 |
| Fiscal Year 1974 Through Dec. 31, 1974 | 2,655.9 |
| Subtotal | 6,905.3 |
| Total | 11,163.1 |
| Less: Financing Other Than by Use of Borrowing Authority: | |
| Capital Stock | 100.0 |
| Balance of Funds Appropriated For: | |
| Conservation Programs, Sugar Act and Other Programs | 158.4 |
| Special Activities | 674.4 |
| Other Liabilities | 506.1 |
| Total Financing Other Than by Use of Borrowing Authority | 1,438.9 |
| Total Borrowing Authority in Use | $ 9,724.2 |

GOVERNMENT PAYMENTS, BY PROGRAMS, 1950-73

[In millions of dollars]

| Year | Conservation 1/ | Sugar Act | Wool program | Soil bank program | Feed grain program | Wheat program | Cotton | Cropland adjustment | Miscellaneous 2/ | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 1950 | 246 | 37 | | | | | | | | 283 |
| 1951 | 246 | 40 | | | | | | | | 286 |
| 1952 | 242 | 33 | | | | | | | | 275 |
| 1953 | 181 | 32 | | | | | | | | 213 |
| 1954 | 217 | 40 | | | | | | | | 257 |
| 1955 | 188 | 41 | | | | | | | | 229 |
| 1956 | 220 | 37 | 54 | 243 | | | | | | 554 |
| 1957 | 230 | 32 | 53 | 700 | | | | | | 1,016 |
| 1958 | 215 | 44 | 14 | 815 | | | | | | 1,089 |
| 1959 | 233 | 44 | 82 | 323 | | | | | | 682 |
| 1960 | 223 | 59 | 51 | 370 | | | | | | 702 |
| 1961 | 236 | 53 | 56 | 334 | 772 | 42 | | | | 1,493 |
| 1962 | 230 | 64 | 54 | 304 | 841 | 253 | | | | 1,747 |
| 1963 | 231 | 67 | 37 | 304 | 843 | 215 | | | | 1,696 |
| 1964 | 236 | 79 | 25 | 199 | 1,163 | 438 | 39 | | | 2,181 |
| 1965 | 224 | 75 | 18 | 160 | 1,391 | 525 | 70 | | | 2,463 |
| 1966 | 231 | 71 | 34 | 145 | 1,293 | 679 | 773 | 51 | | 3,277 |
| 1967 | 237 | 70 | 29 | 129 | 865 | 731 | 932 | 85 | | 3,079 |
| 1968 | 229 | 75 | 66 | 112 | 1,366 | 747 | 787 | 81 | | 3,462 |
| 1969 | 204 | 78 | 61 | 43 | 1,643 | 858 | 828 | 78 | | 3,794 |
| 1970 | 208 | 88 | 49 | 2 | 1,504 | 874 | 917 | 76 | | 3,718 |
| 1971 | 173 | 80 | 69 | - | 1,053 | 878 | 824 | 67 | 2 | 3,146 |
| 1972 | 198 | 82 | 110 | - | 1,845 | 856 | 813 | 52 | 6 | 3,961 |
| 1973 | 61 | 84 | 65 | - | 1,143 | 476 | 718 | 47 | 6 | 2,601 |

1/ Includes Great Plains and other conservation programs.
2/ Includes all other programs such as Milk Indemnity.
Note: Details may not add to totals due to rounding. Does not include payments to farmers in Alaska, Hawaii, Puerto Rico, and Virgin Islands. Wool program does not include deductions for wool promotion program but includes payments to producers in Alaska.

Source: ERS farm income situation and ASCS records.

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U. S. DEPARTMENT OF AGRICULTURE

CORN PRODUCTION IN TOP 5 STATES, 1973 CROP

| State | Harvested Acreage (For Grains) (Thousands) | Production (Thousand Bushels) | 1973 Crop Payments Set-Aside Acres (Thousands) | 1973 Crop Payments Set-Aside Payment (Thousands) |
|---|---|---|---|---|
| Iowa | 11,150 | 1,204,200 | 938 | 184,912 |
| Illinois | 9,670 | 996,010 | 499 | 122,325 |
| Nebraska | 5,850 | 544,050 | 669 | 99,941 |
| Indiana | 5,240 | 534,480 | 342 | 64,026 |
| Minnesota | 5,520 | 513,360 | 518 | 80,295 |

GRAIN SORGHUM PRODUCTION IN TOP 5 STATES, 1973 CROP

| | | | | |
|---|---|---|---|---|
| Texas | 6,950 | 417,000 | 862 | 84,784 |
| Kansas | 3,900 | 218,400 | 557 | 45,110 |
| Nebraska | 2,060 | 140,080 | 175 | 16,213 |
| Missouri | 440 | 30,800 | 53 | 5,699 |
| Oklahoma | 696 | 30,624 | 142 | 10,291 |

TOTAL WHEAT PRODUCTION IN TOP 5 STATES, 1973 CROP

| State | Harvested Acreage (For Grains) (Thousands) | Production (Thousand Bushels) | Total Wheat Set-Aside Payments, 1973 Crop (Thousands) |
|---|---|---|---|
| Kansas | 10,400 | 384,800 | 73,756 |
| North Dakota | 8,913 | 252,476 | 79,310 |
| Oklahoma | 5,260 | 157,800 | 31,741 |
| Texas | 3,400 | 98,600 | 23,946 |
| Montana | 4,052 | 96,714 | 46,165 |

SOYBEANS PRODUCTION IN TOP 5 STATES, 1973 CROP

| State | Harvested Acreage (Thousands) | Production (Thousand Bushels) |
|---|---|---|
| Illinois | 9,230 | 290,745 |
| Iowa | 7,900 | 268,600 |
| Indiana | 4,290 | 135,135 |
| Minnesota | 4,390 | 127,310 |
| Missouri | 4,700 | 126,900 |

RICE PRODUCTION IN TOP 5 STATES, 1973 CROP

| State | Planted Acreage (Thousands) | Production (Thousand Hundredweight) |
|---|---|---|
| Arkansas | 536 | 25,424 |
| California | 403 | 22,579 |
| Louisiana | 623 | 21,394 |
| Texas | 552 | 20,530 |
| Mississippi | 62 | 2,670 |

PEANUT PRODUCTION IN TOP 5 STATES, 1973 CROP

| State | Planted Acreage (Thousands) | Production (Thousand Pounds) |
|---|---|---|
| Georgia | 524 | 1,344,000 |
| Texas | 322 | 471,000 |
| North Carolina | 170 | 464,800 |
| Alabama | 205 | 400,000 |
| Virginia | 104 | 300,900 |

TOBACCO PRODUCTION IN TOP 5 STATES, 1973 CROP

| State | Harvested Acreage (Thousands) | Production (Thousand Pounds) |
|---|---|---|
| North Carolina | 383,800 | 813,235 |
| Kentucky | 164,900 | 340,714 |
| Virginia | 74,300 | 138,590 |
| South Carolina | 67,000 | 132,660 |
| Tennessee | 52,440 | 103,204 |

USDA BENEFITS TO CONSUMERS

Mr. MICHEL. Could we also have a breakdown, as we did last year, of the USDA programs which ought not to be charged directly to Agriculture because they are of principal benefit to the consumer?

Secretary BUTZ. Yes, sir. I have a table which I will provide for the record. The table shows the Department's outlays broken down between programs which primarily benefit consumers and others, and programs which primarily benefit farmers.

[The table follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Budget Outlays

Fiscal Years 1973, and Estimated 1974 and 1975

| | 1973 | 1974 Estimate | 1975 Estimate |
|---|---|---|---|
| | | (Millions) | |
| Programs which clearly provide benefits to consumers, businessmen, and the general public: | | | |
| Programs having foreign relations and defense aspects: | | | |
| Sales of agricultural commodities for foreign currencies and for dollars on credit terms (Title I, P.L. 480) | $358 | $467 | $499 |
| Commodities supplied in connection with dispositions abroad (Title II, P.L. 480) | 396 | 329 | 243 |
| Donations of dairy products to armed services | 10 | -- | -- |
| Total | 764 | 796 | 742 |
| Food distribution programs (domestic): | | | |
| Commodities distributed to the needy and others | 985 | 1,206 | 509 |
| Food stamp program | 2,207 | 2,992 | 3,926 |
| Child nutrition program | 602 | 819 | 1,269 |
| Special milk program | 91 | 94 | 120 |
| Total | 3,885 | 5,111 | 5,824 |
| REA and FHA repayable loans: | | | |
| REA loans a/ | 514 | -- | -- |
| Repayment of principal and interest | -262 | -- | -- |
| FHA loans | -299 | 362 | -296 |
| Salaries and expenses for loan programs | 119 | 137 | 148 |
| Total | 72 | 499 | -148 |
| Long-range programs for the improvement of agricultural and natural resources: | | | |
| Forestry | 122 | 313 | 171 |
| Agricultural and forestry research | 337 | 374 | 396 |
| Plant and animal disease and pest control | 146 | 125 | 136 |
| Soil and water resource protection and development: | | | |
| Environmental assistance programs | 209 | 108 | 154 |
| All other | 352 | 458 | 424 |

| | 1973 | 1974 Estimate | 1975 Estimate |
|---|---|---|---|
| Long-range programs for the improvement of agricultural and natural resources: (Cont.) | | | |
| Cooperative agricultural extension work .... | 186 | 207 | 207 |
| Inspection of commodities and other marketing services ..... | 199 | 227 | 239 |
| All other ..... | 121 | 138 | 152 |
| Total ..... | 1,672 | 1,950 | 1,879 |
| Total ..... | 6,393 | 8,356 | 8,297 |
| Other programs which are predominantly for stabilization of farm income, but which also benefit others: | | | |
| CCC price-support and related programs: | | | |
| CCC loan, purchase, export, and related programs ..... | -202 | -2,031 | 186 |
| Storage, handling, and transportation expenses | 129 | 91 | 18 |
| Interest expense (net) ..... | 169 | 171 | 134 |
| Set-aside payments: | | | |
| Feed grains ..... | 1,846 | 1,171 | 25 |
| Wheat ..... | 463 | 477 | 75 |
| Cotton ..... | 813 | 715 | 79 |
| National Wool Act program ..... | 68 | -- | -- |
| Total ..... | 3,286 | 594 | 517 |
| Cropland adjustment program - adjustment payments ..... | 50 | 49 | 47 |
| Federal crop insurance program ..... | -13 | -4 | 4 |
| Sugar Act program ..... | 87 | 91 | 92 |
| Salaries and expenses for above programs ..... | 225 | 225 | 227 |
| Total ..... | 3,635 | 955 | 887 |
| GRAND TOTAL ..... | 10,028 | 9,311 | 9,184 |

a/ Public Law 93-32 transferred REA loan programs to an "off-budget" status as of May 11, 1973.

Office of Budget and Finance
L&FR 75-H-476
February 15, 1974

RURAL ELECTRIFICATION ADMINISTRATION PROGRAMS

Mr. MICHEL. One final question, Mr. Secretary. Would you provide for the record a comment or two about how the REA program is operating with respect to the recent changes that were made in it. We do not need a great deal of detail here, for we will get into that later in the hearings. I would just like to have your views on how the program is working now.

Secretary BUTZ. The REA programs are moving along right on schedule, thanks to cooperation from the White House and Congress. The spirit in which the Rural Electric Act amendment was enacted continues and I think Dave Hamil and his staff have done an excellent job of implementing the program changes made by Congress.

Mr. WHITTEN. Mr. Scherle.

RUSSIAN GRAIN SALE

Mr. SCHERLE. Thank you, Mr. Chairman.

Most of the questions that were of interest to me have already been touched on. I would however like to ask some additional questions regarding the Russian wheat deal. Did they actually pay for the wheat at that particular time? Have we received the money for that purchase even though there is a delay in the delivery?

Secretary BUTZ. In the case of the Russian wheat deal, the only thing this Government negotiated with the Russian Government was a 3-year credit arrangement. We arranged a total credit of $750 million with the maximum permitted to be outstanding any one time set at $500 million. This credit was nearly all drawn down a while back. At the present time there is something less than $500 million outstanding, I cannot tell you the exact figure. They have been paying back. The interest rate has been raised. They now pay 9½ percent. CCC credit right now is 9½ percent guaranteed by domestic banks and 10½ percent by foreign banks. That is what they have been paying for sometime on new credits taken.

With respect to credit for wheat with deferred shipment, obviously there was no payment for that, and therefore no credit until the shipment occurs.

Mr. SCHERLE. In other words, in respect to the 37 million bushels of wheat, they never paid us for it?

Secretary BUTZ. They have not received it yet.

Mr. SCHERLE. We are not buying it back at a higher price because it was never sold?

Secretary BUTZ. No.

Mr. SCHERLE. What I am trying to do is clarify this news article.

Secretary BUTZ. That was an unfortunate news article. That referred to the Russians selling wheat back to us. That arose at a time when the reporter was having an interview with Mr. Patalchek in New York, Minister of Foreign Trade for Russia. He later clarified that himself. He said he was referring to deferrals of shipments from old crop wheat to new crop wheat. That is entirely different.

Mr. SCHERLE. That is unfortunate because there has been so much erroneous information on that. All this does is continue to fuel the fires of inflammatory journalism that perhaps is quite erroneous from its inception. It is important we get that clarification on the record.

CONSOLIDATION OF COUNTY OFFICES

Mr. Secretary, as a farmer and as a Member of Congress, we are all apprehensive about the consolidation of our various offices. We have learned much to our dismay that many times consolidation means elimination. Under your predecessor we went through the fear of dismantling the Department of Agriculture. It is more important today than ever that we maintain a facility by which we have proper representation. A similar point of view was so eloquently expressed by my good friend from Kentucky, Mr. Natcher, and our chairman. I would have to subscribe to that when a decision is made. I hope we will have an opportunity to visit with you prior to its final implementation. We don't want our people to live in constant fear of what is going to happen to their county offices, jobs, or anything else.

MEAT PRICES

There is one thing not brought up this afternoon, and that is one of impending disaster in the cattle feed business. I was a little disturbed the other day when I read in the paper, there would be no import quota on beef. We knew that it was going to remain the same. But the fact the information got out again shocked the hell out of us. It was a psychological depression on the modest price for our cattle.

I have an article here from a paper in the largest city I represent. It says, "Southwest Iowa farmer, Bleak Future for Cattlemen." It is. If the average consumers today think they are paying high prices for meat—as the old saying goes—they have seen nothing yet. I predict by late this summer or fall they will be paying higher prices for meat than they paid under the boycott. That stupid thing last year, served no purpose. This country still has not suffered the full consequences of that event.

With the high prices that they have to pay for the feeders and the lower prices they are getting at slaughter many cattlemen are going to terminate and cull out their animals little by litle throughout the entire year. Don't you agre with that?

Secretary BUTZ. There is a real danger of that.

Mr. SCHERLE. Have you been getting any input from any of the State cattle organizations, National Livestock Feeders, or the American Cattlemen's Association as to the fears they express?

Secretary BUTZ. Yes, indeed, from all those organizations, it is a very real fear.

Mr. SCHERLE. It takes quite an educational program to enlighten the consuming public. What type of education would suffice before they could see the inherent danger in some of their actions?

Agriculture is not only a major business in my district, but throughout this country. As you said earlier, if there is no longer a fair return for a person's investment then they get out of business. I would hate to see that.

BEEF IMPORTS

I am quite concerned about the beef import situation. Doesn't no restrictions add to our difficulty?

Secretary BUTZ. Under the law, the Secretary of Agriculture is required to estimate quarterly the amount of beef and mutton that will be imported into the country, and to make a report to the President.

If the estimated amount of imports exceeds a certain trigger point defined in the law, the President must either impose import quotas or suspend them. The announcement he made the other day was in line with the quarterly reports we make to him. No change.

We have had no import quotas on beef for nearly 2 years. The amount of beef imported into the country is not excessive. It remains minimal. The plain truth is that while our people were complaining about high beef prices, the Japanese market and European market were better than our own market.

Mr. SCHERLE. Doesn't this have some psychological damage as far as we are concerned? I know what you are talking about. I am familiar with those figures. But psychologically when you talk about unlimited imports, this was almost like a new announcement. People had almost forgotten we were under the same situation for 2 years. It was like a new provision. It was a shock to them, but doesn't this have a tendency to encourage speculators and the bidders to force down prices?

Secretary BUTZ. I wouldn't think so. It may have a psychologically depressing effect on the producers. But for the moment I don't think it would have any real impact on the beef market.

Mr. SCHERLE. You mean as far as——

Secretary BUTZ. Consumers are concerned.

MEAT PRICES

Mr. SCHERLE. I would like to quote from this article here. It is entitled "Has the Beef Cattle Industry Not Been to the Mat and Down for the Count?"

This man continues: "There are people who can't afford to feed cattle today. Nearly everything related to the beef cattle industry has gone up in the past year. Only the price of cattle in the market has remained stationary. Many bankers are advising farmers against buying any more cattle until the market straightens itself out. That may take quite a while. In the meantime he has been told by Government officials the American consumer can look forward to higher meat prices this year."

Do you agree?

Secretary BUTZ. In the next few months. I think in the last half of the year we expect red meat prices to decline some.

Mr. SCHERLE. He goes on to say in that same article, "Before the year is up, I think we are going to see the highest meat prices we have ever seen. It is going to be a nightmare."

Secretary BUTZ. I doubt that will really occur. I think placements in feedlots are down a little bit in response to prices. They have been better in recent weeks and they will be even better in the latter half of 1974.

Mr. SHERLE. Do you think they will stay high for the first half of 1974 and drop off the last half?

Secretary BUTZ. Talking about placements or price?

Mr. SCHERLE. Beef prices over the counter.

Secretary BUTZ. If the market does increase in the latter part of 1974 as we anticipate, I would expect prices to increase some from current levels.

Mr. PAARLBERG. That is in accordance with our outlook.

OVERSEAS DEMAND FOR U.S. EXPORTS

Mr. SCHERLE. Dr. Paarlberg, did you get my note I sent to your office concerning the lack of desire from Russia and other countries for exports this year?

Mr. PAARLBERG. Was that recently sent?

Mr. SCHERLE. It was sent about Thursday.

Mr. PAARLBERG. I have not yet received it.

Mr. SCHERLE. I can understand that. The postal rates went up, too.

Mr. PAARLBERG. I will look for it.

Mr. SCHERLE. You testified the other day that you anticipated additional demand from overseas. I am still quite a pessimist as far as overproduction is concerned, that the overseas market will be that great. I hope I am wrong. When you get this article that deals with that particular subject, I wish you would take a look at it and write me a little consoling note.

Mr. PAARLBERG. I will.

Mr. SCHERLE. Mr. Secretary, it is always a pleasure to have you here. Mr. Chairman, that is all I have.

SOYBEAN RESEARCH

Mr. BURLISON. I have a couple of additional questions.

First, Mr. Secretary, we have discussed the additional research money for soybeans, $1 million additional that the Congress put on for fiscal year 1974. Do you or your staff members know how much of that additional million dollars was released by Management and Budget?

Secretary BUTZ. It was all released. I cannot give you the distribution. All released.

FARMERS HOME ADMINISTRATION EMERGENCY LOANS

Mr. BURLISON. One other area.

Mr. Knebel will remember when he was before this subcommittee last year and we were discussing the FHA disaster loan situation. Just to summarize what happened there, the law was passed, I think, primarily to take care of Hurricane Agnes, but did provide for other disasters including Rapid City, S. Dak.

On December 26 the Secretary issued an order holding up any further payments on that disaster law. There was approximately half a billion dollars disbursed.

Secretary BUTZ. Half a billion dollars.

Mr. BURLISON. Yes, sir. Approximately $500 million. Of course, my part of the lower or upper Midwest and some of Mr. Whitten's constituents, I expect, and a few of Mr. Natcher's constituents also, were just becoming eligible for these disaster funds. I know of my 19 counties, I believe 11 of them had applications on your desk approved at the local level and at the State level and approved for some weeks. These folks were out of the program as a result of your designation.

As an effort to remedy this inequity, the Congress has, I am sure you are aware, enacted a law, Public Law 93–237, which places or requires the same terms as was at that time the law and that has since that time been the law for Small Business Administration loans. That is the 1 percent interest with $5,000 forgiveness.

That law covered all designations between December 26 and April 20, so it was purposely designed to cure the inequities of your order cutting off the application of the law in the other areas. Do you know how much has been budgeted for carrying out Public Law 93–237?

Secretary BUTZ. We estimate the cost of that may run to $300 million. What has been budgeted for it?

Mr. MILES. We increased our request for emergency loans from $100 million in 1974 to $300 million to take care of the situation.

Mr. BURLISON. You don't anticipate any cutoff of these funds before servicing these disaster loans?

Secretary BUTZ. No, sir.

Mr. BURLISON. Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Robinson.

FOOD SUPPLIES AND PRICES

Mr. ROBINSON. In my congressional district, bakers are worried about their wheat supplies, and housewives are worried about the talk of dollar-a-loaf bread.

If Nature is kind this year, I can see that we probably will be in reasonably good shape, but I wonder as to the risks we are taking.

I am all for exporting our agricultural surpluses, but I am not going to be happy—and my constituents are going to be very unhappy—if I am going to have to try to explain why we exported ourselves into a shortage of wheat, or fertilizer, or any other food, or food-related item.

What are the if's and but's in your thoughts about moderating food price increases and the food supply outlook?

Secretary BUTZ. The January 1 Farmers Intentions to Plant Report indicated that the United States can expect a record harvest for 1974. This production is particularly crucial to U.S. consumers because carryover supplies from last year for wheat and the major grains used to feed livestock are the smallest in about two decades. At the same time, export demand and world prices have been high.

Our appraisal of the current situation for what and feed grains indicates that adequate supplies will be available for domestic and export needs for the 1973 and 1974 marketing years, and that a general buildup of stocks should occur. The stronger supply situation should reflect in a softening of prices even though a strong domestic and export demand is expected to continue.

SAFETY STANDARDS FOR PESTICIDES

Mr. ROBINSON. The Occupational Safety and Health Administration of the Department of Labor, and the Environmental Protection Agency, have been tinkering with proposed safety standards relating to the application of pesticides, and reentry of treated areas after such application. Farm and orchard users have been promised that these agencies will attempt to coordinate their efforts, in order that agriculture does not have to contend with two separate sets of standards. I have been asked why the Department of Agriculture has not taken a more aggressive role in defending the interests of agriculture in this and related work safety standard matters. What is your view of the function of the Department in this regard?

Secretary BUTZ. It is the policy of this Department to recommend and encourage the use of pesticides in the manner that will result in the maximum pest control with the minimum amount of pesticide applied in such a manner that the impact on man and his environment is reduced to a negligible effect level. This policy is carried out in our printed recommendations and through the extensive educational programs of the Department particularly in the Extension Service person-to-person contacts. We will continue this policy.

Both the Occupational Safety and Health Administration and the Environmental Protection Agency have held public hearings in various sections of the Nation to obtain inputs for the development of reentry standards. The Department has testified at these hearings. We have stated that there is no necessity for national reentry standards and have pointed out that the problems have been associated with relatively few pesticides in certain geographically restricted areas. In addition we have reviewed several drafts of proposed reentry standards submitted to us for unofficial comment by Environmental Protection Agency. We believe that this Department has an obligation to assure the necessary protection of health without undue or unnecessary restrictions on farmers and farm operations.

NEED TO LEARN FROM THE PAST

Mr. WHITTEN. Mr. Secretary, we appreciate your appearance. I would end with this comment: We all know we do move ahead and we are in a changing world, but the world never changes to the point where you cannot learn by the lessons of the past.

Having been on this subcommittee through the years, I hope there are not many agricultural laws or proposals that I have not studied at one time or another. I think one of the weaknesses that we have had runs counter to some degree with what you have said. I think one of the problems that we have in international trade is that you show the weakness of our trying to use private trade when other countries deal on a government-to-government basis. We are at a disadvantage when we leave it up to private business, because when we look around the world we find just about every country in the world controls the inflow and outflow of its commodities by permits or import duties or things of that sort.

You have heard me use this illustration before. Some years ago I had a friend in my area who was then internationally known in the breeding of show cattle and heifers. He couldn't get any of the cattle shipped into England because of the foot-and-mouth disease. We did research in cooperation with England at that time. They had foot-and-mouth disease all through the years and we had none. Canada, which had a relationship with England, has had foot-and-mouth disease, and their bulls went right on through. In Germany I have seen them keep things out because we had additives to make our oranges look yellow because we like them that way and made them yellow. Germany kept them out because they were opposed to additives.

If We are in a world where other countries do this on a country-to-country basis. The British Empire, if I recall my history correctly, colonized this country primarily through government-type corporations or partnerships, quasi-corporations.

NEED TO STRENGTHEN COMMODITY CREDIT CORPORATION

With that situation, I think we in this country need to give thought to strengthening the Commodity Credit Corporation. With our increasing trade with China and Russia and other nonmarket-oriented societies we may need some channel where we can deal with them on a government-to-government basis, rather than being dependent upon private enterprise or private business.

One time when we were trying to get you to sell cotton, we found out one of the members of your advisory committee on exports in cotton had $10 million in Mexico in cotton. The point is that while these international corporations may be identified as American, they may be dominated by persons whose private interest is not compatible with the public interest. I think we should have an ace in the hole. If American business turned out to be un-American, or if it couldn't do the job, we would have some branch of the Government that could deal directly with the other government, which in turn would hit the import duties or prohibition or what have you.

I don't think we can live without a corporation to step into the breach when it is required. These remarks are based upon a lot of study through the years. Big business didn't get big by not looking after itself.

We appreciate your appearance before us, and I say again I respect the effort that you make and your background and your knowledge of your subject and above all, your willingness to learn from your mistakes. That is where we all have to learn. We have all made them, and you have not made more than your share. But the fellow who gets ahead and the fellow running something is the fellow who looks backward and could see doing it better if he could do it some other way. I trust that you will do an excellent job.

Secretary BUTZ. Mr. Chairman, may I say just a word, that I have known you since before I became Assistant Secretary in 1954. I have said many times when you were not present to hear that I think agriculture in this country has been fortunate to have a man of your perception, competence, and dedication to the industry chairing this committee as you have.

While obviously we sometimes have disagreements between the committee and the Department, I want to state in all sincerity American agriculture and the Department of Agriculture in this Government owe a great deal to the stand that you have taken through the years in this Congress when you sometimes spoke with a minority voice, but a determined voice. I want to express appreciation for it.

Mr. WHITTEN. Thank you, Mr. Secretary. Sometimes I cut a witness off, but I was not attempting to then.

Thank you a whole lot.

Secretary BUTZ. Thank you.

MONDAY, FEBRUARY 25, 1974.

# GENERAL BUDGET STATEMENT

## WITNESSES

JOSEPH R. WRIGHT, ASSISTANT SECRETARY FOR ADMINISTRATION
JEROME A. MILES, DIRECTOR OF FINANCE, DEPARTMENT OF AGRICULTURE
WARREN A. BLIGHT, DEPUTY DIRECTOR OF FINANCE, DEPARTMENT OF AGRICULTURE
CHARLES A. JEWELL, CHIEF, DIVISION OF BUDGET SYSTEMS AND CONTROL, OFFICE OF BUDGET AND FINANCE, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. Gentlemen, the committee will come to order.

We have with us today for the beginning of the hearings on the 1975 appropriations for the Department of Agriculture, Mr. Wright, the Assistant Secretary for Administration, and Mr. Miles, the budget officer.

We have asked you and the budget officer to appear first in order to give a broad overview of the budget. We plan to have the Secretary next Monday, but I thought it well to have the committee go over with you and your associates the major changes in 1975.

Before we start, I would like to have a biographical sketch inserted in the record for Mr. Wright, since this is his first official appearance before the committee.

[The biographical sketch of Mr. Wright follows:]

BIOGRAPHICAL SKETCH OF JOSEPH R. WRIGHT, JR.

Joseph R. Wright, Jr., was named Assistant Secretary for Administration of the U.S. Department of Agriculture (USDA) on March 8, 1973. At the time of his appointment to this position he was Acting Assistant Secretary for Economic Affairs at the Department of Commerce. Mr. Wright, who also served briefly as Acting Director of the Bureau of the Census, joined the Commerce Department in August 1971.

Born in Tulsa, Okla., the 34-year-old Mr. Wright has a bachelor's degree from Colorado School of Mines and a masters in industrial administration from Yale.

Before joining the Commerce Department, Mr. Wright was vice president and managing officer of diversification services for Booz, Allen and Hamilton, Inc., in New York. He was with that firm for 6 years, helping private corporations, Government agencies and trade associations with expansions into new business and new markets. He also dealt with management information systems as they related to budgeting, operations research and computer programing.

During his military service Mr. Wright was responsible for cost effectiveness and operations research studies for the Department of Defense, and at the same time he served as an instructor in these areas for the George Washington University graduate school here.

Mr. Wright was named one of the outstanding young men of America in 1970.

DEPARTMENTAL REORGANIZATIONS

I think there has been a little misunderstanding of what I had in mind for today's hearing. I have a table here which you have prepared for the committee, showing increases and decreases by items. But as I

understand it, this table does not reflect what you intend to do because you have announced that you are going to reorganize the Department, particularly the Secretary's Office.

I had intended at this time to get into what your changes were. I wanted two tables, one to show what we have now, and a second to show what it would be if you carried out your plan to reorganize.

I understand that you have reorganized, or are in the process of doing so. Is that correct?

Mr. WRIGHT. Mr. Chairman, are you talking about the Office of the Secretary?

Mr. WHITTEN. Yes, I'm also interested in these so-called service centers. The point I make is that I don't know how we can have our hearings without understanding the effects of the reorganizations. I wanted a comparison of last year, and then I wanted a separate one that showed how you are going to handle this year as against last year.

Mr. WRIGHT. Mr. Chirman, we will be happy to try to do that.

Mr. WHITTEN. You can file it, but that is not informative for us today. I realize that you have a problem.

[The data requested follows:]

## Financial Adjustments Pursuant to USDA Reorganizations

| Reorganization and Agency | Funds (In thousands) | Positions |
|---|---|---|
| OMS Information Activities (FY 1974 adjustment): | | |
| From OMS to -- | | |
| Cooperative State Research Service | $68.9 | 3 |
| Economic Research Service | 324.1 | 21 |
| Farmer Cooperative Service | 133.2 | 8 |
| Office of Communication | 65.1 | 5 |
| Rural Development Service | 65.0 | 3 |
| Statistical Reporting Service | 78.0 | 5 |
| Total adjustment | 743.3 | 45 |
| Transfer of the Economic Development Division (FY 1975 adjustment): | | |
| From RDS to ERS | 2,181 | 94 |
| Reorganization of International Activities (FY 1975 adjustment): | | |
| FAS (including International Organizations Staff) | 32,151 | 658 |
| EMS | 3,620 | 171 |
| Total adjustment | 35,771 | 829 |
| Reorganization of Departmental Administration (FY 1975 adjustment, preliminary estimate): | | |
| From OIG to -- | | |
| Office of Audit | 13,784 | 501 |
| Office of Investigation | 7,693 | 324 |
| Office of Management and Finance | 425 | 20 |
| Total adjustment | 21,902 | 845 |
| From OMS to -- | | |
| Office of Management and Finance | 128 | 18 |
| Office of Operations | 245 | 48 |
| Office of Personnel | 177 | 32 |
| Agricultural Research Service | 165 | 8 |
| Agricultural Marketing Service | 107 | 7 |
| Rural Electrification Administration | 17 | 1 |
| Director of Agricultural Economics | 3,198 | 192 |
| Total adjustment | 4,037 | 306 |
| From OIS to the Office of Management and Finance | 454 | 18 |

USDA SERVICE CENTERS

Mr. MILES. On the establishment of the service centers, there is no change in the fiscal year 1975 budget from the normal pattern of appropriating money directly to the agencies involved for the operation of these service centers. We are requesting funds in 1975 for the Soil Conservation Service, Agricultural Stabilization and Conservation Service, Farmers Home Administration, and Federal Crop Insurance Corporation on the same basis as we asked for funds in 1974 for the operation of their offices. It was not anticipated that there would be any joint funding. These people would work together, cooperate in a single service center, but their financing would come through their own appropriations as in the current fiscal year.

Mr. WHITTEN. That would be fine if you can get by with it, but I question whether Congress will let you do that. You have not asked my opinion, but I volunteer it.

What you are saying is you want us to appropriate the money like it was last year and put it in a lump sum and after the bill gets signed you go ahead and use it like you planned to.

Mr. MILES. Mr. Chairman, for example, under this consolidation of county offices, if ASCS were to move an office from one location to another location in that same town, there would be an expense of moving the office but it would be paid for from the regular salary and expense appropriation for ASCS. It would have to be money appropriated by this committee. If an ASCS office were required to move, they would use ASCS money. That is what I had in mind.

Mr. WHITTEN. I don't know what the committee might do. They might provide that no money can be transferred and no money can be spent for one purpose when it was appropriated for a different purpose. Some of the actions taken by the department in the current year would lead to consideration of what I am talking about.

DEPARTMENTAL ADMINISTRATION

The proposal for a departmental administration appropriation is the type of thing I'm talking about. Why are you proposing that?

Mr. MILES. The first page of the table, under tab B, lists departmental administration, which is a single consolidated appropriation that we have requested for fiscal year 1975.

Mr. WHITTEN. How much additional transfer authority would that give you if we were to go along with your recommendation?

Mr. MILES. It would permit the Secretary to move not more than 10 percent or $100,000, whichever is less, from one budget activity to another. In other words, he could, within his authority as we view it, move funds within that same appropriation account.

Mr. WHITTEN. This is new, you have not done this before? This is the first time you have recommended this?

Mr. MILES. Moved funds between accounts?

Mr. WHITTEN. Yes.

Mr. MILES. No, Mr. Chairman, we are not recommending that we do that. We would normally, as you know, advise the committees before we move funds. We do feel that within one appropriation account, as we are proposing for departmental administration, there would be limited authority to move money whereas between two separate ac-

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counts there is no such authority, except for limited authority to move funds between two accounts of the same agency. We would have some leeway.

Mr. WHITTEN. In the appropriation for the Department of Defense for last year there is a section I wrote on this reprograming. I had the support of the Congress, both House and Senate, and it is in the 1974 Act. This section was added because it developed that the Department of Defense had used $13 billion for purposes other than for which it was originally appropriated; $13 billion had been built up because they claimed they didn't have to tell anybody and have to get clearance by the Congress for any changes under $5 million. They would then come in with reprogramings of $4.9 million—just under the ceiling—which through the years built up to $13 billion. They would say to the Congress: "It won't cost us anything; just approve it and we will use it over here instead of over there."

It got so bad in defense that last year we wrote this section providing that they couldn't reprogram for anything with less priority, couldn't reprogram for use where the Congress had refused that use.

REORGANIZATION OF THE OFFICE OF THE INSPECTOR GENERAL

I also have misgivings about doing away with the investigative office—the Office of the Inspector General. With the wheat deal and the ramifications about it, and the questions about the Commodity Exchange Authority and all of the charges and countercharges there, and the problems with meat inspection, for you to come up and recommend that the Office of Inspector General be abolished and left up to you folks in the Secretary's office, it does not strike me as you are on a very sound footing.

What are you up to there?

Mr. WRIGHT. Mr. Chairman, if I could answer that.

First of all, by reorganizing the Office of Inspector General——

Mr. WHITTEN. You reorganized it out, didn't you?

Mr. WRIGHT. Into an Office of Investigation and Office of Audit.

Mr. WHITTEN. In other words, get it where it is dominated by the Secretary?

Mr. WRIGHT. It could have been dominated by the Secretary if he wanted to at any time.

Mr. WHITTEN. Since he didn't want to then, you figure by changing it he might want to?

Mr. WRIGHT. No, sir, the problem was we didn't think we were getting the best utilization of the Office of Inspector General the way it was organized. I will be more than happy to go into detail if you wish.

Mr. WHITTEN. I think it might be well to do that. What we are trying to do here today is to find out what you have in this year's bill that is new and different and what we are going to be holding our hearings on.

Mr. WRIGHT. From a funding standpoint there will be no change with the Office of the Inspector General, whether or not——

Mr. WHITTEN. We don't have to do anything, just give you the money? After we give you the money, what are you going to do?

Mr. WRIGHT. You should give us the money based not on a reorganization of that office but based upon whether or not you thought they were worth the funds, to begin with. The change within the Office of Inspector General is to strengthen that office rather than to——

Mr. WHITTEN. There are many interpretaations as to what you think might strengthen it. There could be a weakening.

Mr. WRIGHT. There could be.

Mr. WHITTEN. How would it be strengthened?

Mr. WRIGHT. We have around 530 to 540 people the Office of Audits doing audit work. There was not that much interchange between the investigation side and the audit side—OIG when we studied the organization. We found out that we were not getting improved efficiencies by keeping audit and investigation together. We could easily divide up those offices and their responsibilities. But OIG was isolated from our other "study" offices.

We had special studies going on within the Office of the Secretary, within the budget office, within the audit office, and within the Office of Information Systems, which were requiring program agencies to provide information on identical activities; in some cases two and three times.

We were not conducting studies very efficiently from the Office of the Secretary standpoint. What we have done now is take all special studies, management studies, operational studies, program evaluation, and so forth, and put them in the Office of Management and Finance. Next, we have asked the auditors to take off their blinders where they go in on very specific audits and come up with a report that go many times on the shelf and to give us program and operational analysis at our activities. These will be part of the management process that governs how we are operating the Department. As such, we hope to reduce the number of studies that we have to do that are repetitive in nature. We hope to get more out of the audits.

Mr. WHITTEN. I guess we all are a little prone to be slow to change that with which we are familiar. I start off by saying that could well be the situation with me.

I would like to review for the record your experience. For 6 years you were a business analyst?

Mr. WRIGHT. Management consultant.

Mr. WHITTEN. You have not had any prior experience within the Department and did not know how well it operated before you went there, 8 months ago?

Mr. WRIGHT. Nine months ago.

Mr. WHITTEN. Now you want to reorganize everything so it runs better. But I have not seen that you have had a chance to see how it was run before. With only 9 months in USDA, and 6 years in New York as a management consultant, I cannot see how you have had much of a chance to find out whether USDA is run good or bad.

Many of these organizations are the result of history you may be unaware of.

I know many things have been called to the attention of this committee. I recall when the Office of the Inspector General was established. I remember the circumstances. It came after some consultation with this committee. At that time, as I recall it, each agency had a

unit which investigated the agency, and it was said that the agencies were investigating themselves. The Office of the Inspector General was made independent to avoid the problem. But if I understand it correctly, under the reorganization the independence that the Office of Inspector General has had, to the degree it has had it, is now being surrendered to the Secretary and he will in effect name the investigator and the man in the saddle; is that correct?

Mr. WRIGHT. No, sir. The independence of those offices has not changed at all. It is strictly a move for better management.

Mr. WHITTEN. What in your experience prior to coming here as management consultant leads you to feel that you are an expert in this Department? Abraham Lincoln created this Department back in 1862?

Mr. WRIGHT. Mr. Chairman, I am flattered that you would have thought I had that much to do with change in the Department. Secretary Butz directs our changes in the Department.

Mr. WHITTEN. With all due deference to Secretary Butz, I have the greatest respect for his abilities, but I don't know if they qualify him to reorganize the Department of Agriculture. Prior to becoming Secretary he was in charge of a chair at Purdue University. I have the highest regard for him personally, but I don't know who is the greatest expert in reorganizing the Department so as to put all this work under him.

Mr. WRIGHT. Mr. Chairman, it was under him to begin with.

Mr. WHITTEN. That is right. Yonder we created, the Congress created the special position of Inspector General, didn't it?

Mr. WRIGHT. Yes, sir.

Mr. WHITTEN. Now that he is back, he wants to put it back like it was. Do you remember the circumstances that caused this creation?

Mr. WRIGHT. It is not going back to the way it was, by all means.

Mr. WHITTEN. You are expressing high hopes.

Mr. WRIGHT. That is not the Secretary's intention to put the auditors or the investigators back in the agencies where they came from.

DECENTRALIZATION OF RESPONSIBILITY

Mr. WHITTEN. Another thing that disturbs me is all this talk about giving decisionmaking back to the people, and then you try to consolidate county offices, which has just exactly the opposite effect.

You want to consolidate county offices and put a general manager in charge. In some cases you expect to have a hostess. At any rate you are not decentralizing but centralizing.

COUNTY COMMITTEE SYSTEM

In addition, in the Agricultural Conservation Program you are going to direct from Washington the 12 practices that can be carried out, where those historically, since the 1930's, have been selected by the local farmers. Under the guise of putting it back at the local level you are going to, under your present recommendations in this budget, send them the practices from Washington, and then you are going to reorganize the county committee where it is no longer elected by the community and the county commissioners.

Mr. WRIGHT. That is not right, sir.

Mr. WHITTEN. Are they going to be elected?

Mr. WRIGHT. County committees?

Mr. WHITTEN. Yes.

Mr. WRIGHT. Yes, sir, and there will not be a manager of the centers.

Mr. WHITTEN. How are we going to do this? If you have 3 counties and put them in one office, which county will elect these folks?

Mr. WRIGHT. We already do that now, in which ASCS themselves have colocated offices where two counties continue to elect their commiteemen and the two committees work with the office that has responsibility for the county.

CONSOLIDATION OF EXPORT MARKETING SERVICE AND FOREIGN AGRICULTURAL SERVICE

Mr. WHITTEN. You have already consolidated the Export Marketing Service and the Foreign Agriculture Service?

Mr. WRIGHT. Yes, sir.

Mr. WHITTEN. In volume 9 of the hearings for 1974 the committee reprinted the hearings before this subcommittee in 1956 and 1957 which concerned the failure of USDA to sell out surplus commodities. At that time I spoke to the Foreign Agricultural Service in Paris, France, at a meeting of all the folks there, and there was not a man there that knew that the Department had the authority to sell commodities that weren't needed domestically in world trade at world prices. Nobody knew it, because the State Department didn't want the commodities to be sold.

This committee set up the sales manager position because we had $10 billion of commodities which were surplus to the domestic economy but which were badly needed in world markets. We held on to them on world markets, and counted them to reduce our acreage here. Mr. Benson in an address said 55,000 people were put off the farm by reason of counting these commodities that we wouldn't sell. This committee created the position of sales manager to overcome these problems. After months of effort we got Secretary Benson and then Assistant Secretary Butz to agree to try to sell these things in world markets. They hoped to sell $1 million worth of cotton in a year and sold it in less than 5 weeks.

Now, in spite of this historical experience, you are going back and putting the Export Marketing Service—which we had to create to break this logjam—in the Foreign Agricultural Service, which caused the problem in the first place. That is another case of the Secretary trying to reorganize the Department back to the way it was in the 1950's when he was here before.

REORGANIZATION OF THE OFFICE OF MANAGEMENT SERVICES

You also want to eliminate the Office of Management Services. For years this committee has been told that you had about 16 or 17 small agencies that were not big enough to merit having their own administratives services organization. If I recall it correctly, the Office of Management Services was set up to render these services to these small agencies; is that right?

Mr. MILES. That is true.

Mr. WHITTEN. Now you are saying it isn't needed any more. What has changed so that suddenly that which for years you said was essential, and which we have provided funds for, is no longer needed? Why is that?

Mr. WRIGHT. The Office of Management Services, Mr. Chairman, was handling the budget, personnel, and administrative services support for eight program agencies. The Office of Management Services reported up to the administrative area and handled those eight agencies plus the entire Office of the Secretary. I think they were doing a reasonably good job except for the problems of just diversity. It got to a point where they could not spread themselves that thin.

What we are proposing is breaking up the Office of Management Services and giving it back to the agencies that are responsible for the programs. In the case of several that are not large enough, we propose transferring the responsibility to a lead agency that will provide support for agencies in the same area. The remaining Office of Management Services units will concentrate strictly on the Office of the Secretary.

Also, by having budget, personnel responsibilities, and administrative support for program agencies reporting to the administrative area along with the Secretary's responsibilities, there was a conflict of interest.

In one case you would have a budget man representing the agency, but also representing the Office of the Secretary, which is a conflict situation. It put me in a complex situation.

The main reason the Office of Management Services is being disbanded is the diversity required for that office. You could not handle that type of management. Eight agencies plus all others in the Office of the Secretary.

Mr. WHITTEN. It was a failure until you came in?

Mr. WRIGHT. No, sir. I think this worked reasonably well and it could work better this way. We are giving the agencies back responsibility for their own administration, which they should have.

REORGANIZATION OF AGRICULTURAL RESEARCH SERVICE

Mr. WHITTEN. The Agricultural Research Service has also been reorganized. This committee certainly, and others, were somewhat skeptical about whether or not that reorganization should take place. But, in spite of our doubts, it did take place.

If I understand it correctly, you have set up more administrative levels. Take Tifton, Ga., for example. You have the various expert divisions of research going on at that activity. You have a large number there. Instead of reporting back to the same type of expert in Washington, the same type of personnel which handled the identical problem in the Department, you put a jack-of-all-trades down there who took charge of the system, so it is kind of a unit in itself, is it not, with a general scientist over all, instead of reporting back directly to Washington?

Have I oversimplified it? If I have, you describe it.

Mr. WRIGHT. Mr. Chairman, I am familiar with the organization that you described. I was not here when the ARS reorganization was implemented 2 years ago.

Mr. WHITTEN. Mr. Miles, tell us how it works.

Mr. MILES. I think that is an accurate description, Mr. Chairman. As I understand it, they have one scientist as the head of a unit like Tifton, Ga., and under him would be scientists from different disciplines. They would not be strictly soil experts or entomologists. They are from different fields, and they attempt to deal with a broader range of problems.

Mr. WHITTEN. Under the old system, the Agriculture Department has been very successful in providing the research necessary to produce the food and fiber that the American people have been using. They have had a lot to do with it. It has been said if we were to get the same amount of milk from cows that you got 25 years ago, we would have about one-tenth as much milk. The same is true for eggs and chickens, what have you. With constant research by the Department of Agriculture and the constant efforts that they have made, it has enabled less than 5 percent of our people on the farm to free the other 95 percent from all these other things. With a record like that, Mr. Wright, doesn't it strike you that you ought to go a little slow before you mess with something that has done that good a job?

Mr. WRIGHT. Mr. Chairman, if I were the one messing with it I would agree with you.

IMPOUNDMENT OF FUNDS

Mr. WHITTEN. As you go through your description to the committee of this year's budget as compared with last year's budget, I wish you would call attention to all funds that have been impounded. Mr. Ash said the other day OMB was not going to use the word "impoundment" any more, but would use the words "put in reserve," I believe was his statement to the full committee the other day. As you describe these programs here, I wish you would point out the money that was impounded last year and reserved this year. Then any effect on the figures that you have that these proposed changes that Mr. Wright is going to make will have, if you would; go ahead and describe it in your own way.

[The information requested follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Amounts of Funds Withheld from Use in USDA Apportionments
(In thousands)

| Agency and Item | Amount withheld from: 1974 Appropriation | Funds Appropriated in prior year |
|---|---|---|
| Agricultural Research Service - | | |
| Principally construction of facilities at Akron, Colorado ($750,000) and Beckley, W.Va.,($700,000) .. | - - | $1,520 |
| Animal and Plant Health Inspection Service - | | |
| Balance of Contingency Fund available for outbreaks of insects, plant diseases, and animal diseases .... | $378 | - - |
| Animal Quarantine Facility (Funds provided for moving quarantine facility from Clifton, N.J. Balance to be released upon availability of suitable location). | - - | 64 |
| Extension Service - | | |
| Nutrition education program ..... | 3,200 | - - |
| Agricultural Stabilization and Conservation Service - | | |
| Salaries and Expenses - Due to decrease in workload . | 2,619 | - - |
| Water Bank Act ..... | - - | 11,645 |
| Rural Environmental Assistance Program - | | |
| - 1974 Crop Year funds expire for obligations on December 31, 1974 ..... | a/ 85,000 | - - |
| Emergency Conservation Measures ..... | - - | 10,000 |
| Cropland Adjustment Program (Funds not needed to meet contract requirements) ..... | 1,600 | - - |
| Commodity Credit Corporation: | | |
| Administrative Expense Limitation ..... | 269 | - - |
| Agricultural Marketing Service - | | |
| Perishable Agricultural Commodities Act Fund ..... | 130 | 140 |
| Marketing services funded by producers ..... | - - | 1,101 |
| Soil Conservation Services - | | |
| River Basin Survey and Investigations ..... | - - | 59 |
| Watershed Planning ..... | - - | 535 |
| Watershed and Flood Prevention Operations ..... | - - | 17,454 |
| Resource Conservation and Development ..... | - - | 4,439 |
| Farmers Home Administration - | | |
| Mutual and Self-help housing ..... | 168 | 832 |
| Rural water and waste disposal grants ..... | - - | b/ 120,304 |
| Rural Electrification Administration | | |
| Balance of Funds for direct 2% electric and telephone loan programs ..... | - - | 455,635 |
| Foreign Agricultural Service - | | |
| Special foreign currency appropriations ..... | - - | 1,240 |
| Subtotal, Agriculture Appropriation Act ..... | 93,364 | 624,968 |
| Forest Service - | | |
| Forest protection and utilization - Cooperative law enforcement funds required for 1975 ..... | 2,072 | - - |
| Forest roads and trails ..... | - - | 474,637 |
| Youth Conservation Corps (Fund for last half of summer program in 1974) ..... | 3,107 | - - |
| Expenses, Brush Disposal ..... | - - | 21,554 |
| Forest fire prevention ..... | - - | 109 |
| Construction and land acquisition (Recreation facilities in West Virginia and Missouri) ..... | 1,315 | - - |
| TOTAL ..... | 99,858 | 1,121,268 |

a/ Includes $15 million to be provided by transfer from the Environmental Protection Agency.
b/ 1974 Appropriation Act provides for use of 1973 balance of $120,000,000.

NOTE: REA insured loans have been apportioned at the $618 million level for electric and $140 million for telephone loans. Due to the indefinite nature of the authorization, no funds are withheld from use.

Mr. WHITTEN. I would like you to insert in the record a tabulation of funds currently being held in reserve, impounded, not allocated, or not otherwise immediately available for program expenditure, indicating the 1974 appropriation, the carryover if any, the amount reserved, and a brief statement as to why they have been reserved.

[The information requested follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Amounts Withheld From 1974 Appropriations and Carryover Balances

(Dollars in Thousands)

| Agency and Account | Amount Appropriated in 1974 | Amount Carried Forward From Prior Years | Total Appropriations Available | Amount Apportioned For Use | Amount Apportioned in Reserve |
|---|---|---|---|---|---|
| Agricultural Research Service: | | | | | |
| Construction | - - | $1,520 | $1,520 | - - | $1,520 1/ |
| Animal and Plant Health Inspection Service | $285,925 | - - | 285,925 | 285,547 | 378 2/ |
| Animal Quarantine Facility | 100 | 94 | 194 | 130 | 64 3/ |
| Extension Service | 204,073 | - - | 204,073 | 200,873 | 3,200 4/ |
| Agricultural Stabilization and Conservation Service: | | | | | |
| Salaries and Expenses | 169,235 | - - | 169,235 | 166,616 | 2,619 5/ |
| Emergency Conservation Measures | 10,000 | 20,431 | 30,431 | 20,431 | 10,000 6/ |
| Cropland Adjustment Program | 51,900 | - - | 51,900 | 50,300 | 1,600 7/ |
| Rural Environmental Conservation Program | 175,000 | - - 8/ | 175,000 | 90,000 | 85,000 |
| Water Bank Program | 10,000 | 11,652 | 21,652 | 10,006 | 11,645 |
| Commodity Credit Corporation: | | | | | |
| Administrative Expense Limitation | 39,900 | - - | 39,900 | 39,631 | 269 5/ |
| Agricultural Marketing Service: | | | | | |
| Perishable Agricultural Commodities Act | 1,325 | 140 | 1,465 | 1,195 | 270 |
| Marketing Services funded by producers | - - | 1,223 | 1,223 | 122 | 1,101 |
| Soil Conservation Service: | | | | | |
| River Basin Surveys and Investigations | 12,351 | 1,302 | 13,653 | 13,594 | 59 |
| Watershed Planning | 10,000 | 1,303 | 11,303 | 10,768 | 535 |
| Watershed and Flood Prevention Operations | 134,000 | 49,902 | 183,902 | 166,448 | 17,454 |
| Resource Conservation and Development | 17,217 | 11,111 | 28,328 | 23,889 | 4,439 |
| Farmers Home Administration: | | | | | |
| Mutual and Self-Help Housing | 4,000 | 832 | 4,832 | 3,832 | 1,000 |
| Rural Water and Waste Disposal Grants | 30,000 | 120,304 | 150,304 | 30,000 | 120,304 |
| Rural Electrification Administration | - - | 456,229 | 456,229 | 594 | 455,635 9/ |
| Foreign Agricultural Service: | | | | | |
| Special Foreign Currency Program | - - | 2,240 | 2,240 | 1,000 | 1,240 |
| Forest Service: | | | | | |
| Forest Protection and Utilization (Cooperative law enforcement funds). | 2,527 | 3,391 | 5,918 | 3,846 | 2,072 10/ |
| Forest Roads and Trails | 325,469 | 279,383 | 604,852 | 130,215 | 474,637 |
| Youth Conservation Corps | 10,000 | - - | 10,000 | 6,893 | 3,107 11/ |
| Expenses, Brush Disposal | 23,000 | 23,554 | 46,554 | 25,000 | 21,554 |
| Forest Fire Prevention | 250 | 134 | 384 | 275 | 109 |
| Construction and Land Acquisition | 26,443 | 26,818 | 53,261 | 51,946 | 1,315 12/ |

NOTE: -- Final decisions are pending on 1974 REAP and Water Bank programs.

1/ Principally construction of facilities at Akron, Colorado ($750,000) and Beckley, W.Va. ($700,000).
2/ Balance of Contingency Fund available for outbreaks of insects, plant diseases, and animal diseases.
3/ Funds provided for moving quarantine facility from Clifton, New Jersey. Balance to be released upon availability of suitable location.
4/ Nutrition education program.
5/ Due to drop in workload.
6/ In reserve to meet emergencies.
7/ Funds not needed to meet contract requirements.
8/ Initial reserve included $210,500,000 representing the balance of 1973 crop year program which expired for obligation on December 31, 1973. Currently a final court decision is pending on the 1973 program.
9/ Represents balance of funds provided for Direct Loans in fiscal year 1973. REA program is currently being carried out through insured and guaranteed loans. A small amount has been released based upon a Court Order which is being appealed.
10/ Will be used in fiscal year 1975.
11/ Funds for last half of summer program in 1974.
12/ Recreation facilities in West Virginia and Missouri.

COURT DECISION ON IMPOUNDMENT

Mr. WHITTEN. Various court actions have been instituted during the past year to force the Department to release impounded funds or to reactivate terminated programs. Could I have your general comments on the Department's experience in this connection.

Mr. MILES. In the past year, we were directly involved in seven cases which might be considered impoundment cases. We lost six and released the impounded funds shortly after suit was filed in the seventh. The program areas involved included FHA emergency and interest credit, loans and farm labor housing grants, REAP payments, REA electric loans, and food stamp and women, infants, and children funds.

Mr. WHITTEN. Insert in the record a tabulation of each instance of litigation in this respect and indicate the current status of action taken by the Department to comply with the decision of the courts.

Mr. MILES. I will be happy to do that.

[The tabulation follows:]

IMPOUNDMENT CASES

FHA—3 CASES

1. *Berends* v. *Butz*, 357 F. Supp. 143 (D. Minn. 1973). Termination of emergency loan program by Secretary of Agriculture after his designation of 15-county area of Minnesota as disaster area held to be unlawful; that is, in violation of statute, regulations, and due process. FHA resumed accepting loan applications in compliance with court's order. Amount involved is estimated to have been a few million dollars.

2. *Pealo* v. *Farmers Home Administration*, 361 F. Supp. 1320 (D. D.C. 1973). Termination by Secretary of interest credit loan program under Housing Act of 1949 held unlawful. USDA has appealed the case but, in the meantime, is accepting and processing interest credit loans. Amount involved for fiscal year 1973 was an estimated $165 million.

3. *United Farmworkers of Florida Housing Projects, Inc.* v. *Farmers Home Administration* (Civil Action No. 74–89, D. D.C. 1974). Plaintiffs brought suit in January seeking release of $9.1 million reserved out of $10.1 million appropriated for farm labor housing grants. OMB has released the funds and USDA has entered into consent order thus terminating the litigation.

REA—1 CASE

1. *Sioux Valley Empire Electric Association Inc.* v. *Earl L. Butz* (Civ. 73–4020, D. S.D. 1973). USDA substitution of insured or guaranteed loans at 5 percent interest under Rural Development Act for direct loans at 2 percent interest under Rural Electrification Act held unlawful. USDA ordered to grant $599,000 loan at 2 percent to plaintiff. USDA has complied with that order and has made loan, conditional upon increase of interest rate to 5 percent if appeal prosecuted and successful. Question of whether or not to appeal presently under consideration. Approximately $400 million appropriated for 2 percent direct loan program for fiscal year 1973 remains unobligated.

REAP—1 CASE

1. *Augusto Guadamuz* v. *Roy L. Ash* (civil action No. 155–73, D. D.C.). USDA termination of 1973 rural environmental assistance program after only $5 million obligated held unlawful and USDA ordered last month to reinstate program. USDA is issuing revised regulations and will shortly begin accepting applications for payments under the program. Congress authorized obligation of necessary amounts up to $225.5 million for the program. However, a total of $140 million was apportioned.

FOOD STAMP—1 CASE

1. *Bennett* v. *Butz* (civil action No. 4–73, Civ. 258, D. Minn.). In this suit, which is still pending, plaintiffs challenge USDA administration of food stamp program on grounds that allocation of funds insufficient to provide nutritionally ade-

quate diet and also that USDA has failed to pursue a vigorous outreach program. Pursuant to order of the court, USDA has pro forma obligated some $300 million in food stamp appropriations unspent at end of fiscal year 1973.

WIC—1 CASE

1. *Judy Jo Dotson* v. *Earl L. Butz* (civil action No. 1210–73. D. D.C.). In this suit, which is still pending, plaintiffs attack delay in implementation of special supplemental feeding program for women, infants, and children (WIC); $20 million appropriated but unspent for program in fiscal year 1973 has been pro forma obligated and carried forward into fiscal year 1974 by order of court.

SUMMARY OF USDA BUDGET

Mr. MILES. Mr. Chairman, the first thing I might describe is what we have in this set of materials. The first table is a one-page attempt to summarize the major changes in the Department's 1975 budget.

Following that is a major detailed table which goes into each individual item of change for each agency in the event any of the members would like to look at the more detailed table and ask questions about it.

Then there are a number of other tables behind this second table which I would like to go over with the committee because in some cases when we talk about changes in budget authority, as you know, Mr. Chairman, it does not describe very well the program that we are asking the Congress to act on.

[The tables referred to follows:]

## SUMMARY OF 1975 BUDGET ESTIMATES

| | |
|---|---|
| 1974 appropriations enacted to date | $9,129,448,000 |
| Adjustment for transfers to GSA for space rental | -686,000 |
| Proposed 1974 supplemental appropriations for pay increases | +49,765,000 |
| 1974 adjusted appropriations | 9,178,527,000 |
| 1975 request | 12,464,733,100 |
| Increase requested | 3,286,206,100 |

* * * * * * * * * * *

### Summary of Major Changes

| | |
|---|---|
| Annualization of October 1973 pay increase | +$13,957,000 |
| GSA space rental costs | +36,895,400 |
| Agricultural Research Service | +17,608,000 |
| Animal and Plant Health Inspection Service | +84,364,000 |
| Cooperative State Research Service | +8,443,000 |
| Extension Service | +3,605,000 |
| Public Law 480 | +224,835,000 |
| Conservation Cost-Sharing Programs: | |
| Rural Environmental Program | +118,800,000 |
| Agricultural Conservation Program | -160,000,000 |
| Emergency Conservation Measures | -10,000,000 |
| Water Bank | -10,000,000 |
| Great Plains | -18,172,000 |
| Commodity Credit Corporation | +947,472,000 |
| Farmers Home Administration: | |
| Insured loan accounts | +463,576,000 |
| Water and waste disposal grants | -30,000,000 |
| Grants for domestic farm labor housing | -7,500,000 |
| Grants for mutual and self-help housing | -4,000,000 |
| Salaries and expenses | +2,750,000 |
| Soil Conservation Service (except Great Plains program) | +8,532,000 |
| Food and Nutrition Service: | |
| Child nutrition | +79,951,000 |
| Special milk | +22,843,000 |
| Food stamp | +1,487,966,000 |
| All other | +4,280,700 |
| Total | +3,286,206,100 |

UNITED STATES DEPARTMENT OF AGRICULUTRE

Summary of New Budget (Obligational) Authority--Budget Estimates, 1975 Compared with 1974

(NOTE--Amounts in the "1974 Adjusted" column include supplemental appropriations enacted and are adjusted for comparability with the appropriation structure proposed in the 1975 Budget Estimates. Amounts in parentheses are not included in the totals.)

| Agency or Item | 1974 Adjusted | 1975 Budget Estimates | Budget Estimate Compared with 1974 Adjusted | Remarks | |
|---|---|---|---|---|---|
| DEPARTMENTAL MANAGEMENT: | | | | | |
| Departmental Administration: | | | | | |
| Office of the Secretary | $11,561,100 | $14,054,100 | +$2,493,000 | Pay cost annualization | +$113,000 |
| | | | | GSA space costs | +922,000 |
| | | | | Increased postage, printing, telecommunications | +319,000 |
| | | | | USDA Bicentennial projects | +532,000 |
| | | | | Representatives for Federal Regional Councils | +436,000 |
| | | | | Contract compliance | +171,000 |
| | | | | Total | +2,493,000 |
| Audit and investigations | 15,485,000 | 16,821,000 | +1,336,000 | Pay cost annualization | +194,000 |
| Transfer from Food Stamp program | (4,534,000) | (5,081,000) | (+547,000) | GSA space costs | +689,000 |
| Total, Audit and investigations | (20,019,000) | (21,902,000) | (+1,883,000) | Contracts and agreements with audit organizations (+$500,000 transfer from Food Stamp program) | +1,000,000 |
| | | | | Total | +1,883,000 |
| Office of the General counsel | 7,238,000 | 7,839,000 | +601,000 | Pay cost annualization | +81,000 |
| | | | | GSA space costs | +520,000 |
| | | | | Total | +601,000 |
| Office of Management Services | 3,712,300 | 4,037,300 | +325,000 | Pay cost annualization | +57,000 |
| | | | | GSA space costs | +268,000 |
| | | | | Total | +325,000 |
| Total, Departmental Administration (appropriation) | 37,996,400 | 42,751,400 | +4,755,000 | | |
| Transfer from Food Stamp program | (4,534,000) | (5,081,000) | (+547,000) | | |
| Total, Departmental Administration | (42,530,400) | (47,832,400) | (+5,302,000) | | |
| SCIENCE AND EDUCATION: | | | | | |
| Agricultural Research Service: | | | | | |
| Agricultural Research Service | 188,126,400 | 204,994,000 | +16,867,600 | Pay cost annualization | +2,222,000 |
| Transfer from Section 32 | (15,000,000) | (15,000,000) | (- -) | GSA space costs | +2,037,600 |
| Special Fund (Reappropriation) | 2,000,000 | (2,000,000) | -2,000,000 | Construction of Beltsville Waste Treatment Facility | +1,400,000 |
| Total | (205,126,400) | (219,994,000) | (+14,867,600) | Clay Center, Neb. (Meat research lab, phase II) | +5,020,000 |
| | | | | Research: | |
| | | | | Improved oil crops | +311,000 |
| | | | | Reducing costs of red meats | +3,112,000 |
| | | | | Genetic vulnerability of crops | +664,000 |
| | | | | Control of nitrogen nutrition in crops | +311,000 |
| | | | | Nutrient composition of foods | +576,000 |
| | | | | Food and Nutrition research | +695,000 |
| | | | | Food consumption and dietary levels survey | +208,000 |
| | | | | Control of water erosion and sedimentation | +311,000 |
| | | | | Total | +16,867,600 |
| Scientific Activities Overseas (Special Foreign Currency Program) | 5,000,000 | 10,000,000 | +5,000,000 | | |
| Animal and Plant Health Inspection Service | 303,523,000 | 394,769,000 | +91,246,000 | Pay cost annualization | +2,842,000 |
| | | | | GSA space costs | +4,040,000 |
| | | | | CCC repayment (Newcastle indemnities) | +10,900,000 |
| | | | | CCC repayment (Newcastle and hog cholera) | +52,000,000 |
| | | | | Meat and poultry inspection | +5,915,000 |
| | | | | Screwworm eradication | +3,887,000 |
| | | | | Veterinary biologics lab | +2,600,000 |
| | | | | Foot and mouth disease -- Darien Gap | +1,962,000 |
| | | | | Boll weevil | +100,000 |
| | | | | Total | +91,246,000 |

| Agency or Item | 1974 Adjusted | 1975 Budget Estimates | Budget Estimate Compared with 1974 Adjusted | Remarks | |
|---|---|---|---|---|---|
| SCIENCE AND EDUCATION: Cont'd | | | | | |
| Cooperative State Research Service | 90,105,300 | 98,701,300 | +8,596,000 | Pay cost annualization | +30,000 |
| | | | | GSA space costs | +123,000 |
| | | | | Payments to agricultural experiment stations under the Hatch Act: | |
| | | | | Research programs (increased costs of conducting research) | +4,013,000 |
| | | | | Federal administration (3%) | +124,000 |
| | | | | Increased costs of conducting research at 1890 Colleges and Tuskegee Institute | +653,000 |
| | | | | Research on environmental quality | +1,000,000 |
| | | | | Food and nutrition research | +1,000,000 |
| | | | | Research on beef and pork production | +1,000,000 |
| | | | | Soybean research | +100,000 |
| | | | | Pest management | +200,000 |
| | | | | Cooperative forestry research | +146,000 |
| | | | | Penalty mail | -23,000 |
| | | | | Total | +8,596,000 |
| Extension Service | 204,073,000 | 208,063,000 | +3,990,000 | Pay cost annualization | +5,[illegible] |
| | | | | GSA space costs | +332,[illegible] |
| | | | | Payments for Cooperative Extension work under Section 3(b) and (c) of the Smith-Lever Act | +7,615,000 |
| | | | | Retirement and Employees' Compensation Fund costs | +850,000 |
| | | | | 1890 Land-Grant Colleges and Tuskegee Institute | +260,000 |
| | | | | Pest management | +1,180,000 |
| | | | | Farm safety | +1,020,000 |
| | | | | District of Columbia | +35,000 |
| | | | | Penalty mail | -4,463,000 |
| | | | | Nutrition education program | -2,892,000 |
| | | | | Total | +3,990,000 |
| National Agricultural Library | 4,468,750 | 4,858,750 | +390,000 | Pay cost annualization | +38,000 |
| | | | | GSA space costs | +152,000 |
| | | | | Acquisition and preservation of agricultural materials | +200,000 |
| | | | | Total | +390,000 |
| AGRICULTURAL ECONOMICS: | | | | | |
| Statistical Reporting Service | 24,074,200 | 26,938,000 | +2,863,800 | Pay cost annualization | +239,300 |
| | | | | GSA space costs | +1,213,800 |
| | | | | Cattle and hog multiframe surveys | +754,700 |
| | | | | Export sales program | +463,000 |
| | | | | Remote sensing | +193,000 |
| | | | | Total | +2,863,800 |
| Economic Research Service | 19,638,100 | 21,831,000 | +2,192,900 | Pay cost annualization | +168,900 |
| | | | | GSA space costs | +792,000 |
| | | | | Rural transportation study | +100,000 |
| | | | | Forecast improvements | +513,000 |
| | | | | Cost of producing wheat, feed grains, cotton, and milk | +894,000 |
| | | | | Benefit/cost analysis of predator controls | -275,000 |
| | | | | Total | +2,192,900 |
| MARKETING SERVICES: | | | | | |
| Agricultural Marketing Service: | | | | | |
| Marketing Services | 37,064,000 | 39,915,000 | +2,851,000 | Pay cost annualization | +319,000 |
| | | | | GSA space costs | +2,524,000 |
| | | | | Market news service | +305,000 |
| | | | | Federal Seed Act | +130,000 |
| | | | | Equipment and supplies for National Seed Testing Laboratory | +54,000 |
| | | | | Plant Variety Protection Act | +55,000 |
| | | | | Transportation services | +10,000 |
| | | | | Agricultural product grading | +104,000 |
| | | | | Administration of State payments | -150,000 |
| | | | | Egg and egg products inspection | -500,000 |
| | | | | Total | +2,851,000 |
| Transfer from Commodity Credit Corporation | (5,003,000) | (5,146,000) | (+143,000) | Pay cost annualization | (+45,000) |
| | | | | GSA space costs | (+98,000) |
| | | | | Total, Transfer from CCC | (+143,000) |
| Payments to States and possessions | 1,600,000 | - - | -1,600,000 | Budget proposes discontinuance of this cooperative marketing program. | |

| Agency or Item | 1974 Adjusted | 1975 Budget Estimates | Budget Estimate Compared with 1974 Adjusted | Remarks | |
|---|---|---|---|---|---|
| MARKETING SERVICES: Cont'd | | | | | |
| Commodity Exchange Authority | 3,459,000 | 4,309,000 | +850,000 | Pay cost annualization | +42,000 |
| | | | | GSA space costs | +204,000 |
| | | | | Supervise commodity futures markets and handle increased number of complaints | +604,000 |
| | | | | Total | +850,000 |
| Packers and Stockyards Administration | 4,322,650 | 4,625,650 | +303,000 | Pay cost annualization | +57,000 |
| | | | | GSA space costs | +143,000 |
| | | | | Livestock marketing practices | +103,000 |
| | | | | Total | +303,000 |
| Farmer Cooperative Service | 2,229,200 | 2,354,000 | +124,800 | Pay cost annualization | +27,000 |
| | | | | GSA space costs | +97,800 |
| | | | | Total | +124,800 |
| INTERNATIONAL PROGRAMS: | | | | | |
| Foreign Agricultural Service | 27,986,000 | 29,034,000 | +1,048,000 | Pay cost annualization | +157,000 |
| Transfer from Section 32 | (3,117,000) | (3,117,000) | (- -) | GSA space costs | +557,000 |
| Transfer from Commodity Credit Corporation | (3,839,000) | (3,629,000) | (-210,000) | Overseas inflation and realignment from EMS transfer | +334,000 |
| Total | (34,933,000) | (35,771,000) | (+838,000) | Total | +1,048,000 |
| | | | | Pay cost annualization | (+129,000) |
| | | | | GSA space costs | (+197,000) |
| | | | | Foreign marketing | (-537,000) |
| | | | | Total, Transfer from CCC | (-210,000) |
| Public Law 480: | | | | | |
| Sales for foreign currencies and long-term credit (Title I program level) | 765,793,000 | 739,250,000 | -26,543,000 | Shipment of commodities | -37,043,000 |
| | | | | Ocean transportation | +10,500,000 |
| | | | | Total, Title I | -26,543,000 |
| Disposition of commodities abroad (Title II program level) | 328,916,000 | 242,440,000 | -86,476,000 | Shipment of commodities | -73,065,000 |
| Changes in prior year balances and costs | -541,071,000 | -203,217,000 | +337,854,000 | Ocean transportation | -13,411,000 |
| Total, Public Law 480 | 553,638,000 | 778,473,000 | +224,835,000 | Total, Title II | -86,476,000 |
| COMMODITY PROGRAMS: | | | | | |
| Agricultural Stabilization and Conservation Service: | | | | | |
| Salaries and Expenses | 166,651,000 | 172,867,000 | +6,216,000 | Pay cost annualization | +1,589,000 |
| Transfer from Commodity Credit Corporation | (78,128,000) | (84,115,000) | (+5,987,000) | GSA space costs | +4,845,000 |
| | | | | Decrease in workload | -218,000 |
| | | | | Total, Appropriations | +6,216,000 |
| | | | | Pay cost annualization | (+3,077,000) |
| | | | | GSA space costs | (+2,175,000) |
| | | | | Restoration of CCC contingency reserve | (+2,735,000) |
| | | | | Total, transfer from Commodity Credit Corporation | (+5,987,000) |
| Sugar Act Program | 88,500,000 | 90,200,000 | +1,700,000 | | |
| Cropland Adjustment Program | 50,301,000 | 48,601,000 | -1,700,000 | | |
| Dairy and Beekeeper Indemnity Program | - - | 1,850,000 | +1,850,000 | | |
| Rural Environmental Assistance Program | 180,000,000 | - - | -180,000,000 | | |
| Transfer from Environmental Protection Agency | (13,000,000) | (- -) | (-13,000,000) | | |
| Total, Rural Environmental Assistance Program | (193,000,000) | (- -) | (-193,000,000) | | |
| Water Bank Act Program | 10,000,000 | - - | -10,000,000 | Programs funded under new Rural Environmental Conservation Programs in 1975 Budget | |
| Emergency Conservation Measures | 10,000,000 | - - | -10,000,000 | | |
| Rural Environmental Programs | - - | 118,800,000 | +118,800,000 | | |
| CORPORATIONS: | | | | | |
| Federal Crop Insurance Corporation: | | | | | |
| Administrative and Operating Expenses | 11,994,000 | 12,000,000 | +6,000 | Pay cost annualization | (+172,000) |
| Expenses payable from premium income | (4,640,000) | (5,818,000) | (+1,178,000) | GSA space costs | (+512,000) |
| | | | | Expansion of insurance program to 25 new counties | (+500,000) |
| | | | | Total | (+1,184,000) |
| Commodity Credit Corporation: | | | | | |
| Reimbursement for net realized losses | 3,301,940,000 | 4,249,412,000 | +947,472,000 | | |
| Limitation on administrative expenses | (39,900,000) | (42,200,000) | (+2,300,000) | | |
| RURAL DEVELOPMENT: | | | | | |
| Rural Development Service | 881,000 | 1,300,000 | +419,000 | Pay cost annualization | +21,000 |
| | | | | GSA space costs | +58,000 |
| | | | | Annualization of 1974 supplemental for Federal Regional Council support | +340,000 |
| | | | | Total | +419,000 |

| Agency or Item | 1974 Adjusted | 1975 Budget Estimates | Budget Estimate Compared with 1974 Adjusted | Remarks |
|---|---|---|---|---|
| RURAL DEVELOPMENT: Cont'd | | | | |
| Rural Electrification Administration: | | | | |
| Electric Loans: | | | | |
| Insured loan level | (618,000,000) | (618,000,000) | (- - ) | |
| Guaranteed loan level | (1,005,000,000) | (1,386,000,000) | (+381,000,000) | |
| Telephone Loans: | | | | |
| Insured loan level | (140,000,000) | (140,000,000) | (- -) | |
| Rural Telephone Bank | (30,000,000 | (30,000,000 | (- -) | Estimated loan levels: $150,000,000 in 1974 and $160,000,000 in 1975. |
| Salaries and Expenses | 17,489,000 | 19,116,000 | +1,627,000 | Pay cost annualization ..... 741,000<br>GSA space costs ..... 786,000<br>Increased operating costs ..... 100,000<br>Total ..... +1,627,000 |
| Farmers Home Administration: | | | | |
| Rural Housing Insurance Fund: | | | | |
| Direct loans | (10,000,000) | (20,000,000) | (+10,000,000) | Estimated housing loan levels are as follows: (In millions) |
| Insured housing loans | (2,144,000,000) | (2,122,000,000) | (-22,000,000) | |
| Reimbursement for losses | 89,170,000 | 124,592,000 | +35,422,000 | |
| Agricultural Credit Insurance Fund: | | | | |
| Reimbursement for losses | 74,554,000 | 485,262,000 | +410,708,000 | |
| Rural Development Insurance Fund | (720,000,000) | (1,000,000,000) | (+480,000,000) | Estimated insured loans are as follows: (In millions) |
| Reimbursement for losses | - - | 17,446,000 | +17,446,000 | |
| Rural Water and Waste Disposal Grants | 30,000,000 | - - | -30,000,000 | Water and sewer grants (program level) ..... 1974 $30.0 / 1975 $20.0<br>(1974 Act provided $150 million, $120 million from prior year balances, to remain available until expended, therefore no new funds are required to support 1975 program.) |
| Rural development grants | 10,000,000 | 10,000,000 | - - | |
| Rural housing for domestic farm labor | 7,500,000 | - - | -7,500,000 | Estimated program level for 1974 is $10,081,000 and zero in 1975. |
| Mutual and self-help housing | 4,000,000 | - - | -4,000,000 | |
| Salaries and Expenses | 120,612,000 | 129,112,000 | +8,500,000 | Pay cost annualization ..... +1,480,000<br>GSA space costs ..... +4,270,000<br>Reduction for non-metropolitan planning ..... -370,000<br>Program increase ..... +3,120,000<br>Total ..... +8,500,000 |

| Subsidized housing assistance: | 1974 | 1975 |
|---|---|---|
| Low income housing | $1,190.0 | $1,136.0 |
| Rural rental housing | 100.0 | 100.0 |
| Farm labor housing | 10.0 | - - |
| Subtotal | 1,300.0 | 1,236.0 |
| Unsubsidized housing assistance: | | |
| Low income housing | 88.0 | 93.0 |
| Moderate income housing | 707.0 | 744.0 |
| Rural housing site loans | 5.0 | 3.0 |
| Rural rental housing | 44.0 | 46.0 |
| Subtotal | 844.0 | 886.0 |
| Total | 2,144.0 | 2,122.0 |

| Estimated insured loans are as follows: (In millions) | 1974 | 1975 |
|---|---|---|
| Farm ownership loans | $340.0 | $340.0 |
| Nonfarm enterprise loans | 10.0 | 10.0 |
| Operating loans | 525.0 | 350.0 |
| Soil and water loans | 4.0 | 4.0 |
| Recreation loans | 2.0 | 2.0 |
| Emergency loans | 300.0 | 100.0 |
| Grazing loans | 4.0 | 4.0 |
| Indian land acquisition loans | 10.0 | 10.0 |
| Loans for SCS programs | 24.0 | 24.0 |

| Estimated insured loans are as follows: (In millions) | 1974 | 1975 |
|---|---|---|
| Water and sewer loans | $470.0 | $400.0 |
| Community facility loans | 50.0 | 200.0 |
| Rural industrialization loans | 200.0 | 400.0 |
| Total | 720.0 | 1,000.0 |

| Agency or Item | 1974 Adjusted | 1975 Budget Estimates | Budget Estimate Compared with 1974 Adjusted | Remarks | | |
|---|---|---|---|---|---|---|
| **ENVIRONMENTAL PROGRAMS:** | | | | | | |
| Soil Conservation Service: | | | | Estimated program levels are as follows: (In millions) | 1974 | 1975 |
| | | | | Conservation Operations | $172.4 | $192.8 |
| | | | | River Basin Surveys and Investigations | 13.6 | 14.2 |
| | | | | Watershed Planning | 10.8 | 11.3 |
| | | | | Watershed and Flood Prevention Operations | 138.0 * | 140.3 |
| | | | | Great Plains Conservation Program | 18.3 | - - |
| | | | | Resource Conservation and Development | 23.8 | 24.3 |
| | | | | * Excludes non-recurring Section 216 emergency measures of $28.4 million. | | |
| Conservation Operations | 165,323,000 | 192,826,000 | +27,503,000 | Pay cost annualization | +2,132,000 | |
| | | | | GSA space costs | +7,085,000 | |
| | | | | Soil surveys | -184,000 | |
| | | | | Technical programming, installation services and snow surveys | +18,182,000 | |
| | | | | Operation of plant materials centers | +218,000 | |
| | | | | Total | +27,503,000 | |
| River Basin Surveys and Investigations | 12,341,000 | 14,167,000 | +1,826,000 | Pay cost annualization | +179,000 | |
| | | | | GSA space costs | +464,000 | |
| | | | | Program increase | +1,183,000 | |
| | | | | Total | +1,826,000 | |
| Watershed Planning | 9,998,000 | 10,800,000 | +802,000 | Pay cost annualization | +155,000 | |
| | | | | GSA space costs | +414,000 | |
| | | | | Small watershed project investigation | +233,000 | |
| | | | | Total | +802,000 | |
| Watershed and Flood Prevention Operations | 133,986,000 | 122,828,000 | -11,158,000 | Pay cost annualization | +393,000 | |
| | | | | GSA space costs | +1,852,000 | |
| | | | | Watershed protection works of improvement | -9,789 000 | |
| | | | | Flood prevention works of improvement | -3,614,000 | |
| | | | | Total | -11,158,000 | |
| Great Plains Conservation program | 18,172,000 | - - | -18,172,000 | Program will be funded under the REP account in 1975. | | |
| Resource Conservation and Development program | 17,204,000 | 19,908,000 | +2,704,000 | Pay cost annualization | +86,000 | |
| | | | | GSA space costs | +385,000 | |
| | | | | Project investigation and planning | +148,000 | |
| | | | | Resource development and technical services | +2,070,000 | |
| | | | | Loan services | +15,000 | |
| | | | | Total | +2,704,000 | |
| **CONSUMER PROGRAMS:** | | | | | | |
| Food and Nutrition Service: | | | | | | |
| Child Nutrition programs (Direct appropriation) | 561,583,000 | 642,029,000 | +80,446,000 | Pay cost annualization | +110,000 | |
| | | | | GSA space costs | +385,000 | |
| | | | | Cash payments to States: | | |
| | | | | School lunch program (including annualization of 1974 supplemental) | +72,000,000 | |
| | | | | Special assistance | +490,960,000 | |
| | | | | School breakfast (including annualization of 1974 supplemental) | +17,000,000 | |
| | | | | Non-food assistance | -110,000 | |
| | | | | State administrative expenses | +5,200,000 | |
| | | | | Operating expenses | +1,396,000 | |
| | | | | Total | +586,741,000 | |
| Transfer from Section 32 | (199,631,000) | (705,926,000) | (+506,295,000) | | | |
| Special Milk Program | 97,123,000 | 120,000,000 | +22,877,000 | Pay cost annualization | +6,000 | |
| | | | | GSA space costs | +28,000 | |
| | | | | Cash payments to States | +22,843,000 | |
| | | | | Total | +22,877,000 | |
| Food Stamp Program | 2,495,367,000 | 3,984,919,000 | +1,489,552,000 | Pay cost annualization | +435,000 | |
| Transfer to Departmental Administration | 4,534,000 | 5,081,000 | +547,000 | GSA space costs | +1,698,000 | |
| Total, Food Stamp Program | 2,499,901,000 | 3,990,000,000 | +1,490,099,000 | Annualization of 1974 supplemental | +500,000,000 | |
| | | | | Program costs | +981,698,000 | |
| Total USDA, included under Agriculture, Environmental and Consumer Programs | 9,178,527,000 | 12,464,733,100 | +3,286,206,100 | Operating expenses | +5,721,000 | |
| | | | | Total | +1,489,552,000 | |

Rural Environmental Cost-Share Programs
Annual Program Levels and Deferred Commitments
Fiscal Years 1973 - 1975
(In thousands)

| | 1973 | 1974 Current Year Obligations | 1974 Deferred Commitments | 1975 Current Year Obligations | 1975 Deferred Commitments |
|---|---|---|---|---|---|
| SOIL AND WATER CONSERVATION: | | | | | |
| Agricultural Conservation Program (REAP): | | | | | |
| Annual agreements | $26,656 | $63,450 | - - | - - | - - |
| Long-term agreements | - - | 11,250 | $33,750 | - - | - - |
| Great Plains Conservation Program: | | | | | |
| Long-term agreements | 12,573 | 12,300 | - - | - - | - - |
| Rural Environmental Program: | | | | | |
| Annual agreements | - - | - - | - - | $70,577 | - - |
| Long-term agreements: | | | | | |
| Payments on prior year agreements | - - | - - | - - | 11,250 | - - |
| Payments on new agreements | - - | - - | - - | 15,075 | $45,200 |
| Total, Soil and Water Conservation | 39,229 | 87,000 | 33,750 | 96,902 | 45,200 |
| TIMBER INCENTIVES: | | | | | |
| Agricultural Conservation Program (REAP) | - - | 14,000 | - - | - - | - - |
| Rural Environmental Program | - - | - - | - - | 25,000 | - - |
| RECREATION AND WILDLIFE: | | | | | |
| Water Bank Program | 7,656 | 9,000 | - - | - - | - - |
| Rural Environmental Program | - - | - - | - - | 900 | 8,100 |
| EMERGENCY MEASURES: | | | | | |
| Emergency Conservation Measures | 17,470 | 22,700 | - - | - - | - - |
| Rural Environmental Program | - - | - - | - - | 15,400 | - - |
| Total | 64,355 | 132,700 | 33,750 | 138,202 | 53,300 a/ |

a/ Total deferred commitments from 1974 and 1975 agreements outstanding at the end of 1975 will be $75.8 million.

February 23, 1974

UNITED STATES DEPARTMENT OF AGRICULTURE

Soil Conservation Service
(Dollars in Thousands)

| | Conservation Operations | River Basin Surveys and Investigations | Watershed Planning | Watershed and Flood Prevention (Excluding Supplementals) | Great Plains Conservation Program | Resource Conservation and Development | Subtotal | Section 216 Supplementals | Total, Soil Conservation Service |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year 1974: | | | | | | | | | |
| Appropriations (Adjusted) | $159,866 | $12,341 | $9,998 | $133,986 | $18,172 | $17,204 | $351,567 | - - | $351,567 |
| Carryover Balances | 7,086 | 1,303 | 1,303 | 21,505 | 152 | 11,111 | 42,460 | $28,397 | 70,857 |
| Total Available | 166,952 | 13,644 | 11,301 | 155,491 | 18,324 | 28,315 | 394,027 | 28,397 | 422,424 |
| Current Program Level (Excluding pay cost increases) | 159,866 | 12,760 | 9,998 | 133,986 | 17,907 | 22,987 | 357,504 | 28,397 | 385,901 |
| Pay Cost Increases | 12,543 | 824 | 768 | 4,051 | 417 | 889 | 19,492 | - - | 19,492 |
| Current Program Level, Total | 172,409 | 13,584 | 10,766 | 138,037 | 18,324 | 23,876 | 376,996 | 28,397 | 405,393 |
| Amount in Reserve in 1974 to remain available to finance the 1975 program | - - | 60 | 535 | 17,454 | - - | 4,439 | 22,488 | - - | 22,488 |
| Supplemental required in 1974 | 5,457 | - - | - - | - - | - - | - - | 5,457 | - - | 5,457 |
| Fiscal Year 1975: | | | | | | | | | |
| Program level increase | +11,200 a/ | - - | - - | - - | - - | - - | +11,200 | - - | +11,200 |
| Increases approved to continue the 1974 program level: | | | | | | | | | |
| Annualization pay cost increases | +2,132 | +179 | +145 | +393 | - - | +86 | +2,935 | - - | +2,935 |
| GSA Space Costs | +7,085 | +464 | +424 | 1,852 | - - | +385 | 10,210 | - - | 10,210 |
| 1975 Estimate, program level | 192,826 | 14,227 | 11,335 | 140,282 | - - b/ | 24,347 | 383,017 | - - | 383,017 |
| Appropriations required in 1975 | 192,826 | 14,167 | 10,800 | 122,828 | - - | 19,908 | 360,529 | - - | 360,529 |

a/ Program level increase is to provide a direct appropriation for technical assistance for the Rural Environmental Program.

b/ The Great Plains Conservation Program is being discontinued as a separate program. Long-term contracts for soil and water conservation will be offered under the Rural Environmental Program in 1975.

February 1, 1974

FARMERS HOME ADMINISTRATION

Program Levels, 1973 - 1975
(Dollars in Thousands)

| | 1973 Actual | 1974 Current Estimate | 1975 Budget |
|---|---|---|---|
| FARMER PROGRAMS: | | | |
| Farm ownership loans | $408,089 | $350,000 | $350,000 |
| Farm operating loans | 454,620 | 525,000 * | 350,000 |
| Emergency loans | 557,766 | 300,000 | 100,000 |
| Recreation loans to individuals | 1,193 | 1,500 | 1,500 |
| Soil and water loans to individuals | 3,975 | 3,000 | 3,000 |
| Irrigation and drainage association loans | 559 | 1,000 | 1,000 |
| Grazing association loans | 2,450 | 4,000 | 4,000 |
| Indian tribe land acquisition loans | 3,250 | 10,000 | 10,000 |
| Total, Farmer Programs | 1,431,902 | 1,194,500 | 819,500 |
| RURAL HOUSING PROGRAMS: 1/ | | | |
| Subsidized housing assistance ownership (low income): | | | |
| Purchase: | | | |
| New | 758,000 | 500,000 | 400,000 |
| Existing | 91,600 | 568,000 | 586,000 |
| Repair loans | 8,700 | 132,000 | 170,000 |
| Mutual and self-help: | | | |
| Site loans | 9 | 900 | 900 |
| Technical assistance grants | 3,728 | 3,832 | - - |
| Rental (low income): | | | |
| Direct/insured | 72,180 | 100,000 | 100,000 |
| Farm labor: | | | |
| Loans | 10,214 | 10,000 | - - |
| Grants | 1,746 | 10,081 * | - - |
| Subtotal (Subsidized) | 946,177 | 1,324,813 | 1,256,900 |

| | 1973 Actual | 1974 Current Estimate | 1975 Budget |
|---|---|---|---|
| RURAL HOUSING PROGRAMS: (Cont'd) | | | |
| Unsubsidized housing assistance: | | | |
| Ownership: | | | |
| Low income | 190,900 | 88,000 | 93,000 |
| Moderate income: | | | |
| Direct/insured | 691,100 | 671,600 | 694,000 |
| Guaranteed | - - | 35,400 | 50,000 |
| Other site loans | 2,293 | 5,000 | 3,000 |
| Rental: | | | |
| Direct/insured | 32,840 | 42,000 | 43,000 |
| Guaranteed | - - | 2,000 | 3,000 |
| Subtotal (Unsubsidized) | 917,133 | 844,000 | 886,000 |
| Total, Rural Housing Programs | 1,863,310 | 2,168,813 | 2,142,900 |
| COMMUNITY PROGRAMS: | | | |
| Water and waste disposal loans | 399,995 | 470,000 | 400,000 |
| Community facilities loans | - - | 50,000 | 200,000 |
| Business and industrial development loans | - - | 200,000 | 400,000 |
| Recreation association loans | 484 | 500 | 500 |
| Watershed protection loans | 19,964 | 20,000 | 20,000 |
| Flood prevention loans | - - | 400 | 400 |
| Resource conservation and development loans | 3,284 | 3,600 | 3,600 |
| Subtotal, Community Program Loans | 423,727 | 744,500 | 1,024,500 |
| Rural water and waste disposal grants | 29,970 | 30,000 | 20,000 |
| Rural business and industrial development grants | - - | 10,000 | 10,000 |
| Subtotal, Community Program Grants | 29,970 | 40,000 | 30,000 |
| Total, Community Programs | 453,697 | 784,500 | 1,054,500 |
| Total FHA Programs - Loans | 3,713,465 | 4,093,900 | 3,986,900 |
| Total FHA Programs - Grants | 35,444 | 53,913 | 30,000 |
| TOTAL FHA PROGRAMS | 3,748,909 | 4,147,813 | 4,016,900 |

1/ This section, while similar in format to the housing table in the Budget Appendix, is based on later information.

* Additional amounts released for use subsequent to the printing of the budget.

February 21, 1974

Food Assistance Programs-Fiscal Years 1973-1975
(Program Level-Dollars in Thousands)

| Program | 1973 Actual | 1974 Current Estimate | 1975 Budget Estimate | 1974 Estimate Compared with 1975 Estimate |
|---|---|---|---|---|
| A. CHILD NUTRITION PROGRAMS: | | | | |
| 1. Cash Grants to States: | | | | |
| (a) School lunch (Section 4): | | | | |
| Child Nutrition Programs | 225,747 | 412,000 a/ | 420,000 | +8,000 |
| Special Feeding Program (Section 32) | 98,373 | --- | --- | --- |
| Subtotal | 324,120 | 412,000 | 420,000 | +8,000 |
| (b) Free and Reduced Price Lunches: | | | | |
| Child Nutrition Programs | 237,015 | 240,566 | 728,000 | +487,434 |
| Special Feeding Program (Section 32) | 318,292 | 440,960 b/ | --- | -440,960 |
| Subtotal | 555,307 | 681,526 | 728,000 | +46,474 |
| (c) School Breakfast: | | | | |
| Child Nutrition Programs | 18,239 | 70,119 c/ | 77,000 | +6,881 |
| Special Feeding Program (Section 32) | 18,764 | --- | --- | --- |
| Subtotal | 37,003 | 70,119 | 77,000 | +6,881 |
| (d) Nonfood Assistance: | | | | |
| Child Nutrition Programs | 14,980 | 28,110 | 22,000 | -6,110 |
| Special Feeding Program (Section 32) | 1,052 | --- | --- | --- |
| Subtotal | 16,032 | 28,110 | 22,000 | -6,110 |
| (e) State Administrative Expenses: | | | | |
| Child Nutrition Programs | 1,500 | 1,800 | 6,700 | +4,900 |
| Special Feeding Program (Section 32) | 1,972 | 2,000 | --- | -2,000 |
| Subtotal | 3,472 | 3,800 | 6,700 | +2,900 |
| (f) Nonschool Food Program: | | | | |
| Child Nutrition Programs | 16,664 | 33,316 | 20,000 | -13,316 |
| Special Feeding Program (Section 32) | 37,434 | 60,600 | 89,600 | +29,000 |
| Subtotal | 54,098 | 93,916 | 109,600 | +15,684 |
| (g) Cash in Lieu of Commodities (Section 32) | 70,797 | --- | --- | --- |
| Total, Cash Grants to States | 1,060,829 | 1,289,471 | 1,363,300 | +73,829 |
| Total, Direct | (514,145) | (785,911) | (1,273,700) | (+487,789) |
| Total, Section 32 | (546,684) | (503,560) | (89,600) | (-413,960) |
| 2. Commodities to States: | | | | |
| (a) Section 6 | 63,733 | 64,325 | 64,325 | --- |
| (b) Section 32 | 55,462 | 110,375 | 96,572 | -13,803 |
| (c) Section 416 | 125,372 | 139,000 | 129,103 | -9,897 |
| Total, Commodities | 244,567 | 313,700 | 290,000 | -23,700 |
| 3. Nutritional Training and Surveys | 734 | 1,000 | 1,000 | --- |
| 4. Federal Operating Expenses | 6,652 | 7,891 | 8,930 | +1,039 |
| Total, Child Nutrition Programs | 1,312,782 | 1,612,062 | 1,663,230 | +51,168 |

a/ Includes supplemental of $86,500.

b/ Includes proposed supplemental of $15 million in Section 32 funds.

c/ Includes proposed supplemental of $7.5 million.

| Program | 1973 Actual | 1974 Current Estimate | 1975 Budget Estimate | 1974 Estimate Compared with 1975 Estimate |
|---|---|---|---|---|
| B. SPECIAL MILK PROGRAM: | | | | |
| 1. Cash Payments | 94,767 | 98,360 | 119,170 | +20,810 |
| 2. Operating Expenses | 732 | 796 | 830 | +34 |
| Total, Special Milk Program | 95,499 | 99,156 | 120,000 | +20,844 |
| C. FOOD STAMP PROGRAM: | | | | |
| 1. Program Costs | 2,472,286 | 2,966,971 | 3,950,419 | +983,448 |
| 2. Operating Expenses | 23,368 | 28,396 | 34,500 | +6,104 |
| Total, Food Stamp Program | 2,495,654 | 2,995,367 a/ | 3,984,919 | +989,552 |
| D. DIRECT DISTRIBUTION TO FAMILIES: | | | | |
| 1. Section 32 Commodities | 110,146 | 143,453 | 29,705 | -113,748 |
| 2. Section 416 Commodities | 96,263 | 76,684 | 11,754 | -64,930 |
| 3. Financial Assistance to States (Section 32.) | 16,266 | 14,000 | 2,000 | -12,000 |
| 4. Special Package Program (Section 32) | 13,644 | 11,900 | 15,000 | +3,100 |
| Total, Direct Distribution to Families | 236,319 | 246,037 | 58,459 | -187,578 |
| E. DIRECT DISTRIBUTION TO INSTITUTIONS: | | | | |
| 1. Section 32 Commodities | 1,856 | --- | --- | --- |
| 2. Section 416 Commodities | 22,367 | 18,864 | 16,035 | -2,829 |
| Total, Direct Dist. to Institutions | 24,223 | 18,864 | 16,035 | -2,829 |
| F. SPECIAL SUPPLEMENTAL FOOD PROGRAM (Section 32): | | | | |
| 1. WIC | 30 | 40,600 | 40,800 | +200 |
| 2. Pilot Certificate Program | 992 | 1,000 | 1,000 | --- |
| Total, Supplemental Food Program | 1,022 | 41,600 | 41,800 | +200 |
| G. SECTION 32 OPERATING EXPENSES: | | | | |
| 1. Food and Nutrition Service | 4 367 | 4,824 | 4,403 | -421 |
| 2. Agricultural Marketing Service | 3,450 | 3,374 | 3,395 | +21 |
| Total, Section 32 Operating Expenses | 7,817 | 8,198 | 7,798 | -400 |
| H. NUTRITION EDUCATION (Extension Service excluding Administrative Expenses) | 48,560 | 47,360 | 47,360 | --- |
| TOTAL, FOOD ASSISTANCE | 4,221,876 | 5,068,644 | 5,939,601 | 870,957 |
| RECAPITULATION: | | | | |
| Direct Appropriation (including transfers authorized in annual appropriation Acts) | 3,224,977 | 4,001,010 | 5,500,234 | +1,499,224 |
| Special Feeding Program (Section 32) | 476,909 | 545,160 | 131,400 | -413,760 |
| Section 32 (Commodities and related expenses) | 275,988 | 287,926 | 151,075 | -136,851 |
| Section 416 Commodities | 244,002 | 234,548 | 156,892 | -77,656 |
| TOTAL | 4,221,876 | 5,068,644 | 5,939,601 | +870,957 |

a/ Includes supplemental of $500 million.

* **Special Feeding Program 1974 Appropriations Act** $508,560,000
**Increased authorization for WICC program** 20,000,000
**Administrative Expenses for WIC** 600,000
**Pilot Food Certificate** 1,000,000
**Supplemental Proposed for Fiscal Year 1974** 15,000,000
**Special Feeding Program (as shown above)** 545,160,000

On this first summary table you will note that for 1974 the Congress appropriated $9.129 billion. With certain adjustments principally in supplemental estimates for pay costs for 1974, we have an adjusted 1974 level of $9.178 billion. The budget request for 1975 is $12.464 billion, or an increase of $3.286 billion.

Mr. WHITTEN. Mr. Miles, that is very fine. We all used to practice law and all try to emphasize that which appeals to us or which makes our story better. That $12 billion, how much of it is for the actual operation of the Department of Agriculture and how much is for food and related programs and things of that sort? Do you have a breakdown?

Mr. MILES. Yes, sir. The major item of increase is, as the Chairman suggests, $1.487 billion for the food stamp program.

Mr. WHITTEN. That is all right for you to say, but of the $12.487 billion, how much of that is for the actual operation of the Department of Agriculture? How much is for other type programs?

Mr. MILES. In total?

Mr. WHITTEN. I am talking about the Department of Agriculture proper.

Mr. MILES. About $5.9 billion of the $12.5 goes for the food program, which leaves about $6.6 billion. Budget authority is not always a good measure because reimbursement of prior year losses in CCC is budget authority, and yet the costs of the Commodity Credit Corporation in 1975 are expected to be very, very low.

On an outlay basis, the Department expects cash outlays in 1975 to be about $9.2 billion. Of that $9.2 billion, $3.3 billion, or about 36 percent will go for the agricultural and forestry programs of the department. The remaining $5.9 billion or 64 percent of the Department's budget will go for the food programs. Only about 34 percent or roughly $3.3 billion results from what I think you consider——

Mr. WHITTEN. I realize there is a difference of opinion as to what is and what is not an agricultural program. Farm programs is a little different from operations of the department. If you got into farm programs you could include the restoration of capital impairment to the CCC. What is that figure?

Mr. MILES. The restoration of capital impairment is about $4.2 billion.

Mr. WHITTEN. That is not for the operation of the Department of Agriculture. That is in the nature of price supports purposes and things of that sort?

Mr. MILES. Yes, sir.

Mr. WHITTEN. Not only that, but you say you want that restored so this corporation will be intact?

Mr. MILES. Yes, sir.

Mr. WHITTEN. It is a $14.5 billion corporation.

Mr. MILES. Yes, sir.

Mr. WHITTEN. It will be intact but the money wouldn't come out of the Treasury and wouldn't be spent, would it?

Mr. MILES. No.

Mr. WHITTEN. That is left out. I am trying to get back to the actual personnel and dollars spent on the activities of the Department.

Mr. MILES. Yes.

Mr. WHITTEN. The moneys in here for the Commodity Credit Corporation are for making the Corporation intact? To restore prior year losses which have already been paid?

Mr. MILES. Yes, sir.

Mr. WHITTEN. The food programs are $5.9 billion?

Mr. MILES. Yes, sir.

Mr. WHITTEN. They are in here and it still leaves a question: How much of the budget is for actual operation of the Department of Agriculture?

Break it down so that it will separate these activities. The reason I ask for that is that it has been my experience here that people who are unfamiliar with these details will think the Department of Agriculture is spending $12 billion on farm programs. It is not so. That is the way you leave it when you put it together that way and divide it that way.

Mr. MILES. The total amount requested includes the restoration of losses and food programs as well as the operation of the Department.

Mr. WHITTEN. Do you think that that is giving the public a fair look?

Mr. MILES No, sir; it does not accurately represent the 1975 costs of operation of the Department of Agriculture.

FOOD PROGRAMS

Mr. WHITTEN. Suppose for the hearing you break this table down into its component parts. The reason I ask you this is not to cover up anything but so the public could see what is what. I am not passing judgment on the soundness or unsoundness. When you get into the food programs and a number of other things later, one of the things that disturbs me is that these programs keep increasing. If the Congress and the country want to see them increased, fine, but they keep increasing and they are listed as agriculture and yet agriculture does not have a thing to do with passing on the qualifications of the food stamp program, does it?

Mr. MILES. No, sir.

Mr. WHITTEN. That decision is made by somebody else?

Mr. MILES. Yes, sir.

Mr. WHITTEN. You pick up the tab?

Mr. MILES. Yes, sir.

Mr. WHITTEN. How about the enforcement of the food stamp program? Who does that come under?

Mr. MILES. The Department pays for the Food Nutrition Service but at the local level the State welfare offices operate the food stamp program.

Mr. WHITTEN. That comes under HEW?

Mr. MILES. Welfare programs are under the jurisdiction of HEW.

Mr. WHITTEN. The point I try to make is while this is all listed here under agriculture, it includes nutrition programs and food stamp programs, but yet you have not broken it down where that is apparent. I think you owe it to yourself to see to it these things are properly broken down so they will be readily identified. If you break those down for the record I would appreciate it. Heretofore we have had that done.

Mr. MILES. I have a table that reflects the budget request for the Department of Agriculture for fiscal year 1975 compared with 1974 by the following four categories: agricultural, rural development, en-

vironmental, and consumer programs. The amounts requested are adjusted to subtract from the Department's request the amounts required to reimburse the Department for losses sustained in prior fiscal years since such reimbursements do not affect current year operations. Also, the amounts shown do not include permanent appropriations since these permanent appropriations do not require additional action by the Congress. For example, the amount shown for consumer programs does not include the amount of section 32 funds which are used for food programs.

I will submit it for the record at this point.

[The information follows:]

BUDGET AUTHORITY IN 1974 APPROPRIATIONS AND 1975 BUDGET

| | Budget authority | | |
|---|---|---|---|
| | 1974 | 1975 | Change |
| Agricultural programs | $5,128,690,000 | $6,446,547,100 | +$1,317,857,100 |
| Less adjustments: | | | |
| Commodity Credit Corporation—Reimbursement for net realized losses | 3,301,940,000 | 4,249,412,000 | +947,472,000 |
| Animal and plant health inspection service—Repayment to Commodity Credit Corporation | | 62,900,000 | +62,900,000 |
| Total adjustments | 3,301,940,000 | 4,312,312,000 | +1,010,372,000 |
| Net agricultural programs | 1,826,750,000 | 2,134,235,100 | +307,485,100 |
| Rural development programs | 371,410,000 | 806,736,000 | +435,326,000 |
| Less adjustments: | | | |
| Reimbursement for losses: | | | |
| Farmers Home Administration: | | | |
| Rural housing insurance fund | 89,170,000 | 124,592,000 | +35,422,000 |
| Agricultural credit insurance fund | 74,554,000 | 485,262,000 | +410,708,000 |
| Rural development insurance fund | | 17,446,000 | +17,446,000 |
| Total adjustments | 163,724,000 | 627,300,000 | +463,576,000 |
| Net rural development programs | 207,686,000 | 179,436,000 | −28,250,000 |
| Environmental programs | 519,820,000 | 459,421,000 | −60,399,000 |
| Consumer programs | 3,158,607,000 | 4,752,029,000 | +1,593,422,000 |
| Total, U.S. Department of Agriculture | 9,178,527,000 | 12,464,733,100 | +3,286,206,100 |
| USDA programs adjusted to exclude reimbursement for prior-year losses | 5,712,863,000 | 7,525,121,100 | +1,812,258,100 |

MISUSE OF SECTION 32 FUNDS

Mr. WHITTEN. The other thing that is disturbing to me in this overall situation is the misuse of section 32 funds. Section 32 requires 30 percent of the import duties be set aside for a number of purposes, primarily to promote the production of perishable commodities. That is the chief responsibility. Yet in recent years I have seen that program which is set up by law to promote the production of food so that we have it in plentiful quantities, I have seen them take that money and divert it into these various feeding programs. To me it is the same as eating up your seed corn. Here is a program that is in the law for the purpose of producing more and more food, perishable food, and the more money you have the more likely your prices are going to be reasonable.

The Congress, for those not familiar with the background of section 32, has taken that money set aside by law to support perishable commodity prices and diverted it into these various feeding programs. If

they keep it up, keep making inroads on that, where that which is to help you produce is used to finance these feeding programs you can see the vicious cycle you get into. This has not been done with the recommendation of the Department of Agriculture, I must say.

The Congress has approved it over my opposition and in most cases the Department also opposed what they wanted to do. You opposed this source from which they got the financing?

Mr. MILES. Yes, sir.

Mr. WHITTEN. I notice that you anticipate a carryover of section 32 funds at the end of fiscal year 1975 of only $150 million. This compares with $300 million that has been carried forward for several years previous to 1972. Discuss the factors that are causing this fund to be depleted at such a rate each year.

Mr. MILES. The basic purpose of these funds is to strengthen markets for commodities by encouraging domestic consumption and seeking markets for surplus goods overseas. Section 32 funds are also used to purchase commodities for donation to needy families and institutions. We feel that the $150 million carryover level is sufficient to carry out the purposes of these programs.

Mr. WHITTEN. Insert in the record a tabulation of section 32 funds for fiscal years 1970 to 1975 indicating the total amount accruing to the fund each year and an itemized listing of the dispositions from the fund and also indicating the carryover balance at the end of each year.

Mr. MILES. Yes, sir.

[The information follows:]

**Funds for Strengthening Income, Markets, and Supply**
**(Section 32) - Summary of Use of Funds**
**(Dollars in Thousands)**

| Budget Authority | 1970 | 1971 | 1972 | 1973 | 1974 Estimate | 1975 Estimate |
|---|---|---|---|---|---|---|
| Appropriation (30% of receipts) | $698,463 | $728,760 | $765,887 | $959,087 | $931,486 | $1,035,000 |
| Transfer to: | | | | | | |
| Commerce (for fisheries products) | -7,636 | -7,626 | -7,553 | -10,042 | -7,288 | -7,428 |
| Agricultural Research Service | -15,000 | -15,000 | -15,000 | -15,000 | -15,000 | -15,000 |
| Foreign Agricultural Service | -3,117 | -3,117 | -3,117 | -3,117 | -3,117 | -3,117 |
| Child Nutrition Program | -194,266 | -238,358 | -232,043 | -119,165 | -199,631 | -705,926 |
| Total transfers | -220,019 | -264,101 | -257,713 | -147,324 | -225,036 | -731,471 |
| Adjusted Appropriation | 478,443 | 464,658 | 508,175 | 811,763 | 706,450 | 303,529 |
| Commodity purchased and distributed to: | | | | | | |
| Schools | 140,750 | 110,711 | 109,417 | 55,462 | 110,375 | 96,572 |
| Institutions | 9,577 | 4,290 | 1,451 | 1,856 | --- | --- |
| Families | 173,180 | 167,345 | 147,141 | 110,146 | 143,453 | 29,705 |
| Recipients of Supplemental Food Packages | 13,483 | 14,058 | 13,092 | 13,644 | 11,900 | 15,000 |
| Export Payments | 5,336 | 3,929 | 2,908 | 1,115 | --- | --- |
| Financial Assistance to States for Commodity Distribution | 5,801 | 13,010 | 17,483 | 16,266 | 14,000 | 2,000 |
| Financial Assistance to Counties for Commodity Distribution | --- | 602 | 176 | --- | --- | --- |
| Cash Payments to States for: | | | | | | |
| School Lunch (Section 4) | --- | --- | 28,182 | 98,373 | --- | --- |
| Free and Reduced Price Lunches | 87,411 | 105,560 | 265,201 | 318,292 | 440,960* | --- |
| School Breakfast | 1,155 | 8,714 | 2,230 | 18,764 | --- | --- |
| Nonfood Assistance | 6,673 | 21,443 | 1,900 | 1,052 | --- | --- |
| State Administrative Expenses for Commodity Distribution | 1,254 | 1,903 | 1,766 | 1,972 | 2,000* | --- |
| Nonschool Food Program | --- | 629 | 11,225 | 37,434 | 60,600* | 89,600* |
| Cash in lieu of Commodities | --- | --- | --- | 70,797 | --- | --- |
| Special Milk Program | 20,000 | --- | --- | --- | --- | --- |
| Special Supplemental Food Program: | | | | | | |
| Women, Infants, and Childrens Program | --- | --- | --- | 30 | 40,600* | 40,800* |
| Pilot Certificate Program | 185 | 977 | 1,070 | 992 | 1,000* | 1,000* |
| Food and Nutrition Aides Program | 34 | --- | --- | --- | --- | --- |
| Commodity Program Operating Expenses for: | | | | | | |
| Purchase and Donation of Commodities | 6,332 | 6,230 | 6,678 | 6,855 | 8,073 | 7,798 |
| Plentiful Food Program | 819 | 830 | 893 | 958 | 125 | --- |
| Administrative Support for Export Payments | 35 | 44 | 10 | 4 | --- | --- |
| Marketing Agreements and Orders | 2,576 | 2,700 | 2,941 | 2,994 | 3,546 | 3,888 |
| Total Obligations | 474,601 | 462,975 | 613,764 | 757,006 | 836,632 | 286,363 |
| Carry in | 299,921 | 300,000 | 300,000 | 194,473 | 262,988 | 132,806 |
| Recoveries and transfers | 130 | --- | 62 | 13,758 | --- | --- |
| Carry forward | 300,000 | 300,000 | 194,473 | 262,988 | 132,806 | 149,972 |
| Unobligated balance reverting to Treasury | 3,894 | 1,683 | --- | --- | --- | --- |

*Included in Special Feeding Program for FY 1974 and 1975.

PROCEDURE FOR DEVELOPING 1975 BUDGET

Mr. WHITTEN. I don't know that I have contributed a whole lot in raising these points here except to point out there is a lot more involved than dollars and cents. Now I will try to stay out of it and let you explain to us the policy considerations that you followed in allocating funds to various bureaus and how this was built up, what part the Department had to do with it, what part the OMB had to do with it, how you went about arriving at these figures. Then we will be glad to have the figures.

Go ahead.

Mr. MILES. Mr. Chairman, as you know, the Secretary of Agriculture submits his estimates to the OMB around the 1st of October. Earlier in the year, about the 1st of August, he asks each agency to submit its recommendations to him.

Mr. EVANS. Mr. Chairman.

Mr. WHITTEN. Yes.

BUDGET CEILING

Mr. EVANS. Are you or are you not under constraint as to the total amount that your Department can ask for before you begin doing what you described?

Mr. MILES. Yes, sir. Normally we receive what we call a budget ceiling from OMB, asking us to submit our budget within a certain dollar level. It is within that ceiling that we attempt to work out the Department's budget. We then submit our recommendations to the OMB on about the 1st of October each year within the ceiling that they prescribe for us.

Mr. EVANS. What ceiling was prescribed for you?

Mr. MILES. I might point out the ceiling they prescribe for us in the summer is generally pretty tentative. It is not necessarily the one that they will give us in the fall. They reserve the right to reduce that number well below the amount that they tell us in July. I don't know that I have that number with me, but I would be happy to supply it for the record.

Mr. EVANS. It will appear at this point in the testimony.

1975 PLANNING CEILINGS AND BUDGET REQUESTS SUBMITTED TO CONGRESS
($ in millions)

| | Planning Ceiling a/ | Comparable amounts in Budget submitted to Congress | Total Budget submitted to Congress |
|---|---|---|---|
| Net Budget Authority | $7,637 | $8,568 | $14,046 b/ |
| Special foreign currency appropriations included above | 11 | 10 | 10 |
| Net outlays | 7,002 | 7,290 | 9,184 b/ |
| Special foreign currency appropriations included above | 12 | 11 | 11 |

a/ These ceilings exclude provision for the Commodity Credit Corporation price support and related programs because of the uncertainty of the enactment and degree of outlay discretion related to pending legislation. These ceilings also exclude the impact of pending Food Stamp legislation (other than a simple extension), and the impact of any future increase in Food Stamp allotments.

b/ Includes $4,319 million budget authority and $735 million outlays for the Commodity Credit Corporation price support and related programs and $1,159 million budget authority and outlays for impact of Food Stamp legislation and increased allotments.

OMB ALLOWANCES

Mr. MILES. The Secretary submits his recommendations to the OMB, and in about mid-November their staff presents their recommendations regarding the Department's proposals to the Director and Deputy Director of OMB. These are in turn, we understand, taken to the President, or whoever represents him in budget matters, and final decisions are made pretty much across the board for the entire Federal Government. It is only after they have gained Presidential approval that they are returned to the Department.

When they come back to us, we have limited authority to change any of the numbers that they have given us. Obviously, the Secretary participates to a great extent in this whole process. He discusses these matters with the Director of OMB, and hopefully he can persuade him to adopt at least some if not all of his recommendations.

The numbers are given back to us in considerable detail in about December, and we print the budget on that basis. That is the process by which we prepare the budget. As I said, sometimes the Secretary's views prevail and sometimes they don't. He does from time to time appeal the judgments of the Director of OMB. I am not certain that I know all the ways in which he makes his appeals. He is sometimes successful, I know that. The changes this year, Mr. Chairman, appear to be very large, $3.2 billion, but, as the chairman indicated, that number relates to a large number of reimbursements and other items that do not actually add to the programs of the Department. The total number is not truly characteristic of the budget changes which have been made. We have tried to put together something that will reflect these changes. The first item that I indicated are pay costs. There was a pay increase to civilian employees in October of this year. We are seeking supplemental funds from the Congress to meet this pay increase in 1974. However, since the 1974 pay increase is only effective for 8 months of the year, in order to put it on a whole-year basis, we have to ask for an additional amount in 1975 to annualize this October pay increase.

GSA SPACE RENTAL CHARGES

Another change that was made this year was that beginning in fiscal year 1975 the department will have to pay for all space in Federal buildings and GSA leased space. Under the Public Buildings Act we are required to reimburse the GSA for rental of all space that we occupy. For 1975 we are asking for an appropriation that amounts to $36.9 million for this space rental.

Mr. WHITTEN. Public Law 92–313 requires that all agencies pay rental for Federal space they occupy beginning July 1, 1974. What effect has this had on your 1975 budget estimate?

Mr. MILES. The fiscal year 1975 appropriations request has been increased by $36,895,000 in order to cover USDA space rental costs, exclusive of the Forest Service.

ADDITIONAL FUNDING FOR SPACE

Mr. WHITTEN. Please insert a tabulation in the record indicating by bureau the additional funding proposed for fiscal year 1975 for space rental.

Mr. MILES. I will be glad to do that.

[The tabulation follows:]

*Increases in USDA Appropriations for Fiscal Year 1975 to Cover 1975 Space Rental Costs*

[Dollars in thousands]

| Agency: | *Increase requested* |
|---|---|
| Agricultural Research Service | 2,038 |
| Animal and Plant Health Inspection Service | 4,040 |
| Cooperative State Research Service | 123 |
| Extension Service | 332 |
| National Agricultural Library | 152 |
| Statistical Reporting Service | 1,214 |
| Economic Research Service | 792 |
| Commodity Exchange Authority | 204 |
| Packers and Stockyards Administration | 143 |
| Farmer Cooperative Service | 98 |
| Foreign Agricultural Service | 557 |
| Agricultural Stabilization and Conservation Service | 4,845 |
| Federal Crop Insurance Corporation | ------ |
| Rural Development Service | 58 |
| Rural Electrification Administration | 786 |
| Farmers Home Administration | 4,270 |
| Soil Conservation Service | 10,210 |
| Agricultural Marketing Service | 2,524 |
| Food and Nutrition Service | 2,111 |
| Departmental administration: | |
| Office of the Secretary | 922 |
| Audits and investigations | 689 |
| Office of the general counsel | 520 |
| Office of management services | 267 |
| Total, departmental administration | 2,398 |
| Total, USDA (excluding forest service) | 36,895 |

RENTAL RATES

Mr. WHITTEN. How are the rental rates established?

Mr. MILES. The Public Buildings Act Amendments of 1972 (Public Law 92–313) require that "rates and charges shall approximate commercial charges for comparable space and services." GSA has developed a rate for each building based on varying factors.

For urban areas, a canvas was made by GSA of the major Federal space areas that comprise 75 percent of all the GSA controlled space. Commercial rates were sampled for each of these areas covering three categories of space: "Standard," "Above Standard," and "Below Standard," and four classifications: office, special purpose, storage, and parking.

For nonurban areas, a canvas was not made. These rates are the result of the use of a mathematical relationship between GSA urban and rural lease costs.

Mr. WHITTEN. In your opinion, how equitable are the rates which have been established?

Mr. MILES. We cannot say whether the rates for urban areas are equitable or not. We really have no firm fix on the rental market since all our space in these areas is provided by GSA. We feel that the rural area rates for the Federal buildings fund do not truly reflect commercial lease costs. We have appealed these rates. We have also appealed individual building quality ratings and the classifications of space with-

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in buildings to GSA, and we have been successful in obtaining lower rates in many cases.

Mr. WHITTEN. What percentage of the rate represents GSA overhead costs?

Mr. MILES. GSA has told us that there is no overhead as such, in the current rates. The Federal building fund will derive revenue from Federal buildings and GSA-leased buildings. GSA will have to make direct payment out of the fund only for the leased space. The excess in the fund, generated primarily from Federal building rents, will cover Public Building Service operational costs, repairs and improvements, and construction of new buildings.

Mr. WHITTEN. If you will, I am advised that the General Services Administration at this point has not broken down rental rates in the average county seat or town compared with New York City. The rates are set up on a square-footage basis, without reference to locality or type of facility. Is there anything in the law which requires you to stay in a GSA building if you can take half the money and get adequate space?

Mr. MILES. Mr. Chairman, I am not sure I know the precise answer to that question. Generally we have to make our space arrangements, I believe, through GSA. I believe we are required to rent space through them. I believe they are our leasing agency. If we wanted to go out and move out of a Federal building in Topeka, Kans., into a private building, it is my understanding—and I am not sure whether it is by law or regulation or how it comes to be—it is my understanding we use the GSA as our leasing agency.

GSA REGULATIONS

Mr. WHITTEN. If it is not too much trouble, place in the record the controlling regulation or law.

Mr. MILES. I'll be happy to.

[The information follows:]

The following is excerpted from subchapter D—Public Buildings and Space of the Federal Property Management Regulations:

## PART 101-18 ACQUISITION OF REAL PROPERTY



**§ 101-18.000 Scope of part.**

This part prescribes policies and procedures governing acquisition of interests in real property.

### Subpart 101-18.1—Acquisition by Lease

**§ 101-18.100 Scope of subpart.**

This subpart prescribes the policies and methods governing the acquisition by lease of interests in real property in the United States, the Commonwealth of Puerto Rico, and the possessions of the United States.

**§ 101-18.101 Authorities of subpart.**

This Subpart 101-18.1 implements section 210(h)(1) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 490(h)(1)); the Act of August 27, 1935 (40 U.S.C. 304c), Reorganization Plan No. 18 of 1950 (40 U.S.C. 490 note); the Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4201-4244; 40 U.S.C. 531-535); the Agricultural Act of 1970, 84 Stat. 1358; Executive Order 11512 of February 27, 1970 (35 F.R. 3979); and title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601).

**§ 101-18.102 Basic policy.**

(a) GSA will lease space in privately owned buildings and land only when needs cannot be satisfactorily met in Government-owned or presently leased space, and when the construction or alteration of a Federal building or the purchase of a privately owned building is not warranted because requirements in the community are insufficient or are indefinite in scope or duration, or completion of a new building within a reasonable time cannot be insured.

(b) Acquisition of space by lease will be on the basis most favorable to the Government, with due consideration to maintenance and operational efficiency, and only at charges consistent with prevailing scales in the community for comparable facilities.

(c) Acquisition of space by lease will be by negotiation except where all the factors are present which will permit true competition and where the formal sealed bid method is required by law. In negotiating, competition will be obtained to the maximum extent practical among suitable available locations meeting minimum Government requirements.

(d) When considering acquisition or when acquiring space by lease, and subject to the provisions of § 101-18.109:

(1) Material consideration shall be given to the efficient performance of the missions and programs of the executive agencies and the nature and function of the facilities involved with due regard for the convenience of the public served and the maintenance and improvement of safe and healthful working conditions for employees;

(2) Consideration shall be given in the selection of sites for Federal facilities to the need for development and redevelopment of areas and the development of new communities and the impact a selection will have on improving social and economic conditions in the area. In determining these conditions, the Administrator of General Services will consult with and receive advice from the Secretary of Housing and Urban Development, the Secretary of Health, Education, and Welfare, the Secretary of Commerce, and others, as appropriate;

(3) Maximum use shall be made of existing Government-owned permanent buildings which are adequate or economically adaptable to the space needs of executive agencies;

(4) Suitable privately owned space shall be acquired only when satisfactory Government-owned space is not available;

(5) Space planning and assignments shall take into account the objective of consolidating agencies and constituent parts thereof in common or adjacent space for the purpose of improving management and administration; and

(6) The availability of adequate low- and moderate-income housing on a nondiscriminatory basis, nondiscrimination in the sale and rental of housing, adequate access from other areas of the urban center, and adequacy of parking shall be considered.

(e) Lease-construction projects required to be authorized in accordance with or in the manner provided by the provisions of the Public Buildings Act of 1959 will be, to the greatest extent practicable, consistent with State, regional, and local plans, programs, and local zoning regulations; and Governors, local elected officials, and regional comprehensive planning agencies will be consulted in the planning of the proposed development of such Federal facilities.

(f) Insofar as practicable, leased space for new offices and other facilities will be located in areas or communities of low population density, due consideration being given to the provisions of Executive Order 11512 of February 27, 1970 (35 F.R. 2979).

**§ 101-18.103 Acquisition by GSA.**

(a) GSA will perform all leasing functions of building space, and land

incidental thereto, for Federal agencies except as provided in this Subpart 101-18.1.

(b) Agencies authorized to acquire space by lease may request GSA to perform such leasing functions in specific instances.

(c) Agencies not authorized to acquire space by lease, or agencies which have requested GSA to provide leased space for their activities, shall not directly or indirectly contact lessors or potential lessors for the purpose of making oral or written promises, commitments, or agreements with respect to the conditions of occupancy of particular space, alterations and repairs, or payment of overtime services.

**§ 101-18.104 Acquisition by other agencies.**

(a) The Departments of Agriculture, Commerce, and Defense may lease their own building space, and land incidental to its use, and provide for its operation, maintenance, and custody when the space is situated outside an urban center. Urban centers are:

Aberdeen, S. Dak.:
Brown County.
Abilene, Tex.:
Jones County.
Taylor County.
Akron, Ohio:
Portage County.
Summit County.
Alaska:
The entire State.
Albany, Ga.:
Dougherty County.
Albany, Ill.:
Whiteside County.
Albany, Oreg.:
Linn County.
Albany-Schenectady-Troy, N.Y.:
Albany County.
Rensselaer County.
Saratoga County.
Schenectady County.
Albuquerque, N. Mex.:
Bernalillo County.
Alexandria, La.:
Rapides Parish.
Allentown-Bethlehem-Easton, Pa.-N.J.:
Lehigh County, Pa.
Northampton County, Pa.
Warren County, N.J.
Altoona, Pa.:
Blair County.
Amarillo, Tex.:
Potter County.
Randall County.
Anaheim-Santa Ana-Garden Grove, Calif.:
Orange County.
Ann Arbor, Mich.:
Washtenaw County.
Asheville, N.C.:
Buncombe County.
Athens, Ga.:
Clarke County.
Atlanta, Ga.:
Clayton County.
Coos County.
DeKalk County.
Fulton County.
Gwinnett County.
Atlantic City, N.J.:
Atlantic County.
Augusta, Ga.-S.C.:
Richmond County, Ga.
Aiken County, S.C.
Augusta, Maine:
Kennebec County.
Austin, Tex.:
Travis County.
Bakersfield, Calif.:
Kern County.
Baltimore, Md.:
Baltimore City.
Anne Arundel County.
Baltimore County.
Carroll County.
Howard County.
Baton Rouge, La.:
East Baton Rouge Parish.
Battle Creek, Mich.:
Calhoun County.
Bay City, Mich.:
Bay County.
Billings, Mont.:
Yellowstone County.
Binghamton, N.Y.-Pa.:
Broome County, N.Y.
Tioga County, N.Y.
Susquehanna County, Pa.
Birmingham, Ala.:
Jefferson County.
Bismarck, N. Dak.:
Burleigh County.
Boise, Idaho:
Ada County.
Boston, Mass.:
Essex County.
Middlesex County.
Norfolk County.
Plymouth County.
Suffolk County.
Bridgeport, Conn.:
Fairfield County.
New Haven County.
Beaumont-Port Arthur, Tex.:
Jefferson County.
Orange County.
Brockton, Mass.:
Bristol County.
Norfolk County.
Plymouth County.
Brownsville-Harlingen-San Benito, Tex.:
Cameron County.
Buffalo, N.Y.:
Erie County.
Niagara County.
Burlington, Vt.:
Chittenden County.
Butte, Mont.:
Silver Bow County.
Calexico-El Centro, Calif.:
Imperial County.
Canton, Ohio:
Stark County.

Casper, Wyo.:
Natrona County.
Cedar Rapids, Iowa:
Linn County.
Champaign-Urbana, Ill.:
Champaign County.
Charleston, S.C.:
Berkeley County.
Charleston County.
Charleston, W. Va.:
Kanawha County.
Charlotte, N.C.:
Mecklenburg County.
Union County.
Charlottesville, Va.:
Charlottesville city.
Albemarle County.
Chattanooga, Tenn.-Ga.:
Hamilton County, Tenn.
Walker County, Ga.
Cheyenne, Wyo.:
Laramie County.
Chicago, Ill.:
Cook County.
Du Page County.
Kane County.
Lake County.
McHenry County.
Will County.
Cincinnati, Ohio-Ky.-Ind.:
Clermont County, Ohio.
Hamilton County, Ohio.
Warren County, Ohio.
Boone County, Ky.
Campbell County, Ky.
Kenton County, Ky.
Dearborn County, Ind.
Cleveland, Ohio:
Cuyahoga County.
Geauga County.
Lake County.
Medina County.
Clinton, Okla.:
Custer County.
Cody, Wyo.:
Park County.
Colorado Springs, Colo.:
El Paso County.
Columbia, Mo.:
Boone County.
Columbia, S.C.:
Lexington County.
Richland County.
Columbus, Ga.-Ala.:
Chattahoochee County, Ga.
Muscogee County, Ga.
Russell County, Ala.
Columbus, Ohio:
Delaware County.
Franklin County.
Pickaway County.
Concord, N.H.:
Merrimack County.
Corpus Christi, Tex.:
Nueces County.
Dallas, Tex.:
Collin County.
Dallas County.
Denton County.
Ellis County.
Davenport-Rock Island-Moline, Iowa-Ill.:
Scott County, Iowa.
Henry County, Ill.
Rock Island County, Ill.
Dayton, Ohio:
Greene County.
Miami County.
Montgomery County.
Preble County.
Decatur, Ill.:
Macon County.
Denver, Colo.:
Adams County.
Arapahoe County.
Boulder County.
Denver County.
Jefferson County.
Des Moines, Iowa:
Polk County.
Detroit, Mich.:
Macomb County.
Oakland County.
Wayne County.
Dubuque, Iowa:
Dubuque County.
Duluth-Superior, Minn.-Wis.:
St. Louis County, Minn.
Douglas County, Wis.
Durango, Colo.:
La Plata County.
Durham, N.C.:
Durham County.
Elkins, W. Va.:
Randolph County.
El Paso, Tex.:
El Paso County.
Erie, Pa.:
Erie County.
Eugene, Oreg.:
Lane County.
Evansville, Ind.-Ky.:
Vanderburgh County, Ind.
Warrick County, Ind.
Henderson County, Ky.
Fall River, Mass.-R.I.:
Bristol County, Mass.
Newport County, R.I.
Fargo-Moorhead, N. Dak.-Minn.:
Cass County, N. Dak.
Clay County, Minn.
Fayetteville, N.C.:
Cumberland County.
Fitchburg-Leominster, Mass.:
Middlesex County.
Worcester County.
Flint, Mich.:
Genesee County.
Lapeer County.
Fort Collins, Colo.:
Larimer County.
Fort Lauderdale-Hollywood, Fla.:
Broward County.
Fort Smith, Ark.-Okla.:
Crawford County, Ark.
Sebastian County, Ark.
Le Flore County, Okla.
Sequoyah County, Okla.
Fort Wayne, Ind.:
Allen County.
Fort Worth, Tex.:
Johnson County.
Tarrant County.

Frankfort, Ky.:
Franklin County.
Fresno, Calif.:
Fresno County.
Gadsden, Ala.:
Etowah County.
Gainseville, Fla.:
Alachua County.
Galveston-Texas City, Tex.:
Galveston County.
Gary-Hammond-East Chicago, Ind.:
Lake County.
Porter County.
Grand Forks, N. Dak.:
Grand Forks County.
Grand Island, Nebr.:
Hall County.
Grand Junction, Colo.:
Mesa County.
Grand Rapids, Mich.:
Kent County.
Ottawa County.
Great Falls, Mont.:
Cascade County.
Greeley, Colo.:
Weld County.
Green Bay, Wis.:
Brown County.
Greer sboro-High Point, N.C.:
Gu ford County.
Greenville, S.C.:
Greenville County.
Pickens County.
Greenwood, Miss.:
Le Flore County.
Hamilton-Middletown, Ohio:
Butler County.
Harrisburg, Pa.:
Cumberland County.
Dauphin County.
Perry County.
Hartford, Conn.:
Hartford County.
Middlesex County.
Tolland County.
Hawaii
The entire State.
Helena, Mont.:
Lewis and Clark County.
Hot Springs, Ark.:
Garland County.
Houston, Tex.:
Harris County.
Huntington-Ashland, W. Va.-Ky.-Ohio:
Cabell County, W. Va.
Wayne County, W. Va.
Boyd County, Ky.
Lawrence County, Ohio.
Huntsville, Ala.:
Limestone County.
Madison County.
Huron, S. Dak.:
Beadle County.
Idaho Falls, Idaho:
Bonneville County.
Indianapolis, Ind.:
Hamilton County.
Hancock County.
Hendricks County.
Johnson County.
Marion County.
Morgan County.
Shelby County.
Jackson, Mich.:
Jackson County.
Jackson, Miss.:
Hinds County.
Rankin County.
Jackson, Tenn.:
Madison County.
Jacksonville, Fla.:
Duval County.
Jefferson City, Mo.:
Cole County.
Jersey City, N.J.:
Hudson County.
Johnstown, Pa.:
Cambria County.
Somerset County.
Kalamazoo, Mich.:
Kalamazoo County.
Kansas City, Mo.-Kans.:
Cass County, Mo.
Clay County, Mo.
Jackson County, Mo.
Platte County, Mo.
Johnson County, Kans.
Wyandotte County, Kans.
Kenosha, Wisc.:
Kenosha County.
Klamath Falls, Oreg.:
Klamath County.
Knoxville, Tenn.:
Anderson County.
Blount County.
Knox County.
Lafayette, La.:
Lafayette Parish.
Lake Charles, La.:
Calcasieu Parish.
Lancaster, Pa.:
Lancaster County.
Lansing, Mich.:
Clinton County.
Eaton County.
Ingham County.
Laredo, Tex.:
Webb County.
Las Vegas, Nev.:
Clark County.
Lawrence-Haverhill, Mass.-N.H.:
Essex County, Mass.
Rockingham County, N.H.

Springfield-Chicopee-Holyoke, Mass.:
Hampden County, Mass.
Hampshire County, Mass.
Worcester County, Mass.
Springfield, Ill.:
Sangamon County.
Springfield, Mo.:
Greene County.
Springfield, Ohio:
Clark County.
Stamford, Conn.:
Fairfield County.
Steubenville-Wierton, Ohio-W. Va.:
Jefferson County, Ohio.
Brooke County, W. Va.
Hancock County, W. Va.
Stillwater, Okla.:
Payne County.
Stockton, Calif.:
San Joaquin County.
Syracuse, N.Y.:
Madison County.
Onondaga County.
Oswego County.
Tacoma, Wash.:
Pierce County.
Tallahassee, Fla.:
Leon County.
Tampa-St. Petersburg, Fla.:
Hillsborough County.
Pinellas County.
Temple, Tex.:
Bell County.
Terre Haute, Ind.:
Clay County.
Sullivan County.
Vermillion County.
Vigo County.
Texarkana, Tex.-Ark.:
Bowie County, Tex.
Miller County, Ark.
Toledo, Ohio-Mich.:
Lucas County, Ohio.
Wood County, Ohio.
Monroe County, Mich.
Topeka, Kans.:
Shawnee County.
Trenton, N.J.:
Mercer County.
Tucson, Ariz.:
Pima County.
Tulsa, Okla.:
Creek County.
Osage County.
Tulsa County.
Tuscaloosa, Ala.:
Tuscaloosa County.
Tyler, Tex.:
Smith County.
Utica-Rome, N.Y.:
Herkimer County.
Oneida County.

St. Louis, Mo.-Ill.:
St. Louis City, Mo.
Jefferson County, Mo.
St. Charles County, Mo.
St. Louis County, Mo.
Madison County, Ill.
St. Clair County, Ill.
Salina, Kans.:
Saline County.
Salisbury, Md.:
Wicomico County.
Salt Lake City, Utah:
Davis County.
Salt Lake County.
San Angelo, Tex.:
Tom Green County.
San Antonio, Tex.:
Bexar County.
Guadalupe County.
San Bernardino-Riverside-Ontario, Calif.:
Riverside County.
San Bernardino County.
San Diego, Calif.:
San Diego County.
San Francisco-Oakland, Calif.:
Alameda County.
Contra Costa County.
Marin County.
San Francisco County.
San Mateo County.
San Jose, Calif.:
Santa Clara County.
Santa Barbara, Calif.:
Santa Barbara County.

Santa Fe, N. Mex.:
Santa Fe County.
Savannah, Ga.:
Chatham County.
Scottsbluff, Nebr.:
Scotts Bluff County.
Scranton, Pa.:
Lackawanna County.
Seattle-Everett, Wash.:
King County.
Snohomish County.
Sheridan, Wyo.:
Sheridan County.
Shreveport, La.:
Bossier Parish.
Caddo Parish.
Sioux City, Iowa-Nebr.:
Woodbury County, Iowa.
Dakota County, Nebr.
Sioux Falls, S. Dak.:
Minnehaha County.
South Bend, Ind.:
St. Joseph County.
Marshall County.
Spartanburg, S.C.:
Spartanburg County.
Spokane, Wash.:
Spokane County.

Vallejo-Napa, Calif.:
Napa County.
Solano County.
Vicksburg, Miss.:
Warren County.
Virgin Islands:
The entire Territory.
Waco, Tex.:
McLennan County.
Walla Walla, Wash.:
Walla Walla County.
Benton County.
Washington, D.C.-Md.-Va.:
District of Columbia.
Montgomery County, Md.
Prince Georges County, Md.
Alexandria city, Va.
Fairfax city, Va.
Falls Church city, Va.
Arlington County, Va.
Fairfax County, Va.
Waterbury, Conn.:
Litchfield County.
New Haven County.
Waterloo, Iowa:
Black Hawk County.
Wenatchee, Wash.:
Chelan County.
West Palm Beach, Fla.:
Palm Beach County.
Wheeling, W. Va.-Ohio:
Marshall County, W. Va.
Ohio County, W. Va.
Belmont County, Ohio.
Wichita, Kans.:
Butler County.
Sedgwick County.
Wichita Falls, Tex.:
Archer County.
Wichita County.
Wilkes Barre-Hazleton, Pa.:
Luzerne County.
Wilmington, Del.-N.J.-Md.:
New Castle County, Del.
Salem County, N.J.
Cecil County, Md.
Wilmington, N.C.:
New Hanover County.
Winston-Salem, N.C.:
Forsyth County.
Worcester, Mass.:
Worcester County.
Yakima, Wash.:
Yakima County.
York, Pa.:
Adams County.
York County.
Youngstown-Warren, Ohio:
Mahoning County.
Trumbull County.
Yuma, Ariz.:
Yuma County.

(b) The Department of the Treasury may lease building space, and land incidental thereto, for the use of the Comptroller of the Currency and provide for its operation, maintenance, and custody.

(c) The Tennessee Valley Authority may lease building space, and land incidental thereto, and provide for its operation, maintainence, and custody.

(d) The National Aeronautics and Space Administration may lease building space, and land incidental thereto, and provide for its operation, maintenance, and custody outside the District of Columbia.

(e) A Federal agency may lease space in buildings, and land incidental thereto, for its use when:

(1) The space is located in any foreign country;

(2) The space is in buildings which are located on the grounds of any fort, camp, post, arsenal, Navy Yard, naval training station, airfield, proving ground, military supply depot, or school, or of any similar facility, of the Department of Defense, unless and to such extent as a permit for its use shall have been issued by the Secretary of Defense or his duly authorized representative;

(3) The space is acquired by the U.S. Postal Service for postal purposes.

### § 101-18.105 Agency cooperation.

The heads of executive agencies shall (a) cooperate with and assist the Administrator of General Services in carrying out his responsibilities respecting office buildings and space, (b) take measures to give GSA early notice of new or changing space requirements, (c) seek to economize in their requirements for space, and (d) review continuously their needs for space in and near the District of Columbia, taking into account the feasibility of decentralizing services or activities which can be carried on elsewhere without excessive costs, or significant loss of efficiency.

**§ 101-18.106 Delegation of leasing authority.**

Subject to the limitations stated in § 101-18.107, agencies are hereby authorized to perform for themselves all functions with respect to acquisition of space by lease in buildings, and land incidental thereto, when the following conditions are met:

(a) The space may be leased for no rental, or for a nominal consideration of $1.00 per annum; or

(b) When authority has been requested by an executive agency and a specific delegation has been granted by the Administrator of General Services; or

(c) The space is found by the Administrator of General Services to be wholly or predominantly utilized for the special purposes of the agency to have custody thereof, and is not generally suitable for the use of other agencies; including but not limited to hospitals, housing, laboratories, mints, manufacturing plants, and penal institutions. The types of space listed in § 101-18.106-1 have been found to be wholly or predominantly utilized for the special purposes of the agency named, and are not generally suitable for the uses of other agencies.

**§ 101-18.106-1 List of special purpose space.**

(a) Department of Agriculture:

(1) Aircraft storage and repair shops.

(2) Fumigation areas.

(3) Garage space held under service contract.

(4) Greenhouses.

(5) Land.

(6) Miscellaneous storage by cubic foot or weight basis.

(7) Office space when required to be located in or adjacent to stockyards.

(8) Space for agricultural commodities stored in licensed warehouses and utilized under warehousing contracts.

(9) Space utilized in cooperation with State and local governments, or instrumentalities thereof, where a portion of such space is occupied by and a portion of the rental is paid by the cooperating State or local government.

(10) Plant, bird, and animal quarantine facilities.

(11) Housing.

(12) Storage for pesticide materials and equipment.

(b) Department of Commerce:

(1) Maritime training stations.

(2) Radio stations.

(3) Laboratories for testing materials, classified ordnance devices, and calibration of instruments.

(4) Weather bureau offices at airports.

(5) Docks, piers, and mooring facilities.

(6) Garage space held under service contract.

(7) Hangars used for airplane storage.

(8) Oil and gasoline storage.

(9) Shipbuilding materials storage.

(10) Stockpiling depots.

(11) Torpedo net depots.

(c) Department of Defense:

(1) Air Force—Civil Air Patrol Liaison Office when required for use incidental to, in conjunction with, and in close proximity to airports.

(2) Armories.

(3) Cold and freezer storage.

(4) Depot storage.

(5) Docks and piers.

(6) Film library in the vicinity of Washington, D C.

(7) Filter centers.

(8) Garage space held under service contract.

(9) Hangars and other airport operating facilities.

(10) Hospitals.

(11) Hotels.

(12) Housing.

(13) Land (including aircraft and warning stations).

(14) Laundries.

(15) Leased buildings at Jackson, Mississippi, Air Force Base.

(16) Lumber storage.

(17) Mess halls.

(18) Mooring space.

(19) Oil and gasoline storage.

(20) Open storage.

(21) Ports of embarkation and debarkation.

(22) Post exhanges.

(23) Postal Concentration Center at Long Island City, New York.

(24) Recreation centers.

(25) Reserve training space.

(26) Schools.

(27) Service clubs.

(28) Testing laboratories.

(29) Troop detachments.

(d) [Reserved]

(e) Home Loan Bank Board: Space for field offices of Examining Division required to be located within Federal Home Loan Bank Buildings or immediately adjoining or adjacent thereto.

(f) Department of Housing and Urban Development: Space used for residential and related purposes.

(g) Department of Justice: U.S. Marshal's offices in Alaska and Border Patrol Offices similar in character and utilization to police stations, involving the handling of prisoners, firearms, and motor vehicles, regardless of location.

(h) Panama Canal Company: Present space in New York, New York.

(i) Tax Court of the United States: Present courtroom in Grand Central Terminal Building, New York, New York.

(j) Department of the Treasury:

(1) [Reserved]

(k) Veterans Administration:

(1) Guidance and training centers located at schools and colleges.

(2) Space used for Veterans Administration hospitals and related purposes.

(l) Department of the Interior:

(1) Space in buildings and land incidental thereto used by field crews of the Bureau of Reclamation, Bureau of Land Management, and the Geological Survey for periods of less than 1 year in remote areas where no other Government agencies are quartered; and

(2) Garage space held under service contract used by the Geological Survey and the Bureau of Land Management.

(m) Department of Health, Education, and Welfare: Space used for hospitals, quarantine stations, and laboratories.

(n) Atomic Energy Commission: Present space in St. Louis, Missouri.

(o) Federal Communications Commission: Monitoring station sites.

(p) Department of Transportation:

(1) U.S. Coast Guard: Plots of land and pier sites, including closed storage space required in combination with piers and docking and mooring facilities; space for the oceanic unit at Woods Hole, Mass.; and space for port security activities:

(2) Federal Aviation Administration: All space located at airports, the Aeronautical Center at Oklahoma City, Okla., air route traffic control centers, garage space held under service contracts, and land.

**§ 101-18.107 Limitations on the use of delegated authority.**

(a) Agencies authorized by this Subpart 101-18.1 to perform functions with respect to acquiring space by lease may perform such functions only:

(1) When the utilization requirements of Part 101-20 have been met; and

(2) In accordance with the authorities and policies cited in §§ 101-18.101 and 101-18.102 and applicable provisions of Chapters 1 and 101 of Title 41, Code of Federal Regulations.

(b) Agencies may not exercise the long-term leasing authority contained in section 210(h)(1) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 490(h)(1)) in the performance of the functions delegated under this Subpart 101-18.1 without specific authorization from the Administrator of General Services.

(c) Agencies having a need for other than temporary parking accommodations in the urban centers listed in § 101-18.104, for Government-owned motor vehicles not regularly housed by GSA, shall ascertain the availability of Government owned or controlled parking from GSA in accordance with the procedures outlined in § 101-20.102-6 prior to instituting procurement action to acquire parking facilities or services.

**§ 101-18.108 Contingent fees and related procedure.**

The provisions of Subpart 1-1.5 with respect to contingent fees and related procedure are hereby made applicable to all negotiated and advertised contracts for the acquisition of real property by lease. The covenant shall be appropriately adapted for use in leases of real property for Government use.

**§ 101-18.109 Application of socioeconomic considerations.**

(a) In acquiring space by lease, locations will be avoided which will work a hardship on employees because (1) there is a lack of adequate housing for low- and middle-income employees on a nondiscriminatory basis within reasonable proximity and (2) the location is not readily accessible from other areas of the urban center.

(b) Consideration of low- and moderate-income housing on a nondiscriminatory basis for employees and the need for development and redevelopment of areas for socioeconomic improvement will apply to the acquisition of space by lease where:

(1) 100 or more low or moderate income employees are expected to be employed in the space to be leased; and

(2) The lease involves residential relocation of a majority of the existing low and moderate income work force, or a signif cant increase in their transportation or parking costs, or travel time to the new location will exceed 45 minutes or a 20 percent increase if travel time to the present facility already exceeds an average of 45 minutes; or

(3) GSA requests HUD review in lease actions of special importance not covered by (1) and (2).

(c) The Department of Housing and Urban Development is responsible for providing information concerning the availability of low and moderate income housing on a nondiscriminatory basis in areas where Federal facilities are planned to be located.

(d) The Department of Housing and Urban Development will be consulted concerning the availability, on a nondiscriminatory basis, of low and moderate income housing for those Federal employees who will work in the project area.

(e) Other socioeconomic considerations described in § 101-17.104 are also applicable to acquisition by lease.

(END OF PART)

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# PART 101-20 ASSIGNMENT AND UTILIZATION OF SPACE



**§ 101-20.000 Scope of part.**

This part prescribes the policies and procedures relative to the assignment and utilization of space in Government-owned and -leased buildings, or portions thereof, in the United States, Puerto Rico, and the Virgin Islands.

**§ 101-20.001 Authority.**

This part implements the applicable provisions of the Federal Property and Administrative Services Act of 1949, 63 Stat. 377, as amended; the Act of July 1, 1898 (40 U.S.C. 285); the Act of August 27, 1935 (40 U.S.C. 304c); the Public Buildings Act of 1959 (40 U.S.C. 601 et seq.); Reorganization Plan No. 18 of 1950 (40 U.S.C. 490 note); and Executive Order 11512 of February 27, 1970 (35 F.R. 3979).

**§ 101-20.002 Basic policy.**

GSA and other Federal agencies shall be guided by the following policies for the assignment, reassignment, and utilization of office buildings and space.

(a) Material consideration shall be given to the efficient performance of the missions and programs of the executive agencies and the nature and function of the facilities involved with due regard for the convenience of the public served and the maintenance and improvement of safe and healthful working conditions for employees.

(b) Maximum use shall be made of existing Government-owned permanent buildings which are adequate or economically adaptable to the space needs of executive agencies.

(c) Suitable privately owned space shall be acquired only when satisfactory Government-owned space is not available.

(d) Space planning and assignments shall take into account the objective of consolidating agencies and constituent parts thereof in common or adjacent space to improve management and administration.

(e) The availability of adequate low and moderate income housing on a nondiscriminatory basis for employees, nondiscrimination in the sale and rental of housing, accessibility from other areas of the urban center, and adequacy of parking facilities shall be considered.

(f) Whenever a space assignment requires the acquisition of space, the policies established in § 101-17.102 or § 101-18.102 shall apply to the acquisition.

## Subpart 101-20.1—Assignment of Space

**§ 101-20.100 Scope of subpart.**

This subpart prescribes the responsibilities and procedures which are applicable to the assignment of space to Federal agencies and other entities entitled to occupy space in Government-owned and -leased buildings, or portions thereof.

**§ 101-20.101 Definition of terms.**

The following definitions in this section are established for terms used in this subpart.

**§ 101-20.101-1 Space assignment.**

"Space assignment" means an administrative action which authorizes the occupancy and use of building space, and land areas incidental thereto, by a Federal agency or other eligible entity.

**§ 101-20.101-2 General purpose space.**

"General purpose space" means space in buildings and land area incidental thereto, which, as determined by GSA, is suitable for use by several Federal agencies. The physical characteristics of the space may be of the office, storage, or special types, or any combination thereof. The following categories of space are specifically excluded from this definition:

(a) Space in any building located in a foreign country.

(b) Space in buildings which are located on the grounds of any fort, camp, post, arsenal, navy yard, naval training station, airbase, proving ground, missile site, military academy or school, or any similar facility of the Department of Defense or U.S. Coast Guard, unless and to such an extent as a permit for its use by other agencies shall have been issued by the Secretary of Defense, or the Secretary of the Treasury, as appropriate, or their duly authorized representatives.

**§ 101-20.101-3 Special purpose space.**

"Special purpose space" means space found by the Administrator of General Services to be wholly or predominantly utilized for the special purposes of the agency to have custody thereof, and is not generally suitable for the use of other agencies; including but not limited to hospitals, housing, laboratories, mints, manufacturing plants, and penal institutions. The types of space listed in

# PART 101-20 ASSIGNMENT AND UTILIZATION OF SPACE



§ 101-18.106-1 have been found to be wholly or predominantly utilized for the special purposes of the agency named, and are not generally suitable for the uses of other agencies.

**§ 101-20.101-4 Government-owned Space.**

"Government-owned space" means space in buildings, and land incidental thereto, the title to which is vested in the United States Government.

**§ 101-20.101-5 Leased space.**

"Leased space" means space in buildings, and land incidental thereto, for which the Government has a right of occupancy by virtue of having acquired a leasehold interest.

**§ 101-20.101-6 Permit space.**

"Permit space" means space in buildings, and land incidental thereto, for which a right of occupancy has been granted by permit from another Federal agency.

**§ 101-20.102 Requests for space.**

(a) Except as provided in § 101-20.102-2, Federal agencies shall satisfy their space needs by submitting a request in the proper form to the GSA regional office responsible for the geographic area in which the space is located. A listing of GSA regional offices and the areas they serve is shown in § 101-20.4801.

(b) Heads of executive agencies shall:

(1) Cooperate with and assist the Administrator of General Services in carrying out his responsibilities with respect to buildings and space;

(2) Give the Administrator of General Services early notice of new or changing space requirements;

(3) Economize in their requirements for space; and

(4) Review continuously their needs for space in and near the District of Columbia, taking into account the feasibility of decentralizing services or activities which can be carried on elsewhere without excessive costs or significant loss of efficiency.

**§ 101-20.102-1 Form of request.**

Space requests, except for space in proposed buildings included in the Public Buildings Construction Program, shall be submitted on Standard Form 81, Revised, request for space (see § 101-20.4901-81). Requests for space in buildings proposed for construction shall be submitted to GSA on GSA Form 144, Net Space Requirements for Future Federal Building Construction (See § 101-20.4902-144).

**§ 101-20.102-2 Exceptions to submitting requests for space.**

Standard Form 81 need not be filed by Federal agencies when the space desired or to be acquired is:

(a) General purpose space of 2,500 square feet or less falling within the geographical area where leasing authority has been delegated to the agency. (See § 101-18.106.)

(b) Special purpose space of 2,500 square feet or less irrespective of geographical location.

(c) Commercial space acquired by lease by the Post Office Department for postal purposes.

(d) Space for short-term conferences and meetings. (See § 101-20.102-4.)

**§ 101-20.102-3 Action when space is not available.**

If no suitable Government-controlled space is available, GSA will so advise by the return of a signed copy of the Standard Form 81, showing thereon the action to be taken.

(a) When the agency has acquisition authority, or has been delegated such authority by the Administrator of General Services, it may thereupon proceed to acquire the requested space. The signed copy of the Standard Form 81 shall be attached to the leasing or related instrument made available to the General Accounting Office. Such clearances are extended on a fiscal year or part of a fiscal year basis, except in those cases where the acquiring activity uses longer term leasing authority.

(b) GSA may take necessary action to acquire space for agencies having acquisition authority when the latter so request by checking the appropriate block on Standard Form 81.

(c) GSA will take the necessary action to acquire the space for agencies having no acquisition authority.

**§ 101-20.102-4 Short-term use of conference and meeting facilities.**

Agencies having a need for facilities for short-term conferences and meetings shall contact GSA informally to make their requirements known. GSA will determine if suitable Government-owned facilities are available in the desired area and, if so, will notify the requesting agency of its assignment. If no suitable facilities are available, GSA will assist or advise agencies in arranging for the use of privately owned facilities when agencies have authority to

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contract by purchase order or other means. Payment for use of privately owned conference or meeting rooms is, in fact, payment for the services and furnishings that are provided. Such services and furnishings, in addition to the facilities (auditorium, conference room, meeting room, etc.), would include chairs (already placed as requested by the user), rostrum with tables and chairs, posting of notices on appropriate building bulletin board, amplifier system, screen and motion picture projector, and other special equipment needed. GSA may obtain privately owned conference and meeting facilities by service contract on an hourly rate basis where combined requirements of the Federal agencies in a particular area would justify an open end service contract for such space for intermittent use periods or for an extended period of time.

**§ 101-20.102-5 Space requirements for ADP equipment.**

(a) Agencies requiring space for the installation of data processing equipment must provide the following information in addition to the requirements of § 101-20.102-1:

(1) Type of equipment (including make, model number, manufacturer, and number of units of each);

(2) Space and environmental requirements, including:

(i) Floor weight (lbs.);

(ii) Machine dimensions (width, depth, and height in inches);

(iii) Service clearance (front, rear, right and left sides);

(iv) Power in voltage and kv.-a. (starting loads and operating loads);

(v) Heat dissipation in B.t.u./hr. and air flow (c.f.m.);

(vi) Environmental factors of temperature range (F) and relative humidity; and

(vii) Need for raised floor, acoustic ceiling, and air conditioning;

(3) Related requirements, such as storage space for supplies, tapes, and disks; work space, including desk and aisle space; and future expansion needs;

(4) Agency responsible for funding; and

(5) Required occupancy date.

(b) The above information should be provided as separate supplemental data to Standard Form 81, Request for Space, and forwarded to the GSA regional office as outlined in § 101-20.102. The space requirements indicated in block 13 of Standard Form 81 must include the space requirements for all components of ADPE. The ADPE supplier should be consulted prior to establishing space needs in order to ascertain any specific or peculiar space requirements of the ADPE involved.

(c) It is essential that this information regarding the requirement for ADP space be transmitted to GSA as far as possible in advance of delivery of equipment so that space can be provided in a timely and economical manner.

**§ 101-20.102-6 Procurement of parking for Government-owned vehicles.**

Agencies having a need for other than temporary parking accommodations in the urban centers listed in § 101-18.104, for Government-owned motor vehicles not regularly housed by GSA, shall, prior to initiating procurement action for parking accommodations, make their needs for such facilities known to the appropriate GSA regional office. The request, which may be in the form provided for in § 101-20.102-1 (Standard Form 81, Request for Space), will be reviewed by GSA to determine the availability of Government-owned or -controlled space. The agency will be notified promptly should no such space be available. This notification will become a part of the file supporting the subsequent procurement.

**§ 101-20.103 Procedures for assigning space.**

**§ 101-20.103-1 Assignment by GSA.**

(a) GSA will perform all functions with respect to the assignment and reassignment of space:

(1) In Government-owned buildings which GSA controlled for assignment and reassignment purposes on June 30, 1950.

(2) In specific Government-owned buildings for which assignment and reassignment functions were transferred to GSA pursuant to section 1 of Reorganization Plan No. 18 of 1950 (3 CFR; 40 U.S.C. 490 note).

(3) In Government-owned buildings or space acquired by GSA by purchase, condemnation, transfer, lease, or otherwise.

(b) GSA may, in accordance with policies and directives prescribed by the President, including Executive Order 11512 of February 27, 1970 (35 F.R. 3979), under sec. 205(a) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 486(a)), and after consultation with the agencies affected, assign and reassign space of any executive agencies after determining that such assignments or reassignment is advan-

# PART 101–20 ASSIGNMENT AND UTILIZATION OF SPACE



tageous to the Government in terms of economy, efficiency, or national security.

**§ 101–20.103–2 Assignment by agencies.**

Except for the space covered by § 101–20.103–1(a), and subject to the provisions of § 101–20.103–1(b), agencies may perform all functions with respect to the assignment and reassignment of space. The Administrator of General Services may, in specific cases, authorize executive agencies to perform any of the functions described in § 101–20.103–1(a).

**§ 101–20.104 Application of socioeconomic considerations.**

(a) Agencies shall cooperate with GSA in coordinating proposed programs and plans for buildings and space in a manner designed to exert a positive economic and social influence on the development or redevelopment of the areas in which such facilities will be located.

(b) Whenever actions are proposed to accomplish the reassignment or utilization of space through the relocation of an existing major work force but do not involve the acquisition of buildings or leased space, the impact on low and moderate income and minority employees shall be considered where:

(1) 100 or more low- and moderate-income employees are expected to be employed in the new space; and

(2) The relocation involves residential relocation of a majority of the existing low and moderate income work force, or a significant increase in their transportation or parking costs or travel time to the new location will exceed 45 minutes or a 20 percent increase if travel time to the present facility already exceeds an average of 45 minutes.

(c) The Department of Housing and Urban Development will be consulted concerning the availability on a nondiscriminatory basis of low and moderate income housing to the project area for those Federal employees who will work in the space to be assigned or reassigned when the action meets the criteria in (b), above.

(d) When, after consultation, it is determined that (1) there is a lack of low- and moderate-income housing on a nondiscriminatory basis within reasonable proximity and (2) the location is not readily accessible from other areas of the urban center, an affirmative action plan shall be developed as described in § 101–17.104–4 with agency participation as described in § 101–17.104–5.

(NEXT PAGE IS 2003)

Mr. WHITTEN. Has the USDA used the independent leasing authority granted to it in part 101–18.104 of the Federal Property Management Regulations? If so, how much space has been leased by USDA under this authority and how much has been leased through GSA?

Mr. MILES. The Department has and continues to use the leasing authorities available to it. Our latest full year data which covers 1972 indicates approximately 3,700 USDA leases involving 3.3 million square feet and approximatley 1,100 GSA leases involving 3 million square feet. This does not include some 2,800 local ASCS offices involving approximately 2.5 million square feet leased under special Commodity Credit Corporation leasing authority.

ACQUISITION OF PRIVATE SPACE

Mr. MILES. We have limited options in terms of going out privately and acquiring space.

Mr. EVANS. Does this figure that you show for GSA space rental cost increase of $36,895,400 represent private buildings, private space that is rented?

Mr. MILES. Any space that is rented for us. It would be the South Building, Administration Building, and the Department of Agriculture Building that we have occupied for 40 years.

Mr. EVANS. This is a combination of rental of governmental space and private space; is that correct?

Mr. MILES. Any space that we are acquiring through the GSA.

Mr. EVANS. A factor being you have to ask for appropriation for renting space in government buildings, Federal buildings in the future? Could you provide for the record a breakdown of how much of this $36 million represents your rental of space in Federal Government buildings?

Mr. MILES. You want the distinction between those we rent that are Federal buildings versus those leased for us by GSA from private concerns?

Mr. EVANS. Sure. This is the first year you are being required to budget for and ask appropriation for space that you rent from Federal buildings. I don't know which committee passes on GSA but maybe their budget will be reduced by the transfer of Federal funds from one agency to another.

[The information requested follows:]

The GSA billing does not summarize Federal buildings space or GSA leased space. The Department has 3,515 offices included in the bill for fiscal year 1975, not including the Forest Service. We estimate that two-thirds of these offices are in Federal buildings.

Mr. WHITTEN. This is very disturbing to me. This new law regarding space rental seems very similar to the problems we had last year in regard to mailing costs. The Post Office Department was showing a profit because they made all other departments pay into it at a level that would assure a profit.

The Post Office Department isn't the only agency that has used this type of approach. I used to be on the Appropriations Committee handling the Reconstruction Finance Corporation, which also claimed to make a profit. Instead of borrowing from the private section they bor-

rowed from the Treasury and charged 1 percent above the Treasury rate. Whatever they got out of the Treasury gave RFC a 1 percent profit. It didn't do anything except relend the money. GSA at this rate will be pointed out as one of the great successes in government because of the profits it makes at your expense.

GSA RENTAL CHARGES IN WASHINGTON

Did I understand that you have to pay GSA rent on the Department of Agriculture Building here in Washington?

Mr. WRIGHT. Yes, sir.

Mr. WHITTEN. Supply for the record how much rent you are going to pay.

Mr. WRIGHT. Yes, sir.

[The information follows:]

The rent for USDA Washington complex will be about $10.3 million, excluding the Forest Service. This averages out to about $7.20 per square foot of space.

Mr. WHITTEN. I shouldn't tell this, but the late Mr. Cannon used to claim when they built the Department of Agriculture, Congress didn't give them but two-thirds the money, so you built two wings. I have never checked on that.

Mr. MILES. I heard that same story at the Department.

Mr. WHITTEN. Now you didn't do as wisely as you thought you would because you have a third one and now pay rent to the GSA. If you had it you wouldn't be out the rent.

Mr. MILES. That is correct.

NEGOTIATIONS WITH GSA

Mr. EVANS. Are you just told by GSA what your rent is going to be and you have to pay up? Do you have a right to negotiate and bargain?

Mr. MILES. We have done considerable negotiating, Mr. Evans. By the way, the amount shown here only represents the amount of the appropriation request. There are, in addition, charges to the corporations, charges to reimbursable agreements, and a whole series of other charges. The total space rental we are asking an appropriation for is $36 million. We are still negotiating with the GSA on the basis of the rental charges they are making. We were successful in reducing the cost earlier by about $17 million. They initially indicated something in the neighborhood of $87 million and came down to $70 million. Our current estimate is now down to under $60 million for the entire Department. We have called their attention to what we feel is the disparity between the rural and urban rates. As I understand the way they set rates, the purpose is to charge the Government agency a rate comparable to what commercial businesses are paying for the same type of space in the same area.

They will try to find some commercial rates in Washington that are comparable to the kind of space we occupy and charge us the same rate. In the rural areas they have backed off the rental rates from the rates they charge in nearby urban areas. They don't charge the same rates in downstate Indiana that they charge in Indianapolis. On the basis of what we have been able to determine, the rate they are charging us in the rural area is in some cases as much as twice what we

believe the going rate in that same town is, simply because GSA has not had the manpower or ability to check rates in every little rural community in which the Department of Agriculture has offices.

We are very concerned about this because we believe that the rates in some rural areas may not be comparable with actual rates in the little towns where we have our offices. We have been negotiating; as a matter of fact, we are continuing to negotiate with GSA to get these rates more realistic.

FINANCING OF GSA

Mr. WHITTEN. Last year this committee felt there was the same kind of problem with the rates of the Postal Service. My recollection is that when we met with the other body in conference we had to yield, but we made our point. They were charging us whatever it took to make their books balance.

What would be the answer if the Congress this year said:

No; we are not going to do it; it is ridiculous to pay anybody rent on three buildings which the Department of Agriculture has owned through the years.

If Congress were to do this, would we be playing into the hands of those who wanted to abolish the Department last year anyway? Would they file suit to eject you from your own building? Where would this lead if Congress should do that?

What is it that you would do? What do you see if we refuse to go along?

Mr. MILES. I don't know, Mr. Chairman; the Public Buildings Act does provide for this means of financing for GSA.

Mr. WHITTEN. It does not provide the money. Otherwise you wouldn't be here.

Mr. MILES. That is correct.

Mr. WHITTEN. If you don't give them the money you put them in cold storage. I am aware of that. Some of them, if you give them the money, and Mr. Ash and the OMB get ahold of it, you put it in cold storage anyway.

Mr. MILES. I don't know what would happen. The GSA, as I understand it, will not get an appropriation of its own beginning in 1975.

Mr. WHITTEN. If this committee were to hold up the $36 million, they might get more rental space rates so they would get some money; wouldn't they?

Mr. MILES. They might. I don't know what would happen. Presumably we are to finance GSA in the future through this kind of reimbursable agreement. As in the case of the Post Office, the Post Office was telling us if we didn't pay our bills they were not going to deliver our mail.

Mr. WHITTEN. Apparently you didn't pay your bills.

Mr. MILES. Ultimately we did.

Mr. WHITTEN. I was judging by the service.

Mr. MILES. We did pay our bill.

By the way, the Post Office advised us that the rates are going up again in March. We are going to have to pay more in the way of postal charges this year than we had anticipated. This is another unforeseen cost that will have to come out of the funds that we have in 1974. These are very difficult to finance. The GSA one is similar to it.

Mr. SCHERLE. Mr. Chairman?
Mr. WHITTEN. Yes.

EXTENSION SERVICE SPACE CHARGES

Mr. SCHERLE. May I provide a choice example of this, GSA versus Post Office. In Council Bluffs, Iowa, we have a brandnew Federal building. Within that building is space occupied by the Extension Service. They told us not too long ago they will be charged by GSA so much per square foot under a formula which GSA has through the years adopted. Now, originally there was no basement in that building. The Extension Service took it upon themselves to raise the money locally, dig out the entire basement, pay for its reconstruction, and put in all modern appliances so it might be used by the Extension Service in home economics. GSA has now turned around and is going to charge them $19,000 a year rent for that area they cleaned out and rebuilt.

It is unfair that the formula devised by GSA is now going to be prorated to all the other agencies in that Federal building. The Extension offices have to move out of Federal buildings, look for other quarters in other communities. The rate charged per square foot must be astronomical because they are moving out quite rapidly throughout my entire State.

We have called the Department of Agriculture; we have visited with your people in Kansas City, also with GSA, and Post Office about this. It is a real severe situation that is mushrooming all over the country.

At the appropriate time, someone should find out what is going on and put a stop to this before all these Federal buildings are vacated. If you can get space outside cheaper, why build the Federal buildings to the extent that we have in the past?

Mr. MILES. Perhaps that was the intent of the law, Mr. Scherle, to determine whether or not we save any money by building Federal buildings or whether it is less expensive to the Government to go out and let commercial enterprises build the buildings and then we rent them commercially.

The General Services Administration officials have told us they feel what they are doing is consistent with the act and they really have no choice. It boils down to a matter of rates. We are negotiating with them to get a favorable set of rates.

Mr. SCHERLE. What is going to happen in the meantime if the Extension Services has the squeeze put on them to move out because of the astronomical per footage rates?

Mr. MILES. I have been informed by Mr. Kirby that a number of Extension Service offices have completed plans for moving out of Federal buildings.

Mr. SCHERLE. Is there no way of expediting that to save them the cost of the movement?

Mr. MILES. We have asked General Services Administration to exempt the Extension Service for a year until we can get rate structures that are acceptable. To my knowledge they have not yet responded to that request, but that is pending and Mr. Wright and others have been trying to expedite a response from them. I think it

is particularly difficult for the Extension Service. We are trying to do what we can.

Mr. WHITTEN. What allowance has been made for Extension Service offices in the field that now occupy Federal space?

Mr. MILES. The State Extension Services will be required to pay their own space costs in fiscal year 1975. The Department has appealed to the General Services Administration several times in an attempt to obtain an exemption from the rental payments for the State Extension Services. The General Services Administration has stated that there is no justification for granting such an exemption.

The Department is continuing negotiations with the General Services Administration in the hope of obtaining the exemption or substantial rate reductions which would reduce the financial impact on the Extension Service.

Mr. WHITTEN. I used the illustration where the Extension Service had been urged to go into a new Federal building and the county agent in this county in my area talked to me and he was rather good-natured about it, but he said:

> What makes it ridiculous is that we were urged to move here because we work with these other Federal agencies. Since this building was funded we sold our desks, equipment, this, that and the other. Now, since we can't hope to pay the kind of rent they charge, we have to get out, the space will be vacant and we will have to buy new furniture.

That happened within the last 3 weeks. I have had no chance to pursue that or follow it up.

It does raise some serious questions here as to whether this committee shouldn't ask you to review this matter of rents, to see what you feel is a reasonable rent and whether Congress might not buy your figure rather than what has been submitted to you by GSA.

You might supply that to the committee. I will not ask you to put it in the record. We have to give some thought to these matters.

If GSA puts up a building that is one thing, but to let GSA charge rents on the Department of Agriculture which was here 100 years before you ever heard of GSA, raises some rather ridiculous questions to me.

FARM PRODUCTION

We have a new farm program and it is contemplated by the Department and by a majority in the Congress that no longer will we have all these big drains on the Treasury in price supports.

Farm income is unit times price minus cost. Since 1965 we have been very shortsighted because we have tried to squeeze the volume—in other words, create short supply so we would get a higher unit cost. I thought it very unwise and voted against it when it passed.

Now we have turned to a program that goes for all-out production and I think that is sound. Now, how to get the consumer to understand how very dependent they are on that all-out production is a job. We gave some increased funding to the Office of Communication in the Department last year to get that message over.

There are two essential things for this program of all-out production to succeed without hurting the producer. If this policy results in surpluses, there must be some provisions to buy up or export the surplus. Otherwise the surplus will depress the price and not only hurt

agriculture, but result in Government payments if the price falls below the target price.

The reason I raise that with you is because in volume 9 of last year's hearings, in which I just put verbatim our hearings in 1956 and 1957, it is pointed out that in the past we also asked American agriculture to go all out in the way of producing so that we could become a Nation of plenty.

I believe in all-out production, and have spoken many times in support of it. I spoke to Cornell University and the agricultural engineers along that line. In order for the relatively few on the farms to get along with the multitudes in the cities, we have to produce ample supplies of food at reasonable rates which, due to the volume, will give a reasonable income. However, in order to do that, you have to see that the surplus doesn't make the price so low that someone will go broke.

MISTAKES OF THE PAST

To sell that off in world trade is better than to buy it up here to put in Government storage bins. If we sell it in world trade, we keep our dollar balances. We know the world is short of food everywhere you look almost.

After World War II, when the war was over, we found that the U.S. international traders—I won't call their names, but it was in grain and cotton—used our State Department to talk the White House into holding U.S. commodities off the world markets. So we built up $10 billion in Government surpluses. We paid storage on it. The law says you can sell it in world trade for what the traffic will bear but these international merchants talked our Government into holding it off world markets and then they proceeded to get rich from what they grew in South and Central America.

That is where this subcommittee got into the act, by creating a sales manager and we got them to sell all these commodities.

Before we sold them, the then Secretary of Agriculture, Mr. Benson, made a survey and found out that because of these commodities which he had not sold, 53,000 farm families were put off the farm without anything to do.

That could happen again if we get into that shortsighted policy of holding our surplus off world markets, or holding them with a price level in order to let the international merchants operate.

Do you know what we did for business in similar circumstances? Business went all out. I mean manufacturers went all out at the instance of the Government in World War II. What did we do for them? We didn't count their production and cut them back. Congress voted, I believe, $18 billion in tax forgiveness so they could convert to peacetime operation. They didn't do that for agriculture.

So I keep bringing these things up so that we won't be that shortsighted this time. But it is a matter of record that we have been shortsighted in the past.

GENERAL SALES MANAGER

What plans do you have, if you know, in the Department, to meet this need if we do show up with big surpluses, surplus to domestic markets? Have you any program for moving it in world trade and, if you do, why did you abolish the sales manager's position and the sales

organization which this committee set up to meet this problem before?

Mr. WRIGHT. Mr. Chairman, I think there is a misunderstanding. The sales manager's position is not abolished and the sales organization is not abolished. What is happening is they are being put together with the Foreign Agricultural Service so that you have better coordination with all of our foreign activities. It exactly agrees with your attitude by all means.

The Secretary believes a strong export policy is necessary for exactly the reasons you have already mentioned. Therefore, one of the directives on this was that that position not be abolished.

Mr. WHITTEN. Before the Foreign Agricultural Service was not with us in our efforts. Before that they reported to the Secretary through the State Department, you will recall.

Most of them were at the embassies waiting to get to the State Department.

Since then we have changed the law.

You are convinced now that the Foreign Agricultural Service, as we would say in my State, you think they have gotten religion now and are ready to move these commodities?

Mr. WRIGHT. Yes, sir, I think they have.

Mr. WHITTEN. You might go ahead then and discuss the highlights and I have some other questions I may ask.

AGRICULTURAL RESEARCH SERVICE

Mr. MILES. I mentioned the first two items. We have taken them out of the increases so you can see the actual program level increases.

For the Agriculture Research Service we are asking for an increase of $17.6 million. A large amount of that will be used for red meat research, including $5,020,000 for the construction of laboratory facilities at Clay Center, Nebr.

Mr. WHITTEN. Mr. Miles, may I interrupt again? I will say for the record, you are the budget officer and are just calling our attention to these totals. We will have the agency heads in here where we will have a chance to go into detail with them as to what is involved. We are just getting the figures here. The figures will be supported and discussed by the agency itself at a later date.

Mr. MILES. That is correct, Mr. Chairman. I have just tried to highlight a few of these items and draw the attention of the committee to them.

Mr. BURLISON. You mentioned the Agriculture Research Service increase of over $5 million for red meat.

Mr. MILES. For the construction of the laboratory at Clay Center.

Mr. BURLISON. Is there an increase for soybean research?

Mr. MILES. Yes, sir, there is.

Mr. BURLISON. What is that increase?

Mr. MILES. There is a $311,000 increase for the oil crops. I think the majority of that, Congressman, is soybeans. A part of some of the other items of increase may also relate to soybeans.

In addition there is an increase in soybean research for the Cooperative State Research Service. There is an increase of $100,000 in soybean research in the budget for the State experiment stations.

Mr. BURLISON. I thank you, Mr. Chairman.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Mr. MILES. There is an increase for the Animal and Plant Health Inspection Service of $84,364,000. I would like to call your attention to the fact that a large part of that increase is not a program increase but rather relates to the reimbursement of the Commodity Credit Corporation for costs incurred in prior years for the hog cholera and Asiatic Newcastle diseases.

You may recall that the Secretary has authority in emergencies to redirect funds from other appropriations to meet any emergency disease that develops. These two diseases were widespread a year ago and Commodity Credit Corporation funds were used to control these diseases; $62,900,000 of the increase of $84 million is to repay the Commodity Credit Corporation for costs incurred in prior years.

The major item of increase for APHIS is again for meat and poultry inspection, almost a $6 million increase to carry out additional meat and poultry inspection workload. There is also $9.6 million for the construction of the veterinary biologics laboratory in Ames, Iowa.

GRANTS TO STATES FOR RESEARCH AND EXTENSION

For the Cooperative State Research Service, there is an increase of $8.4 million and for the Extension Service, $3.6 million.

Again, a large part of this increase is for the operating costs of these two agencies.

As you know, these are cooperative programs with the States. As Federal salaries have gone up, State salaries and State operating costs have also gone up, so a large part of the increase for the Extension Service and Cooperative State Research Service will be required simply to meet these increased operating costs and allow the agencies to serve at the same level they have in the past.

PUBLIC LAW 480

There is a substantial increase in the amount of the appropriation requested for Public Law 480. However, the program level actually will be down somewhat. The reason is that in 1974 we had carryover balances from 1973 which we could apply to the cost of the Public Law 480 program, but by 1975 we will have used these carryover balances and we will have to ask for an increase in the appropriation, even though the program level for Public Law 480 for title I will be down by about $26 million and for title II by $86 million. The program levels of both the title I and title II Public Law 480 programs are down. Of course, this represents the reductions that we have in CCC inventories.

Mr. WHITTEN. In Public Law 480 you sell for foreign currencies; 90 percent is not subject to the appropriation process here. Is this just a transfer of money?

Mr. MILES. Mr. Chairman, if production this summer is in the magnitude the Department is estimating, there will be a Public Law 480 program at about the levels indicated in the budget. I think the title I program level is about $739 million in 1975 and title II is about $242 million. They anticipate a program level of somewhat under a billion dollars for these two programs, but again it depends very

largely, as you know, Mr. Chairman, upon the availability of supplies in Public Law 480.

If supplies are not as great, if the crop isn't as big this year as we are anticipating, it is entirely possible that this program level will be reduced.

Mr. WHITTEN. You have budgeted an increase of $224.8 million for the Public Law 480 program. Give me the details of the Public Law 480 program budgeted for 1975 and fully explain why you have budgeted additional funds for this activity in fiscal year 1975.

Mr. MILES. Mr. Chairman, I think we need to distinguish between the level of appropriation and the level of actual program activity. The Public Law 480 program is financed by four basic sources; appropriation from the Congress, receipts from the sale of foreign currency, repayment of loans, and from unused appropriated funds available from previous years. In fiscal year 1975, we estimate that program costs will be reduced by over $113 million, although we project an increase in the quantity of commodities under Public Law 480. However, an increased appropriation is being requested as amounts available for financing from sources other than appropriated funds will also be reduced. I will insert a table which illustrates the level of anticipated program activity and the need for an increased appropriation.

| Project | 1973 | 1974 estimate | Increase or decrease | 1975 estimate |
|---|---|---|---|---|
| 1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (title I) | $744, 470, 819 | $765, 793, 353 | −$26, 543, 353 | $739, 250, 000 |
| 2. Commodities supplied in connection with dispositions abroad (title II) | 396, 141, 983 | 328, 916, 650 | −86, 476, 650 | 242, 440, 000 |
| Total program level | 1, 140, 612, 802 | 1, 094, 710, 003 | −113, 020, 003 | 981, 690, 000 |
| Adjustments to appropriations: | | | | |
| Title I: | | | | |
| Receipts from sale of foreign currencies and loan repayments used to finance the program | −386, 638, 838 | −298, 600, 000 | +58, 600, 000 | −240, 000, 000 |
| Unobligated balances (includes balances in the Corporation): | | | | |
| Brought forward | −288, 674, 334 | −302, 217, 353 | +228, 142, 353 | −74, 075, 000 |
| Carried forward | 302, 217, 353 | 74, 075, 000 | −74, 075, 000 | |
| Title II: | | | | |
| Costs brought forward | 224, 011, 367 | 96, 528, 350 | +14, 329, 650 | 110, 858, 000 |
| Costs carried forward | −96, 528, 350 | −110, 858, 000 | +110, 858, 000 | |
| Total, appropriation | 895, 000, 000 | 553, 638, 000 | +224, 835, 000 | 778, 473, 000 |

EFFECT OF SHORTAGES ON AGRICULTURAL PRODUCTION

Mr. WHITTEN. I come from a farm area. Of course, there are quite a few people on the farm and in the State who would be classified as agricultural, but when you see how few people there are per farm, you will find there are very few. They have been replaced by high-priced and expensive machinery and all the people work in town in the factories, even in our area.

Has there been any readjustment or review of the budget proposals in view of the energy shortage and in view of the shortage of ferti-

lizers? Is there anything in the picture at present that disturbs you about whether we will come up with this production?

Mr. MILES. I think that problem is under constant review, Mr. Chairman. I think that the general agricultural briefing you are going to have after this briefing and the Secretary's testimony will deal more adequately with that. That is a very serious concern, as you know. The Department is giving it a considerable amount of attention.

SUPPORT PAYMENTS TO FARMERS

Mr. WHITTEN. With increased emphasis on maximum production, various support payments to farmers will decrease materially in fiscal year 1975. Give me a detailed analysis of the change in the level of payments to farmers.

Mr. MILES. The fiscal year 1975 budget estimates a total of $461 million in direct Government payments to farmers. This compares with $2.6 billion in 1974 and $3.9 billion in 1973. Of the $461 million included in the 1975 estimate, $175 million represents estimated payments resulting from the disaster provisions on wheat, feed grains, and cotton which were included in the 1973 Agriculture Act. The administration has indicated that it will propose legislation to repeal those disaster provisions, and if that proposal is approved by the Congress, payments would still further be reduced in 1975 to $286 million. I will insert a table in the record which shows the payments to producers.

[The information follows:]

DIRECT GOVERNMENT PAYMENTS BY PROGRAM BY FISCAL YEAR

[In millions of dollars]

| | 1973 | 1974 | 1975 |
|---|---|---|---|
| Wheat | 863.1 | 477.2 | [1] 75.0 |
| Feed grains | 1,846.3 | 1,171.0 | [1] 25.0 |
| Cotton | 813.5 | 714.9 | [1] 79.0 |
| Sugar | 87.1 | 90.8 | 91.5 |
| Wool | 68.0 | | |
| Other | 230.9 | 98.6 | 190.5 |
| Total | 3,908.9 | 2,552.5 | 461.0 |

[1] Legislation will be proposed to reduce these payments by $175,000,000.

CONSERVATION COST-SHARING PROGRAMS

The next item I want to call to your attention is one that represents a proposal to combine all of the conservation cost-sharing programs of the Department into a single appropriation account. We have in the past years asked for a separate appropriation for the agricultural consevation program, or REAP program, if you prefer to call it that; the emergency conservation measures program of ASCS; the water-bank program of ASCS; and the Great Plains program of the Soil Conservation Service.

In the fiscal year 1975 budget, all of these conservation cost-sharing programs have been merged into a single account. I have a table under tab C which attempts to describe the financing of this con-

solidated account. Since we have used about all the combinations of letters and titles, Mr. Chairman, we have titled this new program, the rural environmental program. It basically combines the ACP program, the Great Plains program, the emergency conservation program, and the waterbank program.

AGRICULTURAL CONSERVATION PROGRAMS

Mr. WHITTEN. You know the Congress has shown repeatedly it is a strong believer in the Agricultural Conservation Program. For the record, I think this committee 18 times has recommended its restoration and had it restored. As many as 1,100,000 American people—not all of them farmers—have put up an equal amount of money, plus their labor, and they have produced many things. Anybody who flies and looks down at the ground can see the thousands of pools of water and terraces which have been built through the Agricultural Conservation Program. Had we not had them, not only would we have had tremendously greater damages from floods, but we probably would have had about 50 percent less beef.

The testimony before another committee this morning was that the Mississippi River flood did $14 billion worth of damage. They didn't testify on this, but it was evident that except for the dams, reservoirs, and these small reservoirs and pools, it probably would have been several times this rate.

Notwithstanding that background, last year and the year before this past one, the Congress restored the agricultural conservation program which this administration changed to REAP namewise. So they announced the program as directed by the Congress in September, and they let it be in existence until after the election. Then on December 26 they eliminated the program as of December 22. They didn't tell the farmers until after Christmas, but they cut it out before Christmas.

Then Congress, for the current year, reinstated it all over again. The Department drug its feet, didn't make any announcement and continued to try not to have the program.

Now we find that you are out to reorganize the committee system on which that depends. When you take a program where you have recommended abolishment and then you have abolished it, and now you consolidate it with all of the others, are you trying to hide it so the Office of Management and Budget can't get their hands on it or are you trying to hide it so we won't know you have eliminated it?

Mr. MILES. We are not trying to hide it. That is why I wanted to call your attention to it.

Mr. WHITTEN. It is in there but it won't be identifiable.

If you put a lot of things into a sack and shake them up, it looks to me like it is pretty well hid.

Mr. MILES. We have attempted to compare it, Mr. Chairman, with the programs we are operating this year so that the committee can review it and compare it with the old program.

RURAL ENVIRONMENTAL PROGRAM

Mr. WHITTEN. I have seen several things become an "open sesame." At one time anything that had "research" on it, it sailed through Congress. In another period, if it had "defense" on it, it sailed through.

When they put "environmental" on it, it sailed through. Is that why you put this environmental tag on this?

Mr. MILES. No, Mr. Chairman.

Mr. WHITTEN. As we have tried to point out, the biggest problem we have now is sedimentation, soil pollution, and these programs were working on that long before the environmentalists could make the newspapers. But they didn't seem to realize it now or else they wouldn't let you abolish it.

Mr. MILES. We are asking for funding——

Mr. WHITTEN. I asked why you included the word "environmental."

Mr. MILES. We called it the rural environmental assistance program and title 10 of the Agricultural Act expanded the authority and changed the title to rural environmental conservation program. We have tried to get a name that was descriptive of the program and also that hadn't been used before. This program relates both to Great Plains and title X of the act, plus the forestry incentives, plus the old rural environmental assistance program, and they are all environmental programs, Mr. Chairman, so we just called this the rural environmental program.

Each of these programs merged in this combined account in our judgment is a sound environmental program.

Mr. WHITTEN. I seem to be taking you to task and I don't mean it that way.

Some years ago we couldn't get any money to do research on production. At that time we had a surplus so anything listed under "research for production" they would say we don't need it. So we had to change it to cost of production and then we had no trouble selling it.

You could get money to study the cost of production. We have been at this ourselves upon occasion. I just wondered what motivated you.

Mr. MILES. We wouldn't be unhappy if this title did cause the program to receive more favorable consideration, Mr. Chairman, than it has received in the past.

Mr. WHITTEN. Thank you, Mr. Miles. You do well. Proceed.

Mr. MILES. I have one more comment on that program.

In the 1974 conference report the committee directed us under the REAP program to only charge against the obligations for REAP, in 1974, the first year costs of any long-term contracts we entered into. This is what we are doing in 1974 in the REAP. In the 1975 budget we are following this same policy and I would just like to say that although we are reflecting obligations for this rural environmental program of $138.2 million in 1975, there will actually be deferred obligations in that same year of an additional $53.3 million. Although in looking at the budget schedules, it would appear there is only $138.2 million which is going to be obligated for this program, really to show the full impact of the long-term contracts, another $53.3 million should be added so the total level of the program is really $191.5 million.

Mr. WHITTEN. You have budgeted $118.8 million for the Rural Environment Program. It is proposed that this program will include the REAP program, the water bank program, the emergency conservation measures program, the forestry incentives program, and the Great Plains program. Please explain in more detail just how it is envisoned that the Rural Environmental Program will operate.

Mr. MILES. Whole-farm conservation plans will provide the basis for cost sharing for long-term soil and water conservation practices. Cost sharing for timber production, recreation and wildlife practices or annual soil and water conservation practices may be included in the whole-farm plan but such a plan is not specifically required for these practices.

Technical assistance for soil and water conservation practices, emergency measures, and recreation and wildlife practices will be financed with a direct appropriation for the Soil Conservation Service.

Cost-share contracts for soil and water conservation practices will be used only when farmers could not profitably carry out the practice without assistance.

At least $10 million will be reserved for use in designated emergency areas to restore agricultural land damaged by natural disaster. Terms and conditions would be similar to the emergency conservation measures program.

Cost sharing in the Great Plains program counties will be continued at the 1974 level of $12.3 million.

Timber incentives will be carried out with the primary objective of cost sharing to increase the supply of sawtimber on nonindustrial private lands. Funds for technical assistance will be transferred to the Forest Service and in turn to the State forestry agencies which will actually provide the assistance.

### COMMODITY CREDIT CORPORATION

As I have said, the increase for the Commodity Credit Corporation is $947 million. The appropriation requested is $4.2 billion. This relates to losses incurred through the conclusion of fiscal year 1973. It does not relate to the program as it will operate in 1975.

### RUSSIAN WHEAT SALES

Mr. WHITTEN. Is that where the Russian wheat deal shows up? The loss of the subsidy we paid? Does that show up as a loss to the Commodity Credit Corporation?

Mr. MILES. The export subsidies paid out in fiscal year 1973 would show up in this account.

Mr. WHITTEN. How much would that be? Supply that for the record.

Mr. MILES. Those subsidies were paid in the summer of 1973 or possibly 1974.

Mr. WHITTEN. In connection with that—the story I get is that this was all handled through the big grain companies and each of the grain companies—and again I speak from memory—that in most instances at least they had indicated they felt they were handling the thing and didn't know that other companies were in on it too.

The one thing that strikes me that can't be justified is that there was testimony before our committee last year to the effect that in these sales to Russia we sold them approximately $1 billion worth of grain apparently without any awareness that we had about all the surplus food in the world with all the benefits we could get from it in our international policy. But the thing that is hard for me to understand first is how our Foreign Agricultural Service failed to make us aware that the world was short of food. It looks to me as if with all this tre-

mendous amount that we spend on the Foreign Agricultural Service, that we should have had that information available to us to a greater degree than we did.

Second, the thing that strikes me in connection with it is that as they testified last year, that Russia agreed to take this $1 billion worth of grain over a 3-year period, but we forgot to make them agree to stretch it over 3 years so they took it all at once and that is where the real pinch came.

I understand that probably maybe a third of it still has not moved from here, but they have the title to it so it is beyond our control.

We will check this to be sure that the record shows it as accurate.

We would like for you to put in the record how much subsidy went toward this.

[The information requested follows:]

EXPORT SUBSIDIES

Export subsidies paid on sales to Russia amounted to $151,984,604 in fiscal year 1973 and $9,166,763 in fiscal year 1974.

REASON FOR INCREASED REIMBURSEMENTS TO COMMODITY CREDIT CORPORATION

Mr. WHITTEN. You have budgeted an increase of $947.4 million, $4,249 billion in total for reimbursement for net realized losses of the Commodity Credit Corporation. In view of the decreasing payments to farmers and much smaller amounts of commodities going under loan, it will be difficult for many individuals to understand why the Commodity Credit Corporation will need additional funding in fiscal year 1975. Please explain this in detail.

Mr. MILES. The $4.249 billion figure is the amount needed to reimburse the Commodity Credit Corporation for actual net losses incurred through June 30, 1973. We estimate that the Corporation will incur a loss of approximately $2.347 billion in fiscal year 1974 for which we will be requesting reimbursement in our budget submission next year. Because of expected decreasing payments to farmers and a lower level of commodities under loan programs this year, we estimate that fiscal year 1975 losses will be reduced to $454 million. The amount would be requested in the fiscal year 1977 budget.

SHORTAGES OF FARM SUPPLIES

Mr. WHITTEN. The Department's activities have radically changed in the past few years—you have gone from a program where you limited acreages and contended with commodity surpluses to a situation now where you are encouraging all-out production and have greater responsibilities in assisting farmers in getting needed materials and facilities which are in short supply. Give me some specific examples of how the budget has been rearranged to take care of these new activities.

Mr. MILES. I assume you are referring to shortages related to the energy problem, Mr. Chairman, such as fuel, fertilizer, and baling wire. Although there have been no specific budget realinements to meet these problems, I might point out several of the actions we are taking to assure that farmers receive needed supplies. We are directing the

full efforts of the Emergency Preparedness Division of ASCS toward these problems. We have established a USDA energy crisis activities staff to monitor the latest developments on the energy problem. We have hired consultants to assist us on specialized issues, and we are providing expertise and advice on agricultural needs to the Federal Energy Office.

FARMERS HOME ADMINISTRATION

Mr. MILES. The next item is the Farmers Home Administration. Here again the program level is not well indicated by the budget requests that we are making.

Mr. WHITTEN. The Department has many diverse loan authorities. These include direct loans, insured loans, and guaranteed loans. In some instances, the authorizing legislation specifies the type of loan to be made. In other instances, there is latitude. What is the general policy of the Department with regard to the type of loan that is approved in the various programs.

Mr. MILES. Within the latitude permitted by the legislative authorization and the practical requirements of good program administration, it is the policy of the Department to favor the maximum participation of the private sector in carrying out the various loan programs we have been given. This means that loan guarantees are to be favored over insured loans where private credit is available, the cost to the Government and the borrower reasonable, and other program requirements can be met. Insured loans are to be favored over direct loans where legislative and program requirements can be met, and subordination of liens used when possible to permit private lenders to meet part of borrower credit needs.

Mr. WHITTEN. In some instances, the Appropriation Act indicates a specific loan level. What is the Department's interpretation as to whether or not the indicated loan levels are to be construed as an absolute limitation.

Mr. MILES. We recently asked the Comptroller General for an opinion on this subject related to a specific program, farm operating loans. The response indicated that while the amount in the Appropriation Act was apparently not an absolute limitation, the matter was not entirely free from doubt. The opinion suggested clarification on future Appropriations Acts. On the basis of the Comptrollers' decision, the Department has made available an additional $175 million for operating loans in fiscal year 1974.

EMERGENCY LOANS

The increase in budget authority, for FHA of $463 million, is to reimburse the FHA for the cost of operating their insured loan accounts. A very substantial part of this increase, Mr. Chairman, relates to the emergency loan program which was carried out during fiscal year 1973. That program required that the person receiving an emergency loan would get the first $5,000 of that loan forgiven and the remainder of the loan would be at 1 percent interest.

Of this increase of $463 million in the losses incurred in 1973 for which we ask reimbursement in the 1975 budget, about $410 million relates to the costs of the emergency loan programs during fiscal year 1973.

Mr. WHITTEN. I don't know why Congress does some of the things that it does. This forgiving the first $5,000, without any qualifications, doesn't seem appropriate.

Just about everybody recognizes the unsoundness of giving a fellow, however rich he might be, absolute forgiveness of the first $5,000. That program is no longer in existence at this time, is that right?

Mr. MILES. This program was reinstituted very recently, Mr. Chairman, for losses incurred last year from about the end of December until the middle of April. I am not certain I recall the exact dates. I can supply them to the committee. We reinstituted a very similar type emergency loan program where we are required to make a loan for losses incurred from disasters during that period and the loan, as I recall, Mr. Chairman, has a $5,000 forgiveness provision in it, and no credit-elsewhere provision. This means that the individual is eligible, regardless of his income, and the law provides for a cancellation of up to $5,000 and I think there is a 1-percent interest subsidy on the remainder of the loan.

Mr. BURLISON. I believe the law you are referring to was passed as an amendment to the Small Business Administration legislation. I think your dates are correct, from late December until the middle of April, the rationale on that legislation, Mr. Chairman, was that this was the provision governing the Small Business Administration in the disaster.

Not that that justifies it, merely because someone else follows a bad program, but I think that was the rationale of the legislative amendments tacked on.

Mr. WHITTEN. You run into the problem of where you make it available for one, where do you draw the line in not making it available for another?

It leads to a lot of problems, including the present national debt.

WATER AND WASTE DISPOSAL GRANTS

I notice here water and waste disposal grants.

This committee recommended $150 million and then we reappropriated it. We have been trying to tell the Environmental Protection Agency, as well as the Office of Management and Budget, when we had Mr. Ash before us, that they do not have the right priorities. Instead of funding programs in the SCS and FHA, where we are trying to do something about the environment, they are spending all their money trying to keep the pipeline to Alaska so deer can cross over it. They are trying to get rid of undesirable noises and odors, and a little waste that may come from cotton gins, and I could go on and on. The point is all these programs may be desirable in the long run, but we have to set priorities, and many times we seem to have them backwards.

Mr. Ruckelhaus has testified before the committee that it would take about $284 billion to do this job that we had to do. As I pointed out the other day to the Secretary of the Treasury, to Mr. Ash and to Dr. Burns, it seems to me we are spending all our money trying to get rid of the undesirable things, while we are letting those things that are absolutely dangerous to health go by the way.

Mr. Ash, for instance, has frozen $11 billion recommended by this committee and provided by Congress for waste treatment plants and in many cases that raw sewage is running into the streams.

DDT, which they have never been able to show has done any harm to anybody—they say it might a hundred years from now because they don't know—it is a negative—but they outlaw that and prohibit it because of public pressure. Then they turn around and require farmers to use parathion, which is so dangerous that EPA has schools where they teach them how to handle it safely because it is so dangerous. Yet that is the agency that refuses to let them use DDT, but forces them to use substitutes which are known to be dangerous and which will kill you if you don't get it off of you.

So here we provided $150 million for a high priority rural water and sewer program. We finally got the Office of Management and Budget to release $30 million of it. Do you know whether they have actually made it available to the States?

Mr. MILES. Yes, I am sure they have. The funds have been made available. I don't know whether they have actually made any new grants.

Mr. WHITTEN. At the urging of the Congress—this committee and the Congress—they finally released $30 million but then they don't recommend any for the coming year?

Mr. MILES. Mr. Chairman, again the table is a little misleading because it shows a $30 million decrease in new budget authority.

The 1975 budget does project the use of $20 million for water and sewer grants in 1975 but, because, as you pointed out, $120 million of funds available this year are in reserve, the $20 million can be accommodated within the $120 million that would carry over. There is no request for any additional funds, but there is a projection of a $20 million program compared with the $30 million program that is being run this year.

Mr. WHITTEN. You might proceed, Mr. Miles.

HOUSING PROGRAMS

Mr. MILES. For the next two items, grants for domestic farm labor housing and self-help housing, no additional funds are requested for these two programs in 1975.

ASSET SALES

Mr. WHITTEN. Outlays for agricultural programs are directly affected by asset sales—sale of loans and so forth. I would like to have your general comments in this connection with regard to fiscal years 1974 and 1975 and following that, I would like you to insert in the record a detailed analysis for fiscal years 1973, 1974, and 1975.

Mr. MILES. To the extent the Department sells assets it controls to the private sector, such sales offset outlays in the affected account, and therefore for the Department and Federal Government as a whole. Most of these asset sales are FHA loan paper. The timing of these sales are subject to a great deal of administrative control, and so the timing of the outlay effect is similarly controllable. We work with the Treasury and other agencies to avoid overloading the market and to prevent other adverse economic effects. Sales of FHA paper are expected to total $3.02 billion in fiscal year 1974 and $4.35 billion in fiscal year 1975. I will insert a table which details the actual and estimated sales by fund or account.

[The information follows:]

FARMERS HOME ADMINISTRATION

[In thousands of dollars]

| | 1973 | 1974 | 1975 |
|---|---|---|---|
| Agricultural credit insurance fund | $916,935 | $1,161,173 | $944,356 |
| Rural housing insurance fund | 1,999,668 | 2,395,692 | 2,744,362 |
| Rural development insurance fund | 408,253 | 468,000 | 665,245 |
| Total | 3,324,856 | 3,024,865 | 4,353,963 |

RURAL ELECTRIFICATION ADMINISTRATION

Mr. WHITTEN. The rural electrification and rural telephone programs were placed outside the purview of the budgetary process, with the exception of administrative expenses, by the Rural Electrification Act of 1973 (Public Law 93–32). Since the enactment of that legislation, what supervision or restraint has been imposed by either the Office of the Secretary or the Office of Management and Budget on the administration of the rural electrification or the rural telephone programs?

Mr. MILES. Public Law 93–32 placed the insured REA loan programs outside the budget in the sense that the budgetary schedules for the programs now appear in the annexed portion of the budget, and the associated loan authority and outlays are not counted in the totals for the Department or budget as a whole. However, other than these minor changes, the electric and telephone loans are dealt with in the same manner as before the legislation. For example, REA must still justify to the Department and to the Office of Management and Budget changes in loan levels from year to year.

Appropriation requests in specific amounts are being made of the Congress for fiscal year 1975, and the normal allotment and reporting processes are in effect for current and anticipated funds. Guaranteed loans which do not ordinarily involve REA disbursements and are loans by the private sector, require justification of proposed level changes by REA to the Department and OMB. Currently they are not being apportioned by OMB or allotted by the Department.

FEDERAL FINANCING BANK

Mr. WHITTEN. Public Law 93–224 enacted December 29, 1973 provides for the establishment of a Federal Financing Bank. When this program becomes fully operative, what effects will it have on the financial transactions of your Department, especially with regard to the Farmers Home Administration?

Mr. MILES. Both the Rural Electrification Administration and Farmers Home Administration intend to use the services of the Federal Financing Bank.

REA is now working with the FFB on the new guaranteed bulk power loans. It is anticipated that the Bank, because of its experienced staff and ready access to the money markets, will be able to sell its own obligations at a low enough interest rate to finance the REA guaranteed borrowers at a much more favorable rate than would be the case if the borrowers had to go to the market themselves.

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The Farmers Home Administration is planning to market most of its loans through the Federal Financing Bank. The Bank is expected to substantially reduce the interest cost of borrowing to the agency, eliminate the marketing expenses connected with volume sales, and reduce the administrative burden. However, precise agreement has not yet been reached, pending the appointment of the FFB Board and the finalization of FHA sales plans for the rest of this fiscal year.

SOIL CONSERVATION SERVICE

For the programs of the Soil Conservation Service, Mr. Chairman, if we take out the Great Plains program provided for under the rural environmental program, and the increase for salaries and space costs which they must pay from the appropriation is up by $8.5 million.

Mr. SCHERLE. Have we taken care of that matter of attrition as far as our technicians are concerned? Isn't it a handicap as far as getting the work properly done because we have frozen the amount of employees?

Mr. MILES. The number of employees on board right now for the Soil Conservation Service, Mr. Scherle, is less today than the ceiling for 1974. In other words, the Soil Conservation Service may now employ additional technicians.

Mr. SCHERLE. How about the last fiscal year? Were they allowed to do that under the 1974 fiscal year?

Mr. MILES. When we were here a year ago we said that the employment ceiling for the Soil Conservation for permanent, full-time employees was 13,060. That was increased by 200.

Mr. SCHERLE. You will recall in the report this committee stipulated unequivocally that we needed additional help in Soil Conservation. Are some of those people now on board?

Mr. MILES. The ceiling was increased by 200. The most recent figure that we have is that the Soil Conservation Service is right now below its ceiling and can go out and hire additional technicians, but certainly not to the level they were a few years ago. There has been a substantial amount of attrition.

Mr. SCHERLE. How many more can they put onboard?

Mr. MILES. Their employment is now about 13,100. I would say that they can now hire about 200 people.

Mr. SCHERLE. Can they put on 200 last year and an additional 200 this year?

Mr. MILES. No; that would be the 200.

The ceiling is a year-end ceiling. At any given time, of course, you have people leaving. Normally when you hire people you hire them right out of school, either in June or July, somewhere in that period. The ceilings these agencies have been given are effective in the last month of the year, in June. So the Soil Conservation Service in the summer months can hire well above its ceiling based on anticipated retirements, resignations and transfers.

Right now the Soil Conservation Service is 140 below its ceiling for June 30, 1974. My guess is that they could hire 300 people today and still be well within their ceiling by the end of the fiscal year.

Mr. SCHERLE. Is this going to handicap them as far as the projects and programs are concerned that we have allowed them to maintain?

Mr. MILES. They have fewer people, Mr. Scherle, than they have had in some years in the past.

Mr. SCHERLE. Are you familiar with this paragraph?

Mr. MILES. Yes.

Mr. SCHERLE. Are you thoroughly familiar with what we said in here?

Mr. MILES. I read it very carefully, Mr. Scherle. We did go to OMB and get an increase in the ceiling. It wasn't as much as the committee asked for. As I recall, it was asked that the Soil Conservation not be subjected to any kind of ceiling. We called this to the attention of the Office of Management and Budget, but we are required to stay within an emloyment ceiling as we have been for the last several years.

Mr. SCHERLE. Has OMB laid their hands on this program again as far as your budget request is concerned for personnel?

Mr. MILES. OMB approves our budget request, yes, sir.

Mr. SCHERLE. Personnelwise too?

Mr. MILES. Not specifically in terms of the number of people for each program, but when they only give you a certain number of dollars to carry out a program, obviously you only hire the number of people that number of dollars will pay for.

They give you a specific dollar amount you must stay within, and then give you a ceiling overall on personnel. When you take the dollars and apply them to the people, you don't have any room left to shift any of the personnel.

Mr. SCHERLE. Do you realize that from your permanent ceiling we had 14,643 full-time permanent and you have now got it whittled down to 13,100? And this paragraph we put in the conference report dosn't allow that latitude at all as far as your personnel ceiling is concerned. That is quite a drop. It is about 1,500.

Mr. MILES. Over the last 2 years, that is correct.

Mr. SCHERLE. How can you expect these people to properly function if you give them no technicians to work with them?

Mr. MILES. They have the ceiling of 13,260. Of course, the Soil Conservation Service operates, as you know, at a very large number of locations.

Mr. SCHERLE. But that is a far cry from 14,643.

Mr. MILES. Yes. There has been a decrease of about 1,400. It is less employment than they have had in the last several years, that is correct.

Mr. SCHERLE. You would agree they need this personnel to operate and do their job efficiently?

Mr. MILES. They could do more work with more personnel.

Mr. SCHERLE. Then my question is, What are you doing about it?

Mr. MILES. What we have done is to present this budget to you as it is, Mr. Scherle.

Mr. SCHERLE. I am not satisfied with it. I have seen this thing operate for the last 2 years. You throw them a crumb. If you want to save the land, if you want the type of production you wanted, then you cannot do it without proper personnel.

It should be your responsibility to get this number increased. If we provide the funds, if we provide the authoriaztion and a directive, then I don't think you have any argument except to go along with it.

Mr. MILES. We attempted to do so, Mr. Scherle, and we did get a small increase of 200 people approved for yearend employment for the Soil Conservation Service.

USDA EMPLOYMENT CEILINGS

Mr. WHITTEN. Your 1974 employment ceiling for full-time permanent positions, excluding Forest Service, is 60,673. For 1975, the ceiling has been set at 60,560. Describe some of the problems you encounter in complying with these ceilings.

Mr. MILES. The basic problem is that even where the total ceiling for the Department remains relatively stable from year-to-year, we need to meet the increasing manpower requirements of certain programs. Offsetting reductions must be made in other programs. For instance, manpower requirements for the meat and poultry inspection program and the Department's food programs have risen significantly over the past few years. We work closely with agencies to try to determine their manpower requirements as precisely as possible so that these expanding programs receive adequate manpower while necessary reductions in other agencies are held to a minimum.

As of the end of January 1974, the Department's actual full-time permanent employment was 59,265, exclusive of the Forest Service. This is 1,408 less than the June 30, 1974, ceiling and 1,295 less than the June 30, 1975, ceiling. This margin of unused ceilings should permit the Department to hire additional personnel needed for new or expanded programs and to provide adequate staffing to carry out the Department's other responsibilities as well. Therefore, we do not anticipate encountering any serious problems in remaining within the current total ceilings for the Department.

Mr. WHITTEN. Working under these personnel ceilings can cause difficulties. Some of your activities have higher priorities than others. For example, a large increase in the requirement for meat inspectors would have to be compensated for elsewhere in the Department. How do you handle these situations?

Mr. MILES. When a critical need arises for an increase in manpower for a particular program, the Department has several options as to the method of providing for the increase.

First of all, if possible, manpower resources are shifted from programs of lower priority, within the same agency, to the higher priority program. If this cannot be done without seriously impairing the operations of the agency, the Department then examines the other agencies of the Department to see if employment ceilings can be shifted from these sources. In some instances, this can be done because of employment savings in an agency due to program changes, increased efficiency, automation, and other factors.

If neither of the first two options are practicable, the Department can request an increase in its total ceiling in order to provide for the critical program.

Mr. WHITTEN. To what extent have these employee ceilings been conducive to doing more of your work by contract with individuals or organizations?

Mr. MILES. Employment restrictions have not had a substantial impact on the amount of contractual services obtained by this Department.

The real impact of the limitations has been internal. Agencies have become more aware of the need to manage their available manpower

resources. This has resulted in strenuous efforts to increase the efficiency and productivity of employees, to examine additional opportunities for automation and other labor saving devices, and to establish and continuously review program priorities and accomplishments in relationship to resources available.

In a few instances, this review process has resulted in the contracting of some work which would otherwise have necessitated the hiring of individuals with certain types of expertise that are not required on a full-time continuing basis within the agency. However, I do not feel that the amount of this type of contracting has increased substantially.

SCS PROGRAM LEVELS

Again, tab D attempts to lay out the program levels of the Soil Conservation Service because they have carryover funds, and it is very difficult to compare their operations one year with the next because they have carryover balances available.

In tab D, we have attempted to show by program what is the comparison. Again, for several items, the appropriation is actually down. It is down in 1975 because larger carryover balances are available.

Were you to compare fiscal year 1974 total program levels with the total program level for 1975, several lines below it, you will see basically that the programs of the Soil Conservation Service for 1975 are the same as in 1974.

The actual level of programs that they are planning to carry out are the same in 1975 as in 1974. They are adjusted for pay cost and for space rental, but that doesn't actually increase their program level at all.

The one item of program increase that they have is $11.2 million. I should call your attention to this. Under the old separate funding under Great Plains, Emergency Conservation, WaterBank, and REAP, the Soil Conservation Service received a part of those appropriations to provide technical assistance under each of those programs. In the 1975 request, we are not planning to take any of the money requested under the account "Rural environmental programs" to use to transfer to the Soil Conservation Service for technical assistance. The technical assistance to SCS is provided directly in their appropriation for conservation operations.

The $11.2 million increase requested for SCS really is taking the technical assistance out of the four cost-sharing programs where they have been in prior years and putting them into their direct appropriation. It is a little larger.

I think technical assistance for these four programs in 1974 will come to about $6 million and we are asking for $11.2 million in 1975, so there is a small increase there for the Soil Conservation Service for technical assistance, but it would be appropriated directly to them. It would not come through a part of those other cost-sharing programs.

IMPOUNDMENT OF SCS FUNDS

Mr. NATCHER. Mr. Miles, you speak of the amount in reserve in 1974 to remain available to finance a 1975 program. Isn't this impounded money?

Mr. MILES. Yes; it is in reserve.

Mr. NATCHER. When you talk about "in reserve," then you are talking about impounded money.

When you talk about "in reserve" to be used in the fiscal year 1975, from 1974, then this is impounded money that this committee approved last year. Isn't that in the main correct, Mr. Miles?

Mr. MILES. There are a lot of reasons for putting money in reserve. The Congress puts some in reserve.

Mr. NATCHER. As Mr. Whitten pointed out in the beginning, they are now using the term "reserve" instead of impoundment. It is still the same thing. You just spell it a little differently. Isn't that correct, Mr. Miles?

Mr. MILES. This money is appropriated and could be made available for use and has not been made available for use.

Mr. SCHERLE. We talk about fertilizer others might call it manure. It is called different things in different places. It still doesn't change the item or how it smells. "Impoundment" has a derogatory sound to it, so they want to use "reserve" hoping it will become acceptable.

Mr. MILES. There's $22,488,000 of Soil Conservation Service funds that are impounded or in reserve in 1974 which are contemplated for use in 1975.

Mr. SCHERLE. Will you do the committee a favor and as you go through the various aspects of this budget tell us what really is in reserve and also what is impounded, so you don't confuse the two?

Mr. MILES. As a matter of fact, I have a table here and when I finish with this, if the Chairman would like——

Mr. WHITTEN. I don't know whether you answered the question. You said you would do it. I think you will have to take it up with Mr. Ash to determine the distinction between impoundment and reserve.

Mr. MILES. I would use Mr. Natcher's definition, if I may. Some of these, as I said, are funds that are in reserve for contingencies; for example, the Animal and Plant Health Inspection Service has a contingency reserve. That would not be what I would consider an impoundment. It would be a normal reserve fund to meet some unforseen circumstances.

IMPOUNDMENT OF REP FUNDS

Mr. SCHERLE. Has there been any final judicial decision made on the impoundment of $225 million for REAP or now called REP?

Mr. MILES. The judge has ruled that some part or all of these funds must be released.

The Department has gone back to the judge to try to find out specifically what the intent of the order was.

Mr. SCHERLE. Isn't that about up? I read that when I was back home at Christmastime. We are now tapering off the month of February. Hasn't any final decisions been made yet?

Mr. MILES. Not to my knowledge, no. I think the Department is considering an appeal of the court decision.

Mr. SCHERLE. If the track record of OMB is as good as it has been in the past, they better start making some of this money available because in most instances the judge's ruling has been that that money was appropriated by Congress, was signed into law and therefore ought to be made available for the reasons appropriated.

Now, does this mean we can pick up the $225 million or will that be reserved or impounded funds?

Mr. MILES. I don't know until the court ruling is final and a final decision has been made. Presumably it will mean an extra $140 million or $210 million will be made available at some time in the future.

Mr. SCHERLE. Do you have some type of plan or distribution method worked out if that becomes a reality?

Mr. MILES. No, I think it would be distributed like any other funds would be. I don't know.

Mr. SCHERLE. Do you mean it could be added into the present REP funds for 1975 if the decision is made to release it?

Mr. MILES. I hesitate to answer, not knowing what the court is going to rule precisely but assuming the court rules that we must make that available, then I would think it would be on top of any funds that we have available, at whatever point in time it is released.

As you know, I am hesitant because it will depend exactly on what the court orders us to do.

Mr. SCHERLE. Let me make one more suggestion, if I might.

After this bill is passed by both the House and the Senate, and perhaps goes through conference committee and is signed into law by the President, why doesn't the Office of Management and Budget, if they have any intentions of cutting this money back or impounding funds, if they want to roll the budget back, let's say about $2 billion in total, why don't you or why doesn't OMB bring that back to this committee and tell the chairman of our committee that you have to cut your budget by $2 billion?

Don't let those clowns down there take a meat ax and just cut off $2 billion without rhyme or reason.

We sit in here for days, weeks, and months, and are in a better position to determine where that money should be spent.

If OMB is after a $2 billion cut, why don't they allow this committee to judge where those cuts ought to be made rather than let those people back there just withhold the money?

We know that they have the power to do it. Whether they have the right or not is always questionable to me.

If they are going to cut off $2 billion, why not bring it back here before those cuts are made, and allow this committee to trim that budget back to where you want it? You will get away from a lot of confrontations and ill feelings.

I have been talking about this method of determination for about a year now. Why can't it find its way down there to OMB? Those jokers down there should listen and try to do something without being totally offensive all the time. Will you carry my message down?

Mr. MILES. I certainly shall.

Mr. SCHERLE. Mr. Chairman, that is it.

### USDA SERVICE CENTERS

Mr. BURLISON. Mr. Wright, I want to proceed briefly with the consolidation, co-location situation that you testified to several days ago before the committee. What are the specific national guidelines to be followed, or are there any? Is this purely to be left to the State administrative committee?

Mr. WRIGHT. Mr. Chairman, the State administrative committee is the one putting together the plans for the co-location and the establishment of the centers.

The guidelines are few and rather general. The one prevailing is that 85 percent of all the clients that will use the center, whether it be farmers or rural residents, must be within 45 minutes' driving time one way.

Now, there are also other considerations. There are civil rights considerations. There are service considerations. There are size-of-center considerations stating that the center should be large enough to provide expanded services to the clients and support itself.

Mr. BURLISON. Doesn't this mean we may very well have one State where the guidelines will be drastically different than those in another State? Will we not have the situation where a county in one State will have an office to house these four USDA agencies and have a comparable county with the same circumstances and the same situation in another State that will not have the facilities in its county?

Is it not likely, under this decentralized plan you have for setting up this program, these inequities arising?

Mr. WRIGHT. Mr. Chairman, it is probable that you will have centers that will vary from county to county. You have that now.

Mr. BURLISON. That is not the question or my point. My point is that in one State, where a certain set of guidelines has been set up and approved, we will have a given county that will have the service center but a comparable county in another State, meeting the same prerequisites, not be eligible for this county center. Is that true? That situation might prevail?

Mr. WRIGHT. Mr. Chairman, in terms of prevailing, all of the plans from the State administrative committees are coming up to Washington to the Office of Field Operations and to a steering committee chaired by the Under Secretary who will try and reduce the number of imbalances wherever possible and then these plans will be brought up to the various Congressmen to discuss this with them prior to any approval being given. There will be differences, yes, there will, and this is because it has been done on a local basis.

Mr. BURLISON. This is what bothers me about this proposal, that there is a potential here for a lot of favoritism, a lot of differences in establishment of the offices from State to State. That is something that bothers me. I notice that you mentioned there will be consultation between the department and the Member of Congress involved. And I notice in your response to my colleague, Mr. Andrews' rather close interrogation of you on the point, that consultation is going to come before the program is implemented rather than telling us about it after it is implemented?

Mr. WRIGHT. Mr. Chairman, it will come before approval is sent back down to the State administrative committee.

Mr. BURLISON. Is it going to be discussed with the Members of Congress before it goes to your national steering committee, immediately after it leaves the State coordinating committee? Is it going to come or be discussed with the Congressman after the State committee is through with it and after the national committee that the Under Secretary chairs? At what stage is it coming to the Congressman, after it goes through the mill, or is it going to come immediately after the State administration committee has made its recommendations?

Mr. WRIGHT. No, sir. I would say it will come up to the Congressman both before and after. I think it is a responsibility of ours to bring to the Congressman whatever problems we may have with it, such as some you brought up.

OFFICE OF COMMUNICATION

Mr. BURLISON. Mr. Miles, I noticed somewhere in the presentation here some increase in the budget for, I believe you termed it "upgrading of the Office of Communications." Can you describe what is meant by that?

Mr. MILES. The only increase for the Office of Communication, Mr. Burlison, is a $319,000 increase for postage, printing, and telecommunications costs. As you know, the Office of Communications prints a great deal of the material that we send out from the Department and printing costs have gone up.

Mr. BURLISON. This does not encompass a new direction or new program or policy; it is an increase in postage costs?

Mr. MILES. There is another increase of about $532,000 for the Bicentennial as it relates to the Department of Agriculture. These are only increases for that office.

Mr. WHITTEN. Mr. Andrews?

COMMODITY CREDIT CORPORATION

Mr. ANDREWS. Thank you.

I have a question on the Commodity Credit Corporation. The fact that you need more money this year than before. Looking at the comparison with the year before, fiscal year 1974 adjusted, we reimburse Commodity Credit Corporation $3.301 billion. At this time you are asking for $4.249 billion. You responded to the chairman that the Russian wheat sale came in the year 1973.

Mr. MILES. The summer of 1973. I think it covers two fiscal years.

Mr. ANDREWS. It comes in the summer of 1972. The wheat sale was made in August 1972.

Mr. MILES. The Congressman is correct.

RUSSIAN GRAIN SALE

Mr. ANDREWS. We have had so much confusion with the figures involved in this that I wanted to get you to straighten out these figures. In the GAO report concerning the Russian wheat sale, the Secretary of Agriculture pointed out there was a $457 million net saving to the Treasury because of the Russian wheat sale. Here in appendix 5 of the GAO report is that estimate by the Secretary of Agriculture. Savings were listed as increased sales proceeds of $184 million, annual reduction, storage and interest, $73 million, reduction of certificate payments to farmers, $203 million in both; 1972 program, $203 million; 1973 program, $107 million, reduction of additional set-aside payments of $195 million for a total net gain, savings to the Department of $762 million because of the Russian wheat sale.

Under added costs they listed export payments, $265 million, and the shipping subsidy paid U.S.-flag vessels, which we handled in another committee that I am on, $40 million, or a net cost of $305 million,

which, subtracted from the $762 million, leaves a net saving of $457 million to the Treasury.

Now you, in a sense, imply that maybe we are still paying for the Russian wheat sale. Either it was a plus to the taxpayer and the Treasury, as the Secretary of Agriculture said in this appendix to the GAO report, or it was as these figures would intimate, a lemon.

Why in your arithmetic do you come out with the total reimbursement of $4.2 billion this year as against $3.3 billion last year, when we have been telling the consumers of this country that while food is costing more they are saving some of it in tax money because the billions of dollars that they have formerly been spending in farm subsidies are no longer around? How do you expect us to take a bill to the floor of the House calling for a $3.2 billion increase in spending for farm programs?

I know a large share of that is in food stamp funding, but this is the type of arithmetic that we get involved in. Since you are the mathematician, so-called, of the department, I want to run these figures by you in the light of what Secretary Butz already testified to and in the light of trying to straighten up the record for these years that we have seen so much confusion over.

Mr. MILES. Mr. Andrews, what I intended to say about the Russian wheat sale was that any losses that were incurred as a result of the wheat sale, any losses incurred in fiscal year 1973, would be in this appropriation request, without attempting to address myself to how great they were, but any of the losses that we had in 1973 would be in this request.

Mr. ANDREWS. Do you want the record to show that we had losses because of the Russian wheat sale or should the record show we had gains, as the Secretary of Agriculture tried to point out?

CCC INVENTORIES

Mr. MILES. I think the Secretary's numbers indicated we had both costs and gains. One of the things that is very difficult to estimate is if wheat is not sold in the market and it comes into CCC inventory, then we pay handling charges. We have to move that wheat from local elevators to terminal elevators and have to pay transportation costs. We have to pay storage costs for the wheat during the entire period of time it is in storage. Ultimately we have to dispose of that commodity. That commodity accrues a loss over the entire length of time that the commodity is in our inventory.

Mr. ANDREWS. In a normal year, that is true. Take a look at this past year. You have had in my own State, which produces durum and spring wheat, a lot of wheat that you took over 2 or 3 and 4 years ago. You took it over for about $1.25 a bushel. That was essentially the loan. You stuck it back in these tin bins and it sat there. A lot of them were owned by you so you were not paying storage payments. Through no crystal-ball gazing on the part of the Department of Agriculture but through a shortage of boxcars you were unable to market that wheat at the time of the Russian wheat sale at $1.69, and some of that came in the market the last 6 or 8 months when it brought $3.85 a bushel. The increase in value on that wheat must more than cover the storage charges and the transportation of any

bushel of wheat, and coupled with the $762 million worth of sales to counteract the $305 million worth of costs, should be showing up on the favorable side of this ledger. Yet we have never had the impact of the savings the Secretary of Agriculture said were brought about because of the Russian wheat sale nor the increased inventory value of this wheat you took over in the last 3 or 4 years.

Mr. MILES. Mr. Andrews, the costs of the CCC in 1975 are well under $1 billion. That cost compares with about $4 billion in 1973. The reason is that we don't have inventories of CCC commodities now, and we are not making direct payments to producers because we have no set aside and we have no price support payments.

The market prices are well above the target prices of the 1973 Act. The Commodity Credit Corporation costs in fiscal year 1975 will be in the range of $7 to $900 million. Two or 3 years ago, when we had substantial inventories and were making export payments to try to dispose of these inventories we had costs in the range of $4 billion. I think that is what the Secretary was trying to get at. He brought the costs of the Commodity Credit Corporation down through a whole series of actions to where the costs of CCC in 1975 will be the lowest they have been since 1958. That is because we don't have large inventories. We don't have storage costs. We don't have handling costs.

I think the amount of the reimbursement for 1973 is a good indication of how, by disposing of our inventories through one means or another over the 2 years, the Secretary has been able to reduce the cost to the corporation by 75 percent. I think the 1975 budget substantiates the figures that he put in that particular document that you are reading from. It is very difficult in a commodity like wheat to talk specifically about the Russian wheat sale. I have been told that the total amount of the Russian wheat sale was less than the amount of the increase in that year in export sales to Japan. It is literally impossible to take a commodity like wheat and check out the Russian wheat sale against wheat sales to Japan and/or England or France.

WHEAT PRICES

Mr. ANDREWS. I am not arguing that point. We sold that wheat to Russia at the price it was selling for at that time. Everybody has 20/20 hindsight. I sold some wheat a year ago six months after the Russian wheat sale for $2.25 a bushel. Now I look at myself in the mirror and say, "You should have waited and it would have been worth $4." The major increase in the price of wheat came long after the Russian wheat sale. The point I make is that this all has to get down to some arithmetic. In your arithmetic for your 1975 budget estimate for the CCC it still says we are reimbursing $4.2 billion as opposed to $3.3 billion the year before, which would indicate that somehow or other we have to put more taxpayer money in the CCC in fiscal year 1975 than we did in fiscal year 1974. That is where the thing goes haywire.

Mr. MILES. What you are really comparing is 1973 costs with 1972 costs. The 1975 budget request is for reimbursements for 1973.

Mr. ANDREWS. What was the reimbursement in fiscal year 1973 for?

Mr. MILES. The reimbursement in 1973 relates to the 1971 program. We kept getting further and further back. We keep coming for an appropriation 2 years after the year is over.

Mr. ANDREWS. I grant you that. I am trying to establish a trend. Either the trend of reimbursements has gone down, which it should be, or it is going up, which it shouldn't be.

DIRECT PAYMENTS

Mr. MILES. Mr. Andrews, the single biggest item of expense for which we are asking reimbursement is, as I recall, $3.5 billion in direct payments to producers under the feedgrain, wheat, and cotton programs in 1973 for set-aside, price support, and wheat certificate payments.

Mr. ANDREWS. In 1973, which is shown in fiscal year 1975, how were costs incurred in the Russian wheat sale. The Russian wheat sale took place in 1972.

Mr. MILES. The Russian wheat sale took place over a period of time. As a matter of fact, I think it extended over more than 1 fiscal year. I don't recall exactly. The Russians, as far as I know, have not taken all the wheat yet. There is some wheat not shipped yet.

Mr. WHITTEN. Could you supply for the record the figures for the years that my colleague mentioned?

Mr. MILES. Yes, sir.

REIMBURSEMENTS TO CCC

Mr. ANDREWS. Mr. Miles, to finish the discussion on the figures, our clerk handed me the fiscal year 1973 figures for reimbursement, which are $3,267,000, which continues the trend. The trend is constantly up. Could you supply for the record the Commodity Credit Corporation reimbursements for the 2 fiscal years prior to 1973?

Mr. MILES. Yes, sir.

Mr. ANDREWS. Give us a little more explanation on what you would guess these reimbursements are going to be into the succeeding 2 fiscal years, 1976 and 1977, based on what we now have. Would you also expand on your explanation of the dollar impact of the Russian wheat sale? In other words, support the statement of the Secretary, that there was a net saving to the taxpayer because of the Russian wheat sale.

These figures ought to be explained a little better than they have.

Mr. MILES. I will be happy to do that.

[The information follows:]

The Commodity Credit Corporation has the authority to borrow up to $14.5 billion from the Treasury to carry out its programs. At the end of each fiscal year the total amount of losses incurred by the Corporation are determined and the Congress is asked to restore these losses through an appropriation to CCC. Because the exact amount of the losses cannot be calculated until 2 or 3 months after the conclusion of a fiscal year there is a timelag of 2 fiscal years between the time the loss is incurred and the appropriation to restore these losses is requested. For example, the losses incurred in 1973 will be reimbursed by the fiscal year 1975 appropriation. If the Congress fails to restore the full amount of the losses, the unrestored balances are requested in the following fiscal year.

The following table shows the year in which the loss was incurred, the amount of the loss, and the year in which the appropriation was requested to restore the losses.

The next table breaks down CCC losses for each fiscal year by the activity involved.

COMMODITY CREDIT CORPORATION—NET REALIZED LOSSES AND APPROPRIATIONS TO RESTORE SUCH LOSSES· LOSSES FOR FISCAL YEARS 1969–73 ACTUAL AND ESTIMATED 1974 AND 1975 APPROPRIATIONS FOR FISCAL YEARS 1971–74 ACTUAL, 1975 REQUEST AND 1976 AND 1977 ESTIMATED

[In millions of dollars]

| Year incurred | Losses | Restorations | Act or estimate | Unrestored balances |
|---|---|---|---|---|
| 1969 | $3,113.2 | [1] $250.0<br>3,113.2 | 1971 Appropriation Act, $3,363.2 | |
| 1970 | 4,213.3 | 4,213.3 | 1972 Appropriation Act | |
| 1971 | 4,058.0 | 4,058.0 | 1973 Appropriation Act | |
| 1972 | 3,457.4 | 3,301.9 | 1974 Appropriation Act | 155.5 |
| 1973 | 4,093.9 | 155.5<br>4,093.9 | 1975 appropriation request, $4,249.4 | 0 |
| 1974 estimate | 2,520.4 | 2,520.4 | 1976 appropriation estimate | 0 |
| 1975 estimate | 454.5 | 454.5 | 1977 appropriation estimate | 0 |

[1] Unreimbursed amounts from previous years.

SUMMARY OF CCC LOSSES

j[Thousands of dollars]

| Realized CCC losses | Fiscal year— 1972 actual | 1973 actual | 1974 estimate | 1975 estimate |
|---|---|---|---|---|
| Loss on sales [1] | −2,288 | −226,893 | −546,609 | −15,037 |
| Domestic donations | 267,968 | 257,520 | 131,352 | 157,563 |
| Storage, handling, and transportation | 264,807 | 241,655 | 91,259 | 18,282 |
| Loans written off | 81,408 | 46,879 | 71,808 | 11,091 |
| Commodity export payments | 116,934 | [2] 349,321 | [2] 52,652 | 6,250 |
| Direct payments | 1,877,301 | 2,791,975 | 1,987,889 | 179,000 |
| Wheat certificate operations (net) | 491,916 | 330,452 | 375,226 | 0 |
| Administrative expense | 39,983 | 39,592 | 39,631 | 39,196 |
| Nonadministrative expense (net) | 35,254 | 37,640 | 36,444 | 39,679 |
| Research | 0 | 0 | 0 | 0 |
| Interest expense (net) | 254,073 | 181,458 | 157,239 | 9,714 |
| All other expense (net) | 30,053 | 44,317 | 123,532 | 8,760 |
| Total realized CCC loss | 3,457,409 | 4,093,943 | 2,520,423 | 454,462 |

[1] Negative denotes gain.
[2] Includes $151,984,604 attributable to the sale of wheat to Russia in fiscal year 1973 and $9,166,763 in fiscal year 1974.

Mr. ANDREWS. Thank you, Mr. Chairman.

SUMMARY TABLES ON POLLUTION RESEARCH, PESTICIDE RESEARCH, AND CONSUMER PROTECTION ACTIVITIES

Mr. WHITTEN. I would also like you to insert in the record at this point the usual tables on pollution research, pesticide research, and consumer protection activities.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Estimated Obligations for Pollution Research, Education, Abatement, and Control Programs, 1966-1975
(In Thousands of Dollars)

| Item | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| Agricultural Research Service | $45,392 | $47,919 | $49,066 | $49,242 | $53,830 | $59,424 | $63,082 | $66,638 | $69,213 | $70,356 |
| Animal and Plant Health Inspection Service | 6,145 | 6,946 | 7,348 | 7,050 | 7,560 | 8,164 | 8,764 | 8,767 | 9,264 | 9,643 |
| Cooperative State Research Service | 11,177 | 11,405 | 11,070 | 12,400 | 12,800 | 13,570 | 14,420 | 15,700 | 15,920 | 18,167 |
| Extension Service: | | | | | | | | | | |
| Payments to States, Puerto Rico, Guam and the Virgin Islands | 7,000 | 8,000 | 9,000 | 9,500 | 9,800 | 10,300 | 11,300 | 11,995 | 12,010 | 14,000 |
| Soil Conservation Service: | | | | | | | | | | |
| Conservation operations | 39,100 | 40,100 | 41,800 | 48,700 | 54,378 | 56,297 | 77,913 | 78,708 | 85,927 | 107,287 |
| Great Plains conservation program | 12,600 | 14,800 | 13,200 | 13,900 | 11,984 | 12,424 | 13,957 | 14,043 | 14,238 | - - |
| Watershed works of improvement | 12,700 | 13,600 | 13,300 | 13,900 | 14,342 | 16,781 | 22,225 | 20,261 | 24,507 | 24,874 |
| Flood prevention | 7,600 | 7,500 | 7,200 | 6,900 | 7,584 | 6,876 | 7,048 | 6,751 | 14,656 | 7,039 |
| Resource conservation and development | 340 | 900 | 1,300 | 2,200 | 3,543 | 4,794 | 5,193 | 6,448 | 7,654 | 7,803 |
| Total, Soil Conservation Service | 72,340 | 76,900 | 76,800 | 85,600 | 91,831 | 97,172 | 126,336 | 126,211 | 146,982 | 147,003 |
| Agricultural Stabilization and Conservation Service: | | | | | | | | | | |
| Rural Environmental Assistance Program a/ | 179,500 | 188,800 | 170,200 | 159,400 | 156,100 | 135,000 | 189,000 | 4,500 | 72,000 | - - |
| Rural Environmental Program b/ | - - | - - | - - | - - | - - | - - | - - | - - | - - | 84,420 |
| Emergency conservation program | 5,700 | 3,600 | 7,900 | 11,100 | 12,000 | 11,500 | 6,000 | 13,000 | 9,500 | - - |
| Water bank | - - | - - | - - | - - | - - | - - | 1,000 | - - | 1,000 | - - |
| Administrative expenses for REAP, ECM, and REP | 29,482 | 32,398 | 37,596 | 33,000 | 32,900 | 33,700 | 39,600 | 32,800 | 30,900 | 28,600 |
| Cropland adjustment program | 7,100 | 500 | 600 | - - | - - | - - | - - | - - | - - | - - |
| Cropland conversion program | 200 | - - | - - | - - | - - | - - | - - | - - | - - | - - |
| Appalachian land stabilization and conservation program | - - | 6,500 | - - | - - | - - | - - | - - | - - | - - | - - |
| Total, Agricultural Stabilization and Conservation Service | 221,982 | 231,698 | 216,296 | 203,500 | 201,000 | 180,200 | 235,600 | 50,300 | 113,400 | 113,020 |
| Economic Research Service | 20 | 50 | 90 | 200 | 58 | 108 | 539 | 1,286 | 1,340 | 1,190 |
| Agricultural Marketing Service | - - | - - | - - | - - | - - | - - | 2 | 2 | 2 | 2 |
| Farmers Home Administration: | | | | | | | | | | |
| Water and sewer system loans: | | | | | | | | | | |
| Direct | 27,500 | 82,900 | 79,400 | 74,600 | 64,280 | 30,097 | - - | - - | - - | - - |
| Insured | 84,700 | 92,000 | 83,100 | 90,000 | 81,751 | 231,607 | 299,999 | 400,000 | 470,000 | 400,000 |
| Subtotal, Water and Sewer System Loans | 112,200 | 174,900 | 162,500 | 164,600 | 146,031 | 261,704 | 299,999 | 400,000 | 470,000 | 400,000 |
| Rural water and waste disposal grants c/ | 19,997 | 26,000 | 27,997 | 28,000 | 46,000 | 43,998 | 42,000 | 30,000 | 30,000 | 20,000 |
| Total, Farmers Home Administration | 132,197 | 200,900 | 190,497 | 192,600 | 192,031 | 305,702 | 341,999 | 430,000 | 500,000 | 420,000 |
| Forest Service | 66,200 | 70,500 | 75,100 | 72,500 | 76,700 | 90,100 | 114,100 | 126,760 | 138,568 | 133,597 |
| TOTAL, POLLUTION RESEARCH, ABATEMENT AND CONTROL | 562,453 | 654,318 | 635,267 | 632,592 | 645,610 | 764,740 | 916,942 | 837,659 | 1,006,699 | 926,978 |

a/ Agricultural Conservation Program prior to 1971.
b/ For 1975 the restructured program includes REAP, ECM, and Water Bank Programs.
c/ Includes water and sewer planning grants.

February 22, 1974

UNITED STATES DEPARTMENT OF AGRICULTURE

Appropriations for Pest Research and Control Programs, 1966-1975
(In thousands)

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| Agricultural Research Service | $40,206 | $41,640 | $41,865 | $43,176 | $45,549 | $52,165 | $61,549 | $66,262 | $69,413 | $70,808 |
| Animal and Plant Health Inspection Service ..... | 36,064 | 40,169 | 40,653 | 43,066 | 45,394 | 49,522 | 53,083 | 56,338 | 60,699 | 70,601 |
| Cooperative State Research Service ..... | 9,330 | 9,409 | 8,977 | 9,417 | 9,420 | 11,311 | 11,759 | 13,363 | 11,263 | 12,439 |
| Extension Service: | | | | | | | | | | |
| Payments to States, Puerto Rico, Guam and the Virgin Islands ..... | 4,203 | 4,360 | 4,400 | 4,400 | 4,600 | 5,000 | 5,750 | 6,720 | 7,160 | 8,380 |
| Economic Research Service ... | 500 | 500 | 512 | 528 | 334 | 309 | 284 | 260 | 280 | 300 |
| Forest Service: | | | | | | | | | | |
| Research ..... | 6,805 | 6,962 | 5,262 | 6,610 | 7,892 | 8,450 | 9,985 | 10,105 | 10,465 | 10,605 |
| Regulatory and control .... | 12,175 | 12,363 | 10,029 | 10,853 | 9,347 | 11,183 | 9,744 | 10,585 | 11,219 | 11,276 |
| Total, Forest Service .. | 18,980 | 19,325 | 15,291 | 17,463 | 17,239 | 19,633 | 19,729 | 20,690 | 21,684 | 21,881 |
| Total, Pest Control Research and Regulation ..... | 109,283 | 115,403 | 111,698 | 118,050 | 122,536 | 137,940 | 152,154 | 163,633 | 170,499 | 184,409 |

February 22, 1974

UNITED STATES DEPARTMENT OF AGRICULTURE
Animal and Plant Health Inspection Service

Estimated Obligations for Meat and Poultry Inspection, 1966-1975
(In thousands of dollars)

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| Animal and Plant Health Inspection Service: a/ | | | | | | | | | | |
| Direct appropriation | 53,237 | 60,938 | 70,273 | 90,528 | 114,430 | 133,352 | 150,564 | 168,133 | 185,902 | 195,108 |
| Reimbursable activities | 12,317 | 14,244 | 15,512 | 18,485 | 20,527 | 21,798 | 20,945 | 21,085 | 24,960 | 25,627 |
| Trust fund activities | 855 | 758 | 666 | 403 | 459 | 581 | 452 | 354 | 439 | 454 |
| Total, Meat and Poultry Inspection | 66,409 | 75,940 | 86,451 | 109,416 | 135,416 | 155,731 | 171,961 | 189,572 | 211,301 | 221,189 |

a/ Meat and poultry inspection responsibilities transferred from the Consumer and Marketing Service on April 2, 1972, at which time C&MS was redesignated Agricultural Marketing Service.

2/15/74

# GENERAL BUDGET STATEMENTS

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 1--New Budget (Obligational) Authority--Budget Estimates, 1975 Compared with 1974

(NOTE--Amounts in the "1974 Adjusted" column include supplemental appropriations to date and proposed supplementals for pay costs and are adjusted for comparability with the appropriation structure proposed in the 1975 Budget Estimates. Amounts in parentheses are not included in the totals.)

| Agency or Item | 1974 Enacted to Date | 1974 Adjusted | 1975 Budget Estimates | Budget Estimate compared with 1974 Enacted to Date | Budget Estimate compared with 1974 Adjusted |
|---|---|---|---|---|---|
| DEPARTMENTAL MANAGEMENT: | | | | | |
| Departmental Administration: | | | | | |
| Office of the Secretary | 10,822,000 | 11,561,100 | 14,054,100 | +3,232,100 | +2,493,000 |
| Audit and Investigations | 14,501,000 | 15,485,000 | 16,821,000 | +2,320,000 | +1,336,000 |
| Transfer from Food Stamp Program | (4,250,000) | (4,534,000) | (5,081,000) | (+831,000) | (+547,000) |
| Total, Audit and Investigations | (18,751,000) | (20,019,000) | (21,902,000) | (+3,151,000) | (+1,883,000) |
| Office of the General Counsel | 6,666,000 | 7,238,000 | 7,839,000 | +1,173,000 | +601,000 |
| Office of Management Services | 4,147,000 | 3,712,300 | 4,037,300 | -109,700 | +325,000 |
| Total, Departmental Administration | (40,386,000) | (42,530,400) | (47,832,400) | (+7,446,400) | (+5,302,000) |
| Total, Departmental Management | 36,136,000 | 37,996,400 | 42,751,400 | +6,615,400 | +4,755,000 |
| SCIENCE AND EDUCATION PROGRAMS: | | | | | |
| Agricultural Research Service: | | | | | |
| Agricultural Research Service | 175,938,400 | 188,126,400 | 204,994,000 | +29,055,600 | +16,867,600 |
| Transfer from Section 32 | (15,000,000) | (15,000,000) | (15,000,000) | (- -) | (- -) |
| Subtotal | (190,938,400) | (203,126,400) | (219,994,000) | (+29,055,600) | (+16,867,600) |
| Special Fund (Reappropriation) | 2,000,000 | 2,000,000 | - - | -2,000,000 | -2,000,000 |
| Scientific Activities Overseas (Special Foreign Currency Program) | 5,000,000 | 5,000,000 | 10,000,000 | +5,000,000 | +5,000,000 |
| Total, Agricultural Research Service | 182,938,400 | 195,126,400 | 214,994,000 | +32,055,600 | +19,867,600 |
| Animal and Plant Health Inspection Service | 285,925,000 | 303,523,000 | 394,769,000 | +108,844,000 | +91,246,000 |
| Cooperative State Research Service | 89,880,000 | 90,105,300 | 98,701,300 | +8,821,300 | +8,596,000 |
| Extension Service | 204,073,000 | 204,073,000 | 208,063,000 | +3,990,000 | +3,990,000 |
| National Agricultural Library | 4,226,750 | 4,468,750 | 4,858,750 | +632,000 | +390,000 |
| Total, Science and Education | 767,043,150 | 797,296,450 | 921,386,050 | +154,342,900 | +124,089,600 |
| AGRICULTURAL ECONOMICS: | | | | | |
| Statistical Reporting Service | 22,859,200 | 24,074,200 | 26,938,000 | +4,078,800 | +2,863,800 |
| Economic Research Service | 15,780,000 | 19,638,100 | 21,831,000 | +6,051,000 | +2,192,900 |
| Total, Agricultural Economics | 38,639,200 | 43,712,300 | 48,769,000 | +10,129,800 | +5,056,700 |
| MARKETING SERVICES: | | | | | |
| Agricultural Marketing Service: | | | | | |
| Marketing Services | 34,865,000 | 37,064,000 | 39,915,000 | +5,050,000 | +2,851,000 |
| Transfer from Commodity Credit Corporation | (5,003,000) | (5,003,000) | (5,146,000) | (+143,000) | (+143,000) |
| Payments to States and Possessions | 1,600,000 | 1,600,000 | - - | -1,600,000 | -1,600,000 |
| Funds for Strengthening Markets, Income, and Supply (Section 32) (net of transfers) | (706,450,000) | (706,450,000) | (303,529,000) | (-402,921,000) | (-402,921,000) |
| Total, Agricultural Marketing Service | 36,465,000 | 38,664,000 | 39,915,000 | +3,450,000 | +1,251,000 |

| Agency or Item | 1974 Enacted to Date | 1974 Adjusted | 1975 Budget Estimates | Budget Estimate compared with 1974 Enacted to Date | Budget Estimate compared with 1974 Adjusted |
|---|---|---|---|---|---|
| MARKETING SERVICES - Continued | | | | | |
| Commodity Exchange Authority | 3,257,000 | 3,459,000 | 4,309,000 | +1,052,000 | +850,000 |
| Packers and Stockyards Administration | 4,054,650 | 4,322,650 | 4,625,650 | +571,000 | +303,000 |
| Farmer Cooperative Service | 1,955,000 | 2,229,200 | 2,354,000 | +399,000 | +124,800 |
| Total, Marketing Services | 45,731,650 | 48,674,850 | 51,203,650 | +5,472,000 | +2,528,800 |
| INTERNATIONAL PROGRAMS: | | | | | |
| Foreign Agricultural Service | 27,105,000 | 27,986,000 | 29,034,000 | +1,929,000 | +1,048,000 |
| Transfer from Commodity Credit Corporation | (3,830,000) | (3,830,000) | (3,620,000) | (-210,000) | (-210,000) |
| Transfer from Section 32 | (3,117,000) | (3,117,000) | (3,117,000) | (- -) | (- -) |
| Total, Foreign Agricultural Service | (34,052,000) | (34,933,000) | (35,771,000) | (+1,719,000) | (+838,000) |
| Public Law 480: | | | | | |
| Sales for foreign currencies and long-term credit (Title I, program level) | 765,793,000 | 765,793,000 | 739,250,000 | -26,543,000 | -26,543,000 |
| Less receipts and changes in prior year balances and costs | -526,742,000 | -526,742,000 | -314,075,000 | +212,667,000 | +212,667,000 |
| Total, Title, I Appropriation | 239,051,000 | 239,051,000 | 425,175,000 | +186,124,000 | +186,124,000 |
| Disposition of commodities abroad (Title II, program level) | 328,916,000 | 328,916,000 | 242,440,000 | -86,476,000 | -86,476,000 |
| Less receipts and changes in prior year balances and costs | -14,329,000 | -14,329,000 | 110,858,000 | +125,187,000 | +125,187,000 |
| Total, Title II, Appropriation | 314,587,000 | 314,587,000 | 353,298,000 | +38,711,000 | +38,711,000 |
| Total, Public Law 480 | 553,638,000 | 553,638,000 | 778,473,000 | +224,835,000 | +224,835,000 |
| Total, International Programs | 580,743,000 | 581,624,000 | 807,507,000 | +226,764,000 | +225,883,000 |
| COMMODITY PROGRAMS: | | | | | |
| Agricultural Stabilization and Conservation Service: | | | | | |
| Salaries and Expenses | 169,235,000 | 166,651,000 | 172,867,000 | +3,632,000 | +6,216,000 |
| Transfer from Commodity Credit Corporation | (78,346,000) | (78,128,000) | (84,115,000) | (+5,769,000) | (+5,987,000) |
| Total, Salaries and Expenses | (247,581,000) | (244,779,000) | (256,982,000) | (+9,401,000) | (+12,203,000) |
| Sugar Act Program | 88,500,000 | 88,500,000 | 90,200,000 | +1,700,000 | +1,700,000 |
| Cropland Adjustment Program | 51,900,000 | 50,301,000 | 48,601,000 | -3,299,000 | -1,700,000 |
| Dairy and Beekeeper Indemnity Program | - - | - - | 1,850,000 | +1,850,000 | +1,850,000 |
| Rural Environmental Assistance Program-Advance Authorization a/ | 160,000,000 | 160,000,000 | b/ - - | -160,000,000 | -160,000,000 |
| Transfer from Environmental Protection Agency | (15,000,000) | (15,000,000) | (- -) | (-15,000,000) | (-15,000,000) |
| Total, Rural Environmental Assistance Program | (175,000,000) | (175,000,000) | (- -) | (-175,000,000) | (-175,000,000) |
| Liquidation of Contract Authority | (15,000,000) | (15,000,000) | (90,000,000) | (+75,000,000) | (+75,000,000) |
| Water Bank Act a/ | 10,000,000 | 10,000,000 | b/ - - | -10,000,000 | -10,000,000 |
| Emergency Conservation Measures a/ | 10,000,000 | 10,000,000 | b/ - - | -10,000,000 | -10,000,000 |
| Rural Environmental Program | - - | - - | 118,800,000 | +118,800,000 | +118,800,000 |
| Total, Agricultural Stabilization and Conservation Service | 489,635,000 | 485,452,000 | 432,318,000 | -57,317,000 | -53,134,000 |
| Total, Commodity Programs | 489,635,000 | 485,452,000 | 432,318,000 | -57,317,000 | -53,134,000 |
| CORPORATIONS: | | | | | |
| Federal Crop Insurance Corporation: | | | | | |
| Administrative and Operating Expenses | 12,000,000 | 11,994,000 | 12,000,000 | - - | +6,000 |

| Agency or Item | 1974 Enacted to Date | 1974 Adjusted | 1975 Budget Estimates | Budget Estimate compared with 1974 Enacted to Date | Budget Estimate compared with 1974 Adjusted |
|---|---|---|---|---|---|
| CORPORATIONS - Continued | | | | | |
| Federal Crop Insurance Corporation - Continued | | | | | |
| Payable from premium income | (3,632,000) | (4,640,000) | (5,818,000) | (+2,186,000) | (+2,186,000) |
| Total, Federal Crop Insurance Corporation | 12,000,000 | 11,994,000 | 12,000,000 | - - | +6,000 |
| Commodity Credit Corporation: | | | | | |
| Reimbursement for net realized losses | 3,301,940,000 | 3,301,940,000 | 4,249,412,000 | +947,472,000 | +947,472,000 |
| Limitation on Administrative Expenses | (39,900,000) | (39,900,000) | (42,200,000) | (+2,300,000) | (+2,300,000) |
| Total, Commodity Credit Corporation | 3,301,940,000 | 3,301,940,000 | 4,249,412,000 | +947,472,000 | +947,472,000 |
| Total, Corporations | 3,313,940,000 | 3,313,934,000 | 4,261,412,000 | +947,472,000 | +947,478,000 |
| TOTAL, TITLE I, Agricultural Programs | 5,271,868,000 | 5,308,690,000 | 6,565,347,100 | +1,293,479,100 | +1,256,657,100 |
| RURAL DEVELOPMENT: | | | | | |
| Rural Development Service | 2,661,000 | 881,000 | 1,300,000 | -1,361,000 | +419,000 |
| Rural Electrification Administration: | | | | | |
| Loan Authorizations: | | | | | |
| Electrification | (618,000,000) | (618,000,000) | (618,000,000) | (- -) | (- -) |
| Telephone | (140,000,000) | (140,000,000) | (140,000,000) | (- -) | (- -) |
| Total Loan Authorizations a/ | (758,000,000) | (758,000,000) | (758,000,000) | (- -) | (- -) |
| Rural Telephone Bank: | | | | | |
| Capitalization of Rural Telephone Bank a/ | (30,000,000) | (30,000,000) | (30,000,000) | (- -) | (- -) |
| Salaries and Expenses | 16,720,000 | 17,489,000 | 19,116,000 | +2,396,000 | +1,627,000 |
| Total, Rural Electrification Administration | 16,720,000 | 17,489,000 | 19,116,000 | +2,396,000 | +1,627,000 |
| Farmers Home Administration: | | | | | |
| Rural Housing Insurance Fund: | | | | | |
| Direct loans | (10,000,000) | (10,000,000) | (20,000,000) | (+10,000,000) | (+10,000,000) |
| Insured loans | (2,144,000,000) | (2,144,000,000) | (2,122,000,000) | (-22,000,000) | (-22,000,000) |
| Reimbursement for losses | 89,170,000 | 89,170,000 | 124,592,000 | +35,422,000 | +35,422,000 |
| Total, Rural Housing Insurance Fund Loans | (2,154,000,000) | (2,154,000,000) | (2,142,000,000) | (-12,000,000) | (-12,000,000) |
| Agricultural Credit Insurance Fund: | | | | | |
| Reimbursement for losses | 74,554,000 | 74,554,000 | 485,262,000 | +410,708,000 | +410,708,000 |
| Insured loan levels: d/ | | | | | |
| Real estate loans | (370,000,000) | (370,000,000) | (370,000,000) | - - | - - |
| Soil Conservation loans | (24,000,000) | (24,000,000) | (24,000,000) | - - | - - |
| Operating loans | (350,000,000) | (350,000,000) | (350,000,000) | - - | - - |
| Total, Agricultural Credit Insurance Fund Loans | (744,000,000) | (744,000,000) | (744,000,000) | (- -) | (- -) |
| Rural Water and Waste Disposal Grants | 30,000,000 | 30,000,000 | - - | -30,000,000 | -30,000,000 |
| Unobligated balance from prior year | (120,000,000) | (120,000,000) | - - | (-120,000,000) | (-120,000,000) |
| Total, Rural Water and Waste Disposal Grants | (150,000,000) | (150,000,000) | (- -) | (-150,000,000) | (-150,000,000) |
| Rural Development Grants | 10,000,000 | 10,000,000 | [illegible],000,000 | - - | - - |
| Rural Housing for Domestic Farm Labor | 7,500,000 | 7,500,000 | - - | -7,500,000 | -7,500,000 |
| Mutual and Self-Help Housing | 4,000,000 | 4,000,000 | - - | -4,000,000 | -4,000,000 |
| Rural Development Insurance Fund: | | | | | |
| Reimbursement for losses | - - | - - | [illegible],446,000 | +17,446,000 | +17,446,000 |
| Insured loan levels: | | | | | |
| Water and sewer [illegible]ty loans | [illegible] | (470,000,000) | [illegible] | [illegible] | (-[illegible],000,000) |

| Agency or Item | 1974 Enacted to Date | 1974 Adjusted | 1975 Budget Estimates | Budget Estimate compared with 1974 Enacted to Date | Budget Estimate compared with 1974 Adjusted |
|---|---|---|---|---|---|
| Farmers Home Administration - Continued | | | | | |
| Rural Development Insurance Fund - Continued | | | | | |
| Insured loan levels - Continued | | | | | |
| Industrial development loans | (200,000,000) | (200,000,000) | (400,000,000) | (+200,000,000) | (+200,000,000) |
| Community facility loans | (50,000,000) | (50,000,000) | (200,000,000) | (+150,000,000) | (+150,000,000) |
| Total, Rural Development Insurance Fund Loans | (720,000,000) | (720,000,000) | (1,000,000,000) | (+280,000,000) | (+280,000,000) |
| Salaries and Expenses | 112,500,000 | 120,612,000 | 129,112,000 | +16,612,000 | +8,500,000 |
| Transfer from loan accounts | (3,500,000) | (3,500,000) | (3,500,000) | (- -) | (- -) |
| Total, Salaries and Expenses | (116,000,000) | (124,112,000) | (132,612,000) | (+16,612,000) | (+8,500,000) |
| Total, Farmers Home Administration | 327,724,000 | 335,836,000 | 766,412,000 | +438,688,000 | +430,576,000 |
| TOTAL, TITLE II, Rural Development | 347,105,000 | 354,206,000 | 786,828,000 | +439,723,000 | +432,622,000 |
| ENVIRONMENTAL PROGRAMS: | | | | | |
| Soil Conservation Service: | | | | | |
| Conservation Operations | 160,000,000 | 165,323,000 | 192,826,000 | +32,826,000 | +27,503,000 |
| River Basin Surveys and Investigations | 12,351,000 | 12,341,000 | 14,167,000 | +1,816,000 | +1,826,000 |
| Watershed Planning | 10,000,000 | 9,998,000 | 10,800,000 | +800,000 | +802,000 |
| Watershed and Flood Prevention Operations | 134,000,000 | 133,986,000 | 122,828,000 | -11,172,000 | -11,158,000 |
| Great Plains Conservation Program | 18,172,000 | 18,172,000 | b/- - | -18,172,000 | -18,172,000 |
| Resource Conservation and Development e/ | 17,217,000 | 17,204,000 | 19,908,000 | +2,691,000 | +2,704,000 |
| Total, Soil Conservation Service | 351,740,000 | 357,024,000 | 360,529,000 | +8,789,000 | +3,505,000 |
| TOTAL, TITLE III, Environmental Programs | 351,740,000 | 357,024,000 | 360,529,000 | +8,789,000 | +3,505,000 |
| CONSUMER PROGRAMS: | | | | | |
| Food and Nutrition Service: | | | | | |
| Child Nutrition Programs (Direct Appropriation) | 561,612,000 | 561,583,000 | 642,029,000 | +80,417,000 | +80,446,000 |
| Transfer from Section 32 | (199,631,000) | (199,631,000) | (705,926,000) | (+506,295,000) | (+506,295,000) |
| Total, Child Nutrition Programs | (761,243,000) | (761,214,000) | (1,347,955,000) | (+586,712,000) | (+586,741,000 |
| Special Milk Program | 97,123,000 | 97,123,000 | 120,000,000 | +22,877,000 | +22,877,000 |
| Food Stamp Program | 2,500,000,000 | 2,499,901,000 | 3,990,000,000 | +1,490,000,000 | +1,490,099,000 |
| Total, Food and Nutrition Service | 3,158,735,000 | 3,158,607,000 | 4,752,029,000 | +1,593,294,000 | +1,593,422,000 |
| TOTAL, TITLE IV, Consumer Programs | 3,158,735,000 | 3,158,607,000 | 4,752,029,000 | +1,593,294,000 | +1,593,422,000 |
| Total, Above Programs (Budget Authority) | 9,129,448,000 | 9,178,527,000 | 12,464,733,100 | +3,335,285,100 | +3,286,206,100 |
| Forest Service | 677,094,300 | 693,680,300 | 563,260,310 | -113,833,990 | -130,419,990 |
| TOTAL, ABOVE ITEMS | 9,806,542,300 | 9,872,207,300 | 13,027,993,410 | +3,221,451,110 | +3,155,786,110 |

| Agency or Item | 1974 Enacted to Date | 1974 Adjusted | 1975 Budget Estimates | Budget Estimate compared with 1974 Enacted to Date | Budget Estimate compared with 1974 Adjusted |
|---|---|---|---|---|---|
| PERMANENT APPROPRIATIONS - FEDERAL FUNDS: | | | | | |
| Funds for Strengthening Markets, Income and Supply (Section 32) | 924,198,000 | 924,198,000 | 1,027,572,000 | +103,374,000 | +103,374,000 |
| National Wool Act | 58,804,000 | 58,804,000 | 70,000,000 | +11,196,000 | +11,196,000 |
| Perishable Agricultural Commodities Act | 1,460,000 | 1,460,000 | 1,582,000 | +122,000 | +122,000 |
| Rural Housing Insurance Fund | 157,499,000 | 157,499,000 | 2,268,000 | -155,231,000 | -155,231,000 |
| Agricultural Credit Insurance Fund | 40,075,000 | 40,075,000 | - - | -40,075,000 | -40,075,000 |
| Rural Development Insurance Fund | 342,218,000 | 342,218,000 | 217,129,000 | -125,089,000 | -125,089,000 |
| Animal Quarantine Station, APHIS | 100,000 | 100,000 | 327,000 | +227,000 | +227,000 |
| Total, Permanent Appropriations (excluding Forest Service) | 1,524,354,000 | 1,524,354,000 | 1,318,878,000 | -205,476,000 | -205,476,000 |
| Forest Service | 183,370,000 | 183,370,000 | 165,363,000 | -18,007,000 | -18,007,000 |
| Total, Permanent Appropriations, Federal Funds | 1,707,724,000 | 1,707,724,000 | 1,484,241,000 | -223,483,000 | -223,483,000 |
| PERMANENT APPROPRIATIONS- TRUST FUNDS: | | | | | |
| Agricultural Research Service | 436,000 | 436,000 | 437,000 | +1,000 | +1,000 |
| Animal and Plant Health Inspection Service | 1,460,000 | 1,460,000 | 1,498,000 | +38,000 | +38,000 |
| Economic Research Service | 730,000 | 730,000 | 915,000 | +185,000 | +185,000 |
| Agricultural Marketing Service | 42,926,000 | 42,926,000 | 45,621,000 | +2,695,000 | +2,695,000 |
| Farmer Cooperative Service | 116,000 | 116,000 | 116,000 | - - | - - |
| Soil Conservation Service | 1,278,000 | 1,278,000 | 1,284,000 | +6,000 | +6,000 |
| Other agencies: Miscellaneous contributed funds | 17,000 | 17,000 | 17,000 | - - | - - |
| Subtotal | 46,963,000 | 46,963,000 | 49,888,000 | +2,925,000 | +2,925,000 |
| Forest Service | 63,700,000 | 63,700,000 | 67,600,000 | +3,900,000 | +3,900,000 |
| Total, Permanent Appropriations - Trust Funds | 110,663,000 | 110,663,000 | 117,488,000 | +6,825,000 | +6,825,000 |
| Proposed Supplementals: | | | | | |
| Rural Development Service | - - | 170,000 | - - | - - | -170,000 |
| Food and Nutrition Service: | | | | | |
| Child Nutrition Programs | - - | 71,500,000 | - - | - - | -71,500,000 |
| Food Stamp Program | - - | 500,000,000 | - - | - - | -500,000,000 |
| Forest Service: | | | | | |
| Forest Protection and Utilization - Fighting Forest Fires | - - | 90,800,000 | - - | - - | -90,800,000 |
| Total, Proposed Supplementals | - - | 662,470,000 | - - | - - | -662,470,000 |
| Proposed for Separate Transmittal: | | | | | |
| Under Proposed Legislation: | | | | | |
| Departmental Administration - Working Capital Fund | - - | - - | 9,600,000 | +9,600,000 | +9,600,000 |

a/ The Agriculture-Environmental and Consumer Protection Act of 1974 carries these items under "Environmental Programs". They are shown here to reflect agency total.

b/ These programs will be funded in the Rural Environmental Program in 1975.

c/ These amounts are excluded by law (P.L. 93-32) from the budget totals.

d/ The 1974 Appropriations Act authorizes emergency loans in amounts necessary to meet the needs resulting from natural disasters. However, 1974 loans are estimated at $300 million in the 1975 Budget.

e/ The Agriculture-Environmental and Consumer Protection Act of 1974 carries this item under "Rural Development". It is shown here to reflect agency total.

Office of Budget and Finance
Budget Systems and Control
January 22, 1974

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 1a--Reconciliation between 1974 Appropriations as shown in Appropriations Acts and 1974 Appropriations Adjusted to Reflect Transfers for Space Rental, Pay Costs, and Transfers in the Estimates

| Agency or Item | 1974 Appropriations | Adjustments: Transfers to GSA for Space Rental | Adjustments: Pay Costs | Adjustments: 1974 Transfers in the Estimates | 1974 Appropriations Adjusted |
|---|---|---|---|---|---|
| **Departmental Management** | | | | | |
| Departmental Administration: | | | | | |
| Office of the Secretary | $10,822,000 | - - | +$683,000 | +$56,100 | $11,561,100 |
| Audit and Investigations | 14,501,000 | -$5,000 | +989,000 | - - | 15,485,000 |
| Transfer from Food Stamp | (4,250,000) | - - | (+284,000) | (- -) | 4,534,000 |
| Total, Audit and investigations | (18,751,000) | (-5,000) | (1,273,000) | (- -) | (20,019,000) |
| Office of the General Counsel | 6,666,000 | - - | +572,000 | - - | 7,238,000 |
| Office of Management Services | 4,147,000 | - - | +308,000 | -742,700 | 3,712,300 |
| Total, Departmental Administration | (40,386,000) | (-5,000) | (+2,836,000) | (-686,600) | (42,530,400) |
| Total, Departmental Management | 36,136,000 | -5,000 | +2,552,000 | -686,600 | 37,996,400 |
| **Science and Education Programs:** | | | | | |
| Agricultural Research Service: | | | | | |
| Agricultural Research Service | 175,938,400 | -165,000 | +12,353,000 | - - | 188,126,400 |
| Transfer from Section 32 | (15,000,000) | (- -) | - - | - - | (15,000,000) |
| Subtotal | (190,938,400) | (-165,000) | (+12,353,000) | - - | (203,126,400) |
| Special Fund (Reappropriation) | 2,000,000 | - - | - - | - - | 2,000,000 |
| Scientific Activities Overseas (Special Foreign Currency Program) | 5,000,000 | - - | - - | - - | 5,000,000 |
| Total, Agricultural Research Service | 182,938,400 | -165,000 | +12,353,000 | - - | 195,126,400 |
| Animal and Plant Health Inspection Service | 285,925,000 | -53,000 | +17,651,000 | - - | 303,523,000 |
| Cooperative State Research Service | 89,880,000 | - - | +148,000 | +77,300 | 90,105,300 |
| Extension Service | 204,073,000 | - - | - - | - - | 204,073,000 |
| National Agricultural Library | 4,226,750 | - - | +242,000 | - - | 4,468,750 |
| Total, Science and Education Programs | 767,043,150 | -218,000 | +30,394,000 | +77,300 | 797,296,450 |
| **Agricultural Economics:** | | | | | |
| Statistical Reporting Service | 22,859,200 | -5,000 | +1,357,000 | -137,000 | 24,074,200 |
| Economic Research Service | 15,780,000 | - - | +1,307,000 | +2,551,100 | 19,638,100 |
| Total, Agricultural Economics | 38,639,200 | -5,000 | +2,664,000 | +2,414,100 | 43,712,300 |
| **Marketing Services:** | | | | | |
| Agricultural Marketing Service: | | | | | |
| Marketing Services | 34,865,000 | -23,000 | +2,222,000 | - - | 37,064,000 |
| Transfer from Commodity Credit Corporation | (4,682,350) | (- -) | (+320,650) | (- -) | (5,003,000) |
| Payments to States and Possessions | 1,600,000 | - - | - - | - - | 1,600,000 |
| Funds for Strengthening Markets, Income, and Supply (Section 32) (net of transfers) | (706,450,000) | (- -) | (- -) | (- -) | (706,450,000) |
| Total, Agricultural Marketing Service | 36,465,000 | -23,000 | +2,222,000 | - - | 38,664,000 |

| Agency or Item | 1974 Appropriations | Adjustments: Transfers to GSA for Space Rental | Adjustments: Pay Costs | Adjustments: 1974 Transfers in the Estimates | 1974 Appropriations Adjusted |
|---|---|---|---|---|---|
| Marketing Services: (Continued) | | | | | |
| Commodity Exchange Authority | 3,257,000 | -12,000 | +214,000 | - - | 3,459,000 |
| Packers and Stockyards Administration | 4,054,650 | -8,000 | +276,000 | - - | 4,322,650 |
| Farmer Cooperative Service | 1,955,000 | - - | +141,000 | +133,200 | 2,229,200 |
| Total, Marketing Services | 45,731,650 | -43,000 | +2,853,000 | +133,200 | 48,674,850 |
| International Programs: | | | | | |
| Foreign Agricultural Service: | | | | | |
| Foreign Agricultural Service | 27,105,000 | - - | +881,000 | - - | 27,986,000 |
| Transfer from Commodity Credit Corporation | (3,830,000) | (- -) | (- -) | (- -) | (3,830,000) |
| Transfer from Section 32 | (3,117,000) | (- -) | (- -) | (- -) | (3,117,000) |
| Total, Foreign Agricultural Service | (34,052,000) | (- -) | +881,000 | - - | (34,933,000) |
| P.L. 480: | | | | | |
| Sales for foreign currencies and long-term credit (Title I Program level) | 765,793,000 | - - | - - | - - | 765,793,000 |
| Less receipts and changes in prior year balances and costs | -526,742,000 | - - | - - | - - | -526,742,000 |
| Total, Title I Appropriation | 239,051,000 | - - | - - | - - | 239,051,000 |
| Disposition of commodities abroad (Title II Program level) | 328,916,000 | - - | - - | - - | 328,916,000 |
| Less receipts and changes in prior year balances and costs | -14,329,000 | - - | - - | - - | -14,329,000 |
| Total, Title II Appropriation | 314,587,000 | - - | - - | - - | 314,587,000 |
| Total, Public Law 480 | 553,638,000 | - - | - - | - - | 553,638,000 |
| Total, International Programs | 580,743,000 | - - | +881,000 | - - | 581,624,000 |
| Commodity Programs: | | | | | |
| Agricultural Stabilization and Conservation Service: | | | | | |
| Salaries and Expenses, ASCS | 169,235,000 | - - | -2,584,000 | - - | 166,651,000 |
| Transfers from Commodity Credit Corporation | (78,346,000) | (- -) | -218,000 | (- -) | (78,128,000) |
| Total, Salaries and Expenses, ASCS | (247,581,000) | (- -) | (-2,802,000) | (- -) | (244,779,000) |
| Sugar Act Program | 88,500,000 | - - | - - | - - | 88,500,000 |
| Cropland Adjustment Program | 51,900,000 | - - | -1,599,000 | - - | 50,301,000 |
| Rural Environmental Assistance Program: a/ | | | | | |
| Advance Authorization | 160,000,000 | - - | - - | - - | 160,000,000 |
| Transfer from Environmental Protection Agency | (15,000,000) | - - | - - | - - | (15,000,000) |
| Total, Rural Environmental Assistance Program | (175,000,000) | - - | - - | - - | (175,000,000) |
| Liquidation of Contract Authority | (15,000,000) | - - | - - | - - | (15,000,000) |
| Water Bank Act Program a/ | 10,000,000 | - - | - - | - - | 10,000,000 |
| Emergency Conservation Measures a/ | 10,000,000 | - - | - - | - - | 10,000,000 |
| Total, Agricultural Stabilization and Conservation Service | 489,635,000 | - - | -4,183,000 | - - | 485,452,000 |
| Total, Commodity Programs | 489,635,000 | - - | -4,183,000 | - - | 485,452,000 |

| Agency or Item | 1974 Appropriations | Adjustment: Transfers to GSA for Space Rental | Adjustment: Pay Costs | Adjustment: 1974 Transfers in the Estimates | 1974 Appropriations Adjusted |
|---|---|---|---|---|---|
| Corporations: | | | | | |
| Federal Crop Insurance Corporation: | | | | | |
| Administrative and Operating Expenses | 12,000,000 | -6,000 | - - | - - | 11,994,000 |
| Payable from Premium Income | (3,632,000) | (- -) | (1,008,000) | - - | (4,640,000) |
| Total, Federal Crop Insurance Corporation | (15,632,000) | -6,000 | (+1,008,000) | - - | (16,634,000) |
| Commodity Credit Corporation: | | | | | |
| Reimbursement for net realized losses | 3,301,940,000 | - - | - - | - - | 3,301,940,000 |
| Limitation on Administrative Expenses | (39,900,000) | (- -) | (- -) | (- -) | (39,900,000) |
| Total, Commodity Credit Corporation | 3,301,940,000 | - - | - - | - - | 3,301,940,000 |
| Total, Corporations | 3,313,940,000 | -6,000 | - - | - - | 3,313,934,000 |
| TOTAL, TITLE I, Agriculture Programs | 5,271,868,000 | -277,000 | +35,161,000 | +1,938,000 | 5,308,690,000 |
| Rural Development: | | | | | |
| Rural Development Service | 2,661,000 | - - | +28,000 | -1,808,000 | 881,000 |
| Rural Electrification Administration: | | | | | |
| Loan Authorizations: | | | | | |
| Electrification | (618,000,000) | (- -) | (- -) | (- -) | (618,000,000) |
| Telephone | (140,000,000) | (- -) | (- -) | (- -) | (140,000,000) |
| Total, Loan Authorizations b/ | (758,000,000) | (- -) | (- -) | (- -) | (758,000,000) |
| Rural Telephone Bank: | | | | | |
| Capitalization of Rural Telephone Bank b/ | (30,000,000) | (- -) | (- -) | (- -) | (30,000,000) |
| Salaries and Expenses | 16,720,000 | - - | +769,000 | - - | 17,489,000 |
| Total, Rural Electrification Administration | 16,720,000 | - - | +769,000 | - - | 17,489,000 |
| Farmers Home Administration: | | | | | |
| Rural Housing Insurance Fund: | | | | | |
| Direct Loans | (10,000,000) | (- -) | (- -) | (- -) | (10,000,000) |
| Insured Housing Loans | (2,144,000,000) | (- -) | (- -) | (- -) | (2,144,000,000) |
| Reimbursement for Losses | 89,170,000 | - - | - - | - - | 89,170,000 |
| Total, Rural Housing Insurance Fund loans | (2,154,000,000) | (- -) | (- -) | (- -) | (2,154,000,000) |
| Agricultural Credit Insurance Fund: | | | | | |
| Reimbursement for Losses | 74,554,000 | - - | - - | - - | 74,554,000 |
| Insured loan level: | | | | | |
| Real estate loans | (370,000,000) | (- -) | (- -) | (- -) | (370,000,000) |
| Soil Conservation loans | (24,000,000) | (- -) | (- -) | (- -) | (24,000,000) |
| Operating loans | (350,000,000) | (- -) | (- -) | (- -) | (350,000,000) |
| Emergency loans | c/ | (- -) | (- -) | (- -) | c/ |
| Total, ACIF loans | (744,000,000) | (- -) | (- -) | (- -) | (744,000,000) |
| Rural Water and Waste Disposal Grants | 30,000,000 | - - | - - | - - | 30,000,000 |
| Unobligated balance from prior years | (120,000,000) | - - | - - | - - | (120,000,000) |
| Total, Rural Water and Waste Disposal Grants | (150,000,000) | (- -) | (- -) | (- -) | (150,000,000) |
| Rural Development Grants | 10,000,000 | - - | - - | - - | 10,000,000 |

| Agency or Item | 1974 Appropriations | Adjustments: Transfers to GSA for Space Rental | Adjustments: Pay Costs | Adjustments: 1974 Transfers in the Estimates | 1974 Appropriations Adjusted |
|---|---|---|---|---|---|
| Rural Development: (Continued) | | | | | |
| Farmers Home Administration: (Continued) | | | | | |
| Rural Housing for Domestic Farm Labor | 7,500,000 | - - | - - | - - | 7,500,000 |
| Mutual and Self-help Housing | 4,000,000 | - - | - - | - - | 4,000,000 |
| Rural Development Insurance Fund: | | | | | |
| Water and sewer facility loans | (470,000,000) | (- -) | (- -) | (- -) | (470,000,000) |
| Industrial development loans | (200,000,000) | (- -) | (- -) | (- -) | (200,000,000) |
| Community facility loans | (50,000,000) | (- -) | (- -) | (- -) | (50,000,000) |
| Total, Rural Development Insurance Fund loans | (720,000,000) | (- -) | (- -) | (- -) | (720,000,000) |
| Salaries and Expenses | 112,500,000 | -108,000 | +8,350,000 | -130,000 | 120,612,000 |
| Transfer from Loan Accounts | (3,500,000) | (- -) | (- -) | (- -) | (3,500,000) |
| Total, Salaries and Expenses | (116,000,000) | (-108,000) | (+8,350,000) | (-130,000) | (124,112,000) |
| Total, Farmers Home Administration | 327,724,000 | -108,000 | +8,350,000 | -130,000 | 335,836,000 |
| TOTAL, TITLE II, Rural Development | 347,105,000 | -108,000 | +9,147,000 | -1,938,000 | 354,206,000 |
| Environmental Programs: | | | | | |
| Soil Conservation Service: | | | | | |
| Conservation Operations | 160,000,000 | -134,000 | +5,457,000 | - - | 165,323,000 |
| River Basin Surveys and Investigations | 12,351,000 | -10,000 | - - | - - | 12,341,000 |
| Watershed Planning | 10,000,000 | -2,000 | - - | - - | 9,998,000 |
| Watershed and Flood Prevention Operations | 134,000,000 | -14,000 | - - | - - | 133,986,000 |
| Great Plains Conservation Program | 18,172,000 | - - | - - | - - | 18,172,000 |
| Resource Conservation and Development d/ | 17,217,000 | -13,000 | - - | - - | 17,204,000 |
| Total, Soil Conservation Service | 351,740,000 | -173,000 | +5,457,000 | - - | 357,024,000 |
| TOTAL, TITLE III, Environmental Programs | 351,740,000 | -173,000 | +5,457,000 | - - | 357,024,000 |
| Consumer Programs: | | | | | |
| Food and Nutrition Service: | | | | | |
| Child Nutrition Programs (Direct appropriations) | 561,612,000 | -29,000 | - - | - - | 561,583,000 |
| Transfer from Section 32 | (199,631,000) | (- -) | (- -) | (- -) | (199,631,000) |
| Total, Child Nutrition Programs | (761,243,000) | (-29,000) | (- -) | (- -) | (761,214,000) |
| Special Milk Program | 97,123,000 | - - | - - | - - | 97,123,000 |
| Food Stamp Program | 2,500,000,000 | -99,000 | - - | - - | 2,499,901,000 |
| Total, Food and Nutrition Service | 3,158,735,000 | -128,000 | - - | - - | 3,158,607,000 |
| TOTAL, TITLE IV, Consumer Programs | 3,158,735,000 | -128,000 | - - | - - | 3,158,607,000 |
| TOTAL, Above Programs (Budget Authority) | 9,129,448,000 | -686,000 | +49,765,000 | - - | 9,178,527,000 |
| Forest Service | 677,094,300 | -574,000 | +17,160,000 | - - | 693,680,300 |
| TOTAL, ABOVE ITEMS | 9,806,542,300 | -1,260,000 | +66,925,000 | - - | 9,872,207,300 |

| Agency or Item | 1974 Appropriations | Adjustments: Transfers to GSA for Space Rental | Adjustments: Pay Costs | Adjustments: 1974 Transfers in the Estimates | 1974 Appropriations Adjusted |
|---|---|---|---|---|---|
| PERMANENT APPROPRIATIONS - FEDERAL FUNDS: | | | | | |
| Funds for Strengthening Markets, Income, and Supply (Section 32) | 924,198,000 | - - | - - | - - | 924,198,000 |
| National Wool Act | 58,804,000 | - - | - - | - - | 58,804,000 |
| Perishable Agricultural Commodities Act | 1,460,000 | - - | - - | - - | 1,460,000 |
| Rural Housing Insurance Fund | 157,499,000 | - - | - - | - - | 157,499,000 |
| Agricultural Credit Insurance Fund | 40,075,000 | - - | - - | - - | 40,075,000 |
| Rural Development Insurance Fund | 342,218,000 | - - | - - | - - | 342,218,000 |
| Animal Quarantine Station | 100,000 | - - | - - | - - | 100,000 |
| Total, Permanent Appropriations (excluding Forest Service) | 1,524,354,000 | - - | - - | - - | 1,524,354,000 |
| Forest Service | +183,370,000 | - - | - - | - - | +183,370,000 |
| Total, Permanent Appropriations - Federal Funds | 1,707,724,000 | - - | - - | - - | 1,707,724,000 |
| PERMANENT APPROPRIATIONS - TRUST FUNDS: | | | | | |
| Agricultural Research Service | 436,000 | - - | - - | - - | 436,000 |
| Animal and Plant Health Inspection Service | 1,460,000 | - - | - - | - - | 1,460,000 |
| Economic Research Service | 730,000 | - - | - - | - - | 730,000 |
| Agricultural Marketing Service | 42,926,000 | - - | - - | - - | 42,926,000 |
| Farmer Cooperative Service | 116,000 | - - | - - | - - | 116,000 |
| Soil Conservation Service | 1,278,000 | - - | - - | - - | 1,278,000 |
| Other Agencies | 17,000 | - - | - - | - - | 17,000 |
| Subtotal | 46,963,000 | - - | - - | - - | 46,963,000 |
| Forest Service | 63,700,000 | - - | - - | - - | 63,700,000 |
| Total, Permanent Appropriations - Trust Funds | 110,663,000 | - - | - - | - - | 110,663,000 |
| PROPOSED SUPPLEMENTALS: | | | | | |
| Rural Development Service | 170,000 | - - | - - | - - | 170,000 |
| Food and Nutrition Service: | | | | | |
| Child Nutrition Program | 71,500,000 | - - | - - | - - | 71,500,000 |
| Food Stamp Program | 500,000,000 | - - | - - | - - | 500,000,000 |
| Total, Food and Nutrition Service | 571,500,000 | - - | - - | - - | 571,500,000 |
| Forest Service: | | | | | |
| Forest Protection and Utilization - Fighting Forest Fires | 90,800,000 | - - | - - | - - | 90,800,000 |
| Total, Forest Service | 90,800,000 | - - | - - | - - | 90,800,000 |
| Total, Proposed Supplementals | 662,470,000 | - - | - - | - - | 662,470,000 |

a/ The Agriculture-Environmental and Consumer Protection Act, 1974, carries these items under "Environmental Programs." It is shown here to provide an agency total.

b/ These amounts are excluded by law (P.L. 93-32) from the budget totals.

c/ The 1974 Appropriation Act does not contain a limitation on Emergency loans. However, 1974 loans are estimated at $300 million in the 1975 Budget.

d/ The Agriculture-Environmental and Consumer Protection Act, 1974, carries this item under "Rural Development Programs." It is shown here to provide an agency total.

Office of Budget and Finance
Division of Budget Systems and Control
January 21, 1974

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 2--New Budget (Obligational) Authority by Subappropriation and Appropriation
1973, 1974, and Budget Estimates 1975

(Note--Amounts for 1973 and 1974 include all supplemental appropriations to date and proposed supplementals for pay costs and are adjusted for comparability with the appropriation structure proposed in the 1975 Budget Estimates. Amounts in parentheses are not included in totals.)

| Agency or Item | 1973 Actual | 1974 Adjusted | Budget Estimates 1975 | Change, Budget Estimates 1975 compared with 1974 Adjusted |
|---|---|---|---|---|
| **DEPARTMENTAL MANAGEMENT:** | | | | |
| **Department Administration:** | | | | |
| **Office of the Secretary** | $11,224,000 | 11,561,100 | 14,054,100 | +2,493,000 |
| **Audit and Investigations** | 14,500,649 | 15,485,000 | 16,821,000 | +1,336,000 |
| **Transfer from Food Stamp Program** | (4,250,000) | (4,534,000) | (5,081,000) | (+547,000) |
| **Total, Audit and Investigations** | (18,750,649) | (20,019,000) | (21,902,000) | (+1,883,000) |
| **Office of the General Council** | 6,779,000 | 7,238,000 | 7,839,000 | +601,000 |
| **Office of Management Services** | 3,469,300 | 3,712,300 | 4,037,300 | +325,000 |
| **Total, Departmental Administration** | (40,222,949) | (42,530,400) | (47,832,400) | (+5,302,000) |
| **TOTAL, Departmental Management** | 35,972,949 | 37,996,400 | 42,751,400 | +4,755,000 |
| SCIENCE AND EDUCATION PROGRAMS: | | | | |
| AGRICULTURAL RESEARCH SERVICE: | | | | |
| Agricultural Research Service | 190,881,766 | 188,126,400 | 204,994,000 | +16,867,600 |
| Transfer from Section 32 | (15,000,000) | (15,000,000) | (15,000,000) | (--) |
| Subtotal | (205,881,766) | (203,126,400) | (219,994,000) | (+16,867,600) |
| Special Fund (Reappropriation) | 2,000,000 | 2,000,000 | (2,000,000) | -2,000,000 |
| Scientific activities overseas (Special Foreign Currency Program) | 10,000,000 | 5,000,000 | 10,000,000 | +5,000,000 |
| Total, Agricultural Research Service | 202,881,766 | 195,126,400 | 214,994,000 | +19,867,600 |
| ANIMAL AND PLANT HEALTH INSPECTION SERVICE | 304,647,436 | 303,523,000 | 394,769,000 | +91,246,000 |
| COOPERATIVE STATE RESEARCH SERVICE: | | | | |
| Payments to agricultural experiment stations and penalty mail | 69,104,000 | 70,104,000 | 74,148,000 | +4,044,000 |
| Grants for Cooperative Forestry Research | 6,444,000 | 6,203,000 | 6,349,000 | +146,000 |
| Contracts and Grants for Scientific Research | 15,400,000 | 11,583,000 | 15,836,000 | +4,253,000 |
| Funds for Rural Development Research | -- | 1,500,000 | 1,500,000 | -- |
| Federal Administration (direct appropriation) | 558,900 | 715,300 | 868,300 | +153,000 |
| Total, Cooperative State Research Service | 91,506,900 | 90,105,300 | 98,701,300 | +8,596,000 |
| EXTENSION SERVICE: | | | | |
| Payments to States and Puerto Rico, Guam and the Virgin Islands: | | | | |
| Formula distribution (Sections 3(b) and (c) of Smith-Lever Act) | | | | |
| including retirement and employees' compensation costs for extension agents and penalty mail | 128,475,000 | 137,717,000 | 141,719,000 | +4,002,000 |

| Agency or Item | 1973 Actual | 1974 Adjusted | Budget Estimates 1975 | Change, Budget Estimates 1975 compared with 1974 Adjusted |
|---|---|---|---|---|
| SCIENCE AND EDUCATION PROGRAMS: (Continued) | | | | |
| EXTENSION SERVICE: (Continued) | | | | |
| Non-Formula: | | | | |
| Nutrition education (Section 3(d) of Smith-Lever Act) | 50,560,000 | 50,560,000 | 47,360,000 | -3,200,000 |
| Extension Work by Second Morrill Act Colleges and Tuskegee Institute (Section 3(d) of Smith Lever Act) | 6,000,000 | 6,000,000 | 6,260,000 | +260,000 |
| Rural Development | 2,000,000 | 1,000,000 | 1,000,000 | -- |
| Pest management program (Section 3(d) of Smith-Lever Act) | 500,000 | 500,000 | 1,680,000 | +1,180,000 |
| Farm Safety (Section 3(d) of Smith-Lever Act) | -- | -- | 1,020,000 | +1,020,000 |
| Cooperative Marketing Extension Work | 1,450,000 | 1,450,000 | 1,450,000 | -- |
| Extension Work in District of Columbia | 800,000 | 800,000 | 835,000 | +35,000 |
| Extension Education Under Rural Development Act | -- | 1,500,000 | 1,500,000 | -- |
| Total, Payments to States, Puerto Rico, Guam and Virgin Islands | 189,785,000 | 199,527,000 | 202,824,000 | +3,297,000 |
| Federal Administration and Coordination | 4,546,000 | 4,546,000 | 5,239,000 | +693,000 |
| Total, Extension Service | 194,331,000 | 204,073,000 | 208,063,000 | +3,990,000 |
| NATIONAL AGRICULTURAL LIBRARY | 4,226,750 | 4,468,750 | 4,858,750 | +390,000 |
| TOTAL, Science and Education Programs | 797,593,852 | 797,296,450 | 921,386,050 | +124,089,600 |
| AGRICULTURAL ECONOMICS: | | | | |
| STATISTICAL REPORTING SERVICE | 22,738,200 | 24,074,200 | 26,938,000 | +2,863,800 |
| ECONOMIC RESEARCH SERVICE | 18,624,859 | 19,638,100 | 21,831,000 | +2,192,900 |
| TOTAL, Agricultural Economics | 41,363,059 | 43,712,300 | 48,769,000 | +5,056,700 |
| MARKETING SERVICES: | | | | |
| AGRICULTURAL MARKETING SERVICE: | | | | |
| Marketing Services | 34,519,952 | 37,064,000 | 39,915,000 | +2,851,000 |
| Transfer from Commodity Credit Corporation | (3,541,806) | (5,003,000) | (5,146,000) | (+143,000) |
| Payments to states and possessions | 2,500,000 | 1,600,000 | -- | -1,600,000 |
| Funds for Strengthening Markets, Income, and Supply (Section 32) (net of transfers) | (811,763,000) | (706,450,000) | (303,529,000) | (-402,921,000) |
| Total, Agricultural Marketing Service | 37,019,952 | 38,664,000 | 39,915,000 | +1,251,000 |
| COMMODITY EXCHANGE AUTHORITY | 2,906,000 | 3,459,000 | 4,309,000 | +850,000 |
| PACKERS AND STOCKYARDS ADMINISTRATION | 4,054,530 | 4,322,650 | 4,625,650 | +303,000 |
| FARMER COOPERATIVE SERVICE | 2,188,200 | 2,229,200 | 2,354,000 | +124,800 |
| TOTAL, Marketing Services | 46,168,682 | 48,674,850 | 51,203,650 | +2,528,800 |

| Agency or Item | 1973 Actual | 1974 Adjusted | Budget Estimates 1975 | Change, Budget Estimates 1975 compared with 1974 Adjusted |
|---|---|---|---|---|
| INTERNATIONAL PROGRAMS: | | | | |
| FOREIGN AGRICULTURAL SERVICE | 25,971,000 | 27,986,000 | 29,034,000 | +1,048,000 |
| Transfer from Commodity Credit Corporation | (3,756,000) | (3,830,000) | (3,620,000) | (-210,000) |
| Transfer from Section 32 | (3,117,000 | (3,117,000) | (3,117,000) | (--) |
| Total, Foreign Agricultural Service | (32,844,000) | (34,933,000) | (35,771,000) | (+838,000) |
| FOREIGN ASSISTANCE PROGRAMS: | | | | |
| Public Law 480: | | | | |
| Sales for foreign currencies and long-term dollar credit (Title I program level) | 744,471,000 | 765,793,000 | 739,250,000 | -26,543,000 |
| Less receipts and changes in prior year balances and costs | -373,096,000 | -526,742,000 | -314,075,000 | +212,667,000 |
| Total, Title I Appropriation | 371,375,000 | 239,051,000 | 425,175,000 | +186,124,000 |
| Disposition of commodities abroad (Title II program level) | 396,142,000 | 328,916,000 | 242,440,000 | -86,476,000 |
| Changes in prior year balances and costs | 127,483,000 | -14,329,000 | 110,858,000 | +125,187,000 |
| Total, Title II Appropriation | 523,625,000 | 314,587,000 | 353,298,000 | +38,711,000 |
| Total, P. L. 480 | 895,000,000 | 553,638,000 | 778,473,000 | +224,835,000 |
| TOTAL, International Programs | 920,971,000 | 581,624,000 | 807,507,000 | +225,883,000 |
| COMMODITY PROGRAMS: | | | | |
| AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE: | | | | |
| Salaries and Expenses, ASCS (direct appropriation) | 170,085,000 | 166,651,000 | 172,867,000 | +6,216,000 |
| Transfer from Commodity Credit Corporation | (78,346,000) | (78,128,000) | (84,115,000) | (+5,987,000) |
| Total, Salaries and Expenses | (248,431,000) | (244,779,000) | (256,982,000) | (+12,203,000) |
| Sugar Act program | 84,500,000 | 88,500,000 | 90,200,000 | +1,700,000 |
| Cropland adjustment program | 51,650,000 | 50,301,000 | 48,601,000 | -1,700,000 |
| Dairy and beekeeper indemnity program | 3,500,000 | -- | 1,850,000 | +1,850,000 |
| Rural environmental assistance program - advance authorization a/ b/ | 225,500,000 | 160,000,000 | -- | -160,000,000 |
| Transfer from Environmental Protection Agency | (--) | (15,000,000) | (--) | (-15,000,000) |
| Total, Rural Environmental Assistance Program | (225,500,000) | (175,000,000) | (--) | (-175,000,000) |
| Liquidation of contract authority | (195,500,000) | (15,000,000) | (90,000,000) | (+75,000,000) |
| Rural Environmental Program | -- | -- | 118,800,000 | +118,800,000 |
| Water Bank Act program a/ b/ | 10,000,000 | 10,000,000 | -- | -10,000,000 |
| Emergency conservation measures b/ | 25,000,000 | 10,000,000 | -- | -10,000,000 |
| Total, Agricultural Stabilization and Conservation Service | 570,235,000 | 485,452,000 | 432,318,000 | -53,134,000 |
| TOTAL, Commodity Programs | 570,235,000 | 485,452,000 | 432,318,000 | -53,134,000 |

| Agency or Item | 1973 Actual | 1974 Adjusted | Budget Estimates 1975 | Change, Budget Estimates 1975 Compared with 1974 Adjusted |
|---|---|---|---|---|
| CORPORATIONS: | | | | |
| FEDERAL CROP INSURANCE CORPORATION: | | | | |
| Administrative and operating expenses: | | | | |
| Appropriation | 11,978,334 | 11,994,000 | 12,000,000 | +6,000 |
| Premium income | (3,632,000) | (4,640,000) | (5,818,000) | (+1,178,000) |
| Total, Federal Crop Insurance Corporation | (15,610,334) | (16,634,000) | (17,818,000) | (+1,184,000) |
| COMMODITY CREDIT CORPORATION: | | | | |
| Appropriation: | | | | |
| Reimbursement for net realized losses | 4,057,952,000 | 3,301,940,000 | 4,249,412,000 | +947,472,000 |
| Liquidation of contract authority | -790,377,258 | -- | -- | -- |
| Limitation on administrative and operating expenses | (39,900,000) | (39,900,000) | (42,200,000) | (+2,300,000) |
| Total, Budget Authority, CCC | 3,267,574,742 | 3,301,940,000 | 4,249,412,000 | +947,472,000 |
| TOTAL, Corporations | 3,279,553,076 | 3,313,934,000 | 4,261,412,000 | +947,478,000 |
| TOTAL, TITLE I, AGRICULTURE PROGRAMS | 5,691,857,618 | 5,308,690,000 | 6,565,347,100 | +1,256,657,100 |
| RURAL DEVELOPMENT: | | | | |
| RURAL DEVELOPMENT SERVICE | 595,000 | 881,000 | 1,300,000 | +419,000 |
| RURAL ELECTRIFICATION ADMINISTRATION: | | | | |
| Loan authorizations: c/ | | | | |
| Electrification | 488,000,000 | (618,000,000) | (618,000,000) | (--) |
| Telephone | 145,000,000 | (140,000,000) | (140,000,000) | (--) |
| Total, Loan Authorizations | 633,000,000 | (758,000,000) | (758,000,000) | (--) |
| Capitalization of Rural Telephone Bank - appropriation c/ | 30,000,000 | (30,000,000) | (30,000,000) | (--) |
| Salaries and expenses | 16,720,000 | 17,489,000 | 19,116,000 | +1,627,000 |
| Total, Rural Electrification Administration | 679,720,000 | 17,489,000 | 19,116,000 | +1,627,000 |
| FARMERS HOME ADMINISTRATION: | | | | |
| Direct loan account: | | | | |
| Operating loans | (350,000,000) | (--) | (--) | (--) |
| Soil Conservation loans | (24,000,000) | (--) | (--) | (--) |
| Rural Housing Insurance Fund: | | | | |
| Direct loans | (10,000,000) | (10,000,000) | (20,000,000) | (+10,000,000) |
| Insured housing loans | (2,144,000,000) | (2,144,000,000) | (2,122,000,000) | (-22,000,000) |
| Reimbursement to fund for losses | 51,461,000 | 89,170,000 | 124,592,000 | +35,422,000 |
| Total, Rural Housing Insurance Fund loans | (2,154,000,000) | (2,154,000,000) | (2,142,000,000) | (-12,000,000) |

| Agency or Item | 1973 Actual | 1974 Adjusted | Budget Estimates 1975 | Change, Budget Estimates 1975 Compared with 1974 Adjusted |
|---|---|---|---|---|
| RURAL DEVELOPMENT: (Continued) | | | | |
| FARMERS HOME ADMINISTRATION: (Continued) | | | | |
| Agricultural Credit Insurance Fund: | | | | |
| Reimbursement for losses | 56,762,000 | 74,554,000 | 485,262,000 | +410,708,000 |
| Insured loan levels: | | | | |
| Real estate loans | (370,000,000) | (370,000,000) | (370,000,000) | (--) |
| Soil Conservation loans | (--) | (24,000,000) | (24,000,000) | (--) |
| Water and waste disposal loans | (300,000,000) | (--) | (--) | (--) |
| Emergency loans d/ | (350,000,000) | (--) | (--) | (--) |
| Operating loans | -- | (350,000,000) | (350,000,000) | (--) |
| Total, Agricultural Credit Insurance Fund loans | (1,020,000,000) | (744,000,000) | (744,000,000) | (--) |
| Rural water and waste disposal grants | 92,000,000 | 30,000,000 | (--) | -30,000,000 |
| Unobligated balances from prior years | (58,000,000) | (120,000,000) | (--) | (-120,000,000) |
| Total, Rural water and waste disposal grants | (150,000,000) | (150,000,000) | (--) | (-150,000,000) |
| Rural Development Grants | -- | 10,000,000 | 10,000,000 | -- |
| Rural housing for domestic farm labor | 3,750,000 | 7,500,000 | -- | -7,500,000 |
| Mutual and self-help housing | 3,000,000 | 4,000,000 | -- | -4,000,000 |
| Rural Development Insurance Fund: | | | | |
| Reimbursement to fund for losses | -- | -- | 17,446,000 | +17,446,000 |
| Water and sewer facility loans | (--) | (470,000,000) | (400,000,000) | (-70,000,000) |
| Industrial development loans | (--) | (200,000,000) | (400,000,000) | (+200,000,000) |
| Community facility loans | (--) | (50,000,000) | (200,000,000) | (+150,000,000) |
| Total, Rural Development Insurance Fund loans | (--) | (720,000,000) | (1,000,000,000) | (+280,000,000) |
| Salaries and expenses | 116,409,077 | 120,612,000 | 129,112,000 | +8,500,000 |
| Transfer from loan accounts | (1,500,000) | (3,500,000) | (3,500,000) | (--) |
| Total, Salaries and expenses | (117,909,077) | (124,112,000) | (132,612,000) | (+8,500,000 |
| Total, Farmers Home Administration | 323,382,077 | 335,836,000 | 766,412,000 | +430,576,000 |
| TOTAL, TITLE II, Rural Development: | | | | |
| New Budget (Obligational) Authority | 1,003,697,077 | 354,206,000 | 786,828,000 | +432,622,000 |
| ENVIRONMENTAL PROGRAMS: | | | | |
| SOIL CONSERVATION SERVICE: | | | | |
| Conservation operations | 163,370,905 | 165,323,000 | 192,826,000 | +27,503,000 |
| River basin surveys and investigations | 11,855,375 | 12,341,000 | 14,167,000 | +1,826,000 |
| Watershed planning | 7,785,840 | 9,998,000 | 10,800,000 | +802,000 |
| Watershed and flood prevention operations | 170,028,614 | 133,986,000 | 122,828,000 | -11,158,000 |
| Great plains conservation program a/ | 18,113,500 | 18,172,000 | -- | -18,172,000 |
| Resource conservation and development e/ | 26,594,891 | 17,204,000 | 19,908,000 | +2,704,000 |
| Total, Soil Conservation Service | 397,749,125 | 357,024,000 | 360,529,000 | +3,505,000 |
| TOTAL, TITLE III, Environmental Programs | 397,749,125 | 357,024,000 | 360,529,000 | +3,505,000 |

| Agency or Item | 1973 Actual | 1974 Adjusted | Budget Estimates 1975 | Change, Budget Estimates 1975 Compared with 1974 Adjusted |
|---|---|---|---|---|
| CONSUMER PROGRAMS: | | | | |
| FOOD AND NUTRITION SERVICE: | | | | |
| Child nutrition programs (direct appropriation) | 477,288,739 | 561,583,000 | 642,029,000 | +80,446,000 |
| Transfer from Section 32 | (119,165,000) | (199,631,000) | (705,926,000) | (+506,295,000) |
| Total, Child nutrition programs | (596,453,739) | (761,214,000) | (1,347,955,000) | (+586,741,000) |
| Special milk program | 97,123,000 | 97,123,000 | 120,000,000 | +22,877,000 |
| Food stamp program | 2,499,903,575 | 2,499,901,000 | 3,990,000,000 | +1,490,099,000 |
| Total, Food and Nutrition Service | 3,074,315,314 | 3,158,607,000 | 4,752,029,000 | +1,593,422,000 |
| TOTAL, TITLE IV, Consumer Programs | 3,074,315,314 | 3,158,607,000 | 4,752,029,000 | +1,593,422,000 |
| TOTAL, UNITED STATES DEPARTMENT OF AGRICULTURE, included under Agriculture, Environmental, and Consumer Programs | 10,167,619,134 | 9,178,527,000 | 12,464,733,100 | +3,286,206,100 |
| FOREST SERVICE: | | | | |
| Forest Protection and Utilization: | | | | |
| Forest land management | 298,805,778 | 280,100,000 | 291,136,000 | +11,036,000 |
| Forest research | 62,142,955 | 63,816,000 | 64,485,000 | +669,000 |
| State and private forestry cooperation | 32,837,000 | 28,181,000 | 29,746,000 | +1,565,000 |
| Total, Forest protection and utilization | 393,785,733 | 372,097,000 | 385,367,000 | +13,270,000 |
| Cooperative range improvements | 700,000 | 700,000 | 700,000 | -- |
| Construction and land acquisition | 48,794,900 | 26,443,000 | 24,147,000 | -2,296,000 |
| Youth conservation corps | 3,500,000 | 10,000,000 | 10,240,000 | +240,000 |
| Forest roads and trails - contract authority | -- | 280,000,000 | 140,000,000 | -140,000,000 |
| Liquidation of contract authority | (158,840,000) | (98,200,000) | (121,000,000) | (-22,800,000) |
| Acquisition of lands for national forests under special acts | 80,000 | 94,000 | 161,000 | +67,000 |
| Acquisition of lands to complete land exchanges | -- | 55,300 | 39,310 | -15,990 |
| Assistance to states for tree planting | 1,020,000 | 1,013,000 | 1,346,000 | +333,000 |
| Construction and operation of recreation facilities | -- | 3,278,000 | 1,260,000 | -2,018,000 |
| Total, Forest Service | 447,880,633 | 693,680,300 | 563,260,310 | -130,419,990 |
| TOTAL, ABOVE ITEMS: | | | | |
| Direct appropriations | 10,615,499,767 | 9,872,207,300 | 13,027,993,410 | +3,155,786,110 |

| Agency or Item | 1973 Actual | 1974 Adjusted | Budget Estimates 1975 | Change, Budget Estimates 1975 Compared with 1974 Adjusted |
|---|---|---|---|---|
| PERMANENT APPROPRIATIONS - FEDERAL FUNDS: | | | | |
| Other than Forest Service: | | | | |
| Funds for strengthening markets, income, and supply (Section 32) | 949,045,158 | 924,198,000 | 1,027,572,000 | +103,374,000 |
| Rural Telephone Bank - loan authorization c/ | 280,564,000 f/ | (811,049,000) | (846,110,000) | (+35,061,000) |
| National Wool Act | 66,696,700 | 58,804,000 | 70,000,000 | +11,196,000 |
| Perishable Agricultural Commodities Act Fund | 1,793,024 | 1,460,000 | 1,582,000 | +122,000 |
| Rural Housing Insurance Fund | 26,090,860 | 157,499,000 | 2,268,000 | -155,231,000 |
| Agricultural Credit Insurance Fund | 82,875,566 | 40,075,000 | -- | -40,075,000 |
| Rural Development Insurance Fund | -- | 342,218,000 | 217,129,000 | -125,089,000 |
| Animal Quarantine Station, APHIS | -- | 100,000 | 327,000 | +227,000 |
| Total, Permanent Appropriations excluding Forest Service | 1,407,065,308 | 1,524,354,000 | 1,318,878,000 | -205,476,000 |
| Forest Service: | | | | |
| Payment to school funds, Arizona and New Mexico | 114,043 | 124,000 | 115,000 | -9,000 |
| Roads and trails for states, National Forests Fund | 33,871,106 | 45,469,000 | 40,500,000 | -4,969,000 |
| Expenses, brush disposal | 23,310,037 | 23,000,000 | 22,440,000 | -560,000 |
| Forest fire prevention | 228,373 | 250,000 | 250,000 | -- |
| Restoration of forest lands and improvements | 27,483 | 50,000 | 50,000 | -- |
| Payments to Minnesota (Cook, Lake, and Saint Louis Counties) from National Forests Fund | 259,038 | 259,000 | 259,000 | -- |
| Payments to counties, national grasslands | 508,864 | 549,000 | 549,000 | -- |
| Payments to states, National Forests Fund | 84,676,129 | 113,669,000 | 101,200,000 | -12,469,000 |
| Total, Permanent Appropriations for Forest Service | 142,995,073 | 183,370,000 | 165,363,000 | -18,007,000 |
| TOTAL, Permanent Appropriations - Federal Funds | 1,550,060,381 | 1,707,724,000 | 1,484,241,000 | -223,483,000 |
| PERMANENT APPROPRIATIONS - TRUST FUNDS: | | | | |
| Other than Forest Service: | | | | |
| Agricultural Research Service: Miscellaneous trust funds | 404,718 | 436,000 | 437,000 | +1,000 |
| Animal and Plant Health Inspection Service: Miscellaneous trust funds | 1,524,352 | 1,460,000 | 1,498,000 | +38,000 |
| Economic Research Service: Miscellaneous contributed funds | 173,627 | 730,000 | 915,000 | +185,000 |
| Agricultural Marketing Service: Miscellaneous trust funds | 30,154,143 | 42,926,000 | 45,621,000 | +2,695,000 |
| Farmer Cooperative Service: Miscellaneous contributed funds | 116,434 | 116,000 | 116,000 | -- |
| Soil Conservation Service: Miscellaneous contributed funds | 1,195,501 | 1,278,000 | 1,284,000 | +6,000 |
| Other agencies: Miscellaneous contributed funds | 26,494 | 17,000 | 17,000 | -- |
| Subtotal | 33,595,269 | 46,963,000 | 49,888,000 | +2,925,000 |
| Forest Service: Cooperative work | 61,639,245 | 63,700,000 | 67,600,000 | +3,900,000 |
| TOTAL, Permanent Appropriations - Trust Funds | 95,234,514 | 110,663,000 | 117,488,000 | +6,825,000 |



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| Agency or Item | 1973 Actual | 1974 Adjusted | Budget Estimates 1975 | Change, Budget Estimates 1975 Compared with 1974 Adjusted |
|---|---|---|---|---|
| PROPOSED SUPPLEMENTALS: | | | | |
| Rural Development Service | -- | 170,000 | -- | -170,000 |
| Food and Nutrition Service: | | | | |
| Child Nutrition Programs | -- | 71,500,000 | -- | -71,500,000 |
| Food Stamp Program | -- | 500,000,000 | -- | --500,000,000 |
| Forest Service: | | | | |
| Forest Protection and Utilization - Fighting forest fires | -- | 90,800,000 | -- | -90,800,000 |
| Total, Supplementals under existing legislation | | 662,470,000 | -- | -662,470,000 |
| PROPOSED FOR SEPARATE TRANSMITTAL: | | | | |
| Departmental Administration - Working Capital Fund | -- | -- | 9,600,000 | +9,600,000 |
| TOTAL, Proposed for Separate Transmittal | -- | -- | 9,600,000 | +9,600,000 |

a/ These programs funded in the Rural Environmental Program in 1975.

b/ The Agriculture-Environmental and Consumer Protection Act of 1973 carries these items under "Environmental Programs."

c/ These amounts are excluded by law (P. L. 93-32) from the budget totals after May 11, 1973.

d/ The 1974 Appropriation Act and 1975 Budget does not contain a limitation on the Emergency loan program. 1974 loans are estimated at $300,000,000 in the 1975 Budget.

e/ The Agriculture-Environmental and Consumer Protection Act of 1973 carries this item under "Rural Development."

f/ Represents "on budget" amount available prior to enactment of P. L. 93-32 on May 11, 1973. Total amount available in fiscal year 1973 including "off budget" amount was $815,814,000.

Office of Budget and Finance
Budget Division
January 24, 1974

1-31-74

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 3--Statement of Increases and Decreases in Budget Authority, 1975
Budget Estimates Compared with 1974 Estimate

| | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| DEPARTMENTAL MANAGEMENT: | | | |
| Departmental Administration: | | | |
| Office of the Secretary: | | | |
| Pay cost annualization | $683,000 | +$113,000 | $796,000 |
| GSA space costs | - - | +922,000 | 922,000 |
| Printing, penalty mail and telecommunications | 3,085,100 | +319,000 | 3,404,100 |
| USDA Bicentennial projects | - - | +532,000 | 532,000 |
| Representatives for Federal Regional Councils | 1,259,430 | +436,000 | 1,695,430 |
| Contract compliance | 1,882,600 | +171,000 | 2,053,600 |
| All other | 4,650,970 | - - | 4,650,970 |
| Total, Office of the Secretary | 11,561,100 | +2,493,000 | 14,054,100 |
| Audit and Investigations: | | | |
| Pay cost annualization | 989,000 | +147,000 | 1,136,000 |
| Transfer from Food Stamp Program | (284,000) | (+47,000) | (331,000) |
| GSA space costs | - - | +689,000 | 689,000 |
| Contracts and grants with audit organizations | 14,496,000 | +500,000 | 14,996,000 |
| Transfer from Food Stamp Program | (4,250,000) | (+500,000) | (4,750,000) |
| Total, Appropriations | 15,485,000 | +1,336,000 | 16,821,000 |
| Transfer from Food Stamp | (4,534,000) | (+547,000) | (5,081,000) |
| Total, Audit and Investigations | (20,019,000) | (+1,883,000) | (21,902,000) |
| Office of the General Counsel: | | | |
| Pay cost annualization | 572,000 | +81,000 | 653,000 |
| GSA space costs | - - | +520,000 | 520,000 |
| All other | 6,666,000 | - - | 6,666,000 |
| Total, Office of the General Counsel | 7,238,000 | +601,000 | 7,839,000 |
| Office of Management Services: | | | |
| Pay cost annualization | 308,000 | +57,000 | 365,000 |
| GSA space costs | - - | +268,000 | 268,000 |
| All other | 3,404,300 | - - | 3,404,300 |
| Total, Office of Management Services | 3,712,300 | +325,000 | 4,037,300 |
| Total, Appropriations | 37,996,400 | +4,755,000 | 42,751,400 |
| Transfer from Food Stamp | (4,534,000) | (+547,000) | (5,081,000) |
| Total, Departmental Administration | (42,530,400) | (+5,302,000) | (47,832,400) |
| TOTAL, DEPARTMENTAL MANAGEMENT - DIRECT APPROPRIATION | 37,996,400 | +4,755,000 | 42,751,400 |
| SCIENCE AND EDUCATION PROGRAMS: | | | |
| Agricultural Research Service: | | | |
| Pay cost annualization | 12,353,000 | +2,222,000 | 14,575,000 |
| GSA space costs | - - | +2,037,600 | 2,037,600 |
| Beltsville waste treatment facility | - - | +1,400,000 | 1,400,000 |
| Meat Research Lab, Clay Center, Neb. (Phase II) | - - | +5,020,000 | 5,020,000 |
| Improved oil crops | 2,071,200 | +311,000 | 2,382,200 |
| Reducing cost of red meats | 17,416,300 | +3,112,000 | 20,528,300 |
| Genetic vulnerability of crops | 1,753,200 | +664,000 | 2,417,200 |
| Control of nitrogen nutrition in crops | 1,491,000 | +311,000 | 1,802,000 |
| Nutrient composition of foods | 2,240,600 | +576,000 | 2,816,600 |
| Food and nutrition research | 3,523,200 | +695,000 | 4,218,200 |
| Food consumption and dietary levels survey | - - | +208,000 | 208,000 |
| Control of water erosion and sedimentation | 2,584,200 | +311,000 | 2,895,200 |
| All other | 159,693,700 | - - | 159,693,700 |
| Subtotal, above items | 203,126,400 | +16,867,600 | 219,994,000 |
| Less Section 32 transfer | -15,000,000 | - - | -15,000,000 |
| Total, Direct Appropriation | 188,126,400 | +16,867,600 | 204,994,000 |
| Special fund reappropriation | 2,000,000 | -2,000,000 | - - |
| Scientific Activities Overseas (Special Foreign Currency Program) | 5,000,000 | +5,000,000 | 10,000,000 |
| Total, Agricultural Research Service | 195,126,400 | +19,867,600 | 214,994,000 |
| Animal and Plant Health Inspection Service: | | | |
| Pay cost annualization | 17,651,000 | +2,842,000 | 20,493,000 |
| GSA space costs | - - | +4,040,000 | 4,040,000 |
| Meat and poultry inspection | 174,832,600 | +5,915,000 | 180,747,600 |
| Boll weevil | 872,100 | +100,000 | 972,100 |
| Foot-and-mouth disease (Darien Gap) | - - | +1,962,000 | 1,962,000 |
| Screwworm | 14,424,800 | +3,887,000 | 18,311,800 |
| Veterinary biologics lab | - - | +9,600,000 | 9,600,000 |
| Repayment to Commodity Credit Corporation | - - | +62,900,000 | 62,900,000 |
| All other | 95,742,500 | - - | 95,742,500 |
| Total, Animal and Plant Health Inspection Service | 303,523,000 | +91,246,000 | 394,769,000 |

| | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| SCIENCE AND EDUCATION PROGRAMS: Cont'd | | | |
| Cooperative State Research Service: | | | |
| Pay cost annualization | 148,000 | +30,000 | 178,000 |
| GSA space costs | - - | +123,000 | 123,000 |
| Payments to agricultural experiment stations under the Hatch Act and for penalty mail | 70,104,000 | +4,044,000 | 74,148,000 |
| Grants for cooperative forestry research | 6,203,000 | +146,000 | 6,349,000 |
| Contracts and grants for scientific research | 11,583,000 | +4,253,000 | 15,836,000 |
| All other | 2,067,300 | - - | 2,067,300 |
| Total, Cooperative State Research Service | 90,105,300 | +8,596,000 | 98,701,300 |
| Extension Service: | | | |
| Pay cost annualization | 308,000 | +52,800 | 360,800 |
| GSA space costs | - - | +332,200 | 332,200 |
| Payments for Cooperative Extension work under Section 3(b) and (c) of the Smith-Lever Act | 109,806,000 | +7,615,000 | 117,421,000 |
| Retirement and Employees Compensation fund costs | 13,552,000 | +850,000 | 14,402,000 |
| 1890 Land-Grant Colleges and Tuskegee Institute | 6,000,000 | +260,000 | 6,260,000 |
| Pest management | 500,000 | +1,180,000 | 1,680,000 |
| Farm safety | - - | +1,020,000 | 1,020,000 |
| District of Columbia | 800,000 | +35,000 | 835,000 |
| Penalty mail | 14,359,000 | -4,463,000 | 9,896,000 |
| Nutrition education program | 50,252,000 | -2,892,000 | 47,360,000 |
| All other | 8,496,000 | - - | 8,496,000 |
| Total, Extension Service | 204,073,000 | +3,990,000 | 208,063,000 |
| National Agricultural Library: | | | |
| Pay cost annualization | 242,000 | +38,000 | 280,000 |
| GSA space costs | - - | +152,000 | 152,000 |
| Acquisition and preservation of agricultural materials | 1,075,700 | +200,000 | 1,275,700 |
| All other | 3,151,050 | - - | 3,151,050 |
| Total, National Agricultural Library | 4,468,750 | +390,000 | 4,858,750 |
| TOTAL, SCIENCE AND EDUCATION PROGRAMS | 797,296,450 | +124,089,600 | 921,386,050 |
| AGRICULTURAL ECONOMICS: | | | |
| Statistical Reporting Service: | | | |
| Pay cost annualization | 1,357,000 | +239,300 | 1,596,300 |
| GSA space costs | - - | +1,213,800 | 1,213,800 |
| Cattle and hog multiframe surveys | 2,081,200 | +754,700 | 2,835,900 |
| Export sales program | - - | +463,000 | 463,000 |
| Remote sensing | 70,200 | +193,000 | 263,200 |
| All other | 20,565,800 | - - | 20,565,800 |
| Total, Statistical Reporting Service | 24,074,200 | +2,863,800 | 26,938,000 |
| Economic Research Service: | | | |
| Pay cost annualization | 1,307,000 | +168,900 | 1,475,900 |
| GSA space costs | - - | +792,000 | 792,000 |
| Improvement of forecasting procedures | 1,900,000 | +513,000 | 2,413,000 |
| Costs of producing wheat, feed grains, cotton and milk | - - | +894,000 | 894,000 |
| Rural transportation study | 275,000 | +100,000 | 375,000 |
| Benefit/cost analysis of predator controls | 275,000 | -275,000 | - - |
| All other | 15,881,100 | - - | 15,881,100 |
| Total, Economic Research Service | 19,638,100 | +2,192,900 | 21,831,000 |
| TOTAL, AGRICULTURAL ECONOMICS | 43,712,300 | +5,056,700 | 48,769,000 |
| MARKETING SERVICES: | | | |
| Agricultural Marketing Service: | | | |
| Marketing Services: | | | |
| Pay cost annualization | 2,222,000 | +319,000 | 2,541,000 |
| GSA space costs | - - | +2,524,000 | 2,524,000 |
| Market News Service | 9,178,000 | +305,000 | 9,483,000 |
| Regulatory activities | 3,038,000 | +249,000 | 3,287,000 |
| Inspection, grading, classing, and standardization | 22,476,000 | -396,000 | 22,080,000 |
| Administration and coordination of State payments | 150,000 | -150,000 | - - |
| Total, Marketing Services | 37,064,000 | +2,851,000 | 39,915,000 |
| Payments to States and Possessions | 1,600,000 | -1,600,000 | - - |
| Total, Agricultural Marketing Service | 38,664,000 | +1,251,000 | 39,915,000 |

| | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| MARKETING SERVICES: Cont'd | | | |
| Commodity Exchange Authority: | | | |
| Pay cost annualization | 214,000 | +42,000 | 256,000 |
| GSA space costs | - - | +204,000 | 204,000 |
| Supervise commodity futures markets and handle increased number of complaints | 1,779,000 | +604,000 | 2,383,000 |
| All other | 1,466,000 | - - | 1,466,000 |
| Total, Commodity Exchange Authority | 3,459,000 | +850,000 | 4,309,000 |
| Packers and Stockyards Administration: | | | |
| Pay cost annualization | 276,000 | +57,000 | 333,000 |
| GSA space costs | - - | +143,000 | 143,000 |
| Livestock marketing practices | 2,029,000 | +103,000 | 2,132,000 |
| All other | 2,017,650 | - - | 2,017,650 |
| Total, Packers and Stockyards Administration | 4,322,650 | +303,000 | 4,625,650 |
| Farmer Cooperative Service: | | | |
| Pay cost annualization | 141,000 | +27,000 | 168,000 |
| GSA space costs | - - | +97,800 | 97,800 |
| All other | 2,088,200 | - - | 2,088,200 |
| Total, Farmer Cooperative Service | 2,229,200 | +124,800 | 2,354,000 |
| TOTAL, MARKETING SERVICES | 48,674,850 | +2,528,800 | 51,203,650 |
| INTERNATIONAL PROGRAMS: | | | |
| Foreign Agricultural Service: | | | |
| Pay cost annualization | 881,000 | +157,000 | 1,038,000 |
| GSA space costs | - - | +557,000 | 557,000 |
| Agricultural attaches | 7,376,000 | +334,000 | 7,710,000 |
| All other | 22,846,000 | - - | 22,846,000 |
| Subtotal, Foreign Agricultural Service | 31,103,000 | +1,048,000 | 32,151,000 |
| Less transfer from Section 32 | -3,117,000 | - - | -3,117,000 |
| Total, Foreign Agricultural Service Direct Appropriation | 27,986,000 | +1,048,000 | 29,034,000 |
| Public Law 480 Programs: | | | |
| Title I - Sales of commodities for foreign currencies and for dollars on credit terms: | | | |
| Shipment of commodities | 739,793,000 | -37,043,000 | 702,750,000 |
| Ocean transportation | 26,000,353 | +10,499,647 | 36,500,000 |
| Total, Title I | 765,793,353 | -26,543,353 | 739,250,000 |
| Title II - Dispostion of commodities abroad: | | | |
| Shipments of commodities | 247,771,000 | -73,065,000 | 174,706,000 |
| Ocean transportation | 80,145,650 | -13,411,650 | 66,734,000 |
| Total, Expenses of shipments | 327,916,650 | -86,476,650 | 241,440,000 |
| Purchase of foreign currencies | 1,000,000 | - - | 1,000,000 |
| Total, Title II | 328,916,650 | -86,476,650 | 242,440,000 |
| Total, P.L. 480 programs | 1,094,710,003 | -113,020,003 | 981,690,000 |
| Less receipts and unobligated balances | -541,072,003 | +337,855,003 | -203,217,000 |
| Appropriations: | | | |
| Title I | 239,051,000 | +186,124,000 | 425,175,000 |
| Title II | 314,587,000 | +38,711,000 | 353,298,000 |
| Total, P.L. 480 appropriations | 553,638,000 | +224,835,000 | 778,473,000 |
| TOTAL, INTERNATIONAL PROGRAMS | 581,624,000 | +225,883,000 | 807,507,000 |
| AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE: | | | |
| Salaries and Expenses, ASCS: | | | |
| Annualization of pay costs: | | | |
| Direct appropriation | - - a/ | +1,589,000 | 1,589,000 |
| Transfer from CCC | (- -) | (+1,077,000) | (1,077,000) |
| GSA space costs: | | | |
| Direct appropriation | - - | +4,845,000 | 4,845,000 |
| Transfer from CCC | (- -) | (+2,175,000) | (2,175,000) |
| Reduction in workload - Direct appropriation | 166,651,000 | -218,000 | 166,433,000 |
| Transfer from CCC - restoration of reserve | (78,128,000) | (+2,735,000) | (80,863,000) |
| Total, Salaries and Expenses | (244,779,000) | (+12,203,000) | (256,982,000) |
| Direct appropriation | 166,651,000 | +6,216,000 | 172,867,000 |
| Transfer from CCC | (78,128,000) | (+5,987,000) | (84,115,000) |
| Sugar Act program | 88,500,000 | +1,700,000 | 90,200,000 |

a/ Increased pay costs for 1974 were absorbed within available funds.

| | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE: Cont'd | | | |
| Rural Environmental Assistance Program ... | 160,000,000 | -160,000,000 | - - |
| Rural Environmental Programs ..... | - - | +118,800,000 | 118,800,000 |
| Water Bank Act program ..... | 10,000,000 | -10,000,000 | - - |
| Cropland Adjustment program ..... | 50,301,000 | -1,700,000 | 48,601,000 |
| Emergency Conservation Measures ..... | 10,000,000 | -10,000,000 | - - |
| Dairy and beekeeper indemnity payment program ..... | - - | +1,850,000 | 1,850,000 |
| TOTAL, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE ..... | 485,452,000 | -53,134,000 | 432,318,000 |
| CORPORATIONS: | | | |
| Federal Crop Insurance Corporation: | | | |
| Administrative and operating expenses: | | | |
| Pay cost annualization ..... | 1,008,000 | +172,000 | 1,180,000 |
| GSA space costs ..... | - - | +512,000 | 512,000 |
| Underwriting, acturial and program development ..... | 1,925,000 | +76,000 | 2,001,000 |
| Marketing and collections ..... | 8,126,000 | +256,000 | 8,382,000 |
| Contract servicing and claims ..... | 5,575,000 | +168,000 | 5,743,000 |
| Subtotal ..... | 16,634,000 | +1,184,000 | 17,818,000 |
| Less expenses payable from premium income ..... | -4,640,000 | -1,178,000 | -5,818,000 |
| Total, Direct appropriation for administrative and operating expenses ..... | 11,994,000 | +6,000 | 12,000,000 |
| Commodity Credit Corporation: | | | |
| Appropriation ..... | 3,301,940,000 | +947,472,000 | 4,249,412,000 |
| Limitation on administrative expenses .. | (39,900,000) | (+2,300,000) | (42,200,000) |
| TOTAL, CORPORATIONS ..... | 3,313,934,000 | +947,478,000 | 4,261,412,000 |
| RURAL DEVELOPMENT: | | | |
| Rural Development Service: | | | |
| Pay cost annualization ..... | 28,000 | +21,000 | 49,000 |
| GSA space costs ..... | - - | +58,000 | 58,000 |
| Staffing support for the Federal Regional Councils ..... | 853,000 | +340,000 | 1,193,000 |
| Total, Rural Development Service ... | 881,000 | +419,000 | 1,300,000 |
| Rural Electrification Administration: | | | |
| Loan authorizations: | | | |
| Electrification loan levels: a/ | | | |
| Insured loans ..... | (618,000,000) | (- -) | (618,000,000) |
| Guaranteed loans ..... | (1,005,000,000) | (+381,000,000) | (1,386,000,000) |
| Telephone loan level (Insured) a/ ... | (140,000,000) | (- -) | (140,000,000) |
| Rural Telephone Bank: a/ | | | |
| Loan levels ..... | (150,000,000) | (+10,000,000) | (160,000,000) |
| Salaries and Expenses: | | | |
| Pay cost annualization ..... | 769,000 b/ | +741,000 | 1,510,000 |
| GSA space costs ..... | - - | +786,000 | 786,000 |
| Increased operating costs ..... | 16,720,000 | +100,000 | 16,820,000 |
| Total, Salaries and Expenses ..... | 17,489,000 | +1,627,000 | 19,116,000 |
| Farmers Home Administration: | | | |
| Rural water and waste disposal grants . | 30,000,000 | -30,000,000 | - - |
| Rural development grants ..... | 10,000,000 | - - | 10,000,000 |
| Rural housing for domestic farm labor . | 7,500,000 | -7,500,000 | - - |
| Mutual and self-help housing ..... | 4,000,000 | -4,000,000 | - - |
| Salaries and expenses: | | | |
| Pay cost annualization ..... | 8,350,000 | +1,480,000 | 9,830,000 |
| GSA space costs ..... | - - | +4,270,000 | 4,270,000 |
| Expert and consultant fees ..... | - - | +1,000,000 | 1,000,000 |
| Nonmetropolitan planning assistance . | 370,000 | -370,000 | - - |
| Administration of loan and grant programs ..... | 115,392,000 | +2,120,000 | 117,512,000 |
| Total, Salaries and expenses .... | 124,112,000 | +8,500,000 | 132,612,000 |
| Transfers from loan and insurance accounts ..... | -3,500,000 | - - | -3,500,000 |
| Total, Salaries and expenses appropriation ..... | 120,612,000 | +8,500,000 | 129,112,000 |

* See footnotes on back page.

| | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| RURAL DEVELOPMENT: Cont'd | | | |
| Farmers Home Administration: Cont'd | | | |
| Rural housing insurance fund: | | | |
| Direct loan authorization | (10,000,000) | (+10,000,000) | (20,000,000) |
| Appropriation for reimbursement of losses | 89,170,000 | +35,422,000 | 124,592,000 |
| Agricultural credit insurance fund: | | | |
| Appropriation for reimbursement of losses | 74,554,000 | +410,708,000 | 485,262,000 |
| Rural development insurance fund: | | | |
| Appropriation for reimbursement of losses | - - | +17,446,000 | 17,446,000 |
| Total, Farmers Home Administration appropriation | 335,836,000 | +430,576,000 | 766,412,000 |
| TOTAL, RURAL DEVELOPMENT | 354,206,000 | +432,622,000 | 786,828,000 |
| ENVIRONMENTAL PROGRAMS: | | | |
| Soil Conservation Service: | | | |
| Conservation operations: | | | |
| Pay cost annualization | 12,543,000 | +2,132,000 | 14,675,000 |
| GSA space costs | - - | +7,085,000 | 7,085,000 |
| Soil surveys | 23,210,000 | -114,000 | 23,096,000 |
| Technical programming, installation services and snow surveys | 127,980,000 | +18,182,000 | 146,162,000 |
| Operation of plant material centers | 1,590,000 | +218,000 | 1,808,000 |
| Total, Conservation operations | 165,323,000 | +27,503,000 | 192,826,000 |
| River basin surveys and investigations: | | | |
| Pay cost annualization | 824,000 c/ | +179,000 | 1,003,000 |
| GSA space costs | - - | +464,000 | 464,000 |
| All other | 11,517,000 | +1,183,000 | 12,700,000 |
| Total, River basin surveys and investigations | 12,341,000 | +1,826,000 | 14,167,000 |
| Watershed planning: | | | |
| Pay cost annualization | 768,000 c/ | +145,000 | 913,000 |
| GSA space costs | - - | +424,000 | 424,000 |
| All other | 9,230,000 | +233,000 | 9,463,000 |
| Total, Watershed planning | 9,998,000 | +802,000 | 10,800,000 |
| Watershed and flood prevention operations: | | | |
| Pay cost annualization | 4,050,800 c/ | +393,000 | 4,443,800 |
| GSA space costs | - - | +1,852,000 | 1,852,000 |
| Watershed protection works of improvement | 106,876,500 | -9,789,000 | 97,087,500 |
| Flood prevention works of improvement | 22,282,700 | -3,614,000 | 18,668,700 |
| Emergency measures | 300,000 | - - | 300,000 |
| Loan services | 476,000 | - - | 476,000 |
| Total, Watershed and flood prevention operations | 133,986,000 | -11,158,000 | 122,828,000 |
| Great Plains Conservation Program | 18,172,000 | -18,172,000 | - - |
| Resource conservation and development: | | | |
| Pay cost annualization | 889,000 c/ | +86,000 | 975,000 |
| GSA space costs | - - | +385,000 | 385,000 |
| Project investigations and planning | 1,229,000 | +148,000 | 1,377,000 |
| Resource development and technical services | 14,913,000 | +2,070,000 | 16,983,000 |
| Loan services | 173,000 | +15,000 | 188,000 |
| Total, Resource conservation and development | 17,204,000 | +2,704,000 | 19,908,000 |
| Total, Soil Conservation Service | 357,024,000 | +3,505,000 | 360,529,000 |
| TOTAL, ENVIRONMENTAL PROGRAMS | 357,024,000 | +3,505,000 | 360,529,000 |

* See footnotes on back page.

| | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| CONSUMER PROGRAMS: | | | |
| Food and Nutrition Service: | | | |
| Child Nutrition Programs: | | | |
| Cash payments to States: | | | |
| School lunch program | 348,000,000 | +72,000,000 | 420,000,000 |
| Special assistance | 237,040,000 | +490,960,000 | 728,000,000 |
| School breakfast program | 60,000,000 | +17,000,000 | 77,000,000 |
| Nonfood assistance | 22,110,000 | -110,000 | 22,000,000 |
| State administrative expenses | 1,500,000 | +5,200,000 | 6,700,000 |
| Nonschool food program | 20,000,000 | - - | 20,000,000 |
| Subtotal | 688,650,000 | +585,050,000 | 1,273,700,000 |
| Operating expenses: | | | |
| Pay cost annualization | 220,000 c/ | +110,000 | 330,000 |
| GSA space costs | - - | +385,000 | 385,000 |
| All other operating expenses | 7,019,000 | +1,196,000 | 8,215,000 |
| Subtotal | 7,239,000 | +1,691,000 | 8,930,000 |
| All other | 65,325,000 | - - | 65,325,000 |
| Total, Child Nutrition Programs | 761,214,000 | +586,741,000 | 1,347,955,000 |
| Less transfer from Section 32 | -199,631,000 | -506,295,000 | -705,926,000 |
| Total, Direct appropriation | 561,583,000 | +80,446,000 | 642,029,000 |
| Special Milk Program: | | | |
| Operating expenses: | | | |
| Pay cost annualization | 22,000 c/ | +6,000 | 28,000 |
| GSA space costs | - - | +28,000 | 28,000 |
| All other operating expenses | 774,000 | - - | 774,000 |
| Subtotal | 796,000 | +34,000 | 830,000 |
| Cash payments to States | 96,327,000 | +22,843,000 | 119,170,000 |
| Total, Special Milk Program | 97,123,000 | +22,877,000 | 120,000,000 |
| Food Stamp Program: | | | |
| Operating expenses: | | | |
| Pay cost annualization | 795,000 c/ | +435,000 | 1,230,000 |
| GSA space costs | - - | +1,698,000 | 1,698,000 |
| All other operating expenses | 27,601,000 | +3,971,000 | 31,572,000 |
| Program costs | 2,471,505,000 | +1,483,995,000 | 3,955,500,000 |
| Total, Food Stamp Program | 2,499,901,000 | +1,490,099,000 | 3,990,000,000 |
| Total, Food and Nutrition Service | 3,158,607,000 | +1,593,422,000 | 4,752,029,000 |
| TOTAL, CONSUMER PROGRAMS | 3,158,607,000 | +1,593,422,000 | 4,752,029,000 |
| FOREST PROTECTION AND MANAGEMENT: | | | |
| Forest Protection and Utilization: | | | |
| Forest land management: | | | |
| Pay cost annualization | (13,467,000) | +2,387,000 | 2,387,000 |
| GSA space costs | - - | +9,557,000 | 9,557,000 |
| Sales administration and management | 79,463,000 | +1,974,000 | 81,437,000 |
| Recreation use | 44,670,000 | +80,000 | 44,750,000 |
| Wildlife and fish habitat management | 8,694,000 | +209,000 | 8,903,000 |
| General land management activities | 24,741,000 | +680,000 | 25,421,000 |
| Reforestation and stand improvement | 33,331,000 | -42,000 | 33,289,000 |
| Rangeland management | 15,113,000 | -4,000 | 15,109,000 |
| Soil and water management | 15,217,000 | -534,000 | 14,683,000 |
| Forest fire protection | 36,359,000 | -2,014,000 | 34,345,000 |
| Forest insect and disease control | 11,219,000 | -250,000 | 10,969,000 |
| Cooperative law enforcement | 2,582,000 | -1,007,000 | 1,575,000 |
| Minerals management | 4,436,000 | - - | 4,436,000 |
| Fighting forest fires | 4,275,000 | - - | 4,275,000 |
| Subtotal, Forest land management | 280,100,000 | +11,036,000 | 291,136,000 |
| Forest research: | | | |
| Pay cost annualization | (3,431,000) | +548,000 | 548,000 |
| GSA space costs | - - | +1,656,000 | 1,656,000 |
| Forest watershed management | 7,710,000 | -250,000 | 7,460,000 |
| Wildlife, range, and fish habitat | 4,482,000 | -775,000 | 3,707,000 |
| Forest recreation | 1,326,000 | -150,000 | 1,176,000 |
| Forest insects and disease | 10,761,000 | -360,000 | 10,401,000 |
| All other | 39,537,000 | - - | 39,537,000 |
| Subtotal, Forest research | 63,816,000 | +669,000 | 64,485,000 |

* See footnotes on back page.

| | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| FOREST PROTECTION AND MANAGEMENT: Cont'd | | | |
| Forest Protection and Utilization: Cont'd | | | |
| State and private forestry cooperation: | | | |
| Pay cost annualization | (262,000) | +79,000 | 79,000 |
| GSA space costs | - - | +185,000 | 185,000 |
| Cooperation in forest management and processing | 5,052,000 | +460,000 | 5,512,000 |
| General forestry assistance | 2,718,000 | +841,000 | 3,559,000 |
| Cooperation in forest fire control | 20,079,000 | - - | 20,079,000 |
| Cooperation in forest tree planting | 332,000 | - - | 332,000 |
| Subtotal, State and private forestry cooperation | 28,181,000 | +1,565,000 | 29,746,000 |
| Total, Forest Protection and Utilization | 372,097,000 | +13,270,000 | 385,367,000 |
| Construction and land acquisition: | | | |
| Pay cost annualization | - - d/ | +872,000 | 872,000 |
| GSA space costs | - - | +459,000 | 459,000 |
| Development of recreation - public use areas | 1,075,000 | +716,000 | 1,791,000 |
| Water resource development construction | 169,000 | +1,949,000 | 2,118,000 |
| Construction for fire, administration and other purposes | 1,103,000 | +540,000 | 1,643,000 |
| Land acquisition, Weeks Act | 1,300,000 | +260,000 | 1,560,000 |
| Research construction - non-recurring | 5,058,000 | -5,058,000 | - - |
| Pollution abatement | 17,738,000 | -2,034,000 | 15,704,000 |
| Total, Construction and land acquisition | 26,443,000 | -2,296,000 | 24,147,000 |
| Youth Conservation Corps: | | | |
| Pay cost annualization | - - d/ | +220,000 | 220,000 |
| GSA space costs | - - | +20,000 | 20,000 |
| All other | 10,000,000 | - - | 10,000,000 |
| Total, Youth Conservation Corps | 10,000,000 | +240,000 | 10,240,000 |
| Forest Roads and Trails: | | | |
| Contract authority | 280,000,000 | -140,000,000 | 140,000,000 |
| Liquidation of contract authority | (98,200,000) | (+22,800,000) | (121,000,000) |
| Acquisition of lands for National Forests, Special Acts | 94,000 | +67,000 | 161,000 |
| Acquisition of lands to complete land exchanges | 55,300 | -15,990 | 39,310 |
| Cooperative range improvements | 700,000 | - - | 700,000 |
| Assistance to States for tree planting: | | | |
| Pay cost annualization | - - d/ | +23,000 | 23,000 |
| GSA space costs | - - | +18,000 | 18,000 |
| All other | 1,013,000 | +292,000 | 1,305,000 |
| Total, Assistance to States for tree planting | 1,013,000 | +333,000 | 1,346,000 |
| Construction and operation of recreation facilities | 3,277,837 | -2,017,837 | 1,260,000 |
| Total, Forest Service | 693,680,137 | -130,419,827 | 563,260,310 |
| TOTAL, FOREST PROTECTION AND MANAGEMENT | 693,680,137 | -130,419,827 | 563,260,310 |
| Total, Above Appropriation | 9,872,207,137 | +3,155,786,273 | 13,027,993,410 |
| Deduct Forest Service | -693,680,137 | +130,419,827 | -563,260,310 |
| Total Appropriation (as shown in Subcommittee Print) | 9,178,527,000 | +3,286,206,100 | 12,464,733,100 |
| PERMANENT BUDGET AUTHORITY: | | | |
| Animal and Plant Health Inspection Service: | | | |
| Animal Quarantine Station | 100,000 | +227,000 | 327,000 |
| Funds for Strengthening Markets, Income, and Supply (Section 32): | | | |
| Pay cost annualization | 773,000 c/ | +95,000 | 868,000 |
| GSA space costs | - - | +587,000 | 587,000 |
| Nonschool year-round food service program | 10,000,000 | +29,000,000 | 39,000,000 |
| Supplemental food program operating expenses | 600,000 | +150,000 | 750,000 |

* See footnotes on back page.

| | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| PERMANENT BUDGET AUTHORITY: Cont'd | | | |
| Funds for Strengthening Markets, Income, and Supply (Section 32): | | | |
| Marketing agreements and orders ..... | 3,314,000 | +102,000 | 3,416,000 |
| Direct purchases ..... | 265,328,000 | -124,451,000 | 140,877,000 |
| Financial assistance to States ..... | 14,000,000 | -12,000,000 | 2,000,000 |
| School food service program ..... | 427,960,000 | -427,960,000 | - - |
| Commodity program operating expenses . | 7,657,000 | -792,000 | 6,865,000 |
| All other ..... | 92,000,000 | - - | 92,000,000 |
| Subtotal (Section 32) ..... | 821,632,000 | -535,269,000 | 286,363,000 |
| Use of unobligated balances for program costs ..... | -115,181,924 | +132,347,924 | +17,166,000 |
| Subtotal, Section 32 Appropriations | 706,450,076 | -402,921,076 | 303,529,000 |
| Transfer to: | | | |
| Child Nutrition program, FNS ..... | 199,631,000 | +506,295,000 | 705,926,000 |
| Foreign Agricultural Service ..... | 3,117,000 | - - | 3,117,000 |
| Agricultural Research Service ..... | 15,000,000 | - - | 15,000,000 |
| Total appropriation to USDA ..... | 924,198,076 | +103,373,924 | 1,027,572,000 |
| Transfer to Department of Commerce ... | (7,287,562) | (+140,438) | (7,428,000) |
| Total, Sec. 32 Appropriation ..... | (931,485,638) | (+103,514,362) | (1,035,000,000) |
| Agricultural Stabilization and Conservation Service: | | | |
| National Wool Act (reimbursement to Commodity Credit Corporation for costs incurred under the Act) ..... | 58,803,500 | +11,196,500 | 70,000,000 |
| Agricultural Marketing Service: | | | |
| Perishable Agricultural Commodities Act Fund ..... | 1,460,000 | +122,000 | 1,582,000 |
| Rural Electrification Administration: | | | |
| Loan Authorizations a/ ..... | (758,000,000) | (- -) | (758,000,000) |
| Rural Telephone Bank a/ ..... | (811,049,000) | (+35,061,000) | (846,110,000) |
| Farmers Home Administration: | | | |
| Rural Housing Insurance Fund ..... | 156,353,000 | -156,353,000 | - - |
| Payment of sales insufficiencies ..... | 1,146,000 | +1,122,000 | 2,268,000 |
| Agricultural Credit Insurance Fund ..... | 40,075,000 | -40,075,000 | - - |
| Rural Development Insurance Fund ..... | 342,218,000 | -125,089,000 | 217,129,000 |
| Total, Farmers Home Administration ... | 539,792,000 | -320,395,000 | 219,397,000 |
| Forest Service: | | | |
| Payments to States, National Forests Fund ..... | 113,668,668 | -12,468,668 | 101,200,000 |
| Roads and trails for States, National Forests Fund ..... | 45,468,547 | -4,968,547 | 40,500,000 |
| Expenses, Brush Disposal ..... | 23,000,000 | -560,000 | 22,440,000 |
| Payments to School Funds, Arizona and New Mexico ..... | 124,307 | -9,307 | 115,000 |
| All other ..... | 1,108,308 | - - | 1,108,308 |
| Total, Forest Service ..... | 183,369,830 | -18,006,522 | 165,363,308 |
| TOTAL, PERMANENT APPROPRIATIONS ..... | 1,707,723,406 | -223,482,098 | 1,484,241,308 |
| Deduct Forest Service ..... | -183,369,830 | +18,006,522 | -165,363,308 |
| Total, Permanent Appropriations (as shown in Subcommittee Print) ..... | 1,524,353,576 | -205,475,576 | 1,318,878,000 |
| PROPOSED FOR SEPARATE TRANSMITTAL: | | | |
| Existing Legislation: | | | |
| Rural Development Service ..... | 170,000 | -170,000 | - - |
| Funds for Strengthening Markets, Income, and Supply (Section 32):... | | | |
| Free and reduced priced lunches under special feeding program .... | (15,000,000) | (-15,000,000) | (- -) |
| Food and Nutrition Service: | | | |
| Child Nutrition Programs ..... | 71,500,000 | -71,500,000 | - - |
| Food Stamp Program ..... | 500,000,000 | -500,000,000 | - - |
| Forest Service - Fighting forest fires . | 90,800,000 | -90,800,000 | - - |
| Total, Existing Legislation ..... | 662,470,000 | -662,470,000 | - - |

| | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| PROPOSED FOR SEPARATE TRANSMITTAL: Cont'd | | | |
| Proposed Legislation: | | | |
| Departmental Administration: | | | |
| Working Capital Fund ..... | - - | +9,600,000 | 9,600,000 |
| TOTAL, PROPOSED FOR SEPARATE TRANSMITTAL ... | 662,470,000 | -652,870,000 | 9,600,000 |

a/ Under law, the authority for these activities are not included in Budget total.
b/ Represents only the January 1973 pay increase. The October pay increase of $495,000 was absorbed within available funds.
c/ These amounts were absorbed in 1974 within available funds.
d/ 1974 increased pay costs were absorbed within available funds.

January 31, 1974

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 4.--New Budget (Obligational) Authority by Subappropriation, Appropriations, and FHA Loan Authorizations, Fiscal Years 1966 Through 1974, and Budget Estimates 1975

(Note.--Amounts for 1966 through 1974 are adjusted for comparability with the appropriation structure proposed in the 1975 Budget estimates. Amounts in parentheses are not included in totals.)

(Millions of Dollars)

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | Budget Estimates 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| DEPARTMENTAL MANAGEMENT: | | | | | | | | | | |
| DEPARTMENTAL ADMINISTRATION: | | | | | | | | | | |
| Office of the Secretary ..... | 6.1 | 6.4 | 6.9 | 7.2 | 7.8 | 8.6 | 9.5 | 11.2 | 11.6 | 14.1 |
| Audit and Investigation ..... | 10.7 | 11.7 | 12.2 | 13.0 | 15.1 | 13.5 | 14.4 | 14.5 | 15.5 | 16.8 |
| Transfer from food stamp program | -- | -- | -- | -- | -- | (3.7) | (4.0) | (4.3) | (4.5) | (5.1) |
| Total, Audit and Investigation | (10.7) | (11.7) | (12.2) | (13.0) | (15.1) | (17.1) | (18.4) | (18.8) | (20.0) | (21.9) |
| Office of the General Counsel .... | 4.3 | 4.3 | 4.5 | 4.9 | 5.6 | 6.1 | 6.6 | 6.8 | 7.2 | 7.8 |
| Office of Management Services .... | 2.0 | 2.2 | 2.3 | 2.3 | 2.7 | 2.9 | 3.1 | 3.5 | 3.7 | 4.0 |
| TOTAL, DEPARTMENTAL ADMINISTRATION: | (23.1) | (24.6) | (25.9) | (27.4) | (31.2) | (34.8) | (37.6) | (40.2) | (42.5) | (47.8) |
| TOTAL, DEPARTMENTAL MANAGEMENT: | 23.1 | 24.6 | 25.9 | 27.4 | 31.2 | 31.1 | 33.6 | 36.0 | 38.0 | 42.8 |
| SCIENCE AND EDUCATION PROGRAMS: | | | | | | | | | | |
| AGRICULTURAL RESEARCH SERVICE: | | | | | | | | | | |
| Agricultural research service .... | 125.9 | 126.0 | 129.3 | 128.9 | 142.8 | 161.6 | 174.7 | 190.9 | 188.1 | 205.0 |
| Transfer from Section 32 ..... | (18.1) | (25.0) | (15.0) | (15.0) | (15.0) | (15.0) | (15.0) | (15.0) | (15.0) | (15.0) |
| Subtotal ..... | (143.0) | (151.0) | (144.3) | (143.9) | (160.8) | (176.6) | (189.7) | (205.9) | (203.1) | (220.0) |
| Special fund (reappropriation) ... | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Scientific activities overseas (special foreign currency program) ..... | 3.0 | 4.5 | 8.5 | 4.5 | 5.0 | 5.0 | 10.0 | 10.0 | 5.0 | 10.0 |
| Total, Agricultural Research Service ..... | 130.9 | 132.5 | 139.8 | 135.4 | 149.8 | 168.6 | 186.7 | 202.9 | 195.1 | 215.0 |
| ANIMAL AND PLANT HEALTH INSPECTION SERVICE ..... | 128.5 | 140.0 | 153.4 | 178.1 | 207.3 | 236.1 | 251.1 | 304.7 | 303.5 | 394.8 |
| COOPERATIVE STATE RESEARCH SERVICE: | | | | | | | | | | |
| Payments to agricultural experiment stations and penalty mail ..... | 48.4 | 51.4 | 51.4 | 53.0 | 55.3 | 61.5 | 65.1 | 69.1 | 70.1 | 74.1 |
| Grants for cooperative forestry research, contracts and grants for scientific research, and facilities ..... | 6.1 | 7.2 | 7.3 | 5.5 | 6.8 | 7.4 | 17.2 | 21.8 | 17.8 | 22.2 |
| Funds for rural development research ..... | -- | -- | -- | -- | -- | -- | -- | -- | 1.5 | 1.5 |
| Federal administration (direct appropriation) ..... | 0.4 | 0.4 | 0.4 | 0.5 | 0.6 | 0.7 | 0.7 | 0.6 | 0.7 | 0.9 |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | Budget Estimates 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| COOPERATIVE STATE RESEARCH SERVICE: (Cont.) | | | | | | | | | | |
| Transfer from Section 32 for contracts and grants for scientific research ..... | (0.4) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total, Cooperative State Research Service ..... | 54.9 | 58.9 | 59.1 | 59.0 | 62.7 | 69.6 | 83.0 | 91.5 | 90.1 | 98.7 |
| EXTENSION SERVICE: | | | | | | | | | | |
| Payments to States and territories | 86.8 | 90.4 | 90.9 | 94.6 | 127.8 | 156.7 | 167.7 | 189.8 | 199.5 | 202.8 |
| Federal administration and coordination ..... | 2.6 | 2.7 | 2.8 | 2.8 | 4.0 | 4.3 | 4.6 | 4.5 | 4.5 | 5.2 |
| Total, Extension Service ..... | 89.4 | 93.1 | 93.7 | 97.4 | 131.8 | 160.9 | 172.3 | 194.3 | 204.1 | 208.1 |
| NATIONAL AGRICULTURAL LIBRARY ..... | 8.7 | 2.5 | 2.6 | 3.3 | 3.4 | 4.0 | 4.1 | 4.2 | 4.5 | 4.8 |
| TOTAL, Science and Education Programs ..... | 412.4 | 427.0 | 448.6 | 473.2 | 555.0 | 639.2 | 697.3 | 797.6 | 797.3 | 921.4 |
| AGRICULTURAL ECONOMICS: | | | | | | | | | | |
| STATISTICAL REPORTING SERVICE ..... | 14.0 | 13.7 | 14.0 | 14.7 | 16.8 | 19.0 | 20.9 | 22.7 | 24.1 | 26.9 |
| ECONOMIC RESEARCH SERVICE ..... | 12.2 | 12.8 | 13.1 | 13.9 | 15.5 | 16.6 | 17.1 | 18.6 | 19.6 | 21.8 |
| TOTAL, Agricultural Economics .... | 26.2 | 26.5 | 27.3 | 28.6 | 32.3 | 35.5 | 37.9 | 41.4 | 43.7 | 48.8 |
| MARKETING SERVICES: | | | | | | | | | | |
| AGRICULTURAL MARKETING SERVICE: | | | | | | | | | | |
| Marketing services ..... | 21.4 | 24.6 | 22.5 | 23.3 | 23.1 | 27.0 | 31.5 | 34.5 | 37.1 | 39.9 |
| Transfer from Commodity Credit Corporation ..... | (2.3) | (2.2) | (2.4) | (2.5) | (2.7) | (2.9) | (3.9) | (3.5) | (5.0) | (5.1) |
| Payments to States and possessions | 1.8 | 1.8 | 1.8 | 1.6 | 1.6 | 1.7 | 1.6 | 2.5 | 1.6 | -- |
| Funds for strengthening markets, income, and supply (Section 32) (net of transfer) ..... | -- | -- | -- | -- | -- | -- | -- | (811.8) | (706.5) | (303.5) |
| Total, Agricultural Marketing Service ..... | 23.2 | 26.4 | 24.3 | 24.9 | 24.7 | 28.7 | 33.1 | 37.0 | 38.7 | 39.9 |
| COMMODITY EXCHANGE AUTHORITY ..... | 1.2 | 1.4 | 1.6 | 1.9 | 2.5 | 2.7 | 2.8 | 2.9 | 3.5 | 4.3 |
| PACKERS AND STOCKYARDS ADMINISTRATION | 2.4 | 2.6 | 2.6 | 2.9 | 3.5 | 3.9 | 4.0 | 4.1 | 4.3 | 4.6 |
| FARMER COOPERATIVE SERVICE ..... | 1.3 | 1.3 | 1.4 | 1.5 | 1.8 | 1.9 | 2.0 | 2.1 | 2.2 | 2.4 |
| TOTAL, Marketing Services ..... | 28.1 | 31.7 | 29.9 | 31.2 | 32.5 | 37.2 | 41.9 | 46.2 | 48.7 | 51.2 |
| INTERNATIONAL PROGRAMS: | | | | | | | | | | |
| FOREIGN AGRICULTURAL SERVICE ..... | 20.8 | 21.4 | 21.2 | 21.9 | 23.6 | 25.0 | 25.5 | 26.0 | 28.0 | 29.0 |
| Transfer from Commodity Credit Corporation ..... | (1.7) | (1.8) | (1.8) | (2.1) | (2.8) | (3.7) | (3.8) | (3.8) | (3.8) | (3.6) |
| Transfer from Section 32 ..... | (3.1) | (3.1) | (3.1) | (3.1) | (3.1) | (3.1) | (3.1) | (3.1) | (3.1) | (3.1) |
| Total, Foreign Agricultural Service ..... | (25.6) | (26.3) | (26.1) | (27.1) | (29.5) | (31.8) | (32.4) | (32.8) | (34.9) | (35.8) |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | Budget Estimates 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| INTERNATIONAL PROGRAMS: (Cont.) | | | | | | | | | | |
| FOREIGN ASSISTANCE PROGRAMS: | | | | | | | | | | |
| Public Law 480: | | | | | | | | | | |
| Sales for foreign currencies and long-term dollar credit (Title I program level) ..... | 1,287.8 | 1,289.4 | 1,134.8 | 868.4 | 895.1 | 851.1 | 769.9 | 744.5 | 765.8 | 739.3 |
| Less receipts and changes in prior year balances and costs ..... | 71.7 | 127.6 | 170.7 | -768.4 | -475.3 | -440.0 | 96.7 | -373.1 | -526.7 | -314.1 |
| Title I, appropriation ..... | 1,359.5 | 1,417.0 | 1,305.5 | 100.0 | 420.0 | 411.1 | 866.6 | 371.4 | 239.1 | 425.2 |
| Disposition of commodities abroad (Title II program level) ..... | 413.2 | 381.4 | 344.6 | 364.2 | 350.9 | 395.7 | 524.4 | 396.1 | 328.9 | 242.4 |
| Changes in prior year balances and costs ..... | -114.7 | -181.4 | -44.6 | -164.2 | 149.1 | -104.3 | -70.6 | 127.5 | -14.3 | 110.9 |
| Title II, appropriation. | 298.5 | 200.0 | 300.0 | 200.0 | 500.0 | 291.4 | 453.8 | 523.6 | 314.6 | 353.3 |
| Total, P. L. 480 ..... | 1,658.0 | 1,617.0 | 1,605.5 | 300.0 | 920.0 | 702.5 | 1,320.4 | 895.0 | 553.7 | 778.5 |
| International wheat agreement .... | 27.5 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Bartered materials for supplemental stockpile ..... | -- | -- | 23.0 | -- | 1.2 | f/ | -- | -- | -- | -- |
| Total, Foreign Assistance Programs | 1,685.5 | 1,617.0 | 1,628.5 | 300.0 | 921.2 | 702.5 | 1,320.4 | 895.0 | 553.7 | 778.5 |
| TOTAL, International Programs ..... | 1,706.3 | 1,638.4 | 1,649.7 | 321.9 | 944.8 | 727.5 | 1,345.9 | 921.0 | 581.6 | 807.5 |
| COMMODITY PROGRAMS: | | | | | | | | | | |
| AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE: | | | | | | | | | | |
| Salaries and expenses (direct appropriation) ..... | 126.3 | 130.0 | 137.9 | 142.9 | 153.0 | 161.0 | 165.0 | 170.1 | 166.7 | 172.9 |
| Transfer from Commodity Credit Corporation ..... | (80.6) | (76.4) | (58.6) | (62.4) | (68.8) | (69.9) | (77.3) | (78.3) | (78.1) | (84.1) |
| Total, salaries and expenses ..... | (206.9) | (206.4) | (196.5) | (205.3) | (211.8) | (230.9) | (230.9) | (248.4) | (244.8) | (257.0) |
| Sugar Act program ..... | 95.0 | 80.0 | 80.0 | 89.5 | 93.0 | 83.6 | 86.0 | 84.5 | 88.5 | 90.2 |
| Cropland adjustment program ..... | -- | 62.0 | 84.5 | 81.9 | 77.2 | 77.8 | 67.1 | 51.7 | 50.3 | 48.6 |
| Conservation reserve program ..... | 146.0 | 140.7 | 123.0 | 109.0 | 37.3 | -- | -- | -- | -- | -- |
| Dairy and beekeeper indemnity programs ..... | 0.3 | 0.4 | 0.3 | 0.3 | 0.2 | 4.1 | 7.5 | 3.5 | -- | 1.9 |
| Rural environmental assistance program - advance authorization a/ ..... | 220.0 | 220.0 | 220.0 | 195.5 | 195.5 | 195.5 | 195.5 | 225.5 | 160.0 | -- |
| Transfer from Environmental Protection Agency ..... | -- | -- | -- | -- | -- | -- | -- | -- | (15.0) | -- |
| Total, Rural Environmental Assistance Program ..... | -- | -- | -- | -- | -- | -- | -- | 225.5 | (175.0) | -- |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | Budget Estimates 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE: (Cont.) | | | | | | | | | | |
| Liquidation of contract authority ..... | (220.0) | (220.0) | (220.0) | (190.0) | (195.5) | (185.0) | (150.0) | (195.5) | (15.0) | (90.0) |
| Rural environmental program ..... | -- | -- | -- | -- | -- | -- | -- | -- | -- | 118.8 |
| Water Bank Act program a/ ..... | -- | -- | -- | -- | -- | -- | 10.0 | 10.0 | 10.0 | -- |
| Cropland conversion program ..... | 7.5 | 7.5 | -- | -- | -- | -- | -- | -- | -- | -- |
| Emergency conservation measures a/ | 24.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 12.0 | 25.0 | 10.0 | -- |
| Total, Agricultural Stabilization and Conservation Service ..... | 619.1 | 645.6 | 650.7 | 624.1 | 561.2 | 527.0 | 543.1 | 570.2 | 485.5 | 432.3 |
| TOTAL, Commodity Programs ..... | 619.1 | 645.6 | 650.7 | 624.1 | 561.2 | 527.0 | 543.1 | 570.2 | 485.5 | 432.3 |
| CORPORATIONS: | | | | | | | | | | |
| FEDERAL CROP INSURANCE CORPORATION: | | | | | | | | | | |
| Administrative and operating expenses: | | | | | | | | | | |
| Appropriation ..... | 8.2 | 8.7 | 10.2 | 11.5 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 |
| Premium income ..... | (4.0) | (4.1) | (2.9) | (2.1) | (2.3) | (3.2) | (3.6) | (3.6) | (4.6) | (5.8) |
| Subscription to capitol stock .... | -- | -- | -- | -- | 10.0 | -- | 10.0 | -- | -- | -- |
| Total, Federal Crop Insurance Corporation ..... | (12.2) | (11.8) | (13.1) | (13.6) | (24.3) | (15.2) | (25.6 | (15.6) | (16.6) | (17.8) |
| COMMODITY CREDIT CORPORATION: | | | | | | | | | | |
| Appropriation: | | | | | | | | | | |
| Reimbursement for net realized losses ..... | 2,580.6 | 2,746.3 | 1,399.7 | 3,837.6 | 4,284.1 | 3,363.2 | 4,213.3 | 4,058.0 | 3,301.9 | 4,249.4 |
| Liquidation of contract authority ..... | (219.4) | (809.6) | -- | (350.5) | (931.8) | -884.6 | -- | -790.4 | -- | -- |
| Limitation on administrative and operating expenses b/ ..... | (36.7) | (34.3) | (31.5) | (31.5) | (32.0) | (36.5) | (40.2) | (39.9) | (39.9) | (42.2) |
| Total, Budget Authority, Commodity Credit Corporation . | 2,580.6 | 2,746.3 | 1,399.7 | 3,837.6 | 4,284.1 | 2,474.5 | 4,213.3 | 3,267.6 | 3,301.9 | 4,249.4 |
| TOTAL, Corporations ..... | 2,588.8 | 2,755.0 | 1,409.9 | 3,849.1 | 4,306.1 | 2,490.5 | 4,235.3 | 3,279.6 | 3,313.9 | 4,261.4 |
| Total, Title 1, Agricultural Programs. | 5,404.0 | 5,548.8 | 4,242.0 | 5,355.5 | 6,463.1 | 4,488.1 | 6,935.1 | 5,691.9 | 5,308.7 | 6,565.3 |
| RURAL DEVELOPMENT: | | | | | | | | | | |
| RURAL DEVELOPMENT SERVICE ..... | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 | 0.5 | 0.6 | 0.9 | 1.3 |
| RURAL ELECTRIFICATION ADMINISTRATION: | | | | | | | | | | |
| Loan Authorizations: | | | | | | | | | | |
| Electrification c/ ..... | 365.0 | 375.0 | 314.0 | 329.0 | 340.0 | 337.0 | 545.0 | 488.0 | (618.0) | d/(618.0) d/ |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | Budget Estimates 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| RURAL ELECTRIFICATION ADMINISTRATION: | (Cont.) | | | | | | | | | |
| Telephone ..... | 97.0 | 117.0 | 120.6 | 120.0 | 123.3 | 128.8 | 124.1 | 145.0 | (140.0) | d/(140.0) d/ |
| Total, Loan Authorization .... | 462.0 | 492.0 | 434.6 | 449.0 | 463.3 | 465.8 | 669.1 | 633.0 | (758.0) | (758.0) |
| Capitalization of rural telephone bank - appropriation ..... | -- | -- | -- | -- | -- | -- | 30.0 | 30.0 | (30.0) d/ | (30.0) d/ |
| Salaries and expenses ..... | 12.2 | 12.4 | 12.5 | 13.4 | 14.9 | 15.8 | 16.7 | 16.7 | 17.5 | 19.1 |
| Total, Rural Electrification Administration ..... | 474.2 | 504.4 | 447.1 | 462.4 | 478.2 | 481.6 | 715.8 | 679.7 | 17.5 | 19.1 |
| FARMERS HOME ADMINISTRATION: | | | | | | | | | | |
| Direct loan account: | | | | | | | | | | |
| Soil and water loans ..... | (30.0) | (85.0) | (100.0) | (78.0) | (78.0) | (98.0) | -- | -- | -- | -- |
| Farm ownership loans ..... | (45.0) | (5.0) | (10.0) | (5.0) | (5.0) | (5.0) | -- | -- | -- | -- |
| Total, real estate loans e/ .. | (75.0) | (90.0) | (110.0) | (83.0) | (83.0) | (103.0) | -- | -- | -- | -- |
| Operating loans e/ ..... | (300.0) | (350.0) | (300.0) | (275.0) | (275.0) | (275.0) | (350.0) | (350.0) | -- | -- |
| Soil conservation service loans. | -- | -- | (7.5) | (4.9) | (8.7) | (8.7) | (8.7) | (24.0) | -- | -- |
| Total, direct loan account ... | (375.0) | (440.0) | (417.5) | (362.9) | (366.7) | (386.7) | (358.7) | (374.0) | -- | -- |
| Rural housing insurance fund: | | | | | | | | | | |
| Direct loan level ..... | -- | (15.0) | (15.0) | (30.0) | (30.0) | (19.0) | (10.0) | (10.0) | (10.0) | (20.0) |
| Appropriation ..... | 2.5 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Insured housing loans ..... | -- | -- | -- | -- | -- | (1,384.0) | (1,605.0) | (2,144.0) | (2,144.0) | (2,122.0) |
| Reimbursement to fund for losses ..... | -- | -- | -- | -- | -- | 0.3 | 23.7 | 51.5 | 89.2 | 124.6 |
| Total, rural housing insurance fund loans ..... | 2.5 | (15.0) | (15.0) | (30.0) | (30.0) | (1,403.0) | (1,615.0) | (2,154.0) | (2,154.0) | (2,142.0) |
| Emergency credit revolving fund. | 30.0 | -- | -- | -- | 31.9 | 65.0 | -- | -- | -- | -- |
| Agricultural credit insurance fund: | | | | | | | | | | |
| Reimbursement for losses ..... | -- | -- | -- | 235.6 | -- | -- | 37.2 | 56.8 | 74.6 | 485.3 |
| Insured loan levels: | | | | | | | | | | |
| Soil and water loans ..... | -- | -- | -- | -- | -- | (24.6) | (22.0) | (20.0) | (20.0) | (20.0) |
| Farm ownership loans ..... | -- | -- | -- | -- | -- | (263.0) | (350.0) | (350.0) | (350.0) | (350.0) |
| Total, real estate loans . | -- | -- | -- | -- | -- | (287.6) | (372.0) | (370.0) | (370.0) | (370.0) |
| Soil conservation loans .... | -- | -- | -- | -- | -- | -- | -- | -- | 24.0 | (24.0) |
| Water and waste disposal loans | -- | -- | -- | -- | -- | (230.0) | (300.0) | (300.0) | -- | -- |
| Emergency loans ..... | -- | -- | -- | -- | -- | -- | -- | (350.0) | -- | -- |
| Operating loans ..... | -- | -- | -- | -- | -- | -- | -- | -- | (350.0) | (350.0) |
| Total, agricultural credit insurance fund loans ... | -- | -- | -- | -- | -- | (517.6) | (672.0) | (1,020.0) | (744.0) | (744.0) |
| Participation sales authorization | -- | 600.0 | 750.0 | -- | -- | -- | -- | -- | -- | -- |
| Payments of sales insufficiencies | -- | -- | 13.3 | -- | -- | -- | -- | -- | -- | -- |
| Rural water and waste disposal grants ..... | 20.0 | 26.0 | 28.0 | 28.0 | 46.0 | 100.0 | 100.0 | 92.0 | 30.0 | -- |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | Budget Estimates 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| FARMERS HOME ADMINISTRATION: (Cont.) | | | | | | | | | | |
| Unobligated balances from prior years | -- | -- | -- | -- | -- | -- | -- | (58.0) | (120.0) | -- |
| Total, rural water and waste disposal grants | (20.0) | (26.0) | (28.0) | (28.0) | (46.0) | (100.0) | (100.0) | (150.0) | (150.0) | -- |
| Rural development grants | -- | -- | -- | -- | -- | -- | -- | -- | 10.0 | 10.0 |
| Rural renewal | 1.2 | 1.2 | 1.6 | 1.6 | -- | -- | -- | -- | -- | -- |
| Rural housing for domestic farm labor | 3.0 | 3.0 | 3.5 | 4.2 | 2.5 | 2.5 | 2.5 | 3.8 | 7.5 | -- |
| Mutual and self help housing | -- | -- | -- | -- | 2.1 | 0.8 | 2.0 | 3.0 | 4.0 | -- |
| Rural Development Insurance Fund: | | | | | | | | | | |
| Reimbursement to fund for losses | -- | -- | -- | -- | -- | -- | -- | -- | -- | 17.4 |
| Water and sewer facility loans | -- | -- | -- | -- | -- | -- | -- | -- | (470.0) | (400.0) |
| Industrial development loans | -- | -- | -- | -- | -- | -- | -- | -- | (200.0) | (400.0) |
| Community facility loans | -- | -- | -- | -- | -- | -- | -- | -- | (50.0) | (200.0) |
| Total, Rural Development Insurance Fund Loans | -- | -- | -- | -- | -- | -- | -- | -- | (720.0) | (1,000.0) |
| Self help housing land development fund | -- | -- | -- | 0.6 | 1.0 | 0.4 | -- | -- | -- | -- |
| Salaries and expenses (appropriation) | 49.6 | 52.3 | 55.8 | 60.2 | 71.3 | 92.3 | 99.9 | 116.4 | 120.6 | 129.1 |
| Transfer from loan accounts | (2.8) | (2.8) | (2.8) | (2.8) | (2.7) | (2.8) | (2.8) | (1.5) | (3.5) | (3.5) |
| Total, salaries and expenses | (52.5) | (55.2) | (58.7) | (68.1) | (74.1) | (95.1) | (102.8) | (117.9) | (124.1) | (132.6) |
| Total, Farmers Home Administration | 106.3 | 682.5 | 852.2 | 330.2 | 154.8 | 261.3 | 265.3 | 323.4 | 335.8 | 766.4 |
| Total, Title II, Rural Development: New budget (obligational authority). | 580.6 | 1,187.0 | 1,299.4 | 792.7 | 633.1 | 743.3 | 981.5 | 1,003.7 | 354.2 | 786.8 |
| ENVIRONMENTAL PROGRAMS: | | | | | | | | | | |
| SOIL CONSERVATION SERVICE: | | | | | | | | | | |
| Conservation operations | 108.8 | 112.3 | 114.9 | 118.8 | 131.7 | 140.3 | 155.8 | 163.4 | 165.3 | 192.8 |
| River basin surveys and investigations | 5.9 | 7.9 | 8.5 | 9.1 | 8.8 | 9.1 | 10.1 | 11.9 | 12.3 | 14.2 |
| Watershed planning | 6.3 | 6.3 | 6.2 | 6.4 | 6.7 | 6.6 | 6.7 | 7.8 | 10.0 | 10.8 |
| Watershed and flood prevention operations | 86.0 | 87.8 | 87.7 | 82.1 | 91.0 | 100.3 | 132.1 | 170.0 | 134.0 | 122.8 |
| Great Plains conservation program. | 16.1 | 18.5 | 16.3 | 16.2 | 15.4 | 16.2 | 18.1 | 18.1 | 18.2 | -- |
| Resource conservation and development f/ | 4.3 | 4.7 | 6.2 | 6.4 | 10.8 | 14.9 | 20.9 | 26.6 | 17.2 | 19.9 |
| Total, Soil Conservation Service | 227.4 | 237.5 | 239.8 | 239.0 | 264.4 | 287.6 | 343.6 | 397.7 | 357.0 | 360.5 |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | Budget Estimates 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total, Title III, Environmental Programs | 227.4 | 237.5 | 239.8 | 239.0 | 264.4 | 287.6 | 343.6 | 397.7 | 357.0 | 360.5 |
| CONSUMER PROGRAMS: | | | | | | | | | | |
| FOOD AND NUTRITION SERVICE: | | | | | | | | | | |
| Child nutrition programs (direct appropriation) | 157.0 | 168.6 | 177.9 | 188.5 | 122.5 | 318.9 | 363.8 | 477.3 | 561.6 | 642.0 |
| Transfer from Section 32 | (45.0) | (45.0) | (45.0) | (64.3) | (194.3) | (238.4) | (232.0) | (119.2) | (199.6) | (705.9) |
| Total, child nutrition programs | (202.0) | (213.6) | (222.9) | (252.8) | (316.8) | (557.3) | (595.9) | (596.5) | (761.2) | (1,348.0) |
| Special milk program (direct appropriation) | 103.0 | 51.0 | -- | -- | 84.0 | 104.0 | 104.0 | 97.1 | 97.1 | 120.0 |
| Transfer from Section 32 | -- | (53.0) | (104.0) | (104.0) | -- | -- | -- | -- | -- | -- |
| Total, special milk program | (103.0) | (104.0) | (104.0) | (104.0) | (84.0) | (104.0) | (104.0) | (97.1) | (97.1) | (120.0) |
| Food stamp program (direct appropriation) | 80.0 | 110.0 | 161.7 | 279.9 | 596.9 | 1,669.8 | 2,289.1 | 2,499.9 | 2,499.9 | 3,990.0 |
| Reappropriation | 20.0 | 29.5 | 23.2 | -- | -- | -- | -- | -- | -- | -- |
| Total, food stamp program | (100.0) | (139.5) | (184.9) | (279.9) | (596.9) | (1,669.8) | (2,289.1) | (2,499.9) | (2,499.9) | (3,990.0) |
| Total, Food and Nutrition Service | 360.0 | 359.1 | 362.8 | 468.4 | 803.4 | 2,092.7 | 2,757.0 | 3,074.3 | 3,158.6 | 4,752.0 |
| TOTAL, Title IV, Consumer Programs | 360.0 | 359.1 | 362.8 | 468.4 | 803.4 | 2,092.7 | 2,757.0 | 3,074.3 | 3,158.6 | 4,752.0 |
| TOTAL, United States Department of Agriculture included under Agriculture Environmental and and Consumer Programs | 6,572.0 | 7,332.4 | 6,144.0 | 6,855.6 | 8,164.0 | 7,611.6 | 11,017.3 | 10,167.6 | 9,178.5 | 12,464.7 |
| FOREST SERVICE: | | | | | | | | | | |
| Forest protection and utilization: | | | | | | | | | | |
| Forest land management | 149.2 | 178.1 | 201.5 | 190.5 | 207.2 | 281.1 | 296.6 | 298.8 | 280.1 | 291.1 |
| Forest research | 33.2 | 35.2 | 37.8 | 40.0 | 44.4 | 48.9 | 54.6 | 62.1 | 63.8 | 64.5 |
| State and private forestry cooperation | 17.6 | 18.1 | 19.8 | 19.9 | 22.9 | 24.2 | 27.8 | 32.8 | 28.2 | 29.7 |
| Total, forest protection and utilization | 199.8 | 231.1 | 258.5 | 250.5 | 274.6 | 354.1 | 378.9 | 393.8 | 372.1 | 385.4 |
| Cooperative range improvements | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Construction and land acquisition | 26.8 | 28.9 | 26.5 | 18.2 | 19.4 | 15.9 | 35.7 | 48.8 | 26.4 | 24.1 |
| Youth conservation corps | -- | -- | -- | -- | -- | 2.5 | 3.5 | 3.5 | 10.0 | 10.2 |
| Forest roads and trails - contract authority | 85.0 | 170.0 | 170.0 | 170.0 | 170.0 | 170.0 | 170.0 | -- | 280.0 | 140.0 |
| Liquidation of contract authority | (102.1) | (101.2) | (110.0) | (91.0) | (100.6) | (120.2) | (148.7) | (158.8) | 98.2 | (121.0) |
| Acquisition of lands for national forests under special acts | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | Budget Estimates 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| FOREST SERVICE: (Cont.) | | | | | | | | | | |
| Acquisition of lands for Uinta National Forest ..... | -- | 0.3 | -- | -- | -- | -- | -- | -- | -- | - |
| Acquisition of lands to complete land exchanges ..... | -- | -- | -- | -- | -- | -- | g/ | -- | 0.1 | g/ |
| Assistance to States for tree planting ..... | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.3 |
| Construction and operation of recreational facilities ..... | -- | -- | -- | -- | -- | -- | -- | -- | 3.3 | 1.3 |
| Total, Forest Service ..... | 313.4 | 432.1 | 456.8 | 440.5 | 465.8 | 544.4 | 590.0 | 447.9 | 693.7 | 563.3 |
| TOTAL, ABOVE ITEMS: | | | | | | | | | | |
| Direct appropriations ..... | 6,885.4 | 7,764.5 | 6,600.8 | 7,296.1 | 8,629.8 | 8,156.0 | 11,607.2 | 10,615.5 | 9,872.2 | 13,028.0 |
| PERMANENT APPROPRIATIONS - Federal Funds: | | | | | | | | | | |
| Other than Forest Service: | | | | | | | | | | |
| Funds for strengthening markets, income, and supply (Section 32) h/ ..... | 398.9 | 487.2 | 571.5 | 589.2 | 690.8 | 721.1 | 758.3 | 949.0 | 924.2 | 1,027.6 |
| Rural telephone bank - loan authorizations ..... | -- | -- | -- | -- | -- | -- | 244.8 | 280.6 k/ | (811.0)d/ | (846.1) d/ |
| National Wool Act ..... | 22.6 | 38.3 | 34.8 | 72.5 | 67.9 | 56.3 | 75.4 | 66.7 | 58.8 | 70.0 |
| Perishable Agricultural Commodities Act fund ..... | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 0.7 | 1.8 | 1.5 | 1.6 |
| Agricultura Credit Insurance Fund (net borrowings from Treasury) . | -- | -- | -- | -- | -- | 78.2 | 337.8 | 82.9 | 40.1 | -- |
| Rural housing insurance fund: | | | | | | | | | | |
| Net borrowings from Treasury ... | 100.0 i/ | -- | 72.6 | 104.5 | -- | -- | 61.7 | 26.1 | 157.5 | 2.3 |
| Direct loan insufficiencies .... | -- | -- | 0.8 | 0.9 | -- | -- | -- | -- | -- | -- |
| Rural development insurance fund . | -- | -- | -- | -- | -- | -- | -- | -- | 342.2 | 217.1 |
| Contract authority ..... | -- | -- | 1,006.2 | 1,633.8 | -- | -- | 317.3 | -- | -- | -- |
| Other j/ ..... | -- | -- | -- | -- | 0.4 | 0.7 | 0.7 | -- | 0.1 | 0.3 |
| Total, permanent appropriations excluding Forest Service ..... | 522.4 | 526.4 | 1,686.8 | 2,401.8 | 760.1 | 857.4 | 1,796.7 | 1,407.1 | 1,524.4 | 1,318.9 |
| Forest Service: | | | | | | | | | | |
| Payments to school funds, Arizona and New Mexico ..... | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Roads and trails for States, national forests fund ..... | 14.2 | 16.8 | 17.6 | 20.9 | 31.2 | 28.8 | 22.7 | 33.9 | 45.5 | 40.5 |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | Budget Estimates 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| Forest Service: (Cont.) | | | | | | | | | | |
| Expenses, brush disposal ..... | 102.2 | 9.9 | 10.3 | 11.9 | 12.8 | 13.5 | 18.0 | 23.3 | 23.0 | 22.4 |
| Forest fire prevention ..... | g/ | g/ | g/ | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 |
| Restoration of forest lands and improvements ..... | g/ | g/ | g/ | g/ | g/ | g/ | g/ | g/ | 0.1 | 0.1 |
| Payments to Minnesota: (Cook, Lake, and Saint Louis Counties) from national forests fund ..... | -- | -- | -- | -- | -- | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Payments to counties, national grasslands ..... | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Payments to States, national forests fund ..... | 35.6 | 42.1 | 44.1 | 52.5 | 78.3 | 71.9 | 56.6 | 84.7 | 113.7 | 101.2 |
| Animal quarantine station ..... | -- | -- | 0.1 | -- | -- | -- | -- | -- | -- | -- |
| Total, permanent appropriations for Forest Service ..... | 60.5 | 69.4 | 72.7 | 86.0 | 123.0 | 115.1 | 98.4 | 143.0 | 183.4 | 165.4 |
| TOTAL, PERMANENT APPROPRIATIONS - Federal Funds ..... | 582.9 | 595.7 | 1,759.5 | 2,487.8 | 883.1 | 972.5 | 1,895.1 | 1,550.1 | 1,707.7 | 1,484.2 |
| PERMANENT APPROPRIATIONS - Trust Funds: | | | | | | | | | | |
| Other than Forest Service: | | | | | | | | | | |
| Agricultural Research Service .... | 0.5 | 0.4 | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Animal and Plant Health Inspection Service ..... | 0.9 | 0.7 | 0.5 | 0.8 | 0.7 | 1.1 | 1.4 | 1.5 | 1.5 | 1.5 |
| Agricultural Marketing Service ... | 27.7 | 29.4 | 30.6 | 31.8 | 34.9 | 38.1 | 39.6 | 30.2 | 42.9 | 45.6 |
| Farmer Cooperative Service ..... | g/ | g/ | g/ | g/ | g/ | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Farmers Home Administration ..... | -- | -- | -- | -- | -- | 0.1 | 0.1 | -- | -- | -- |
| Soil Conservation Service ..... | 0.9 | 0.9 | 1.0 | 1.5 | 1.0 | 1.1 | 1.4 | 1.2 | 1.3 | 1.3 |
| Other Agencies ..... | 0.3 | 0.1 | g/ | 0.1 | g/ | g/ | g/ | 0.2 | 0.7 | 1.0 |
| Subtotal ..... | 30.3 | 31.5 | 32.5 | 34.7 | 37.0 | 41.0 | 42.9 | 33.6 | 47.0 | 49.9 |
| Forest Service ..... | 30.5 | 32.2 | 32.2 | 40.3 | 38.1 | 39.8 | 53.9 | 61.6 | 63.7 | 67.6 |
| TOTAL, PERMANENT APPROPRIATIONS - Trust Funds ..... | 60.8 | 63.7 | 64.7 | 75.0 | 75.1 | 80.8 | 96.8 | 95.2 | 110.7 | 117.5 |
| RECAPITULATION: | | | | | | | | | | |
| Title I, agricultural programs ..... | 5,404.0 | 5,548.8 | 4,242.0 | 5,355.5 | 6,463.1 | 4,488.1 | 6,935.1 | 5,691.9 | 5,308.7 | 6,565.3 |
| Title II, rural development: New budget obligational authority ..... | 580.6 | 1,187.0 | 1,299.4 | 792.7 | 633.1 | 743.3 | 981.5 | 1,003.7 | 354.2 | 786.8 |
| Title III, environmental programs .. | 227.4 | 237.5 | 239.8 | 239.0 | 264.4 | 287.6 | 343.6 | 397.7 | 357.0 | 360.5 |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | Budget Estimates 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| RECAPITULATION: (Cont.) | | | | | | | | | | |
| Title IV, consumer programs ..... | 360.0 | 359.1 | 362.8 | 468.4 | 803.4 | 2,092.7 | 2,757.0 | 3,074.3 | 3,158.6 | 4,752.0 |
| New budget (obligational) authority ..... | 6,572.0 | 7,332.4 | 6,144.0 | 6,855.6 | 8,164.0 | 7,611.6 | 11,017.3 | 10,167.6 | 9,178.5 | 12,464.6 |
| Forest Service ..... | 313.4 | 432.1 | 456.8 | 440.5 | 465.8 | 544.4 | 590.0 | 447.9 | 693.7 | 563.3 |
| Total, above items: | | | | | | | | | | |
| Direct appropriation ..... | 6,885.4 | 7,764.5 | 6,600.8 | 7,296.1 | 8,629.8 | 8,156.0 | 11,607.2 | 10,615.5 | 9,872.2 | 13,028.0 |
| Permanent appropriations - Federal funds, exclusive of Forest Service | 522.3 | 526.3 | 1,686.8 | 2,401.8 | 760.1 | 857.4 | 1,796.7 | 1,407.1 | 1,524.4 | 1,318.9 |
| Permanent appropriations - Forest Service ..... | 605 | 69.4 | 72.7 | 86.0 | 123.0 | 115.1 | 98.4 | 143.0 | 183.4 | 165.4 |
| Grand Total ..... | 7,468.3 | 8,360.0 | 8,360.1 | 9,784.1 | 9,513.0 | 9,128.5 | 13,502.4 | 12,165.6 | 11,579.9 | 14,512.2 |
| Miscellaneous Contributed Funds: | | | | | | | | | | |
| Permanent appropriations - trust funds - excluding Forest Service ..... | 30.3 | 31.5 | 32.5 | 34.7 | 37.0 | 41.0 | 42.9 | 33.6 | 47.0 | 49.9 |
| Permanent appropriation - trust funds - Forest Service ..... | 30.5 | 32.2 | 32.2 | 40.3 | 38.1 | 39.8 | 53.9 | 61.6 | 63.7 | 67.6 |
| Total, trust funds ..... | 60.8 | 63.7 | 64.7 | 75.0 | 75.1 | 80.8 | 96.8 | 95.2 | 110.7 | 117.5 |

NOTE: Details may not add to totals shown due to rounding.

a/ The Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, carries this item under "Environmental Programs." It is shown here to provide the agency total.

b/ Appropriation acts and budget estimates provide that not less than 7% of the limitation shall be placed in reserve for use only as necessary to carry out program operations.

c/ The amounts shown include both the regular authorization to borrow from the Secretary of the Treasury and the reserve authorization as set forth in the annual appropriations acts. The figures shown do not necessarily represent the amount of loans actually approved in each fiscal year, since loan funds carried over from prior years, together with recissions from previously approved loans, were also available.

d/ These amounts are excluded by law (P. L. 93-32) from budget totals.

e/ The amounts shown include both the regular authorization to borrow from the Secretary of the Treasury and the reserve authorizations as set forth in the annual appropriations acts.

f/ The Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, carries this item under "Rural Development Programs." It is shown here to provide the agency total.

g/ Amount does not exceed $50,000.

h/ Includes transfers to other appropriation items as shown above, but excludes transfers to Department of Interior.

i/ Represents initial capitalization of fund.

j/ Includes Animal Quarantine Station, Animal and Plant Health Inspection Service; Plant Materials Center, Soil Conservation Service; and Payments of Sales Insufficiencies, Rural Housing Insurance Fund, Farmers Home Administration.

k/ Represents "on budget" amount prior to enactment of P. L. 93-32 on May 11, 1973. Total amount available in fiscal year 1973 including "off budget" amount is $815.8.

Office of Budget and Finance
75 H-474
January 28, 1974

1-29-74

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 5--Outlays 1973, 1974 Estimates, and 1975 Budget Estimates
(In thousands)

(Amounts shown include 1974 supplemental appropriation requests shown in the 1975 budget and those proposed for separate transmittal.)

| Appropriation and Subappropriation | 1973 Actual | 1974 Estimate | 1975 Budget Estimate | Change, 1975 compared with 1974 |
|---|---|---|---|---|
| DEPARTMENTAL MANAGEMENT | | | | |
| Departmental Administration: | | | | |
| Office of the Secretary | $10,096 | $11,289 | $13,722 | +$2,433 |
| Audit and Investigations | 17,438 | 19,637 | 21,521 | +1,884 |
| Office of the General Counsel | 6,133 | 6,928 | 7,533 | +605 |
| Office of Management Services | 2,952 | 3,726 | 4,053 | +327 |
| Working Capital Fund, Department of Agriculture | -171 | - - | - - | - - |
| Consolidated Working Fund | -100 | - - | - - | - - |
| Total, Departmental Administration | 36,348 | 41,580 | 46,829 | +5,249 |
| Total, Departmental Management | 36,348 | 41,580 | 46,829 | +5,249 |
| SCIENCE AND EDUCATION PROGRAMS | | | | |
| Agricultural Research Service | 193,608 | 211,149 | 226,202 | +15,053 |
| Working Capital Fund | -223 | 378 | - - | -378 |
| Scientific Activities Overseas (Special foreign currency program) | 5,348 | 8,500 | 9,800 | +1,300 |
| Total, Agricultural Research Service | 198,733 | 220,027 | 236,002 | +15,975 |
| Animal and Plant Health Inspection Service | 308,227 | 308,758 | 329,052 | +20,294 |
| Animal Quarantine Station (Permanent special fund) | - - | 50 | 471 | +421 |
| Total, Animal and Plant Health Inspection Service | 308,227 | 308,808 | 329,523 | +20,715 |
| Cooperative State Research Service | 82,409 | 90,379 | 96,180 | +5,801 |
| Extension Service | 185,803 | 207,286 | 206,850 | -436 |
| Consolidated Working Fund | 46 | - - | - - | - - |
| Total, Extension Service | 185,849 | 207,286 | 206,850 | -436 |
| National Agricultural Library | 4,195 | 4,559 | 4,907 | +348 |
| Library Facilities | 12 | 117 | - - | -117 |
| Total, National Agricultural Library | 4,207 | 4,676 | 4,907 | +231 |
| Total, Science and Education | 779,425 | 831,176 | 873,462 | +42,286 |
| AGRICULTURAL ECONOMICS | | | | |
| Statistical Reporting Service | 21,291 | 24,000 | 26,852 | +2,852 |
| Economic Research Service | 16,449 | 19,600 | 21,828 | +2,228 |
| Consolidated Working Fund | -662 | - - | - - | - - |
| Total, Economic Research Service | 15,787 | 19,600 | 21,828 | +2,228 |
| Total, Agricultural Economics | 37,078 | 43,600 | 48,680 | +5,080 |
| MARKETING SERVICES | | | | |
| Agricultural Marketing Service: | | | | |
| Marketing Services | 30,301 | 36,850 | 39,702 | +2,852 |
| Payments to States and possessions | 1,600 | 1,600 | - - | -1,600 |
| Perishable Agricultural Commodities Act Fund | 1,723 | 1,449 | 1,571 | +122 |
| Subtotal, Agricultural Marketing Service | 33,624 | 39,899 | 41,273 | +1,374 |
| Funds for strengthening markets, income and supply (Section 32) | 740,222 | a/ 867,389 | 354,978 | -512,411 |
| Total, Agricultural Marketing Service | 773,846 | 907,288 | 396,251 | -511,037 |
| Commodity Exchange Authority | 2,730 | 3,354 | 4,210 | +856 |
| Packers and Stockyards Administration | 3,744 | 4,189 | 4,505 | +316 |
| Farmer Cooperative Service | 2,004 | 2,220 | 2,350 | +130 |
| Total, Marketing Services | 782,324 | 917,051 | 407,316 | -509,735 |
| INTERNATIONAL PROGRAMS | | | | |
| Foreign Agricultural Service | 26,376 | 30,327 | 32,375 | +2,048 |
| Salaries and Expenses, Special foreign currency program | 545 | 1,000 | 1,000 | - - |
| Total, Foreign Agricultural Service | 26,921 | 31,327 | 33,375 | +2,048 |
| Public Law 480 programs | 753,974 | 796,109 | 741,690 | -54,419 |
| Total, International Programs | 780,895 | 827,436 | 775,065 | -52,371 |

| Appropriation and Subappropriation | 1973 Actual | 1974 Estimate | 1975 Budget Estimate | Change, 1975 compared with 1974 |
|---|---|---|---|---|
| AGRICULTURAL STABILIZATION AND CONSERVATION | | | | |
| Agricultural Stabilization and Conservation Service: | | | | |
| Salaries and Expenses, ASCS | 163,621 | 162,983 | 169,617 | +6,634 |
| Sugar Act program | 87,127 | 90,800 | 91,500 | +700 |
| Rural Environmental Assistance Program | 162,598 | 23,160 | 87,000 | +63,840 |
| Rural Environmental Program | - - | - - | 51,900 | +51,900 |
| Water Bank Act program | 833 | 2,183 | - - | -2,183 |
| Cropland adjustment program | 51,456 | 50,300 | 48,601 | -1,699 |
| Conservation reserve program | -53 | 32 | - - | -32 |
| Emergency Conservation measures | 9,228 | 19,000 | - - | -19,000 |
| Dairy and beekeeper indemnity payment program | 6,762 | 3,775 | 2,850 | -925 |
| Cropland conversion program | 107 | 107 | 107 | - - |
| Consolidated Working Fund | -186 | 212 | - - | -212 |
| Total, Agricultural Stabilization and Conservation Service | 481,493 | 352,552 | 451,575 | +99,023 |
| Total, Agricultural Stabilization and Conservation | 481,493 | 352,552 | 451,575 | +99,023 |
| CORPORATIONS | | | | |
| Federal Crop Insurance Corporation: | | | | |
| Administrative and Operating Expenses | 11,723 | 11,994 | 12,000 | +6 |
| Federal Crop Insurance Corporation Fund | -12,582 | -4,034 | 4,057 | +8,091 |
| Total, Federal Crop Insurance Corporation | -859 | 7,960 | 16,057 | +8,097 |
| Commodity Credit Corporation (including special activities and proposed legislation) | 3,629,355 | 1,048,220 | b/ 734,736 | -313,484 |
| Total, Corporations | 3,628,496 | 1,056,180 | 750,793 | -305,387 |
| RURAL DEVELOPMENT | | | | |
| Rural Development Service | 388 | c/ 997 | 1,246 | +373 |
| Rural Electrification Administration: | | | | |
| Salaries and Expenses | 14,655 | 17,158 | 19,062 | +1,904 |
| Loan authorizations | 484,561 | d/ | d/ | |
| Rural Telephone Bank | 29,303 | d/ | d/ | |
| Total, Rural Electrification Administration | 528,519 | 17,158 | 19,062 | +1,904 |
| Farmers Home Administration: | | | | |
| Rural Housing Insurance Fund | -231,801 | 158,934 | -230,368 | -389,302 |
| Agricultural Credit Insurance Fund | 194,095 | 136,725 | -38,343 | -175,068 |
| Rural Development Insurance Fund | -222,762 | 68,772 | -25,717 | -94,489 |
| Rural water and waste disposal grants | 42,030 | 51,600 | 37,692 | -13,908 |
| Rural development grants | - - | 1,000 | 6,000 | +5,000 |
| Rural housing for domestic farm labor | 4,097 | 3,000 | 1,705 | -1,295 |
| Mutual and self-help housing | 1,486 | 3,000 | 5,469 | +2,469 |
| Self-help housing land development fund | -84 | 879 | 769 | -110 |
| Salaries and expenses | 103,938 | 119,568 | 128,632 | +8,940 |
| Direct loan account | -17,615 | - - | - - | - - |
| Emergency credit revolving fund | -14,063 | - - | - - | - - |
| Economic Opportunity loan fund | -6,523 | -3,616 | -2,435 | +1,181 |
| Total, Farmers Home Administration | -147,202 | 539,862 | -116,596 | -656,582 |
| Total, Rural Development | 381,705 | 558,017 | -96,288 | -654,305 |
| ENVIRONMENTAL PROGRAMS | | | | |
| Soil Conservation Service: | | | | |
| Conservation operations | 149,820 | 171,987 | 192,202 | +20,215 |
| River basin surveys and investigations | 10,465 | 13,826 | 14,297 | +471 |
| Watershed planning | 6,615 | 10,864 | 11,309 | +445 |
| Watershed and flood prevention operations | 105,979 | 164,214 | 136,342 | -27,872 |
| Great Plains conservation program | 15,174 | 18,300 | - - | -18,300 |
| Resource conservation and development | 18,540 | 23,000 | 24,000 | +1,000 |
| Plant materials center | 288 | - - | - - | - - |
| Total, Soil Conservation Service | 306,881 | 402,191 | 378,150 | -24,041 |
| Total, Environmental Programs | 306,881 | 402,191 | 378,150 | -24,041 |

| Appropriation and Subappropriation | 1973 Actual | 1974 Estimate | 1975 Budget Estimate | Change, 1975 compared with 1974 |
|---|---|---|---|---|
| CONSUMER PROGRAMS | | | | |
| Food and Nutrition Service: | | | | |
| Child Nutrition Programs | 602,402 | 748,350 | 1,269,190 | +520,840 |
| Proposed supplemental | - - | 71,500 | - - | -71,500 |
| Total, Child Nutrition Program | 602,402 | 819,850 | 1,269,190 | +449,340 |
| Special Milk Program | 90,858 | 94,025 | 120,000 | +25,975 |
| Food Stamp Program | 2,207,532 | 2,492,367 | 3,926,500 | +1,434,133 |
| Proposed supplemental | - - | 500,000 | - - | -500,000 |
| Total, Food Stamp Program | 2,207,532 | 2,992,367 | 3,926,500 | +934,133 |
| Total, Food and Nutrition Service | 2,900,792 | 3,906,242 | 5,315,690 | +1,409,448 |
| Total, Consumer Programs | 2,900,792 | 3,906,242 | 5,315,690 | +1,409,448 |
| Trust funds | 33,125 | 47,073 | 49,352 | +2,279 |
| Deduct receipts | -298,285 | -49,550 | -52,702 | -3,152 |
| Total, United States Department of Agriculture (excluding Forest Service) | 9,850,277 | 8,933,548 | 8,947,922 | +14,374 |
| Forest Service: | | | | |
| Forest Protection and Utilization | 374,818 | 355,300 | 387,462 | +32,162 |
| Proposed supplemental | - - | 90,800 | - - | -90,800 |
| Total, Forest Protection and Utilization | 374,818 | 446,100 | 387,462 | -58,638 |
| Forest Roads and Trails (Appropriation to liquidation contract authority) | 140,618 | 126,628 | 116,000 | -10,628 |
| Construction and land acquisition | 28,085 | 49,990 | 33,919 | -16,071 |
| All other (principally permanent appropriations) | 142,054 | 197,774 | 181,779 | -15,995 |
| Working Capital Fund | -5,227 | -3,801 | -3,158 | +643 |
| Consolidated Working Fund | -1,461 | 1,334 | - - | -1,334 |
| Subtotal, Forest Service | 678,887 | 818,025 | 716,002 | -102,023 |
| Forest Service trust funds | 44,321 | 57,293 | 60,096 | +2,803 |
| Deduct Forest Service receipts | -545,082 | -497,457 | -540,272 | -42,815 |
| Total, Forest Service | 178,126 | 377,861 | 235,826 | -142,035 |
| Total, United States Department of Agriculture (including Forest Service) | 10,028,403 | 9,311,409 | 9,183,748 | -127,661 |

a/ Includes $15,000,000 supplemental for free and reduced-price lunches.

b/ Includes proposed legislation to delete $175,000,000 for disaster payments.

c/ Includes $163,000 supplemental for Federal Regional Council support.

d/ Under law, totals for 1974 and 1975 not included in budget.

Office of Budget and Finance
Division of Budget Systems and Control
January 11, 1974

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 6.--Budget Outlays (Expenditures) from Appropriations, REA and FHA Loan Authorizations, and Corporation and Other Revolving Funds, Fiscal Years 1966 Through 1973, and Estimated 1974 and 1975

(Note--Amounts reported are based on outlays for the Department of Agriculture as shown in the Budget. Figures are adjusted for comparability with the appropriation structure in the 1975 Budget.)

(Millions of Dollars)

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | Estimated 1974 | Estimated 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| DEPARTMENTAL MANAGEMENT | | | | | | | | | | |
| Departmental Administration: | | | | | | | | | | |
| Office of the Secretary ..... | 5.6 | 6.2 | 6.2 | 6.9 | 8.0 | 8.6 | 9.4 | 10.1 | 11.3 | 13.7 |
| Audit and Investigations ..... | 10.2 | 11.4 | 12.1 | 13.0 | 14.8 | 16.8 | 18.4 | 17.4 | 19.6 | 21.5 |
| Office of the General Counsel ..... | 4.1 | 4.2 | 4.4 | 4.8 | 5.6 | 5.9 | 6.7 | 6.1 | 6.9 | 7.5 |
| Office of Management Services ..... | 1.9 | 2.0 | 2.0 | 2.3 | 2.6 | 2.8 | 3.4 | 3.0 | 3.7 | 4.1 |
| Total, Departmental Administration. | 21.8 | 23.8 | 24.7 | 27.0 | 31.0 | 34.1 | 37.9 | 36.6 | 41.6 | 46.8 |
| SCIENCE AND EDUCATION PROGRAMS | | | | | | | | | | |
| Agricultural Research Service ..... | 125.6 | 132.0 | 145.8 | 159.3 | 165.4 | 176.4 | 202.1 | 193.6 | 211.1 | 226.2 |
| Scientific activities overseas (special foreign currency program) | 6.5 | 7.2 | 7.0 | 7.1 | 6.0 | 5.7 | 6.2 | 5.3 | 8.5 | 9.8 |
| Animal and Plant Health Inspection Service ..... | 126.1 | 143.2 | 163.8 | 170.1 | 208.8 | 231.5 | 265.5 | 308.2 | 308.8 | 329.1 |
| Cooperative State Research Service: | | | | | | | | | | |
| Payments to States under Hatch Act and penalty mail ..... | 47.1 | 50.1 | 49.9 | 51.6 | 53.7 | 60.1 | 63.0 | 67.3 | 68.0 | 72.1 |
| Grants for cooperative forestry research, contracts and grants for scientific research, grants for facilities, and funds for rural development research ..... | 4.3 | 4.8 | 7.4 | 6.6 | 6.3 | 7.5 | 9.4 | 12.9 | 19.8 | 21.5 |
| Federal administration ..... | 1.1 | 1.6 | 1.7 | 1.7 | 2.0 | 2.2 | 2.4 | 2.1 | 2.6 | 2.6 |
| Extension Service: | | | | | | | | | | |
| Payments to States and penalty mail . | 86.5 | 89.2 | 86.5 | 93.9 | 120.3 | 149.2 | 163.8 | 179.5 | 200.2 | 199.3 |
| Federal administration and coordination ..... | 3.4 | 3.6 | 3.8 | 3.5 | 4.3 | 5.5 | 6.0 | 6.3 | 7.1 | 7.5 |
| National Agricultural Library ..... | 1.8 | 2.6 | 6.8 | 4.4 | 3.9 | 4.0 | 4.2 | 4.2 | 4.7 | 4.9 |
| AGRICULTURAL ECONOMICS | | | | | | | | | | |
| Statistical Reporting Service ..... | 14.0 | 13.2 | 14.6 | 14.8 | 17.1 | 18.5 | 20.8 | 21.3 | 24.0 | 26.9 |
| Economic Research Service ..... | 11.5 | 12.6 | 13.7 | 13.5 | 16.2 | 15.8 | 17.8 | 16.4 | 19.6 | 21.8 |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | Estimated 1974 | Estimated 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| MARKETING SERVICES | | | | | | | | | | |
| Agricultural Marketing Service: | | | | | | | | | | |
| Marketing services ..... | 20.5 | 22.3 | 23.2 | 22.6 | 22.6 | 25.9 | 31.0 | 30.3 | 36.9 | 39.7 |
| Payments to States and possessions .. | 1.8 | 1.8 | 1.8 | 1.6 | 1.6 | 1.7 | 1.6 | 1.6 | 1.6 | -- |
| Commodity Exchange Authority ..... | 1.2 | 1.3 | 1.5 | 1.7 | 2.2 | 2.7 | 2.9 | 2.7 | 3.4 | 4.2 |
| Packers and Stockyards Administration . | 2.4 | 2.4 | 2.6 | 2.7 | 3.3 | 3.7 | 3.9 | 3.7 | 4.2 | 4.5 |
| Farmer Cooperative Service ..... | 1.2 | 1.3 | 1.5 | 1.5 | 1.7 | 1.8 | 2.0 | 2.0 | 2.2 | 2.4 |
| INTERNATIONAL PROGRAMS | | | | | | | | | | |
| Foreign Agricultural Service ..... | 18.6 | 20.3 | 24.1 | 23.0 | 24.1 | 25.3 | 27.8 | 26.4 | 30.3 | 32.4 |
| Salaries and expenses (special foreign currency program) ..... | 1.5 | 0.8 | 0.7 | 0.7 | 0.8 | 1.0 | 0.8 | 0.5 | 1.0 | 1.0 |
| Foreign Assistance Programs: | | | | | | | | | | |
| Public Law 480: | | | | | | | | | | |
| Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I) | 1,371.3 | 1,070.3 | 859.7 | 610.3 | 586.4 | 522.5 | 468.8 | 357.8 | 467.2 | 499.3 |
| Commodities supplied in connection with dispositions abroad (Title II) ..... | 413.2 | 381.4 | 344.6 | 364.2 | 350.9 | 395.7 | 524.4 | 396.1 | 328.9 | 242.4 |
| International Wheat Agreement ..... | 10.2 | -7.5 | -- | -- | -- | -- | -- | -- | -- | -- |
| Bartered materials for supplemental stockpile ..... | 25.8 | 32.5 | 25.9 | 1.7 | 0.1 | 0.1 | -- | -- | -- | -- |
| Total, Foreign Assistance Programs .... | 1,820.5 | 1,476.7 | 1,230.2 | 976.2 | 937.4 | 918.3 | 993.2 | 754.0 | 796.1 | 741.7 |
| AGRICULTURAL STABILIZATION AND CONSERVATION | | | | | | | | | | |
| Agricultural Stabilization and Conservation Service: | | | | | | | | | | |
| Salaries and expenses ..... | 126.5 | 131.7 | 139.8 | 147.2 | 152.6 | 158.3 | 166.4 | 163.6 | 163.0 | 169.6 |
| Sugar Act program ..... | 87.7 | 81.7 | 83.8 | 87.1 | 93.0 | 85.9 | 86.1 | 87.1 | 90.8 | 91.5 |
| Rural environmental assistance program ..... | 210.2 | 218.4 | 219.4 | 199.4 | 182.6 | 167.1 | 185.4 | 162.6 | 23.2 | 87.0 |
| Rural environmental program ..... | -- | -- | -- | -- | -- | -- | -- | -- | -- | 51.9 |
| Water Bank Act program ..... | -- | -- | -- | -- | -- | -- | 0.1 | 0.8 | 2.2 | -- |
| Cropland adjustment program ..... | 5.6 | 53.6 | 83.7 | 79.5 | 77.4 | 75.7 | 66.8 | 51.5 | 50.3 | 48.6 |
| Conservation reserve program ..... | 151.0 | 140.7 | 121.8 | 106.7 | 38.6 | 0.9 | 0.1 | -0.1 | a/ | -- |
| Emergency conservation measures ... | 13.2 | 5.7 | 5.4 | 7.1 | 8.3 | 12.4 | 7.4 | 9.2 | 19.0 | -- |
| Dairy and beekeeper indemnity programs ..... | 0.2 | 0.2 | 0.3 | 0.1 | 0.1 | 0.2 | 3.0 | 6.8 | 3.8 | 2.9 |
| Cropland conversion program ..... | 1.9 | 1.7 | 3.1 | 3.0 | 2.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | Estimated 1974 | Estimated 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| CORPORATIONS | | | | | | | | | | |
| Federal Crop Insurance Corporation: | | | | | | | | | | |
| Administrative and operating expenses | 8.2 | 8.6 | 10.3 | 11.8 | 11.9 | 12.0 | 12.1 | 11.7 | 12.0 | 12.0 |
| Federal Crop Insurance Fund | 10.5 | -6.3 | 15.3 | 7.1 | 9.3 | -0.3 | -10.4 | -12.6 | -4.0 | 4.1 |
| Total, Federal Crop Insurance Corporation | 18.7 | 2.3 | 25.6 | 18.9 | 21.2 | 11.8 | 1.7 | -0.9 | 8.0 | 16.1 |
| Commodity Credit Corporation: | | | | | | | | | | |
| Price support and special activities | 1,340.2 | 1,912.1 | 3,193.0 | 4,114.9 | 3,783.0 | 2,825.0 | 3,956.1 | 3,555.4 | 1,040.8 | 907.0 |
| RURAL DEVELOPMENT | | | | | | | | | | |
| Rural Development Service | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.4 | 0.4 | 1.0 | 1.2 |
| Rural Electrification Administration: | | | | | | | | | | |
| Loan authorizations | 361.0 | 412.0 | 495.0 | 473.0 | 497.8 | 549.4 | 550.9 | 484.6 b/ | (489.9) c/ | (463.1) c/ |
| Salaries and expenses | 11.9 | 12.2 | 12.7 | 13.3 | 14.7 | 15.5 | 16.5 | 14.7 | 17.2 | 19.1 |
| Farmers Home Administration: | | | | | | | | | | |
| Rural water and waste disposal grants | 0.1 | 11.1 | 29.4 | 27.9 | 25.4 | 25.9 | 35.4 | 42.0 | 51.6 | 37.7 |
| Rural renewal | 1.1 | 1.1 | 2.2 | 1.4 | 0.5 | -- | -- | -- | -- | -- |
| Rural development grants | -- | -- | -- | -- | -- | -- | -- | -- | 1.0 | 6.0 |
| Rural housing for domestic farm labor | -- | 0.2 | 1.1 | 2.8 | 6.3 | 3.5 | 0.8 | 4.1 | 3.0 | 1.7 |
| Mutual and self-help housing | -- | -- | -- | -- | -- | 0.1 | 0.8 | 1.5 | 3.0 | 5.5 |
| Salaries and expenses | 47.7 | 52.1 | 57.7 | 60.3 | 70.5 | 92.8 | 100.6 | 103.9 | 119.6 | 128.6 |
| Direct loan account | -31.4 | 3.5 | 67.6 | 46.9 | 39.5 | 0.5 | 11.1 | -17.6 | -- | -- |
| Self-help housing land development fund | -- | -- | -- | -- | 0.1 | 0.1 | a/ | -0.1 | 0.9 | 0.8 |
| Rural housing insurance fund | 43.7 | -3.4 | 10.3 | 10.3 | 125.2 | -186.2 | 169.1 | -231.8 | 158.9 | -230.4 |
| Emergency credit revolving fund (disaster loans) | 18.7 | 8.6 | 21.6 | 14.0 | -10.9 | 41.1 | -73.3 | -14.1 | -- | -- |
| Agricultural credit insurance fund | 87.5 | -26.5 | 9.0 | 196.6 | -114.9 | -23.5 | 192.6 | 194.1 | 136.7 | -38.3 |
| Rural development insurance fund | -- | -- | -- | -- | -- | -- | -- | -222.8 | 68.8 | -25.7 |
| Economic opportunity loan fund | 29.6 | 25.4 | 18.7 | 1.2 | -5.7 | -5.1 | -7.8 | -6.5 | -3.6 | -2.4 |
| ENVIRONMENTAL PROGRAMS | | | | | | | | | | |
| Soil Conservation Service: | | | | | | | | | | |
| Conservation operations | 108.7 | 110.5 | 114.2 | 117.3 | 129.7 | 137.7 | 155.0 | 149.8 | 172.0 | 192.2 |
| River basin surveys and investigations | 5.1 | 7.0 | 8.1 | 8.8 | 8.9 | 10.1 | 10.0 | 10.5 | 13.8 | 14.3 |
| Watershed planning | 6.3 | 6.3 | 6.4 | 6.5 | 6.9 | 6.1 | 6.9 | 6.6 | 10.9 | 11.3 |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | Estimated 1974 | Estimated 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| ENVIRONMENTAL PROGRAMS (Cont.) | | | | | | | | | | |
| Soil Conservation Service: (Cont.) | | | | | | | | | | |
| Watershed and flood prevention operations | 90.9 | 94.3 | 87.0 | 84.9 | 98.5 | 100.7 | 108.5 | 106.0 | 164.2 | 136.3 |
| Great Plains conservation program | 13.6 | 15.9 | 15.8 | 16.0 | 16.4 | 16.2 | 16.2 | 15.2 | 18.3 | -- |
| Resource conservation and development | 2.1 | 4.1 | 6.8 | 8.4 | 9.0 | 12.5 | 16.2 | 18.5 | 23.0 | 24.0 |
| CONSUMER PROGRAMS | | | | | | | | | | |
| Food and Nutrition Service: | | | | | | | | | | |
| Child nutrition programs | 196.7 | 208.3 | 216.9 | 237.0 | 299.1 | 519.9 | 622.2 | 602.4 | 819.9 | 1,269.2 |
| Special milk program | 97.0 | 96.1 | 103.7 | 101.9 | 83.8 | 90.9 | 93.6 | 90.9 | 94.0 | 120.0 |
| Food stamp program | 69.5 | 114.1 | 184.7 | 247.8 | 576.8 | 1,567.8 | 1,909.2 | 2,207.5 | 2,992.4 | 3,926.5 |
| Other (principally interfund transactions) | -0.4 | 1.3 | -0.7 | 0.1 | 0.3 | 0.8 | 0.6 | -1.3 | 0.6 | -- |
| Trust funds | 31.8 | 31.3 | 31.4 | 34.4 | 37.5 | 40.0 | 46.3 | 33.1 | 47.1 | 49.4 |
| Deduct receipts from the public | 284.7 | 315.1 | 344.0 | 319.0 | 323.9 | 334.2 | 357.1 | 298.3 | 49.6 | 52.7 |
| Effects of proposed new legislation: | | | | | | | | | | |
| CCC - eliminate disaster payments for feed grains, wheat, and cotton | -- | -- | -- | -- | -- | -- | -- | -- | -- | -175.0 |
| Total, Agriculture-Environmental and Consumer Protection Programs Exclusive of Permanent Appropriations | 5,179.3 | 5,429.3 | 6,842.8 | 7,739.3 | 7,579.4 | 7,710.9 | 9,960.1 | 9,004.7 | 8,057.3 | 8,588.2 |
| FOREST SERVICE | | | | | | | | | | |
| Forest protection and utilization | 203.8 | 232.7 | 252.4 | 243.1 | 275.9 | 355.8 | 375.2 | 375.5 | 447.1 | 388.2 |
| Construction and land acquisition | 23.9 | 30.0 | 28.1 | 21.3 | 21.1 | 7.0 | 19.6 | 28.1 | 50.0 | 33.9 |
| Youth conservation corps | -- | -- | -- | -- | -- | 0.2 | 2.8 | 3.3 | 8.0 | 10.2 |
| Forest roads and trails | 101.0 | 102.5 | 105.3 | 95.3 | 99.8 | 122.5 | 143.2 | 140.6 | 126.6 | 116.0 |
| Acquisition of lands for national forests | 0.6 | 0.1 | 0.1 | -- | 0.1 | a/ | 0.1 | 0.1 | 0.1 | 0.2 |
| Assistance to States for tree planting | 0.9 | 1.1 | 1.0 | 0.9 | 1.1 | 0.9 | 1.1 | 0.9 | 1.1 | 1.3 |
| Construction and operation of recreation facilities | -- | -- | -- | -- | -- | -- | -- | -- | 3.1 | 1.2 |
| Other (principally interfund transactions) | -3.2 | -2.1 | -1.6 | 0.8 | 2.1 | 0.2 | 1.1 | -6.7 | -2.5 | -3.2 |
| Forest Service trust funds | 24.9 | 27.7 | 31.1 | 28.7 | 34.6 | 46.9 | 41.1 | 44.3 | 57.3 | 60.1 |

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | Estimated 1974 | Estimated 1975 |
|---|---|---|---|---|---|---|---|---|---|---|
| FOREST SERVICE (Cont.) | | | | | | | | | | |
| Deduct Forest Service receipts from the public | 212.2 | 221.6 | 255.7 | 368.9 | 340.7 | 284.4 | 416.9 | 545.1 | 497.5 | 540.3 |
| Total, Forest Service | 139.7 | 170.4 | 160.7 | 21.2 | 94.0 | 249.1 | 167.3 | 41.0 | 193.5 | 67.6 |
| Total, USDA Excluding Permanent Appropriations | 5,319.0 | 5,599.7 | 7,003.5 | 7,760.5 | 7,673.4 | 7,960.0 | 10,127.3 | 9,045.8 | 8,250.8 | 8,655.8 |
| PERMANENT APPROPRIATIONS | | | | | | | | | | |
| Animal quarantine station | -- | -- | -- | -- | -- | -- | -- | -- | 0.1 | 0.5 |
| National Wool Act program | 38.2 | 35.1 | 72.5 | 67.9 | 56.3 | 75.4 | 116.5 | 74.0 | 7.4 | 2.7 |
| Rural Telephone Bank | -- | -- | -- | -- | -- | -- | a/ | 29.3 d/ | (114.7) c/ | (135.4) c/ |
| Plant materials center | -- | -- | -- | -- | 0.3 | a/ | 0.2 | 0.3 | -- | -- |
| Funds for strengthening markets, income, and supply (30% of customs receipts) | 117.7 | 145.4 | 174.7 | 414.9 | 449.5 | 402.3 | 593.2 | 740.2 | 867.4 | 355.0 |
| Perishable Agricultural Commodities Act fund | 0.8 | 0.9 | 0.9 | 0.9 | 1.0 | 1.1 | 0.7 | 1.7 | 1.4 | 1.6 |
| Roads and trails for States, national forests fund | 14.2 | 16.8 | 17.6 | 20.9 | 31.2 | 28.8 | 22.7 | 33.9 | 45.5 | 40.5 |
| Brush disposal | 8.9 | 8.9 | 8.9 | 9.0 | 10.9 | 13.8 | 16.4 | 17.5 | 24.0 | 25.2 |
| Forest fire prevention | -- | -- | -- | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.3 | 0.3 |
| Payments to counties, national grasslands | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Payments to school funds, Arizona and New Mexico | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Payments to States, national forests fund | 35.4 | 42.3 | 44.0 | 52.3 | 78.1 | 72.6 | 56.9 | 85.0 | 114.0 | 101.5 |
| Total, Permanent Appropriations | 215.9 | 250.0 | 319.1 | 566.6 | 628.0 | 594.7 | 807.4 | 982.6 | 1,060.7 | 527.9 |
| TOTAL, USDA | 5,534.9 | 5,849.6 | 7,322.6 | 8,327.2 | 8,300.9 | 8,554.7 | 10,934.7 | 10,028.4 | 9,311.4 | 9,183.7 |

NOTE: Details may not add to totals shown due to rounding. Minus figures indicate excess of collections over outlays.

a/ Less than $50,000.
b/ Under P. L. 93-32, outlays of $50.6 made between May 12, 1973, and June 30, 1973, are not included in budget totals.
c/ This amount excluded by P. L. 93-32 from budget totals.
d/ Under P. L. 93-32 outlays of $9.2 made between May 12, 1973, and June 30, 1973, are not included in budget totals.

Office of Budget and Finance
L&FR 75-H-475
January 31, 1974

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 7--Statement of Increases and Decreases in Outlays, 1975 Budget Estimate Compared with 1974 Estimate

| Agency and Item | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| DEPARTMENTAL MANAGEMENT: | | | |
| Departmental Administration: | | | |
| Office of the Secretary: | | | |
| Pay cost annualization | $667,000 | +$113,000 | $780,000 |
| GSA space costs | - - | +922,000 | 922,000 |
| Printing, penalty mail and telecommunications | 2,821,000 | +307,000 | 3,128,000 |
| USDA Bicentennial projects | - - | +515,000 | 515,000 |
| Representatives for Federal Regional Councils | 1,008,000 | +415,000 | 1,423,000 |
| Contract compliance | 1,561,000 | +165,000 | 1,726,000 |
| All other | 3,683,000 | -276,000 | 3,407,000 |
| Outlays from prior year balances | 1,549,000 | +272,000 | 1,821,000 |
| Total, Office of the Secretary | 11,289,000 | +2,433,000 | 13,722,000 |
| Audit and Investigations: | | | |
| Pay cost annualization | 1,248,000 | +194,000 | 1,442,000 |
| GSA space costs | - - | +689,000 | 689,000 |
| Contracts and grants with audit organizations | 17,265,000 | +619,000 | 17,884,000 |
| Outlays from prior year balances | 1,124,000 | +382,000 | 1,506,000 |
| Total, Audit and Investigations | 19,637,000 | +1,884,000 | 21,521,000 |
| Office of the General Counsel: | | | |
| Pay cost annualization | 553,000 | +81,000 | 634,000 |
| GSA space costs | - - | +520,000 | 520,000 |
| All other | 5,728,000 | -306,000 | 5,422,000 |
| Outlays from prior year balances | 647,000 | +310,000 | 957,000 |
| Total, Office of the General Counsel | 6,928,000 | +605,000 | 7,533,000 |
| Office of Management Services: | | | |
| Pay cost annualization | 287,000 | +57,000 | 344,000 |
| GSA space costs | - - | +268,000 | 268,000 |
| All other | 2,999,000 | +16,000 | 3,015,000 |
| Outlays from prior year balances | 440,000 | -14,000 | 426,000 |
| Total, Office of Management Services | 3,726,000 | +327,000 | 4,053,000 |
| Total, Departmental Administration | 41,580,000 | +5,249,000 | 46,829,000 |
| TOTAL, DEPARTMENTAL MANAGEMENT | 41,580,000 | +5,249,000 | 46,829,000 |
| SCIENCE AND EDUCATION PROGRAMS: | | | |
| Agricultural Research Service: | | | |
| Pay cost annualization | 11,915,000 | +2,222,000 | 14,137,000 |
| GSA space costs | - - | +2,037,600 | 2,037,600 |
| Beltsville Waste Treatment facility | - - | +786,000 | 786,000 |
| Meat research lab, Clay Center, Neb. | - - | +5,020,000 | 5,020,000 |
| Improved oil crops | 1,740,000 | +266,000 | 2,006,000 |
| Reducing cost of red meats | 14,630,000 | +2,729,000 | 17,359,000 |
| Genetic vulnerability of crops | 1,473,000 | +562,000 | 2,035,000 |
| Control of nitrogen nutrition in crops | 1,252,000 | +266,000 | 1,518,000 |
| Nutrient composition of foods | 1,882,000 | +492,000 | 2,374,000 |
| Food and nutrition research | 2,959,000 | +594,000 | 3,553,000 |
| Food consumption and dietary levels survey | - - | +178,000 | 178,000 |
| Control of water erosion and sedimentation | 2,171,000 | +296,000 | 2,467,000 |
| All other | 139,116,000 | - - | 139,116,000 |
| Outlays from prior year balances | 34,011,000 | -396,000 | 33,615,000 |
| Subtotal, Agricultural Research Service | 211,149,000 | +15,052,600 | 226,201,600 |
| Scientific Activities Overseas (Special foreign currency program) | 850,000 | +130,000 | 980,000 |
| Outlays from prior year balances | 7,650,000 | +1,170,000 | 8,820,000 |
| Subtotal, Scientific Activities Overseas | 8,500,000 | +1,300,000 | 9,800,000 |
| Working Capital Fund | 378,000 | -378,000 | - - |
| Total, Agricultural Research Service | 220,027,000 | +15,974,600 | 236,001,600 |
| Animal and Plant Health Inspection Service: | | | |
| Pay cost annualization | 17,085,000 | +2,842,000 | 19,927,000 |
| GSA space costs | - - | +4,040,000 | 4,040,000 |
| Meat and poultry inspection | 165,053,000 | +5,915,000 | 170,968,000 |
| Boll weevil | 568,000 | +100,000 | 668,000 |
| Foot-and-mouth disease (Darien Gap) | - - | +1,962,000 | 1,962,000 |
| Screwworm | 11,912,000 | +3,887,000 | 15,799,000 |
| Veterinary biologics lab | 400,000 | +1,780,000 | 2,180,000 |
| Repayment to Commodity Credit Corporation | 7,036,000 | -1,498,000 | 5,538,000 |
| All other | 77,863,000 | +4,963,000 | 82,826,000 |
| Outlays from prior year balances | 28,841,000 | -3,697,000 | 25,144,000 |
| Total, Animal and Plant Health Inspection Service | 308,758,000 | +20,294,000 | 329,052,000 |
| Cooperative State Research Service: | | | |
| Pay cost annualization | 138,000 | +30,000 | 168,000 |
| GSA space costs | - - | +123,000 | 123,000 |
| Payments to agricultural experiment stations under the Hatch Act and for penalty mail | 69,276,672 | +3,704,729 | 72,981,401 |
| Grants for cooperative forestry research | 5,892,850 | +127,000 | 6,019,850 |
| Contracts and grants for scientific research | 1,702,450 | +887,950 | 2,590,400 |
| All other | 2,077,300 | - - | 2,077,300 |
| Outlays from prior year balances | 11,291,913 | +928,136 | 12,220,049 |
| Total, Cooperative State Research Service | 90,379,185 | +5,800,815 | 96,180,000 |

| Agency and Item | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| SCIENCE AND EDUCATION PROGRAMS: Cont'd | | | |
| Extension Service: | | | |
| Pay cost annualization | 308,000 | +50,500 | 358,500 |
| GSA space costs | - - | +332,200 | 332,200 |
| Payments for cooperative extension work under Section 3(b) and (c) of the Smith-Lever Act | 101,329,440 | +6,798,600 | 108,128,040 |
| Retirement and employees compensation fund costs | 13,538,000 | +849,000 | 14,387,000 |
| 1890 Land-Grant Colleges and Tuskegee Institute | 4,500,000 | - - | 4,500,000 |
| Pest management | 425,000 | +975,000 | 1,400,000 |
| Farm safety | - - | +700,000 | 700,000 |
| District of Columbia | 768,000 | +35,000 | 803,000 |
| Penalty mail | 14,359,000 | -4,463,000 | 9,896,000 |
| Nutrition education program (Increase rate of outlays) | 42,304,000 | +320,000 | 42,624,000 |
| All other | 7,635,760 | +140,000 | 7,775,760 |
| Outlays from prior year balances | 22,119,000 | -6,173,500 | 15,945,500 |
| Total, Extension Service | 207,286,200 | -436,200 | 206,850,000 |
| National Agricultural Library: | | | |
| Pay cost annualization | 226,000 | +30,000 | 256,000 |
| GSA space costs | - - | +152,000 | 152,000 |
| Acquisition and preservation of agricultural materials | 1,012,000 | +175,000 | 1,187,000 |
| All other | 2,695,000 | +57,000 | 2,752,000 |
| Outlays from prior year balances | 626,000 | -66,000 | 560,000 |
| Subtotal, National Agricultural Library | 4,559,000 | +348,000 | 4,907,000 |
| Library facilities - Outlays from prior year balances | 117,000 | -117,000 | - - |
| Total, National Agricultural Library | 4,676,000 | +231,000 | 4,907,000 |
| TOTAL, SCIENCE AND EDUCATION | 831,126,385 | +41,864,215 | 872,990,600 |
| AGRICULTURAL ECONOMICS: | | | |
| Statistical Reporting Service: | | | |
| Pay cost annualization | 1,266,000 | +224,200 | 1,490,200 |
| GSA space costs | - - | +1,213,800 | 1,213,800 |
| Cattle and hog multiframe surveys | 1,996,900 | +716,000 | 2,712,900 |
| Export sales program | - - | +444,000 | 444,000 |
| Remote sensing | 66,500 | +180,000 | 246,500 |
| All other | 18,645,600 | - - | 18,645,600 |
| Outlays from prior year balances | 2,025,000 | +74,000 | 2,099,000 |
| Total, Statistical Reporting Service | 24,000,000 | +2,852,000 | 26,852,000 |
| Economic Research Service: | | | |
| Pay cost annualization | 1,269,000 | +168,900 | 1,437,900 |
| GSA space costs | - - | +792,000 | 792,000 |
| Improvement of forecasting procedures | 1,900,000 | +513,000 | 2,413,000 |
| Costs of producing wheat, feed grains, cotton and milk | - - | +894,000 | 894,000 |
| Rural transportation study | 275,000 | +97,000 | 372,000 |
| Benefit/cost analysis of predator controls | 275,000 | -275,000 | - - |
| All other | 13,421,100 | - - | 13,421,100 |
| Outlays from prior year balances | 2,460,000 | +38,000 | 2,498,000 |
| Total, Economic Research Service | 19,600,100 | +2,227,900 | 21,828,000 |
| TOTAL, AGRICULTURAL ECONOMICS | 43,600,100 | +5,079,900 | 48,680,000 |
| MARKETING SERVICES: | | | |
| Agricultural Marketing Service: | | | |
| Marketing Services: | | | |
| Pay cost annualization | 2,222,000 | +319,000 | 2,541,000 |
| GSA space costs | - - | +2,524,000 | 2,524,000 |
| Market News Service | 8,033,000 | +212,000 | 8,245,000 |
| Regulatory activities | 2,678,000 | +224,000 | 2,902,000 |
| Inspection, grading, classing and standardization | 20,058,000 | -613,000 | 19,445,000 |
| Administration and coordination of State payments | 150,000 | -150,000 | - - |
| Outlays from prior year balances | 3,709,000 | +336,000 | 4,045,000 |
| Total, Marketing Services | 36,850,000 | +2,852,000 | 39,702,000 |
| Payments to States and possessions | 1,600,000 | -1,600,000 | - - |
| Total, Agricultural Marketing Service | 38,450,000 | +1,252,000 | 39,702,000 |

| Agency and Item | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| MARKETING SERVICES: Cont'd | | | |
| Commodity Exchange Authority: | | | |
| Pay cost annualization | 204,000 | +40,000 | 244,000 |
| GSA space costs | - - | +204,000 | 204,000 |
| Supervise commodity futures markets and handle increased number of complaints | 1,725,000 | +604,000 | 2,329,000 |
| All other | 1,151,000 | -97,000 | 1,054,000 |
| Outlays from prior year balances | 274,000 | +105,000 | 379,000 |
| Total, Commodity Exchange Authority | 3,354,000 | +856,000 | 4,210,000 |
| Packers and Stockyards Administration: | | | |
| Pay cost annualization | 258,000 | +47,000 | 305,000 |
| GSA space costs | - - | +143,000 | 143,000 |
| Livestock marketing practices | 1,971,000 | +99,000 | 2,070,000 |
| All other | 1,683,000 | -107,000 | 1,576,000 |
| Outlays from prior year balances | 277,000 | +134,000 | 411,000 |
| Total, Packers and Stockyards Administration | 4,189,000 | +316,000 | 4,505,000 |
| Farmer Cooperative Service: | | | |
| Pay cost annualization | 131,000 | +27,000 | 158,000 |
| GSA space costs | - - | +97,800 | 97,800 |
| All other | 1,837,000 | -3,800 | 1,833,200 |
| Outlays from prior year balances | 252,000 | +9,000 | 261,000 |
| Total, Farmer Cooperative Service | 2,220,000 | +130,000 | 2,350,000 |
| TOTAL, MARKETING SERVICES | 48,213,000 | +2,554,000 | 50,767,000 |
| INTERNATIONAL PROGRAMS: | | | |
| Foreign Agricultural Service: | | | |
| Pay cost annualization | 838,000 | +145,000 | 983,000 |
| GSA space costs | - - | +557,000 | 557,000 |
| Agricultural attaches | 7,376,000 | +183,000 | 7,559,000 |
| All other | 11,511,000 | - - | 11,511,000 |
| Outlays from prior year balances | 10,602,000 | +1,163,000 | 11,765,000 |
| Total, Foreign Agricultural Service | 30,327,000 | +2,048,000 | 32,375,000 |
| Salaries and expenses (Special foreign currency program) - Outlays from prior year balances | 1,000,000 | - - | 1,000,000 |
| Total, Foreign Agricultural Service | 31,327,000 | +2,048,000 | 33,375,000 |
| Public Law 480 Programs: | | | |
| Title I - Sale of commodities for foreign currencies and for dollars on credit | 314,587,000 | +438,000 | 315,025,000 |
| Outlays from prior year balances | 228,142,000 | -154,067,000 | 74,075,000 |
| Total, Title I | 542,729,000 | -153,629,000 | 389,100,000 |
| Title II - Disposition of commodities abroad | 239,051,000 | +224,397,000 | 463,448,000 |
| Outlays from prior year balances | 14,329,000 | -125,187,000 | -110,858,000 |
| Total, Title II | 253,380,000 | +99,210,000 | 352,590,000 |
| Total, Public Law 480 programs | 796,109,000 | -54,419,000 | 741,690,000 |
| TOTAL, INTERNATIONAL PROGRAMS | 827,436,000 | -52,371,000 | 775,065,000 |
| AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE: | | | |
| Salaries and expenses, ASCS: | | | |
| Annualization of pay cost | - - a/ | +1,589,000 | 1,589,000 |
| GSA space costs | - - | +4,845,000 | 4,845,000 |
| Reduction in workload | 152,377,000 | -2,925,000 | 149,452,000 |
| Outlays from prior year balances | 10,606,000 | +3,125,000 | 13,731,000 |
| Total, Salaries and expenses | 162,983,000 | +6,634,000 | 169,617,000 |
| Sugar Act program | 87,200,000 | +3,000,000 | 90,200,000 |
| Outlays from prior year balances | 3,600,000 | -2,300,000 | 1,300,000 |
| Total, Sugar Act program | 90,800,000 | +700,000 | 91,500,000 |
| Rural Environmental Assistance Program - Outlays from prior year balances | 23,160,000 | +63,840,000 | 87,000,000 |
| Rural Environmental Program | - - | +28,500,000 | 28,500,000 |
| Outlays from prior year balances | - - | +23,400,000 | 23,400,000 |
| Total, Rural Environmental Program | - - | +51,900,000 | 51,900,000 |
| Water Bank Act program | 1,100,000 | -1,100,000 | - - |
| Outlays from prior year balances | 1,083,000 | -1,083,000 | - - |
| Total, Water Bank Act program | 2,183,000 | -2,183,000 | - - |

a/ Increased pay costs for 1974 were absorbed within available funds.

| Agency and Item | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE: Cont'd | | | |
| Cropland Adjustment program | 50,300,000 | -1,699,000 | 48,601,000 |
| Cropland Conversion program - Outlays from prior year balances | 107,000 | - - | 107,000 |
| Emergency conservation measures - Outlays from prior year balances | 19,000,000 | -19,000,000 | - - |
| Dairy and beekeeper indemnity payment program | - - | +1,850,000 | 1,850,000 |
| Outlays from prior year balances | 3,775,000 | -2,775,000 | 1,000,000 |
| Total, Diary and beekeeper indemnity payment program | 3,775,000 | -925,000 | 2,850,000 |
| Conservation reserve program - Outlays from prior year balances | 32,000 | -32,000 | - - |
| Consolidated working fund - Outlays from prior year balances | 212,000 | -212,000 | - - |
| TOTAL, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE | 352,552,000 | +99,023,000 | 451,575,000 |
| CORPORATIONS: | | | |
| Federal Crop Insurance Corporation: | | | |
| Administrative and operating expenses | 10,120,000 | +6,000 | 10,126,000 |
| Outlays from prior year balances | 1,874,000 | - - | 1,874,000 |
| Total, Administrative and operating expenses | 11,994,000 | +6,000 | 12,000,000 |
| FCIC Fund - Outlays from prior year balances | -4,034,000 | +8,091,000 | 4,057,000 |
| Total, Federal Crop Insurance Corporation | 7,960,000 | +8,097,000 | 16,057,000 |
| Commodity Credit Corporation: | | | |
| Price support and related programs | 3,301,940,000 | +947,472,000 | 4,249,412,000 |
| Outlays from prior year balances | -2,392,897,000 | -924,483,000 | -3,317,380,000 |
| Total, Price support and related programs | 909,043,000 | +22,989,000 | 932,032,000 |
| Special activities | 144,336,000 | -77,040,000 | 67,296,000 |
| Outlays from prior year balances | -12,558,000 | -79,738,000 | -92,296,000 |
| Total, Special activities (excluding National Wool Act) | 131,778,000 | -156,778,000 | -25,000,000 |
| Total, Commodity Credit Corporation | 1,040,821,000 | -133,789,000 | 907,032,000 |
| TOTAL, CORPORATIONS | 1,048,781,000 | -125,692,000 | 923,089,000 |
| RURAL DEVELOPMENT: | | | |
| Rural Development Service: | | | |
| Pay cost annualization | 27,000 | +20,000 | 47,000 |
| GSA space costs | - - | +58,000 | 58,000 |
| Staffing support for the Federal Regional Councils | - - | +326,000 | 326,000 |
| All other | 807,000 | - - | 807,000 |
| Outlays from prior year balances | - - | +1,000 | 1,000 |
| Total, Rural Development Service | 834,000 | +405,000 | 1,239,000 |
| Rural Electrification Administration: | | | |
| Loan advances (Net of receipts): a/ | | | |
| Electrification | (403,600,000) | (-18,800,000) | (384,800,000) |
| Telephone | (86,300,000) | (-8,000,000) | (855,000,000) |
| Rural Telephone Bank (Net of receipts) a/ | (114,686,986) | (+20,718,320) | (135,405,306) |
| Salaries and expenses: | | | |
| Pay cost annualization | 722,000 b/ | +724,000 | 1,446,000 |
| GSA space costs | - - | +786,000 | 786,000 |
| All other | 15,188,000 | +63,000 | 15,251,000 |
| Outlays from prior year balances | 1,248,000 | +331,000 | 1,579,000 |
| Total, Salaries and expenses | 17,158,000 | +1,904,000 | 19,062,000 |
| Farmers Home Administration: | | | |
| Rural water and waste disposal grants | 5,000,000 | -3,000,000 | 2,000,000 |
| Outlays from prior year balances | 46,600,000 | -10,908,000 | 35,692,000 |
| Total, Rural water and waste disposal grants | 51,600,000 | -13,908,000 | 37,692,000 |

a/ Under law, the amounts for these activities are not included in Budget totals.
b/ Represents only the January 1973 pay increase. The October pay increase was absorbed within available funds.

| Agency and Item | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| RURAL DEVELOPMENT: Cont'd | | | |
| Farmers Home Administration: Cont'd | | | |
| Rural development grants | 1,000,000 | - - | 1,000,000 |
| Outlays from prior year balances | - - | +5,000,000 | 5,000,000 |
| Total, Rural development grants | 1,000,000 | +5,000,000 | 6,000,000 |
| Rural housing for domestic farm labor - Outlays from prior year balances | 3,000,000 | -1,295,000 | 1,705,000 |
| Mutual and self-help housing - Outlays from prior year balances | 3,000,000 | +2,469,000 | 5,469,000 |
| Salaries and expenses: | | | |
| Pay cost annualization | 7,800,000 | +1,480,000 | 9,280,000 |
| GSA space costs | - - | +4,270,000 | 4,270,000 |
| Expert and consultant fees | - - | +1,000,000 | 1,000,000 |
| Non-metropolitan planning assistance | 370,000 | -370,000 | - - |
| Administration of loan and grant programs | 103,411,000 | +1,634,000 | 105,045,000 |
| Outlays from prior year balances | 7,987,000 | +1,050,000 | 9,037,000 |
| Total, Salaries and expenses | 119,568,000 | +9,064,000 | 128,632,000 |
| Self-help housing land development fund - Outlays from prior year balances | 879,000 | -110,000 | 769,000 |
| Rural housing insurance fund: | | | |
| Loans made | 2,207,000,000 | -76,500,000 | 2,130,500,000 |
| Sale of loans | -2,395,692,000 | -348,670,000 | -2,744,362,000 |
| Adjustments for other costs and receipts | 347,626,000 | +35,868,000 | +383,494,000 |
| Total, Rural housing insurance fund | 158,934,000 | -389,302,000 | -230,368,000 |
| Agricultural credit insurance fund: | | | |
| Loans made | 1,094,000,000 | -255,000,000 | 839,000,000 |
| Sale of loans | -983,373,000 | +39,017,000 | -944,356,000 |
| Adjustments for other costs and receipts | 26,098,000 | +40,915,000 | 67,013,000 |
| Total, Agricultural credit insurance fund | 136,725,000 | -175,068,000 | -38,343,000 |
| Rural development insurance fund: | | | |
| Loans made | 450,000,000 | +100,000,000 | 550,000,000 |
| Sale of loans | -468,000,000 | -197,245,000 | -665,245,000 |
| Adjustments for other costs and receipts | 86,772,000 | +2,756,000 | 89,528,000 |
| Total, Rural development insurance fund | 68,772,000 | -94,489,000 | -25,717,000 |
| Economic opportunity loan fund - Outlays from prior year balances | -3,616,000 | +1,181,000 | -2,435,000 |
| Total, Farmers Home Administration | 539,862,000 | -656,458,000 | -116,596,000 |
| TOTAL, RURAL DEVELOPMENT | 557,854,000 | -654,149,000 | -96,295,000 |
| ENVIRONMENTAL PROGRAMS: | | | |
| Soil Conservation Service: | | | |
| Conservation Operations: | | | |
| Pay cost annualization | 12,325,000 a/ | +2,132,000 | 14,457,000 |
| GSA space costs | - - | +7,085,000 | 7,085,000 |
| Soil surveys | 20,629,000 | -178,000 | 20,451,000 |
| Technical programming, installation services and snow surveys | 114,222,000 | +17,622,000 | 131,844,000 |
| Operation of plant materials centers | 1,398,000 | +218,000 | 1,616,000 |
| Outlays from prior year balances | 23,413,000 | -6,664,000 | 16,749,000 |
| Total, Conservation operations | 171,987,000 | +20,215,000 | 192,202,000 |
| River basin surveys and investigations: | | | |
| Pay cost annualization | 824,000 b/ | +179,000 | 1,003,000 |
| GSA space costs | - - | +464,000 | 464,000 |
| All other | 10,807,000 | +1,373,000 | 12,180,000 |
| Outlays from prior year balances | 2,195,000 | -1,545,000 | 650,000 |
| Total, River basin surveys and investigations | 13,826,000 | +471,000 | 14,297,000 |
| Watershed planning: | | | |
| Pay cost annualization | 768,000 b/ | +145,000 | 913,000 |
| GSA space costs | - - | +424,000 | 424,000 |
| All other | 8,203,000 | +1,260,000 | 9,463,000 |
| Outlays from prior year balances | 1,893,000 | -1,384,000 | 509,000 |
| Total, Watershed planning | 10,864,000 | +445,000 | 11,309,000 |

a/ The pay cost supplemental for this item is $5,457,000. The remainder was absorbed within available funds.

b/ Increased pay costs for 1974 were absorbed within available funds.

| Agency and Item | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| ENVIRONMENTAL PROGRAMS: Cont'd | | | |
| Soil Conservation Service: Cont'd | | | |
| Watershed and flood prevention operations: | | | |
| Pay cost annualization | 4,050,800 a/ | +393,000 | 4,443,800 |
| GSA space costs | - - | +1,852,000 | 1,852,000 |
| Watershed protection works of improvement (Increased rate of outlays) | 34,060,500 | +13,413,000 | 47,473,500 |
| Flood prevention works of improvement (Increased rate of outlays) | 7,241,700 | +4,712,000 | 11,953,700 |
| Emergency measures | 300,000 | - - | 300,000 |
| Loan services | 476,000 | - - | 476,000 |
| Outlays from prior year balances | 118,085,000 | -48,242,000 | 69,843,000 |
| Total, Watershed and flood prevention operations | 164,214,000 | -27,872,000 | 136,342,000 |
| Great Plains Conservation program | 18,300,000 | -18,300,000 | - - |
| Resource conservation and development: | | | |
| Pay cost annualization | 854,000 a/ | +86,000 | 940,000 |
| GSA space costs | - - | +385,000 | 385,000 |
| Project investigations and planning | 1,220,000 | +49,000 | 1,269,000 |
| Resource development and technical services (Increased rate of outlays) | 8,421,000 | +4,682,000 | 13,103,000 |
| Loan services | 188,000 | - - | 188,000 |
| Outlays from prior year balances | 12,317,000 | -4,202,000 | 8,115,000 |
| Total, Resource conservation and development | 23,000,000 | +1,000,000 | 24,000,000 |
| Total, Soil Conservation Service | 402,191,000 | -24,041,000 | 378,150,000 |
| TOTAL, ENVIRONMENTAL PROGRAMS | 402,191,000 | -24,041,000 | 378,150,000 |
| CONSUMER PROGRAMS: | | | |
| Food and Nutrition Service: | | | |
| Child Nutrition Programs: | | | |
| Cash payments to States: | | | |
| School lunch program | 327,285,000 | +47,715,000 | 375,000,000 |
| Special assistance | 227,271,000 | +421,729,000 | 649,000,000 |
| School breakfast program | 52,660,000 | +16,340,000 | 69,000,000 |
| Nonfood assistance (increased rate of outlays) | 215,000 | +6,785,000 | 7,000,000 |
| State administrative expenses | 253,000 | +5,747,000 | 6,000,000 |
| All other (increased rate of outlays) | 78,574,000 | +6,651,000 | 85,225,000 |
| Operating expenses: | | | |
| Pay cost annualization | 220,000 a/ | +110,000 | 330,000 |
| GSA space costs | - - | +385,000 | 385,000 |
| All other operating expenses | 5,471,000 | +2,514,000 | 7,985,000 |
| Outlays from prior year balances | 56,401,000 | +12,864,000 | 69,265,000 |
| Total, Child Nutrition Programs | 748,350,000 | +520,840,000 | 1,269,190,000 |
| Special Milk Program: | | | |
| Cash payments to States | 74,297,000 | +20,810,000 | 95,107,000 |
| Operating expenses: | | | |
| Pay cost annualization | 22,000 a/ | +6,000 | 28,000 |
| GSA space costs | - - | +28,000 | 28,000 |
| All other operating expenses | 559,000 | - - | 559,000 |
| Outlays from prior year balances | 19,147,000 | +5,131,000 | 24,278,000 |
| Total, Special Milk Program | 94,025,000 | +25,975,000 | 120,000,000 |
| Food Stamp Program: | | | |
| Program costs | 2,455,217,000 | +1,426,829,000 | 3,882,046,000 |
| Operating expenses: | | | |
| Pay cost annualization | 724,000 a/ | +435,000 | 1,159,000 |
| GSA space costs | - - | +1,698,000 | 1,698,000 |
| All other | 22,276,000 | +3,721,000 | 25,997,000 |
| Outlays from prior year balances | 14,150,000 | +1,450,000 | 15,600,000 |
| Total, Food Stamp Program | 2,492,367,000 | +1,434,133,000 | 3,926,500,000 |
| Total, Food and Nutrition Service | 3,334,742,000 | +1,980,948,000 | 5,315,690,000 |
| TOTAL, CONSUMER PROGRAMS | 3,334,742,000 | +1,980,948,000 | 5,315,690,000 |

a/ Increased pay costs for 1974 were absorbed within available funds.

| Agency and Item | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| FOREST PROTECTION AND MANAGEMENT: | | | |
| Forest protection and utilization: | | | |
| Forest land management: | | | |
| Pay cost annualization | (12,640,000) | +2,387,000 | 2,387,000 |
| GSA space costs | - - | +9,557,000 | 9,557,000 |
| Sales administration and management | 66,852,000 | +1,974,000 | 68,826,000 |
| Recreation use | 35,240,000 | +80,000 | 35,320,000 |
| Wildlife and fish habitat management | 6,868,000 | +209,000 | 7,077,000 |
| General land management activities | 20,020,000 | +680,000 | 20,700,000 |
| Reforestation and stand improvement | 26,191,000 | -42,000 | 26,149,000 |
| Rangeland management | 11,938,000 | -4,000 | 11,934,000 |
| Soil and water management | 11,770,000 | -534,000 | 11,236,000 |
| Forest fire protection | 30,196,000 | -2,014,000 | 28,182,000 |
| Forest insect and disease control | 8,904,000 | -250,000 | 8,654,000 |
| Cooperative law enforcement | 2,919,000 | -1,007,000 | 1,912,000 |
| Minerals management | 3,713,000 | - - | 3,713,000 |
| Fighting forest fires | 4,275,000 | - - | 4,275,000 |
| Outlays from prior year balances | 38,584,000 | +14,852,000 | 53,436,000 |
| Subtotal, Forest land management | 267,470,000 | +25,888,000 | 293,358,000 |
| Forest research: | | | |
| Pay cost annualization | (3,214,000) | +548,000 | 548,000 |
| GSA space costs | - - | +1,656,000 | 1,656,000 |
| Forest watershed management | 6,093,000 | -250,000 | 5,843,000 |
| Wildlife, range and fish habitat | 3,539,000 | -775,000 | 2,764,000 |
| Forest recreation | 1,048,000 | -150,000 | 898,000 |
| Forest insects and disease | 8,549,000 | -360,000 | 8,189,000 |
| All other | 31,216,000 | +375,000 | 31,591,000 |
| Outlays from prior year balances | 9,506,000 | +3,418,000 | 12,924,000 |
| Subtotal, Forest research | 59,951,000 | +4,462,000 | 64,413,000 |
| State and private forestry cooperation: | | | |
| Pay cost annualization | (248,000) | +79,000 | 79,000 |
| GSA space costs | - - | +185,000 | 185,000 |
| Cooperation in forest management and processing | 3,978,000 | +460,000 | 4,438,000 |
| General forestry assistance | 2,180,000 | +841,000 | 3,021,000 |
| Cooperation in forest fire control | 15,804,000 | - - | 15,804,000 |
| Cooperation in forest tree planting | 262,000 | - - | 262,000 |
| Outlays from prior year balances | 5,655,000 | +247,000 | 5,902,000 |
| Subtotal, State and private forestry cooperation | 27,879,000 | +1,812,000 | 29,691,000 |
| Total, Forest protection and utilization | 355,300,000 | +32,162,000 | 387,462,000 |
| Construction and land acquisition: | | | |
| Pay cost annualization | - - a/ | +872,000 | 872,000 |
| GSA space costs | - - | +459,000 | 459,000 |
| Development of recreation - public use areas | 2,911,000 | +716,000 | 3,627,000 |
| Water resource development construction | 1,151,000 | +1,949,000 | 3,100,000 |
| Construction for fire, administration and other purposes | 1,189,000 | +540,000 | 1,729,000 |
| Land acquisition, Weeks Act | 432,000 | +260,000 | 692,000 |
| Research construction - (Non-recurring primarily from prior year balances) | 5,058,000 | -5,058,000 | - - |
| Pollution abatement - (Primarily prior year balances) | 20,998,000 | -1,005,000 | 19,993,000 |
| Outlays from prior year obligations | 18,251,000 | -14,804,000 | 3,447,000 |
| Total, Construction and land acquisition | 49,990,000 | -16,071,000 | 33,919,000 |
| Youth Conservation Corps: | | | |
| Pay cost annualization | - - a/ | +220,000 | 220,000 |
| GSA space costs | - - | +20,000 | 20,000 |
| All other | 4,711,000 | -26,000 | 4,685,000 |
| Outlays from prior year balances | 3,304,000 | +1,985,000 | 5,289,000 |
| Total, Youth Conservation Corps | 8,015,000 | +2,199,000 | 10,214,000 |
| Forest Roads and Trails (Liquidation of contract authority) | 126,628,000 | -10,628,000 | 116,000,000 |
| Acquisition of lands for National Forests, Special Acts | 80,000 | +70,000 | 150,000 |
| Acquisition of lands to complete land exchanges | 55,000 | -16,000 | 39,000 |

a/ Increased pay costs for 1974 were absorbed within available funds.

| Agency and Item | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| FOREST PROTECTION AND MANAGEMENT: | | | |
| Assistance to States for tree planting: | | | |
| Pay cost annualization | - - a/ | +23,000 | 23,000 |
| GSA space costs | - - | +18,000 | 18,000 |
| All other | 728,000 | +178,000 | 906,000 |
| Outlays from prior year balances | 362,000 | +33,000 | 395,000 |
| Total, Assistance to States for tree planting | 1,090,000 | +252,000 | 1,342,000 |
| Construction and operation of recreation facilities | 3,128,000 | -1,978,000 | 1,150,000 |
| All other Forest Service | -1,425,000 | -1,033,000 | -2,458,000 |
| Total, Forest Service | 542,861,000 | +4,957,000 | 547,818,000 |
| TOTAL, FOREST PROTECTION AND MANAGEMENT | 542,861,000 | +4,957,000 | 547,818,000 |
| Total, Above items | 8,030,936,485 | +1,283,422,115 | 9,314,358,600 |
| Less Forest Service | -542,861,000 | -4,957,000 | -547,818,000 |
| Total, Above Federal Funds (Excluding Forest Service) | 7,488,075,485 | +1,278,465,115 | 8,766,540,600 |
| PERMANENT APPROPRIATIONS: | | | |
| Animal and Plant Health Inspection Service: | | | |
| Animal Quarantine Station | - - | +327,000 | 327,000 |
| Outlays from prior year balances | 50,000 | +94,000 | 144,000 |
| Total, Animal Quarantine Station | 50,000 | +421,000 | 471,000 |
| Funds for Strengthening Markets, Income, and Supply (Section 32): | | | |
| Pay cost annualization | 773,000 | +95,000 | 868,000 |
| GSA space costs | - - | +587,000 | 587,000 |
| Nonschool year-round food service program | 8,379,000 | +29,000,000 | 37,379,000 |
| Supplemental food program operating expenses | 600,000 | +150,000 | 750,000 |
| Marketing agreements and orders | 3,069,000 | +102,000 | 3,171,000 |
| Direct purchases | 266,390,000 | -124,451,000 | 141,939,000 |
| Financial assistance to States | 12,253,000 | -10,253,000 | 2,000,000 |
| School food service program | 350,492,000 | -350,492,000 | - - |
| Commodity program operating expenses | 6,589,000 | -792,000 | 5,797,000 |
| All other | 60,246,000 | -10,600,000 | 49,646,000 |
| Outlays from prior year balances | 143,598,000 | -30,757,000 | 112,841,000 |
| Total, Section 32 | 852,389,000 | -497,411,000 | 354,978,000 |
| Agricultural Stabilization and Conservation Service (Commodity Credit Corporation): | | | |
| National Wool Act | 7,399,000 | -4,695,000 | 2,704,000 |
| Agricultural Marketing Service: | | | |
| Perishable Agricultural Commodities Act Fund | 1,100,000 | +111,000 | 1,211,000 |
| Outlays from prior year balances | 349,000 | +11,000 | 360,000 |
| Total, Perishable Agricultural Commodities Act Fund | 1,449,000 | +122,000 | 1,571,000 |
| Forest Service: | | | |
| Payments to States, National Forests Fund | 113,669,000 | -12,469,000 | 101,200,000 |
| Roads and trails for States, National Forests Fund | 45,469,000 | -4,969,000 | 40,500,000 |
| Expenses, Brush Disposal | 23,984,000 | +1,255,000 | 25,239,000 |
| Payments to school funds, Arizona and New Mexico | 124,000 | -9,000 | 115,000 |
| All other | 1,118,000 | +12,000 | 1,130,000 |
| Total, Forest Service | 184,364,000 | -16,180,000 | 168,184,000 |
| TOTAL, PERMANENT APPROPRIATIONS | 1,045,651,000 | -517,743,000 | 527,908,000 |
| Deduct Forest Service | -184,364,000 | +16,180,000 | -168,184,000 |
| TOTAL, PERMANENT APPROPRIATIONS (Excluding Forest Service) | 861,287,000 | -501,563,000 | 359,724,000 |
| PROPOSED FOR SEPARATE TRANSMITTAL: | | | |
| Existing Legislation: | | | |
| Rural Development Service | 163,000 | -156,000 | 7,000 |
| Funds for Strengthening Markets, Income, and Supply (Section 32): | | | |
| Free and reduced priced lunches under special feeding program | 15,000,000 | -15,000,000 | - - |

a/ Increased pay costs for 1974 were absorbed within available funds.

| Agency and Item | 1974 Estimate | Increase or Decrease | 1975 Estimate |
|---|---|---|---|
| PROPOSED FOR SEPARATE TRANSMITTAL: Cont'd | | | |
| Existing Legislation: Cont'd | | | |
| Food and Nutrition Service: | | | |
| Child Nutrition Programs | 71,500,000 | -71,500,000 | - - |
| Food Stamp Program | 500,000,000 | -500,000,000 | - - |
| Forest Service - fighting forest fires | 90,800,000 | -90,800,000 | - - |
| Total, Existing legislation | 677,463,000 | -677,456,000 | 7,000 |
| Proposed Legislation: | | | |
| Commodity Credit Corporation - eliminate disaster payments for feed grains, wheat and cotton | - - | -175,000,000 | -175,000,000 |
| TOTAL, PROPOSED FOR SEPARATE TRANSMITTAL | 677,463,000 | -852,456,000 | -174,993,000 |
| Less Forest Service | -90,800,000 | +90,800,000 | - - |
| TOTAL, PROPOSED FOR SEPARATE TRANSMITTAL (Excluding Forest Service) | 586,663,000 | -761,656,000 | -174,993,000 |
| TOTAL, FEDERAL FUNDS (Excluding Forest Service) | 8,936,025,485 | +15,246,115 | 8,951,271,600 |
| RECEIPTS (Federal Funds): | | | |
| Forest Service | 433,757,000 | +38,915 | 472,672,000 |
| Agricultural Marketing Service | 2,099,000 | - - | 2,099,000 |
| All other | 488,000 | +227 | 715,000 |
| Total, Receipts (Federal Funds) | 436,344,000 | +39,142 | 475,486,000 |
| Deduct Forest Service | -433,757,000 | -38,915 | -472,672,000 |
| Total, Receipts (Federal Funds - excluding Forest Service) | 2,587,000 | +227,000 | 2,814,000 |
| NET FEDERAL FUNDS (exlcuding Forest Service) | 8,933,438,485 | +15,019,115 | 8,948,457,600 |
| TRUST FUNDS: | | | |
| Agricultural Marketing Service | 42,665,000 | +2,266,000 | 44,931,000 |
| Soil Conservation Service | 1,308,000 | +36,000 | 1,344,000 |
| Animal and Plant Health Inspection Service | 1,589,000 | -4,000 | 1,585,000 |
| Forest Service | 57,293,000 | +2,803,000 | 60,096,000 |
| All other | 1,511,000 | -19,000 | 1,492,000 |
| Total, Trust Funds | 104,366,000 | +5,082,000 | 109,448,000 |
| Deduct Forest Service | -57,293,000 | -2,803,000 | -60,096,000 |
| Total, Trust Funds (excluding Forest Service) | 47,073,000 | +2,279,000 | 49,352,000 |
| Deduct trust fund receipts (excluding Forest Service) | -46,963,000 | -2,925,000 | -49,888,000 |
| NET TRUST FUNDS (Excluding Forest Service) | 110,000 | -646,000 | -536,000 |
| TOTAL, U.S. DEPARTMENT OF AGRICULTURE (Excluding Forest Service) | 8,933,548,485 | +14,373,115 | 8,947,921,600 |

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UNITED STATES DEPARTMENT OF AGRICULTURE

Table 8.--Receipts to U. S. Treasury Related to Department of Agriculture Activities, Fiscal Year 1973 and Estimated Fiscal Years 1974 and 1975

(Thousands)

| Classification and Source | FISCAL YEAR 1973--ACTUAL | | | FISCAL YEAR 1974--ESTIMATED | | | FISCAL YEAR 1975--ESTIMATED | | |
|---|---|---|---|---|---|---|---|---|---|
| | General a/ | Special b/ | Total | General a/ | Special b/ | Total | General a/ | Special b/ | Total |
| Loan programs: | | | | | | | | | |
| Farmers Home Administration: | | | | | | | | | |
| Interest Payments to Treasury: | | | | | | | | | |
| On borrowings for rural housing loans | $8,488 | | $8,488 | $9,000 | | $9,000 | $9,000 | | $9,000 |
| On borrowings for loans under Direct Loan Account | 6,859 | | 6,859 | -- | | -- | -- | | -- |
| On borrowings for loans under Agricultural Credit Insurance Fund | 29,366 | | 29,366 | 36,000 | | 36,000 | 36,000 | | 36,000 |
| On borrowings for rural development loans | 12,673 | | 12,673 | 17,500 | | 17,500 | 17,500 | | 17,500 |
| Interest on investment, Economic Opportunity Loan Fund | 2,828 | | 2,828 | 2,700 | | 2,700 | 2,500 | | 2,500 |
| Total, Farmers Home Administration | 60,214 | | 60,214 | 65,200 | | 65,200 | 65,000 | | 65,000 |
| Rural Electrification Administration: | | | | | | | | | |
| Collections of principal: | | | | | | | | | |
| Electrification loans | 115,117 | | 115,117 | -- | | -- | -- | | -- |
| Telephone loans | 34,864 | | 34,864 | -- | | -- | -- | | -- |
| Total, collections of principal | 149,981 | | 149,981 | -- | | -- | -- | | -- |
| Collections of interest: | | | | | | | | | |
| Electrification loans | 86,872 | | 86,872 | -- | | -- | -- | | -- |
| Telephone loans | 25,113 | | 25,113 | -- | | -- | -- | | -- |
| Total, collections of interest | 111,985 | | 111,985 | -- | | -- | -- | | -- |
| Total, Rural Electrification Administration | 261,966 | | 261,966 | c/ | | c/ | c/ | | c/ |
| Total, loan programs | 322,180 | | 322,180 | 65,200 | | 65,200 | 65,000 | | 65,000 |
| Receipts from operations, and miscellaneous reimbursements and collections: | | | | | | | | | |
| Business on the national forests-primarily timber sales, grazing fees, and land and recreation uses | 335,115 | 120,102 | 455,217 | 244,475 | 160,615 | 405,090 | 301,215 | 143,235 | 444,450 |
| Deposits by timber purchasers for brush disposal | | 23,310 | 23,310 | | 23,000 | 23,000 | | 22,440 | 22,440 |
| Receipts from Oregon and California controverted lands, held pending determination of land ownership | | 12,356 | 12,356 | | 10,000 | 10,000 | | 12,000 | 12,000 |

| Classification and Source | FISCAL YEAR 1973--ACTUAL | | | FISCAL YEAR 1974--ESTIMATED | | | FISCAL YEAR 1975--ESTIMATED | | |
|---|---|---|---|---|---|---|---|---|---|
| | General a/ | Special b/ | Total | General a/ | Special b/ | Total | General a/ | Special b/ | Total |
| Receipts from operations, and miscellaneous reimbursements and collections: (Cont.) | | | | | | | | | |
| Use of lands held under Title III of the Bankhead-Jones Farm Tenant Act | 1,488 | 687 | 2,175 | 1,673 | 557 | 2,230 | 1,750 | 585 | 2,335 |
| Fees for licenses under the Perishable Agricultural Commodities Act | | 1,793 | 1,793 | | 1,460 | 1,460 | | 1,582 | 1,582 |
| Charge for testing, inspection, and grading services | 512 | | 512 | 512 | | 512 | 512 | | 512 |
| Sales of products not required in connection with the work of the Department, primarily livestock and livestock products | 1,557 | | 1,557 | 1,419 | | 1,419 | 1,419 | | 1,419 |
| Fines, penalties, and forfeitures | 1,264 | | 1,264 | 1,165 | | 1,165 | 1,165 | | 1,165 |
| Miscellaneous, chiefly recoveries and refunds | 5,839 | | 5,839 | 5,551 | | 5,551 | 5,638 | | 5,638 |
| Total | 345,775 | 158,248 | 504,023 | 254,795 | 195,632 | 450,427 | 311,699 | 179,842 | 491,541 |
| Trust fund receipts: d/ | | | | | | | | | |
| Contributions from private cooperators for various activities on national and private forest lands | | | 61,639 | | | 63,700 | | | 67,600 |
| Fees received for inspection and grading of farm products upon application of interested parties | | | 30,586 | | | 43,400 | | | 46,110 |
| Receipts for miscellaneous special services | | | 3,010 | | | 3,563 | | | 3,778 |
| Total | | | 95,235 | | | 110,663 | | | 117,488 |
| Other receipts: | | | | | | | | | |
| Interest paid to Treasury on CCC borrowings | 352,315 | | 352,315 | 358,667 | | 358,667 | 297,621 | | 297,621 |
| Interest paid to Treasury on CCC capital stock | 5,125 | | 5,125 | 6,125 | | 6,125 | 6,125 | | 6,125 |
| Sugar tax collections | 113,805 | | 113,805 | 114,600 | | 114,600 | 115,600 | | 115,600 |
| Collections for mineral leases, licenses, and permits on public domain national forest lands | 3,501 | 30,613 | 34,114 | 3,725 | 32,475 | 36,200 | 3,941 | 34,284 | 38,225 |
| Total | 474,746 | 30,613 | 505,359 | 483,117 | 32,475 | 515,592 | 423,287 | 34,284 | 457,571 |
| GRAND TOTAL | 1,142,701 | 188,861 | 1,426,797 e/ | 803,112 | 228,107 | 1,141,882 e/ | 799,986 | 214,126 | 1,131,600 e/ |

| Classification and Source | FISCAL YEAR 1973--ACTUAL | | | FISCAL YEAR 1974--ESTIMATED | | | FISCAL YEAR 1975--ESTIMATED | | |
|---|---|---|---|---|---|---|---|---|---|
| | General a/ | Special b/ | Total | General a/ | Special b/ | Total | General a/ | Special b/ | Total |
| Recapitulation: | | | | | | | | | |
| Receipts that are offsets to budget authority and outlays | | | 843,367 | | | 547,007 | | | 592,974 |
| All other receipts | | | 583,430 | | | 594,875 | | | 538,626 |
| GRAND TOTAL | | | 1,426,797 | | | 1,141,882 | | | 1,131,600 |

a/ Receipts available to the Treasury for general expenditures of the Government.

b/ Receipts deposited in the Treasury for specific purposes, pursuant to various legislative authorizations.

c/ Public Law 93-32 transferred REA receipts to an "off-budget" status, as of May 11, 1973.

d/ Receipts deposited in trust in the Treasury for expenditures by the Department, as trustee, for specified purposes.

e/ Includes trust fund receipts as well as general and special fund receipts.

Office of Budget and Finance
L&FR 75-H-468
January 17, 1974

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UNITED STATES DEPARTMENT OF AGRICULTURE

Table 9--Man-Years, Fiscal Years 1973, 1974, and 1975

(This table reflects man-years for Federal employees under appropriations, transfers, reimbursements and all other funds available or estimated to become available to the respective agencies of the Department. It excludes man-years in county Agricultural Stabilization and Conservation offices, State and county Extension offices, and non-Federal agencies receiving funds from the Department.)

| ITEMS IN AGRICULTURAL APPROPRIATION BILL | 1973 | 1974 Estimated | 1975 Estimated | Increase (+) or Decrease (-). 1975 compared with 1974 |
|---|---|---|---|---|
| DEPARTMENTAL MANAGEMENT: | | | | |
| Departmental Administration: | | | | |
| Office of the Secretary | 455 | 509 | 527 | +18 |
| Working Capital Fund | 910 | 1,360 | 1,527 | +167 |
| Other USDA appropriations | 13 | 23 | 23 | -- |
| Total, Office of the Secretary | 1,378 | 1,892 | 2,077 | +185 |
| Audit and investigations | 840 | 856 | 838 | -18 |
| Office of the General Counsel | 371 | 368 | 358 | -10 |
| Other USDA Appropriations | 6 | 6 | 6 | -- |
| Total, Office of the General Counsel | 377 | 374 | 364 | -10 |
| Office of Management Services | 263 | 227 | 227 | -- |
| Other USDA Appropriations | 70 | 84 | 77 | -7 |
| Total, Office of Management Services | 333 | 311 | 304 | -7 |
| Total, Departmental Administration | 2,928 | 3,433 | 3,583 | +150 |
| TOTAL, DEPARTMENTAL MANAGEMENT | 2,928 | 3,433 | 3,583 | +150 |
| SCIENCE AND EDUCATION PROGRAMS: | | | | |
| Agricultural Research Service: | | | | |
| Agricultural Research Service | 9,159 | 9,175 | 9,250 | +75 |
| Scientific Activities Overseas | 17 | 16 | 16 | -- |
| Working Capital Fund | 322 | -- | -- | -- |
| Other USDA appropriations | 117 | 171 | 171 | -- |
| Total, Agricultural Research Service | 9,615 | 9,362 | 9,437 | +75 |
| Animal and Plant Health Inspection Service: | | | | |
| Animal and Plant Health Inspection Service | 14,571 | 14,633 | 14,852 | +219 |
| Other USDA appropriations | 36 | 32 | 32 | -- |
| Total, Animal and Plant Health Inspection Service | 14,607 | 14,665 | 14,884 | +219 |
| Cooperative State Research Service: | | | | |
| Cooperative State Research Service | 78 | 74 | 74 | -- |
| Other USDA appropriations | 15 | 17 | 17 | -- |
| Total, Cooperative State Research Service | 93 | 91 | 91 | -- |
| Extension Service | 212 | 204 | 202 | -2 |
| National Agricultural Library: | | | | |
| National Agricultural Library | 188 | 185 | 175 | -10 |
| Working Capital Fund | 4 | 2 | 2 | -- |
| Other USDA appropriations | 4 | 4 | 4 | -- |
| Total, National Agricultural Library | 196 | 191 | 181 | -10 |
| TOTAL, SCIENCE AND EDUCATION PROGRAMS | 24,723 | 24,513 | 24,795 | +282 |
| AGRICULTURAL ECONOMICS: | | | | |
| Statistical Reporting Service: | | | | |
| Statistical Reporting Service | 1,314 | 1,300 | 1,364 | +64 |
| Other USDA appropriations | 75 | 84 | 129 | +45 |
| Total, Statistical Reporting Service | 1,389 | 1,384 | 1,493 | +109 |
| Economic Research Service: | | | | |
| Economic Research Service | 807 | 809 | 831 | +22 |
| Other USDA appropriations | 137 | 131 | 127 | -4 |
| Total, Economic Research Service | 944 | 940 | 958 | +18 |
| TOTAL, AGRICULTURAL ECONOMICS | 2,333 | 2,324 | 2,451 | +127 |
| MARKETING SERVICES: | | | | |
| Agricultural Marketing Service: | | | | |
| Marketing Services | 1,734 | 1,786 | 1,804 | +18 |
| Other USDA appropriations | 261 | 293 | 293 | -- |
| Total, Agricultural Marketing Service | 1,995 | 2,079 | 2,097 | +18 |
| Commodity Exchange Authority | 167 | 180 | 216 | +36 |
| Packers and Stockyards Administration | 192 | 195 | 201 | +6 |
| Farmer Cooperative Service | 80 | 88 | 88 | -- |
| TOTAL, MARKETING SERVICES | 2,434 | 2,542 | 2,602 | +60 |
| INTERNATIONAL PROGRAMS: | | | | |
| Foreign Agricultural Service: | | | | |
| Foreign Agricultural Service | 691 | 679 | 693 | +14 |
| Other USDA funds | 171 | 172 | 142 | -30 |
| Salaries and expenses (Special foreign currency program) | 13 | 13 | 13 | -- |
| Total, Foreign Agricultural Service | 875 | 864 | 848 | -16 |
| TOTAL, INTERNATIONAL PROGRAMS | 875 | 864 | 848 | -16 |

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| ITEMS IN AGRICULTURAL APPROPRIATION BILL | 1973 | 1974 Estimated | 1975 Estimated | Increase (+) or Decrease (-), 1975 compared with 1974 |
|---|---|---|---|---|
| COMMODITY PROGRAMS: | | | | |
| Agricultural Stabilization and Conservation Service: | | | | |
| Salaries and expenses, Agricultural Stabilization and Conservation Service | 3,442 | 3,275 | 3,275 | -- |
| Other USDA appropriations | 183 | 183 | 176 | -7 |
| Total, Agricultural Stabilization and Conservation Service | 3,625 | 3,458 | 3,451 | -7 |
| TOTAL, COMMODITY PROGRAMS | 3,625 | 3,458 | 3,451 | -7 |
| CORPORATIONS: | | | | |
| Federal Crop Insurance Corporation: | | | | |
| Administrative and operating expenses | 903 | 931 | 961 | +30 |
| Federal Crop Insurance Corporation Fund | 134 | 193 | 197 | +4 |
| Total, Federal Crop Insurance Corporation | 1,037 | 1,124 | 1,158 | +34 |
| TOTAL, CORPORATIONS | 1,037 | 1,124 | 1,158 | +34 |
| RURAL DEVELOPMENT: | | | | |
| Rural Development Service | 7 | 30 | 40 | +10 |
| Rural Electrification Administration: | | | | |
| Rural Electrification Administration | 722 | 802 | 802 | -- |
| Other USDA appropriations | 61 | 1 | -- | -1 |
| Total, Rural Electrification Administration | 783 | 803 | 802 | -1 |
| Farmers Home Administration: | | | | |
| Salaries and expenses | 7,775 | 8,231 | 8,317 | +86 |
| Agricultural Credit Insurance Fund | 570 | 533 | 206 | -327 |
| Other USDA appropriations | 126 | 46 | 46 | -- |
| Total, Farmers Home Administration | 8,471 | 8,810 | 8,569 | -241 |
| TOTAL, RURAL DEVELOPMENT | 9,261 | 9,643 | 9,411 | -232 |
| ENVIRONMENTAL PROTECTION: | | | | |
| Soil Conservation Service: | | | | |
| Conservation operations | 10,056 | 10,110 | 10,521 | +411 |
| River basin surveys and investigations | 407 | 416 | 407 | -9 |
| Watershed planning | 340 | 468 | 472 | +4 |
| Watershed and flood prevention | 2,835 | 3,045 | 2,905 | -140 |
| Great Plains conservation program | 365 | 365 | -- | -365 |
| Resource conservation and development | 822 | 691 | 707 | +16 |
| Other USDA appropriations | 529 | 253 | 82 | -171 |
| Total, Soil Conservation Service | 15,354 | 15,348 | 15,094 | -254 |
| TOTAL, ENVIRONMENTAL PROTECTION | 15,354 | 15,348 | 15,094 | -254 |
| CONSUMER PROTECTION AND SERVICES: | | | | |
| Food and Nutrition Service: | | | | |
| Child nutrition programs | 320 | 341 | 356 | +15 |
| Special milk program | 50 | 48 | 48 | -- |
| Food stamp program | 1,449 | 1,563 | 1,742 | +179 |
| Total, Food and Nutrition Service | 1,819 | 1,952 | 2,146 | +194 |
| TOTAL, CONSUMER PROTECTION AND SERVICES | 1,819 | 1,952 | 2,146 | +194 |
| TOTAL, AGRICULTURAL APPROPRIATION BILL | 64,389 | 65,201 | 65,539 | +338 |
| Forest Service: | | | | |
| Forest protection and utilization: | | | | |
| Forest land management | 15,662 | 14,712 | 14,784 | +72 |
| Forest research | 2,882 | 2,868 | 2,868 | -- |
| State and private forestry cooperation | 179 | 183 | 187 | +4 |
| Total, Forest protection and utilization | 18,723 | 17,763 | 17,839 | +76 |
| Construction and land acquisition | 745 | 759 | 618 | -141 |
| Youth Conservation Corps | 56 | 100 | 100 | -- |
| Forest roads and trails | 7,624 | 6,748 | 6,992 | +244 |
| Construction and operation of recreation facilities | -- | 199 | 77 | -122 |
| Assistance to States for tree planting | 12 | 16 | 17 | +1 |
| Other USDA appropriations | 1,516 | 1,373 | 1,329 | -44 |
| Total, Forest Service | 28,676 | 26,958 | 26,972 | +14 |
| TOTAL, USDA ANNUAL APPROPRIATIONS | 93,065 | 92,159 | 92,511 | +352 |

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| | 1973 | 1974 Estimated | 1975 Estimated | Increase (+) or Decrease (-), 1975 compared with 1974 |
|---|---|---|---|---|
| PERMANENT APPROPRIATIONS: | | | | |
| Funds for Strengthening Markets, Income, and Supply (Section 32): | | | | |
| Agricultural Marketing Service ..... | 276 | 254 | 255 | +1 |
| Food and Nutrition Service ..... | 248 | 257 | 237 | -20 |
| Total, Section 32 ..... | 524 | 511 | 492 | -19 |
| Perishable Agricultural Commodities Act Fund ..... | 86 | 86 | 86 | -- |
| Forest Service ..... | 1,217 | 1,397 | 1,377 | -20 |
| TOTAL, PERMANENT APPROPRIATIONS ..... | 1,827 | 1,994 | 1,955 | -39 |
| PROPOSED FOR SEPARATE TRANSMITTAL: | | | | |
| Existing legislation: | | | | |
| Rural Development Service: | | | | |
| Increased staffing ..... | -- | 5 | -- | -5 |
| TOTAL, UNDER APPROPRIATIONS TO USDA ..... | 94,892 | 94,158 | 94,466 | +308 |
| OTHER FUNDS (Trust funds and allocations and reimbursements from sources outside USDA): | | | | |
| Departmental Administration ..... | 50 | 54 | 54 | -- |
| Agricultural Research Service ..... | 158 | 157 | 157 | -- |
| Animal and Plant Health Inspection Service ..... | 419 | 455 | 455 | -- |
| Cooperative State Research Service ..... | 1 | -- | -- | -- |
| Extension Service ..... | 28 | 17 | 8 | -9 |
| Statistical Reporting Service ..... | 30 | 39 | 42 | +3 |
| Economic Research Service ..... | 134 | 138 | 142 | +4 |
| Agricultural Marketing Service ..... | 3,306 | 3,415 | 3,344 | -71 |
| Farmer Cooperative Service ..... | 6 | 5 | 5 | -- |
| Agricultural Stabilization and Conservation Service ..... | 5 | 5 | 5 | -- |
| Rural Electrification Administration ... | 1 | 1 | 1 | -- |
| Farmers Home Administration ..... | 201 | 9 | 8 | -1 |
| Soil Conservation Service ..... | 336 | 433 | 422 | -11 |
| Forest Service ..... | 4,634 | 4,822 | 4,730 | -92 |
| TOTAL, OTHER FUNDS ..... | 9,309 | 9,550 | 9,373 | -177 |
| TOTAL, MAN-YEARS FOR USDA PERSONNEL ..... | 104,201 | 103,708 | 103,839 | +131 |

Office of Budget and Finance
Division of Budget Systems and Control
January 28, 1974

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UNITED STATES DEPARTMENT OF AGRICULTURE

Table 10 -- Increases and Decreases in Man-Years
1975 Budget Estimates Compared with 1974 Estimate

(This table reflects man-years for Federal employees under appropriations, transfers, reimbursements and all other funds available or estimated to become available to the respective agencies of the Department. It excludes man-years in County Agricultural Stabilization and Conservation offices, State and county Extension offices, Milk Marketing Orders, and other non-Federal agencies receiving funds from the Department.)

| ITEMS IN AGRICULTURAL APPROPRIATION BILL | Increase (+) or Decrease (-) |
|---|---|
| DEPARTMENTAL MANAGEMENT: | |
| Departmental Administration: | |
| Office of the Secretary | +18 |
| Working Capital Fund | +167 |
| Audit and Investigations | -18 |
| Office of the General Counsel | -10 |
| Office of Management Services | -7 |
| Total, Departmental Administration | +150 |
| TOTAL, DEPARTMENTAL MANAGEMENT | +150 |
| SCIENCE AND EDUCATION PROGRAMS: | |
| Agricultural Research Service: | |
| Annualization of 1974 program increases | +75 |
| Animal and Plant Health Inspection Service: | |
| Meat and poultry inspection | +189 |
| Screwworm (annualization of F.Y. 1974 increase) | +24 |
| Foot and mouth disease (Darien Gap) | +6 |
| Total, Animal and Plant Health Inspection Service | +219 |
| Extension Service: | |
| Federal administration and coordination - decrease due to employment limitation | -2 |
| National Agricultural Library: | |
| Decrease due to employment limitations | -10 |
| TOTAL, SCIENCE AND EDUCATION PROGRAMS | +282 |

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| ITEMS IN AGRICULTURAL APPROPRIATION BILL | Increase (+) or Decrease (-) |
|---|---|
| AGRICULTURAL ECONOMICS: | |
| Statistical Reporting Service: | |
| Complete Multiple Frame cattle and hog surveys | +43 |
| Export Sales Program | +16 |
| Remote Sensing | +5 |
| Reimbursable services performed for other USDA agencies | +45 |
| Total, Statistical Reporting Service | +109 |
| Economic Research Service: | |
| Improvement of supply, demand and price forecasting procedures for major commodities | +18 |
| Costs of producing wheat, feed grains, cotton and milk | +12 |
| Decrease due to employment limitations | -11 |
| Other research activities under appropriated funds | +3 |
| Reimbursable services performed for other USDA agencies | -4 |
| Total, Economic Research Service | +18 |
| TOTAL, AGRICULTURAL ECONOMICS | +127 |
| MARKETING SERVICES: | |
| Agricultural Marketing Service: | |
| Market news | +9 |
| Regulatory activities | +9 |
| Total, Agricultural Marketing Service | +18 |
| Commodity Exchange Authority: | |
| Supervision of commodity futures markets | +36 |
| Packers and Stockyards Administration: | |
| Livestock marketing practices | +6 |
| TOTAL, MARKETING SERVICES | +60 |
| INTERNATIONAL PROGRAMS: | |
| Foreign Agricultural Service: | |
| Foreign Commodity analysis | -13 |
| All other | -3 |
| Total, Foreign Agricultural Service | -16 |
| TOTAL, INTERNATIONAL PROGRAMS | -16 |
| COMMODITY PROGRAMS: | |
| Agricultural Stabilization and Conservation Service: | |
| Reimbursable activities for other USDA agencies | -7 |
| TOTAL, COMMODITY PROGRAMS | -7 |

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| ITEMS IN AGRICULTURAL APPROPRIATION BILL | Increase (+) or Decrease (-) |
|---|---|
| CORPORATIONS: | |
| Federal Crop Insurance Corporation | +34 |
| RURAL DEVELOPMENT: | |
| Rural Development Service: | |
| Staffing support for the Federal Regional Councils | +10 |
| Rural Electrification Administration: | |
| Reimbursable services performed for other USDA agencies | -1 |
| Farmers Home Administration: | |
| Administration of loan programs (except emergency loans) | +86 |
| Administration of emergency loans | -327 |
| Total, Farmers Home Administration | -241 |
| TOTAL, RURAL DEVELOPMENT | -232 |
| ENVIRONMENTAL PROTECTION: | |
| Soil Conservation Service: | |
| Conservation operations | +411 |
| River basin surveys and investigations | -9 |
| Watershed planning | +4 |
| Watershed and flood prevention operations | -140 |
| Great Plains conservation program | -365 |
| Resource conservation and development | +16 |
| Reimbursable services performed for other USDA agencies | -171 |
| Total, Soil Conservation Service | -254 |
| TOTAL, ENVIRONMENTAL PROTECTION | -254 |
| CONSUMER PROGRAMS: | |
| Food and Nutrition Service: | |
| Child Nutrition programs | +15 |
| Food stamp program | +179 |
| Total, Food and Nutrition Service | +194 |
| TOTAL, CONSUMER PROGRAMS | +194 |
| TOTAL, AGRICULTURAL APPROPRIATION BILL | +338 |
| FOREST PROTECTION AND MANAGEMENT: | |
| Forest Service: | |
| Forest Protection and Utilization: | |
| Forest land management | +72 |
| State and private forestry cooperation | +4 |
| Total, Forest Protection and Utilization | +76 |

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| | Increase (+) or Decrease (-) |
|---|---|
| FOREST PROTECTION AND MANAGEMENT: | |
| Forest Service: (Continued) | |
| Construction and land acquisition | -141 |
| Forest roads and trails | +244 |
| Construction and operation of recreation facilities | -122 |
| Assistance to States for tree planting | +1 |
| Reimbursements for services performed for other USDA agencies | -44 |
| Total, Forest Service | +14 |
| TOTAL, FOREST PROTECTION AND MANAGEMENT | +14 |
| TOTAL, USDA ANNUAL APPROPRIATIONS | +352 |
| PERMANENT APPROPRIATIONS: | |
| Funds for strengthening markets, income, and supply (Section 32): | |
| Agricultural Marketing Service | +1 |
| Food and Nutrition Service | -20 |
| Total, Section 32 | -19 |
| Forest Service: | |
| Expenses, brush disposal | -20 |
| TOTAL, PERMANENT APPROPRIATIONS | -39 |
| Proposed for Separate Transmittal: | |
| Existing legislation: | |
| Rural Development Service: | |
| Increased staffing in 1974 supplemental | -5 |
| TOTAL, UNDER APPROPRIATIONS TO USDA | +308 |
| OTHER FUNDS: (Trust funds, allocations, reimbursements from sources outside USDA) | |
| Extension Service | -9 |
| Statistical Reporting Service | +3 |
| Economic Research Service | +4 |
| Agricultural Marketing Service | -71 |
| Farmers Home Administration | -1 |
| Soil Conservation Service | -11 |
| Forest Service | -92 |
| TOTAL, OTHER FUNDS | -177 |
| TOTAL, UNITED STATES DEPARTMENT OF AGRICULTURE | +131 |

OB&F-BS&C
January 29, 1974

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 11.--Appropriations for Research and Education, Fiscal Years 1966 Through 1974 and Budget Estimates 1975

(Amounts adjusted for comparability with the appropriation structure in the 1975 Budget)

(Thousands of Dollars)

| Agency or Activity | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | Budget Estimates 1975 | Change, 1975 Compared With 1974 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Research: | | | | | | | | | | | |
| Agricultural Research Service a/ ..... | $143,977 | $150,944 | $144,271 | $143,885 | $160,079 | $178,573 | $191,740 | $208,098 | $205,126 | $219,994 | $+14,868 |
| Special foreign currency program ..... | 3,000 | 4,500 | 8,500 | 4,500 | 5,000 | 5,000 | 10,000 | 10,000 | 5,000 | 10,000 | +5,000 |
| Cooperative State Research Service: | | | | | | | | | | | |
| Payments to agricultural experiment stations and penalty mail ..... | 47,203 | 50,203 | 50,113 | 51,794 | 53,922 | 59,952 | 63,415 | 67,268 | 68,242 | 72,162 | +3,920 |
| Grants for cooperative forestry research ..... | 2,500 | 3,000 | 3,370 | 3,485 | 3,785 | 4,412 | 4,672 | 6,444 | 6,203 | 6,349 | +146 |
| Contracts and grants for scientific research ..... | 2,000 b/ | 2,000 | 1,800 | 2,000 | 2,000 | 3,000 | 12,500 | 15,400 | 11,583 | 15,836 | +4,253 |
| Grants for facilities ..... | 2,000 | 2,000 | 2,000 | -- | 1,000 | -- | -- | -- | -- | -- | -- |
| Funds for rural development research . | -- | -- | -- | -- | -- | -- | -- | -- | 1,440 | 1,440 | -- |
| Federal administration ..... | 1,576 | 1,627 | 1,731 | 1,692 | 1,997 | 2,239 | 2,431 | 2,394 | 2,637 | 2,914 | +277 |
| National Agricultural Library ..... | 1,388 | 1,966 | 2,110 | 2,658 | 2,757 | 3,179 | 3,313 | 3,381 | 3,575 | 3,887 | +312 |
| Library facilities ..... | 5,600 c/ | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Statistical Reporting Service ..... | 350 | 367 | 376 | 393 | 363 | 554 | 487 | 523 | 594 | 807 | +213 |
| Economic Research Service ..... | 12,244 | 12,895 | 13,280 | 13,901 | 15,502 | 16,635 | 17,066 | 18,625 | 19,638 | 21,831 | +2,193 |
| Farmer Cooperative Service ..... | 810 | 847 | 894 | 944 | 1,009 | 1,099 | 1,152 | 1,276 | 1,362 | 1,437 | +75 |
| Forest Service ..... | 37,372 | 38,459 | 41,243 | 40,046 | 45,590 | 48,751 | 54,444 | 57,752 | 63,816 | 64,485 | +669 |
| Total, Research ..... | 260,020 | 268,808 | 269,688 | 265,298 | 293,004 | 323,394 | 361,220 | 391,162 | 389,217 | 421,142 | +31,926 |
| Education: | | | | | | | | | | | |
| Extension Service: | | | | | | | | | | | |
| Payments for cooperative agricultural extension work ..... | 86,089 | 89,410 | 89,869 | 93,722 | 126,885 | 155,474 | 166,214 | 187,856 | 197,176 | 200,475 | +3,299 |
| Federal administration and coordination ..... | 3,048 | 3,403 | 3,619 | 3,557 | 4,849 | 5,476 | 6,065 | 6,475 | 6,897 | 7,588 | +691 |
| Total, Education ..... | 89,137 | 92,813 | 93,488 | 97,279 | 131,734 | 160,950 | 172,279 | 194,331 | 204,073 | 208,063 | +3,990 |
| TOTAL, Research and Education ..... | 349,157 | 361,621 | 363,176 | 362,577 | 424,738 | 484,344 | 533,499 | 585,493 | 593,290 | 629,205 | +35,916 |

NOTE: Details may not add to totals shown due to rounding.

a/ Includes transfers from Section 32 funds as follows: 1966, $18,100,000; 1967, $25,000,000; 1968, $15,000,000; 1969, $15,000,000; 1970, $15,000,000; 1971, $15,000,000; 1972, $15,000,000; 1973, $15,000,000; 1974, $15,000,000; and 1975 budget estimate of $15,000,000.

b/ Includes transfer of $400,000 from Section 32 funds as authorized by the 1966 appropriation act.

c/ Represents 80% of funds appropriated for planning and construction of new library building. It is estimated that 80% of library services is for research purposes.



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EXPIRED AUTHORIZATIONS

Mr. WHITTEN. Please insert in the record a tabulation of all funds included in the 1975 budget request for which the authorizing legislation will have expired prior to July 1, 1975. The tabulation should include a description of the activity, the amount included in the budget estimate, the date the authorization will expire, and a description of the authorizing legislation.

[The information requested follows:]

Legislation Related to the Fiscal Year 1975 Budget which Expires Before June 30, 1975

I. Items for which F.Y. 1975 Budget Authority is Requested:

| Authorizing Legislation | Date Expires | Description of Activity | 1975 Estimate (Dollars in Thousands) |
|---|---|---|---|
| Sugar Act of 1948 (7 U.S.C. 1101-1161) | 12-31-74 | Agricultural Stabilization and Conservation Service: Sugar Act program ..... | $90,200 |
| Housing Act of 1949, as amended. Title V (42 U.S.C. 1483) | 10-1-74 | Farmers Home Administration: Rural Housing Insurance Fund Direct home repair loans (very low income) ..... | 10,000 |
| Housing Act of 1949, as amended. Title V (42 U.S.C. 1485) | 10-1-74 | Rural Housing Insurance Fund Housing loans (other than direct) ..... | 2,122,000 |
| Housing Act of 1949, as amended. Title V (42 U.S.C. 1487) | 10-1-74 | Rural Housing Insurance Fund Low-to-moderate income housing loans ..... | (1,973,000) a/ |
| National School Lunch Act, as amended. (42 U.S.C. 1751-1761) | 11-7-73 b/ | Food and Nutrition Service: Child Nutrition programs for special assistance for free and reduced-price lunches ..... | 728,000 |

II. Items for which F.Y. 1975 Budget Authority is not requested but for which a program will be carried out: c/

| Authorizing Legislation | Date Expires | Description of Activity | 1975 Estimate (Dollars in Thousands) |
|---|---|---|---|
| Housing Act of 1949, as amended. (42 U.S.C. 1490c) | 6-30-74 | Farmers Home Administration: Self-help housing land development fund. Self-help housing loans ..... | |

a/ This amount is included in the $2,122,000 for other than direct housing loans.
b/ The authorization for appropriations for this item was deleted by P.L. 93-150, The "National School Lunch and Child Nutrition Act Amendment of 1973." A legislative proposal has been submitted to Congress which would restore this authorization.
c/ Additional authorizing legislation is to be proposed.

NOTE: No program is planned for Mutual and self-help housing grants (authorization expires 6-30-74), nor for Farm labor housing loans and grants (authorization expires 10-1-74) in the 1975 Budget.

Office of Budget and Finance
Division of Budget Systems and Control
March 1, 1974

CHANGES IN APPROPRIATIONS LANGUAGE

Mr. WHITTEN. You have proposed several changes in appropriation language for 1975. Please insert in the record a listing of these proposed changes with an explanation of the need for them and at this time, give the committee a summary of the more important changes that are being proposed.

Mr. MILES. Mr. Chairman, I would like to insert in the record the copy of language changes from the explanatory notes.

[The information requested follows:]

DEPARTMENTAL ADMINISTRATION

The 1975 Budget Estimates include the proposed changes in appropriation language shown and explained below. New matter is underscored, deleted matter is enclosed in brackets.

DEPARTMENTAL [MANAGEMENT]
ADMINISTRATION

[OFFICE OF THE SECRETARY] DEPARTMENTAL ADMINISTRATION

1 For necessary expenses of [the Office of the Secretary of Agriculture] Departmental Administration, including the dissemination of agricultural information and the coordination of informational work and programs authorized by Congress in the Department,,and for general administration of the Department of Agriculture, repairs and alterations, and other miscellaneous supplies and expenses not otherwise provided for and necessary for the practical and efficient work of the Department of Agriculture, and not to
2 exceed [$15,000] $25,000 for employment under 5 U.S.C. 3109,
3 [$10,822,000] $42,751,400 [of which $3,029,000 shall be available for the Office of Communication and,] of which total appropriation
4 not to exceed [$612,000] $722,000 may be used for farmers' bulletins, which shall be adapted to the interests of the people of the different sections of the country, an equal proportion of four-fifths of which shall be available to be delivered to or sent out under the addressed franks furnished by the Senators, Representatives, and Delegates in Congress, as they shall direct (7 U.S.C. 417), and not less than two hundred and thirty-two thousand two hundred and fifty copies for the use of the Senate and House of Representatives of part 2 of the annual report of the Secretary (known as the Yearbook of Agriculture) as authorized by 44 U.S.C. 1301: Provided, That this appropriation shall be reimbursed from applicable appropriations for travel expenses incident to the holding of hearings as required by 5 U.S.C. 551-558: Provided further, That not to exceed $2,500 of this amount shall be available for official reception and representation expenses, not otherwise provided for, as determined by the Secretary: Provided further, That in the preparation of motion pictures or exhibits by the Department, this appropriation shall be available for employment pursuant to the second sentence of section 706 (a) of the Organic Act of 1944 (7 U.S.C. 2225): Provided further, That this appropriation shall be available for the payment of fees or dues for the use of law libraries by attorneys in the field service: Provided further, That, in addition, $5,081,000 shall be derived by transfer from the appropriation, "Food Stamp Program" and merged with this appropriation.

5 [None of the funds provided by this Act shall be used to pay the salaries of any personnel which carries out the provisions of section 610 of the Agricultural Act of 1970, except for research in an amount not to exceed $3,000,000; projects to be approved by the Secretary as provided by law.]

6 [None of the funds provided by this Act shall be used to pay the salaries of personnel who formulate or carry out programs for the 1974 crop year which exceed the limitations provided by section 101 of Public Law 93-86, enacted on August 10, 1973, which provides as follows:

"Sec. 101. Notwithstanding any other provision of law--

"(1) The total amount of payments which a person shall be entitled to receive under one or more of the annual programs established by titles IV, V, and VI of this Act for the 1974 through 1977 crops of the commodities shall not exceed $20,000.

"(2) The term 'payments' as used in this section shall not include loans or purchases, or any part of any payment which is determined by the Secretary to represent compensation for resource adjustment or public access for recreation.

"(3) If the Secretary determines that the total amount of payments which will be earned by any person under the program in effect for any crop will be reduced under this section, the set-aside acreage for the farm or farms on which such person will be sharing in payments earned under such program shall be reduced to such extent and in such manner as the Secretary determines will be fair and reasonable in relation to the amount of the payment reduction.

"(4) The Secretary shall issue regulations defining the term 'person' and prescribing such rules as he determines necessary to assure a fair and reasonable application of such limitation: Provided, That the provisions of this Act which limit payments to any person shall not be applicable to lands owned by States, political subdivisions, or agencies thereof, so long as such lands are farmed primarily in the direct furtherance of a public function, as determined by the Secretary. The rules for determining whether corporations and their stockholders may be considered as separate persons shall be in accordance with the regulations issued by the Secretary on December 18, 1970."]

[OFFICE OF THE INSPECTOR GENERAL]

7 [For necessary expenses of the Office of the Inspector General, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $10,000, for employment under 5 U.S.C. 3109, $14,501,000, and in addition, $4,250,000 shall be derived by transfer from the appropriation, "Food, Stamp Program" and merged with this appropriation.]

[OFFICE OF THE GENERAL COUNSEL]

8 [For necessary expenses, including payment of fees or dues for the use of law libraries by attorneys in the field service, $6,666,000.]

[OFFICE OF MANAGEMENT SERVICES]

9 [For necessary expenses to enable the Office of Management Services to provide management support services to selected agencies and offices of the Department of Agriculture, $4,147,000.]

Changes numbered 1, 2, 3, 7, 8, and 9 reflect the proposed consolidation of those accounts included in the 1974 Appropriation Act under "Departmental Management". This would reduce the number of accounts and simplify accounting for these funds.

The fourth change, although inadvertently omitted in the printed budget, would increase the limitation on printing and is necessary to allow the use of the $210,000 increase proposed in the 1975 budget for reprints of farmers bulletins and for the yearbook.

The fifth change deletes the restriction on use of funds in this account for carrying out the provisions of Section 610 of the Agricultural Act of 1970. The 1975 budget proposes the use of $3 million for this purpose.

The sixth change deletes the restriction on the use of funds in this Act which prevent payments to producers in excess of $20,000 per person as stated in the Agriculture and Consumer Protection Act of 1973 (Public Law 93-86). The basic legislation is sufficient to ensure that no payment will be made in excess of the $20,000 limitation.

## AGRICULTURAL RESEARCH SERVICE

The 1975 Department estimates include the proposed changes in appropriation language explained below. New language is underscored and deleted matter is enclosed in brackets.

Agricultural Research Service

For expenses necessary * * * * : Provide further, That appropriations hereunder shall be available pursuant to 7 U.S.C. 2250, for the construction, alteration, and repair of buildings and improvements, but unless otherwise provided, the cost of constructing any one building (except
1 headhouses connecting greenhouses) shall not exceed [$40,000] $50,000, except for six buildings to be constructed or improved at a cost not to
2 exceed [$80,000] $100,000 each, and the cost of altering any one building
3 during the fiscal year shall not exceed [$15,000] $18,000, or [15] 18.6 per centum of the cost of the building, whichever is greater: Provided further, That the limitations on alterations contained in this Act shall not apply to a total of $100,000 for facilities at Beltsville, Maryland:
4 Provided further, That $6,420,000 of this appropriation shall remain available until expended for plans, construction and improvement of facilities without regard to the foregoing limitations: Provided further, That * * *

The first and second changes would increase the cost limitations of (1) constructing any one building (except headhouses connecting greenhouses) from $40,000 to $50,000, and (2) construction or improving six buildings from $80,000 to $100,000 each. The change in cost limitations are proposed because of the following reasons:

a. Increased building costs -- The present cost limitations have remained unchanged since fiscal year 1972 while building materials and labor costs have increased by 16 percent for the past two fiscal years 1972 and 1973. Current escalation costs are approximately one percent per month, or a little less than 10 percent per year. The proposed change in limitations for 1975 reflects increased costs for the past two years and the projected increased costs for 1974 and 1975.

b. Increased cost due to continued changes in criteria for specialized facilities essential to the research programs -- Research technology continues to undergo extensive changes. Current research projects require highly specialized facilities. Many require a high degree of environmental control to permit precise evaluations, measurements and the ability to duplicate comparative research to assure sound and significant results. When these special conditions are met in a project, the consequent cost of the specialized features of the facility makes it necessary to minimize the total size of the building to a very impractical degree in order to stay within the current cost limitations.
It is very difficult each year to meet minimum needs of these specialized buildings. The increases in cost limitation to the amounts requested is a necessity and should be updated periodically.

The third change would increase the cost of altering any one building during the fiscal year from $15,000 to $18,000 and from 15 to 18.6 per centum of the cost of the building, whichever is greater. The changes in limitations are proposed because of the following reasons:

a. Increased building costs -- The present cost limitations have remained unchanged since fiscal year 1972. During the interim building materials and labor costs have increased 16 percent during the past two fiscal years 1972 and 1973. The proposed change in limitations for 1975 reflects increased costs for the past two years and the projected increased costs for 1974 and 1975.

b. Increase need to update old buildings -- Alterations are made principally to old buildings, of which many were constructed more than 30 years ago. These facilities need to be updated to meet the requirements of the research programs as described under the first and second changes above. Also space demands require making better utilization of existing space which would require alteration and renovation.

   Since the original cost of the old building was very low, compared with present construction costs a low limitation related to original costs does not provide adequate funds for alteration costs at current rates. The current limitations unduly restrict needed alterations and hampers research programs.

The fourth change provides funds for major planning and construction of certain facilities, without regard to related limitations in the preamble, and makes the funds available until expended in the event it should be necessary to readvertise for bids or make other changes which would cause a delay in awarding a contract. For an explanation of the facilities proposed see Volume 1, page 26 of these Explanatory Notes.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The 1975 Budget Estimates include the proposed changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

Animal and Plant Health Inspection Service

For expenses, not otherwise provided for, including those pursuant to the Act of February 28, 1947, as amended (21 U.S.C. 114b-c) necessary to prevent, control, and eradicate pests and plant and animal diseases; to carry out inspection, quarantine and regulatory activities; to carry on services related to consumer protection; and to protect the environment, as authorized by law, [$285,925,000] $394,769,000 of which $1,500,000 shall be apportioned for use pursuant to section 3679 of the Revised Statutes, as amended for the control of outbreaks of insects, plant diseases and animal diseases to the extent necessary to meet emergency conditions: and $62,900,000 shall be for repayment to the Commodity Credit Corporation of Advances (and interest thereon) made in accordance with authorities contained in the provisions of the appropriation items for the Agricultural Research Service in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1972, and for the Animal and Plant Health Inspection Service in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1973:*** That this appropriation shall be available for the operation and maintenance of aircraft and the purchase of not to exceed four, of which two shall be for replacement only [, and for acquisition without cost of not to exceed 67 aircraft to be obtained by transfer]: *** That $9,600,000 shall remain available until expended for plans, construction, and improvement of facilities, without regard to limitations contained herein: Provided further, that this appropriation shall be available for acquisition of lands by donation, exchange, or purchase at a nominal cost not to exceed $100:

**The first change specifies the amount needed in FY 1975 for repayment to the Commodity Credit Corporation of advances (and interest thereon) made during FY 1972 and FY 1973 to combat Exotic Newcastle and Hog Cholera diseases. (See justification Vol. 1, p. 90 for further information).**

**The second change deletes the authority granted in the FY 1974 appropriation to obtain not to exceed 67 aircraft by transfer for use in the U.S.-Mexico screwworm eradication program. These planes will be transferred in fiscal year 1974 and the language is no longer necessary.**

**The third change specifies that portion of the FY 1975 Appropriation which is to remain available until expended for planning and construction of a Phase I Veterinary Biologics facility. (See justification of this facility, Vol. 1, p. 92).**

**The fourth change provides authority for the agency to acquire land at nominal cost to the Federal Government for the construction of needed facilities. This authority will permit the acquisition of a site for a veterinary biologics facility in Ames, Iowa, for which construction funds are requested in this budget (see third change). With this authorization in the appropriation language, the problem of timing and the possible legal questions which can result from the Agency's not being able to predict when a site will be available will be avoided. This authority is provided to the Department in 7 U.S.C. 428a, but cannot be exercised unless specified in the applicable appropriation or other law.**

EXTENSION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Federal Funds

Extension Service

Payments to States, Puerto Rico, Guam, and the Virgin Islands: For payments for cooperative agricultural extension work under the Smith-Lever Act, as amended by the Act of June 26, 1953, the Act of August 11, 1955, the Act of October 5, 1962 (7 U.S.C. 341-349), and section 506 of the Act of June 23, 1972, to be distributed under sections 3(b) and 3(c) of the Act, for retirement and employees' compensation costs for extension agents, and for costs of penalty mail for cooperative extension agents and State extension directors, [$137,717,000] $141,719,000; payments for the nutrition and family education program for low-income areas under section 3(d) of the Act, [$50,560,000] $47,360,000; payments for extension work by the colleges receiving the benefits of the second Morrill Act (7 U.S.C. 321-326, 328) and Tuskegee Institute under section 3(d) of the Act, [$6,000,000] $6,260,000; payments for rural development work under section 3(d) of the Act, $1,000,000; payments for the pest management program
1 under section 3(d) of the Act, [$500,000] $1,680,000; payments for the farm safety program under section 3(d) of the Act, $1,020,000; payments and contracts for such work under section 204(b)-205 of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623-1624), $1,450,000; and payments for extension work under section 109 of the District of Columbia Public Education Act, as added by the Act of June 20, 1968, and amended by the Act of January 5, 1971 (D.C. Code 31-1609), [$800,000] $835,000, and $1,500,000 for Rural Development Education as authorized under the Rural Development
2 Act of 1972 [(Public Law 92-419)] (7 U.S.C. 2661-2668); in all, [$199,527,000] $202,824,000: Provided further, That funds hereby appropriated pursuant to section 3(c) of the Act of June 26, 1953, and section 506 of the Act of June 23, 1972, shall not be paid to any State, Puerto Rico, Guam, and the Virgin Islands prior to availability of an equal sum from non-Federal sources for expenditure during the current fiscal year.

Federal administration and coordination: For administration of the Smith-Lever Act, as amended by the Act of June 26, 1953, the Act of August 11, 1955, the Act of October 5, 1962 (7 U.S.C. 341-349), and section 506 of the Act of June 23, 1972, and extension aspects of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627), the District of Columbia Public Education Act, as added by the Act of June 20, 1968, and amended by the Act of January 5, 1971 (D.C. Code 31-1609), and the Rural Development Act
3 of 1972 [(Public Law 92-419)] (7 U.S.C. 2661-2668) and to coordinate and provide program leadership for the extension work of the Department and the several States and insular possessions, [$4,546,000] $5,239,000. (5 U.S.C. 8147; 39 U.S.C. 3206; Agriculture-Environmental and Consumer Protection Appropriation Act, 1974.)

The first change is proposed to provide funds to conduct extension education programs for farm safety.

The second and third changes will insert the U.S. code reference authorizing Extension education under the Rural Development Act of 1972.

## AGRICULTURAL MARKETING SERVICE

The 1975 Budget Estimates include the proposed changes in appropriation language listed and explained below. Deleted matter is enclosed in brackets.

Marketing Services:

> For expenses necessary to carry on services related to consumer protection, agricultural marketing and distribution, and regulatory programs, other than Packers and Stockyards Act, as authorized by law[, and for administration and coordination of payments to States]; including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $45,000 for employment under 5 U.S.C. 3109; [$34,865,000] $39,915,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed $7,500 or 7.5 per centum of the cost of the building, whichever is greater.

This change would delete funds provided in the 1974 Appropriation Act for the operating expenses related to administering and coordinating the marketing service work performed under the appropriation, "Payments to States and Possessions," noted below. An explanation of the related appropriation reduction is provided in Volume 2, page 16 of these Explanatory Notes.

[Payments to States and Possessions]:

> [For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), $1,600,000.]

This change would delete funds provided in the 1974 Appropriation Act for assisting States in developing the capability to perform their own agricultural marketing service programs. The program has been in operation since 1948. State marketing appropriations have gradually built up over the years and are currently overmatching Federal appropriations by approximately $2.3 million to $1.6 million. Since program benefits accrue primarily to the States, they are expected to continue to develop and execute their own marketing programs. An explanation of the program is provided in Volume 2, page 38 of these Explanatory Notes.

## AGRICULTURAL MARKETING SERVICE

The 1975 Budget Estimates include the proposed change in appropriation language listed and explained below. Deleted matter is enclosed in brackets.

Funds for Strengthening Markets, Income, and Supply (Section 32):

> Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c) shall be used only for commodity program expenses as authorized therein, and other related operating expenses, except for (1) transfers to the Department of Commerce * * * (4) in addition to other amounts provided in this Act, not more than [$508,560,000] $131,400,000 [(including not to exceed $2,000,000 for State administrative expenses)] for (a) child feeding programs and nutriional programs authorized by law in the School Lunch Act and the Child Nutrition Act, as amended, or which [$60,600,000] $89,600,000 shall be available for the nonschool feeding program; and (b) additional direct distribution or other programs, without regard to whether such area is under the food stamp program or a system of direct distribution, to provide, in the immediate vicinity of their place of permanent residence, either directly or through a State or local welfare agency, an adequate diet to other needy children and low-income persons determined by the Secretary of Agriculture to be suffering, through no fault of their own, from general and continued hunger resulting from insufficient food.

This change deletes language related to financing State administrative expenses. In 1975 these expenses will be financed under the Child Nutrition Programs appropriation of the Food and Nutrition Service (See p. 213 of this Volume for a justification of this item.) The 1975 Budget proposes to fund more of these Child Nutrition programs by direct transfer of funds from this account to the Child Nutrition account rather than relying on the authorization provided herein. Recent legislation placing the major portion of the School Lunch programs on a performance basis and doing away with allotment requirements makes this change possible.

## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

**The 1975 budget estimates include the proposed changes in appropriation language listed and explained below. New language is underscored. There are no deletions.**

Salaries and Expenses

For necessary administrative expenses of the Agricultural Stabilization and and Conservation Service, including expenses to formulate and carry out programs authorized by title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301-1393); Sugar Act of 1948, as amended (7 U.S.C. 1101-1161);
1 sections 7 to 15, 16(a), 16(b), 16(d), 16(e), 16(f), 16(i), and 17 of the Soil
2 Conservation and Domestic Allotment Act, as amended and supplemented (16 U.S.C.
3 590g-590q); the Agriculture and Consumer Protection Act of 1973 (87 Stat. 221 to 246); subtitles B and C of the Soil Bank Act (7 U.S.C. 1831-1837, 1802-1814, and 1816); the Water Bank Act (16 U.S.C. 1301-1311); and laws pertaining to the Commodity Credit Corporation [$169,235,000] $172,867,000: Provided, That, * * * and delegated program functions prescribed in administrative regulations.

The first change provides authority to incur administrative expenses to service the Great Plains Conservation Program. The Soil Conservation Service budget provides funding for the technical assistance connected with the Great Plains program. ASCS will make and service the cost share agreements.

The second change is to permit administration of long-term conservation agreements authorized by the Rural Development Act of 1972 and carried out under the Rural Environmental Program.

The third change is to utilize authorities contained in the Agriculture and Consumer Protection Act of 1973, including extensions of and changes in previously authorized programs administered by ASCS such as the Dairy and Beekeeper Indemnity Program, the Feed Grain, wheat and cotton programs, P. L. 480 and the Rural Environmental Conservation Program.

The 1975 Budget Estimates includes new language as follows:

Dairy and Beekeeper Indemnity Programs

For necessary expenses involved in making indemnity payments to dairy farmers for milk or cows producing such milk and manufacturers of dairy products who have been directed to remove their milk or milk products from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government, and to beekeepers who through no fault of their own have suffered losses as a result of the use of economic poisons which had been registered and approved for use by the Federal Government, $1,850,000, to remain available until expended: Provided, That none of the funds contained in this Act shall be used to make indemnity payments to any farmer whose milk was removed from commercial markets as a result of his willful failure to follow procedures prescribed by the Federal Government.

This change provides new language as authorized by the Agriculture and Consumer Protection Act of 1973 (Public Law 93-86) relating to dairy and beekeeper indemnity payments. **(See the justifications for this program in Vol. 2, p. 202). The language covers appropriation for indemnification for loss of dairy cows as well as products as authorized in the new act (P. L. 93-86).**

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1975 budget estimates includes the proposed new language.

Rural Environmental Program

For necessary expenses, not otherwise provided for, to carry out programs authorized in section 7 to 15, 16(a), 16(b) and 17 of the Soil Conservation and Domestic Allotment Act, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(b), and 590q); the Water Bank Act (16 U.S.C. 1301-1311); and sections 1001 to 1010 of the Agriculture and Consumer Protection Act of 1973 (87 Stat. 241 to 246) including practices related to soil and water conservation, recreation and wildlife and forestry incentives, including technical assistance and related expenses for forestry incentives, $118,800,000, to remain available until expended, with which shall be merged the unexpended balances of funds heretofore appropriated for the Water Bank Program, Great Plains Conservation Program, and Emergency Conservation Measures: Provided, That not less than $10,000,000 of funds appropriated herein shall be available for emergency conservation measures subject to the same conditions as funds appropriated for such purposes in the Third Supplemental Appropriation Act, 1957: Provided further, That this appropriation shall be available only to the extent authorized by law for each program.

This change provides new language for this consolidated program.

The proposed single appropriation to replace the previous separate appropriations for cost share provisions of the REAP, Great Plains Conservation, Water Bank and Emergency Conservation Measures programs would provide more flexibility and improve the administration of the programs.

By merging previous years' balances, both obligated and unobligated and requesting a no-year appropriation (funds to remain available until expended) it is expected that funds could be used to accomplish the program objectives without undue restriction on the timing of obligations and payment or the loss of funds by lapse.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1975 budget estimates include the proposed changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

Agricultural Conservation Program (REAP)

For necessary expenses to carry into effect the program authorized in sections 7 to 15, 16(a), and 17 of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936, as amended (16 U.S.C. 590g-590o, 590p(a), and 590q), including not to exceed $15,000 for the preparation and display of exhibits, including such displays at State, interstate, and international
1 fairs within the United States, [$15,000,000] $90,000,000, to remain available until December 31 of the next succeeding fiscal year for compliance with the programs of soil-building and soil-and water-conserving practices author-
2 ized under this head in the [Acts] Act making appropriations for Agriculture-
3 Environmental and Consumer Protection Programs , [1972 and 1973] 1973 and
4-5 1974, carried out during the period July 1, [1971] 1972, to December 31, [1973] 1974, inclusive[: Provided, That none of the funds herein appropriated shall be used to pay the salaries or expenses of any regional information employees or any State information employees, but this shall not preclude the answering of inquiries or supplying of information at the county level to individual farmers: Provided further, That no portion of the funds for the current year's program may be utilized to provide financial or technical assistance for drainage on wetlands now designated as Wetland Types 3 (III), 4(IV), and 5(V) in United States Department of the Interior, Fish and Wildlife Circular 39, Wetlands of the United States, 1956: Provided further, That necessary amounts shall be available for administrative expenses in connection with the formulation and administration of the 1974 program of soil-building and soil-and water-conserving practices, including related wildlife conserving practices and pollution abatement practices, under the Act of February 29, 1936, as amended (amounting to $160,000,000, excluding administration, except that no participant shall receive more than $2,500, except where the participants from two or more farms or ranches join to carry out approved practices designed to conserve or improve the agricultural resources of the community): Provided further, That not to exceed 5 per centum of the allocation for the current year's program for any county may on the recommendation of such county committee and approval of the State committee, be withheld and allotted to the Soil Conservation Service for services of its technicians in formulating and carrying out the Agricultural Conservation Program (REAP) in the participating counties, and shall not be utilized by the Soil Conservation Service for any purpose other than technical and other assistance in such counties, and in addition, on the recommendation of such county committee and approval of the State committee, not to exceed 1 per centum may be made available to any other Federal, State, or local public agency for the same purpose and under the same conditions: Provided further, That for the current year's program $2,500,000 shall be available for technical assistance in formulating and carrying out rural environmental practices: Provided further, That such amounts shall be available for the purchase of seeds, fertilizers, lime, trees, or any other farming material, or any soil-terracing services, and making grants thereof to agricultural producers to aid them in carrying out farming practices approved by the Secretary under programs provided for herein: Provided further, That no part of any funds available to the Department, or any bureau, office, corporation, or other agency constituting a part of such Department, shall be used in the current fiscal year for the payment of salary or travel expenses of any person who has been convicted of violating the Act entitled "An Act to prevent pernicious political activities", approved August 2, 1939, as amended, or who has been found in accordance with the provisions of Title 18 U.S.C. 1913, to have violated or attempted to violate such section which prohibits the use of Federal appropriations for the payment of personal services or other expenses designed to influence in

any manner a Member of Congress to favor or oppose any legislation or appropriation by Congress except upon request of any Member or through the proper official channels].

The first change increases the appropriation to $90,000,000 for liquidation of the 1974 program.

The second change relates the appropriation request to the authorization contained in the 1974 Appropriation Act.

The third and fourth changes update references to years involved.

The fifth change would delete the forward authorization and related provisos. Beginning with program year 1975, cost-share approvals **are requested under the Rural Environmental Program.**

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1975 Budget Estimates includes proposed deletion of appropriation language as follows:

Water Bank Program

[For necessary expenses to carry into effect the provisions of the Water Bank Act (16 U.S.C. 1301-1311), $10,000,000, to remain available until expended.]

The estimates propose the deletion of the above language. **Annual payments will be provided for under the Rural Environmental Program. Technical assistance will be funded directly in the SCS Conservation Operations Account.**

## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1975 Budget Estimates include proposed deletion of appropriation language as follows:

Emergency Conservation Measures

> [For emergency conservation measures, to be used for the same purposes and subject to the same conditions as funds appropriated under this head in the Third Supplemental Appropriations Act, 1957, to remain available until expended, $10,000,000, with which shall be merged the unexpended balances of funds heretofore appropriated for emergency conservation measures.]

The estimates propose the deletion of the above language. Cost-share approvals for emergency measures are proposed for inclusion in the Rural Environmental Program.

## RURAL DEVELOPMENT SERVICE

The 1975 Budget Estimates include the proposed language changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

Rural Development Service

> For necessary expenses, not otherwise provided for, of the Rural Development Service in providing leadership, coordination,
> 1 [research,] and related services in carrying out the rural develop-
> 2 ment activities of the Department of Agriculture, and for carrying out the responsibilities of the Secretary of Agriculture under section 701 of the Housing Act of 1954, as amended (40 U.S.C. 461), [$2,661,000] $1,300,000: ***

The first change would delete the economic research function which was transferred to the Economic Research Service.

The second change reflects the transfer of the coordination and liaison functions of the Department's technical services for nonmetropolitan planning districts from the Farmers Home Administration to the Rural Development Service.

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RURAL ELECTRIFICATION ADMINISTRATION

The 1975 Budget Estimates include the proposed changes in appropriation language explained below. New language is underscored and deleted matter is enclosed in brackets.

Salaries and expenses:

1 For administrative expenses, to carry out the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950(b) ), including not to exceed $500 for financial and credit reports, funds for employment pursuant to the second sentence of Section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $150,000 for employment under 5 U.S.C. 3109 /$16,720,000/ $19,116,000.

This change adds language to provide for carrying out the provisions of the Rural Electrification Act of 1936, as amended, since the programs authorized by the RE Act of 1936 have been moved "off-budget" and now appear in the Annexed Budget; therefore, this language was eliminated from the heading over "Loan Authorizations."

The 1975 Budget Estimates include the proposed changes in appropriation language explained below. Deleted matter is enclosed in brackets.

Rural Electrification Administration

To carry into effect the provisions of the Rural Electrification Act
1 of 1936, as amended (7 U.S.C. 901-950(b) ) /; Public Law 93-32/, as follows:

Loan Authorizations:

Insured loans **** shall be made as follows: rural electrification
2 loans, /not less than/ $618,000,000,
3 /but not more than $750,000,000/ and rural telephone loans,
4 /not less than/ $140,000,000, /but not more than $200,000,000/ ****.

The first change eliminates the citation of Public Law 93-32 in the preamble since the provisions of that law are now included within the codification.

The second, third and fourth changes eliminate indefinite loan authority providing minimum and maximum loan authorizations and restore electric and telephone loans to prescribed levels.

RURAL ELECTRIFICATION ADMINISTRATION
RURAL TELEPHONE BANK

The 1975 Budget Estimates include the proposed changes in appropriation language explained below. New language is underscored and deleted matter is enclosed in brackets.

1 [CAPITALIZATION OF RURAL TELEPHONE BANK]
2 RURAL TELEPHONE BANK

For the purchase of Class A stock of the Rural Telephone Bank, $30,000,000, to remain available until expended (7 U.S.C. 901-950(b) )
3 [as amended by Public Law 93-32].

4 [RURAL TELEPHONE BANK]

The Rural Telephone Bank is hereby authorized to make such expenditures **** as may be necessary in carrying out its authorized programs for the current fiscal year.

Merged Language

The first, second and fourth changes merge the language for capitalization and operation of the bank into a single new account established in the Treasury. Public Law 93-32 deleted the "Rural Telephone Account" established by Section 301 of Public Law 92-12 and the references in Section 406(a) to net collection proceeds and the rural telephone account in connection with appropriations for the purchase of Class A stock.

Deleted Language

The third change eliminates the citation of Public Law 93-32 in the language since the provisions of that law are now included within the codification.

FARMERS HOME ADMINISTRATION

The 1975 Budget Estimates include the proposed changes in appropriation language listed and explained below. New Language is underscored and deleted matter is enclosed in brackets.

Rural Housing Insurance Fund

For direct loans and related advances pursuant to section 517(m) of the Housing Act of 1949, as amended, $20,000,000 shall be available from funds in the rural housing insurance fund, and for insured loans as authorized by title V of the Housing Act of 1949, as amended,
1. [$2,144,000,000, of which not less than $1,200,000,000 shall be available for subsidized interest loans to low-income borrowers as determined
2. by the Secretary] $2,122,000,000: *** [: Provided further, That such loans may not be made after September 30, 1973, unless the authorizing legislation is extended]. Hereafter, farmer applicants for direct or insured rural housing loans shall be required to provide only such collateral security as is required of owners of nonfarm tracts.

***.

The first change deletes the restrictive language requiring that a minimum dollar amount of subsidized interest loans be made during the year. The Farmers Home Administration is firmly committed to reaching those most in need of housing in rural areas, and the specification of an arbitrary amount for certain subsidized types of loans may impede the search for less costly solutions to rural housing problems.

The second change deletes the requirement that housing authorities be extended before the funds are made available. It is expected that the necessary authorizing legislation will be enacted prior to action on the Budget.

Payment of Participation Sales Insufficiencies

[For payment to the Government National Mortgage Association, as trustee, such insufficiencies as may be required by the trustee on account of outstanding beneficial interests or participations authorized by Title II, Public Law 90-113, issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717(c)), such sums as may be necessary, to be available without fiscal year limitations.]

This change deletes the language contained in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, P.L. 93-135, approved October 24,1973.

This language is no longer required since the above described 1974 Appropriation Act made such authorization available without fiscal year limitation.

Rural Development Insurance Fund

For an additional amount to reimburse the rural development insurance fund for losses sustained in prior years, but not previously reimbursed in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)), $17,446,000.

***.

The proposed language is for the purpose of reimbursing the Rural Development Insurance Fund for actual losses incurred in prior years. For an explanation of this appropriation see page of this volume.

Rural Water and Waste Disposal Grants

[For grants pursuant to sections 306(a)(2) and 306(a)(6) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926), $150,000,000 to remain available until expended, pursuant to section 306(d) of the above Act, of which $120,000,000 shall be derived from the unexpended balance of amounts appropriated under this head in the fiscal year 1973, largely to meet the expanding need for areas not now covered.]

This change deletes the language contained in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, P.L. 93-135, approved October 24, 1973.

No appropriation is requested in fiscal year 1975 since sufficient funds are available from prior-year appropriations to carry out the $20 million proposed program for 1975.

1. Rural Development Grants [and Technical Assistance]

2. For grants [and technical assistance authorized by the Rural Development Act of 1972 (Public Law 92-419), in addition to funds otherwise provided
3. for such assistance] pursuant to section 310B(c) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1932), $10,000,000.

The first and second changes make the fund more general in nature for the purpose of accommodating the three types of grants authorized under the Rural Development Act.The 1974 language provided for technical assistance, but the report specified that the funds were for grants. The 1975 Budget proposes to bring the language in line with 1974 and 1975 proposed programs.

The third change cites the authorizing legislation and the U.S. Code citation for grants to public bodies for measures designed to facilitate development of private business enterprises.

Rural Housing for Domestic Farm Labor

[For financial assistance to public nonprofit organizations for housing for domestic farm labor, pursuant to section 516 of the Housing Act of 1949, as amended (42 U.S.C. 1486), $7,500,000, to remain available until expended: Provided, That this appropriation is not available after September 30, 1973, unless the authorizing legislation is extended.]

This change would delete the language contained in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, P.L. 93-135, approved October 24, 1973.

No funds are being requested for fiscal year 1975 since such needs can best be served by other programs.

Mutual and Self-Help Housing

[For grants pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S.C. 1490c), $4,000,000, to remain available until expended: Provided, That this appropriation shall be available only within the limits of amounts authorized by law for fiscal year 1974.]

This change would delete the language contained in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, P.L. 93-135, approved October 24, 1973.

No program is planned for fiscal year 1975, since the grants plus the subsidy cost of the associated loans has resulted in high unit costs to the Government without corresponding benefits to those aided.

Salaries and Expenses

For necessary expenses of the Farmers Home Administration, not otherwise provided for, in administering the programs authorized by the
1. Consolidated Farm and Rural Development Act (7 U.S.C. 1921-[1991, 86 Stat. 657-667] 1992), as amended; ***, for administering the loan program authorized by title III A of the Economic Opportunity Act of 1964 (Public
2. Law 88-452, approved August 20, 1964), as amended, [and for carrying out the responsibilities of the Secretary of Agriculture under sections 235 and 236 of the National Housing Act, as amended (12 U.S.C. 1715z-1715z-1), and section 701 of the Housing Act of 1954, as amended (40 U.S.C. 461),] $129,112,000, ***: Provided, That, in addition, not to exceed $500,000 of the funds available for various programs administered by this agency may be transferred to this appropriation for temporary field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944
3. (7 U.S.C. 2225), to meet unusual or heavy workload increases: Provided further, That not to exceed $1,000,000 of this appropriation may be used for employment under 5 U.S.C. 3109: Provided further, That no part of any funds in this paragraph may be used to administer a program which makes rural housing grants pursuant to section 504 of the Housing Act of 1949, as amended.

The first change deletes the Stat. reference in favor of the U.S. code citations.

The second change deletes references to sections 235 and 236 of the National Housing Act and section 701 of the Housing Act of 1954. Farmers Home Administration no longer performs services for the Secretary of Housing and Urban Development under sections 235 and 236. The nonmetropolitan district planning assistance functions performed by FHA in compliance with section 701 of the Housing Act of 1954 will be transferred to the Rural Development Service in fiscal year 1975.

The third change permits the use of this appropriation to employ experts and consultants on a contractual basis to provide the expertise needed to implement the provisions of the Rural Development Act of 1972.

## SOIL CONSERVATION SERVICE

**The 1975 Budget Estimate includes a proposed language change as follows (new language underscored; deleted matter enclosed in brackets):**

**[Great Plains Conservation Program]**

**[For necessary expenses to carry into effect a program of conservation in the Great Plains area, pursuant to section 16(b) of the Soil Conservation and Domestic Allotment Act, as added by the Act of August 7, 1956, as amended (16 U.S.C. 590p), $18,172,000, to remain available until expended.]**

**This change in language is for the purpose of discontinuing the Great Plains Conservation Program as a separate program. Long-term conservation cost-sharing will be offered nationwide under the Department's FY 1975 Rural Environmental Program.**

FOOD AND NUTRITION SERVICE

The 1975 Budget Estimates include the proposed changes in appropriation language explained below. New language is underscored and deleted matter is enclosed in brackets.

Child Nutrition Programs

For necessary expenses to carry out the provisions of the National School Lunch Act, as amended (42 U.S.C. 1751-1761); Public Law 91-248 and the applicable provisions other than section 3 of the Child Nutrition Act of 1966, as amended (42 U.S.C. 1773-1785); [$696,918,000] $1,283,630,000 of which [$135,306,000] $641,601,000 shall be derived by transfer from funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c): Provided, That of the foregoing total amount there shall be available [$237,040,000 for special assistance to needy schoolchildren, $60,000,000 for the school breakfast program,] [$22,110,000] $22,000,000 for the nonfood assistance program, * * * *

This change deletes language providing limitations for the special assistance to needy schoolchildren (free and reduced price lunches) and the school breakfast program as both programs are now operating on a performance basis. Program participation determines the costs, and specific limitations are not necessary.

Food Stamp Program

For necessary expenses of the food stamp program pursuant to the Food Stamp Act of 1964, as amended, [$2,500,000,000; Provided, That the availability of this appropriation is contingent upon the enactment of necessary legislative authorization.] $3,990,000,000; Provided, That funds provided herein shall remain available until expended in accordance with Section 16 of the Food Stamp Act of 1964, as amended: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of Section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $100,000 shall be available for employment under 5 U.S.C. 3109.

The first change deletes language making the availability of the appropriation contingent upon extension of Food Stamp authorization beyond fiscal year 1973. P.L. 93-86 extends funding authority through June 30, 1977.

The second change will add language which would make money unexpended during the fiscal year available for expenditure during subsequent years in accordance with Section 16 of the Food Stamp Act of 1964, as amended by P.L. 93-86.

The third change will add language which would permit the use of Food Stamp funds to employ the expertise of private consultants. The authority to hire outside experts and consultants is vital to the achievement of administrative improvements that strengthen enforcement of program regulations. The pilot coupon accountability control project has been initiated in Oklahoma and will be expanded to other States. Financial systems and reporting must be put on an automated basis and kept current. The authority would also provide for meeting unforeseen needs for consultants which may occur in the administration of an increasingly complex nationwide Food Stamp Program.

GENERAL PROVISIONS

Section 501: Provides authority for the purchase, replacement, and hire of passenger motor vehicles. The following changes are proposed in this section for 1974. New language is underscored and deleted matter is enclosed in brackets.

> Sec. 501. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department of Agriculture under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed seven hundred and [twenty-six (726)] sixty-five (765) passenger motor vehicles, of which five hundred and [forty-five(545)]thirty-five (535) shall be for replacement only, and for the hire of such vehicles.

The estimates propose the acquisition of 765 passenger motor vehicles from funds provided in this Appropriation Act. Of the 765 vehicles proposed for acquisition, 535 would be acquired to replace existing vehicles and 230 would be purchased without exchange of passenger motor vehicles.

Of the 230 vehicles to be acquired without exchange of passenger motor vehicles, 5 are for the Foreign Agricultural Service and 225 are for the Soil Conservation Service.

Of the 5 additional vehicles for the Foreign Agricultural Service, 4 would be used to replace truck-type vehicles no longer necessary due to better road conditions at overseas posts. The passenger vehicles will be more economical to operate than the present truck-type vehicles. The fifth vehicle will be assigned to Madrid, Spain and will also be offset by a reduction of one truck vehicle which is no longer required in Athens, Greece.

Of the 225 additional vehicles for the Soil Conservation Service, 200 are to replace light trucks and 25 are needed in connection with the staffing of 25 new Resource Conservation and Development Projects authorized in 1974.

All of the 535 vehicles to be replaced will be at least six years old or will have mileage in excess of 60,000 miles at the time of disposal, with the exception of a limited number which may become damaged beyond economical repair as the result of accidents or operation over unimproved rural roads or under other adverse conditions. More detailed explanation of the need for motor vehicle acquisitions appear in the justifications for the agencies involved.

Section 502: Provides that provisions of law prohibiting or restricting the employment of aliens shall not apply to employment under the appropriation for the Foreign Agricultural Service.

Section 503: Provides that funds available to the Department of Agriculture shall be available for uniforms or allowances therefore as authorized by law (5 U.S.C. 5901-5902).

Section 504: Prohibits the Department from issuing any prediction or forecast with respect to future prices or price trends on cotton, except as to damage threatened or caused by insects or pests.

Section 505: Prohibits the Department from purchasing twine manufactured from commodities or materials produced outside the United States except to provide materials required in or incident to research or experimental work where no suitable domestic product is available.

Section 506: Provides that not less than $1,500,000 of the appropriations of the Department for research and service work authorized by the Acts of August 14, 1946, July 28, 1954, and September 6, 1958 (7 U.S.C. 427, 1621-1629; 42 U.S.C. 1891-1893), shall be available for contracting in accordance with these Acts.

Section 507: Provides that no part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

Section 508: Provides that no part of any appropriation in this Act shall be used to make production or other payments to a person, persons, or Corporation harvesting or knowingly permitting to be harvested for illegal use, marihuana or other prohibited drug-producing plants on lands owned or controlled by such persons or Corporations.

Section 509: Provides authority to use appropriations to make advances to heads of field parties. New language is underscored:

> Sec. 509. Advances of money from any appropriation for the Department of Agriculture may be made by authority of the Secretary of Agriculture to chiefs of field parties.

Prior to June 6, 1972, authority used by this Department to advance funds to chiefs of field parties was contained in 31 U.S.C. 533. The Department believes that this authority was inadvertently repealed by Congress in P.L. 92-310. As a result, the agencies of the Department are now required to designate imprest fund cashiers to enable them to have cash funds available for paying expenses associated with field party activities such as obtaining plant samples for anti-cancer screening research. In the case of field parties operating overseas, this procedure requires considerable lead time and expense to process paperwork between the agencies, the Treasury Department, American Embassies, and the Agricultural Attaches.

The authority for the advance of funds to chiefs of field parties would be a more economical and practical method for making payments for field party expenses. The flexibility provided by this procedure would facilitate these activities.

Mr. MILES. In summary the principal changes would be the consolidation of the Office of the Secretary, the Office of Management Services, the Office of the General Counsel, and the Office of the Inspector General into a single account called Departmental Administration. This would provide some savings in accounting and other funding management costs where we must currently maintain separate accounts. We feel a simplification in the number of accounts will benefit the USDA, the Treasury Department, and the Office of Management and Budget in handling the funding for these relatively small staff offices. I would like to call your attention to the fact that in consolidating the language, we inadvertently forgot to put in a change to increase the limitation on printing of farmers bulletins. The change is necessary if the amount requested in the budget is to be used for the purpose requested. The change as shown in these notes corrects this error in the Budget language.

Language has been added to the appropriations for Agricultural Research Service and for Animal and Plant Health Inspection Service which would make certain funds available until expended. These funds cover the construction of additional laboratory facilities at Clay Center, Nebr., and for a veterinary biological laboratory at Ames, Iowa. The Animal and Plant Health Inspection Service language item further contains language to allow the repayment of Commodity Credit Corporation funds used under the emergency authorization of the Secretary to combat newcastle and hog cholera diseases.

New language is provided in the Extension Service to provide for extension grants for a farm safety program.

For the Agricultural Marketing Service, the budget reflects a deletion of the "Payments to States and possessions" appropriations and a deletion of the authority to pay administrative costs for that program in the "Marketing Services" appropriations.

The Agricultural Stabilization and Conservation Service languages provide for the "Dairy and beekeeper indemnity program" and for the new "Rural environmental program." This new "Rural environmental program" combines the appropriations for cost-share provisions of the Rural Environmental Assistance program, Great Plains conservation, water bank, emergency conservation measures and for a forestry incentives program. The program further provides for long-term contracts under title 10 of the Agriculture and Consumer Protection Act of 1973. The language for the Agricultural Conservation Program contained in the 1974 act is retained only to provide appropriations to liquidate the 1974 program authorized under "Agricultural Conservation Program (REAP)" in the 1974 Appropriations Act. Since the proposed new REP program provided both the contract authority and the appropriations to liquidate at the same time, and since the funds are available until expended, we have not included the authority to shift funds between program years. The prohibition against the use of funds to drain wetlands, has been proposed for deletion since no drainage practices are included in the 1975 program. The technical assistance

formerly provided by reimbursement to the Soil Conservation Service is to be provided directly in the SCS appropriation "Conservation operations" in the 1975 budget. The appropriations accounts for the water bank program, emergency conservation measures, and the Great Plains program have also been proposed for deletion.

Rural Development Service's language would be amended to delete the authority for economic development research which was transferred to Economic Research Service and to add authorization for the nonmetropolitan planning work formerly provided to the Farmers Home Administration.

Although Rural Electrification Administration's loan totals have been excluded from the budget, the language is still included and changes have been proposed which would delete the indefinite portion of the authorizations provided for the electric and telephone loan programs in the 1974 Appropriations Act.

The 1975 budget reflects language to provide a reimbursement for losses sustained in the rural development insurance fund through fiscal year 1973. The budget further deletes the language for payment of sales insufficiencies which are permanent in nature, and the language for water and waste disposal grants, rural housing for domestic farm labor, and mutual and self-help housing.

Certain limitations have been proposed for deletion in the child nutrition program language and the special feeding portion of section 32. These deletions reflect a shift in the child nutrition program from a formula distribution basis to a performance basis in which States are reimbursed for the lunches they provided.

The budget reflects a request to provide for the hiring of experts and consultants for Farmers Home Administration and also in connection with the food stamp program for Food and Nutrition Service. Complexity in these programs makes such a request desirable.

The Department is requesting authority to purchase 765 passenger motor vehicles of which 535 are for replacement. In addition, in the replacement of passenger motor vehicles, the request would replace 204 light trucks with the more economical sedans and would provide 26 additional vehicles, 25 for new resource and conservation projects of SCS and one for use of the Foreign Agricultural Service in Madrid, Spain.

The Department is also requesting authority to provide advances of funds to chiefs of field parties. Frequently these field parties are in remote areas and need small amounts of funds to make purchases. This authority would allow them to get advances of funds for this purpose. This authorizing legislation was inadvertently deleted in Public Law 92–310.

Mr. WHITTEN. Are there further questions?

If not, thank you, Mr. Miles and Mr. Wright and gentlemen. We appreciate your appearance and we will ask that the usual tables and other information be included in the record where requested.

FEBRUARY 25, 1974.

# GENERAL AGRICULTURAL OUTLOOK

## WITNESSES

DON PAARLBERG, DIRECTOR OF AGRICULTURAL ECONOMICS
J. DAWSON AHALT, STAFF ECONOMIST
QUENTIN M. WEST, ADMINISTRATOR, ECONOMIC RESEARCH SERVICE
MARDY MYERS, ECONOMIC RESEARCH SERVICE
JAMES DONALD, ECONOMIC RESEARCH SERVICE

Mr. WHITTEN. We turn now to Dr. Paarlberg, Director of Agricultural Economics. He has with him Mr. J. Dawson Ahalt and Mr. West, Administrator. At this point in the record, we will insert the biographical sketches of anyone appearing for the first time before the committee.

[The biographical sketches follow:]

### BIOGRAPHICAL SKETCH OF J. DAWSON AHALT

Mr. J. Dawson Ahalt returned to USDA as chief assistant to the Director of Agricultural Economics on December 16, 1973.

Mr. Ahalt was with the Department of Agriculture from 1962 through most of 1971, working first on long-run projections and then serving in the demand analysis section of the Economic Research Service. In the latter capacity, he analyzed the demand for farm products, the interrelationships betwen agriculture and the nonfarm sector, and domestic and foreign agricultural demands.

In August 1971, he moved to the Cost of Living Council and later became Deputy Associate Director for Economic Policy, working primarily in agricultural and food matters.

Born March 20, 1936, in Middletown, Md., Mr. Ahalt graduated from the University of Maryland, College Park, with a bachelor's degree in economics, and later obtained a master's in economics from American University here. While at the University of Maryland, Mr. Ahalt worked for the Department as a trainee and agricultural economist for a year and a half. He was a field representative for Sinclair Refining Co., for 3 years before joining USDA in a regular capacity in 1962.

### BIOGRAPHICAL SKETCH OF JAMES R. DONALD

Mr. Donald was born and reared on a farm in southwestern Georgia near the little town of Omega. He attended public schools there. He graduated in agricultural economics from the University of Georgia in 1954 and earned an advanced degree in agricultural economics from North Carolina State University in 1957.

Mr. Donald joined the U.S. Department of Agriculture in February 1957. During 1957–72, except for 6 months of active duty with the U.S. Army in the second half of 1957, he was associated with economic research and analysis of the outlook for commodities. During 1957–63, he was engaged in research related to the supply, demand, and price of cotton. His responsibilities were broadened in 1963 to include cotton outlook work, including writing the "Cotton Situation." In 1969, he assumed responsibility for research and outlook work for all major crops; in late 1972 responsibilities were extended to farm income and food research and outlook. Since mid-1973, he has served as Deputy Director of the National Economic Analysis Division; he is Vice Chairman of the Department's Outlook and Situation Board and ERS coordinator for outlook work.

Mr. WHITTEN. Dr. Paarlberg, we are glad to have you with us. We have had the privilege of hearing the President's economic advisers through the years. From these sessions I learned that economic cycles have always occurred. Over a period of years this has been true and the problem is finding where in the business cycle we are.

I had some fun last year with Dr. Stein. I asked him how long it took him to get where he could have his views on economics accepted and tried. He said 25 years.

I said, "Doctor, if it took you that long to sell your fellow economists on your views, then it raises some doubts in our minds about whether you might be right or not."

We are not going to do that to you. You have a fine record in your field of activity. We respect you for it and we will be interested in hearing from you. We realize there are factors of uncertainty which will always be that way. Proceed in your own way.

Mr. PAARLBERG. May I first introduce my colleagues. On my left is J. Dawson Ahalt, who has just joined me, taking the place of Francis Kutish, whom you have long known. On his left is Mardy Myers from the Economic Research Service. On my right here is Quentin West, Administrator of the Economic Research Service. Then Jim Donald, beside him, of the Economic Research Service.

I think that I will talk informally, and you can interrupt any time you wish. After I have briefed the statement, I would like to review the charts with you.

Mr. WHITTEN. Thank you. Proceed in that manner if you wish.

### FARM INCOME

Mr. PAARLBERG. 1973 was an alltime record for farm income. Farm income reached a level of $26 billion, which is 32 percent above the previous record. I may say we are undertaking a revision of our farm income series, and our new farm income situation will show these revisions. They are slight downward revisions. Running over a period of years, they come from information that we have been able to get from the agriculture census and other sources. These will be released in a matter of days.

Released Friday, Mr. West tells me.

### REASONS FOR RECORD 1973 FARM INCOME

The reasons for the very large incomes of 1973 are several. One was the worldwide shortfall in the crop of 1972, decline of about 3 percent, whereas ordinary production would be increasing about 3 percent. That made really a real shortfall of 6 percent, so prices rose everywhere in the world. On top of this came the worldwide devaluation and inflation, which increased our prices in countries that did not devalue. So prices shot up at an unexpected rate. We depleted our stocks in order to meet the needs for food around the world. We had a cutback in livestock production because of the fact that so much feed had moved out of this country to meet needs elsewhere. Prices rose very sharply. We have had this major change that we are now much more involved in worldwide fluctuations in prices than we were hitherto. We are now on the export market with all of our major crops and are, therefore, fully involved in fluctuations in the world market, whereas previously when our farm programs were different and we looked inward to our own domestic markets and were not so heavily involved in exports, we were shielded from some of these fluctuations.

We are now more vulnerable to these.

The world monetary situation has changed. I mentioned the devaluation of the dollar, and now recently the dollar has gained in value

since we have been less affected by the world oil shortage than of some other countries. All these things have been in a great state of flux. I heard you say earlier, or one of the gentlemen, I think Mr. Andrews said, in hindsight we usually have 20/20 vision. The situation was so disturbed during the past 18 months, even looking at it from retrospect we find it difficult fully to understand.

The future is also difficult to understand, more than ordinarily. We have had some troubles, and I am not yet ready to turn all these problems over to anybody else. I continue to try to want to make these mistakes or make the successes as we can.

Mr. BURLISON. If the chairman would yield—while we are on the point of farm income, you mentioned a number of reasons why it has increased. Isn't it also true that the criteria used for putting in the cost inputs to arrive at this formula, those inputs are based on past years and therefore unrealistic? This is a revision you were referring to earlier?

Mr. PAARLBERG. That is precisely true.

Mr. BURLISON. Thank you.

VALUE OF MONEY

Mr. WHITTEN. One thing we might get straight here. We finished several days' hearings with Mr. Ash and the Secretary of the Treasury, Mr. Shultz, and Dr. Burns, head of the Federal Reserve System. Last year we had the Under Secretary of the Treasury for Monetary Affairs, Mr. Volcker. I asked Mr. Volcker if it were not a fact that things are not going up in price, it is just our money is coming down in value. He agreed.

I asked Dr. Burns the same question last Thursday, and he said, "The Department had announced the cost of living had gone up 3 percent."

I said, "Doctor, doesn't that mean in terms of an ever-increasing supply of money? We are running in the hole printing money."

I think to get the value of your statement we need to know whether it is talking in terms of a constant or an inflated dollar. We continue to inflate to the degree that we need to know whether we are going up in terms of cheaper dollars or in terms of real dollars.

While this inflation is still continuing, I think the energy crisis has made it clear that the United States enjoys some advantages which may make our problems less severe than other nations. We come nearer to being self-sufficient than any other developed country in the world. Our dollar is backed by more raw materials and natural resources and know-how than any other country. So I hope that you can keep us straight on whether your figures are in a constant dollars or whether they are in terms of inflated dollars which don't purchase more real goods.

Mr. PAARLBERG. I mentioned the $26 billion net income for 1973. That is in current, inflated dollars, if you wish. We show certain of our series in our farm income reports on the basis of constant dollars and we are quite careful to put that in the titles of the tables when we do.

I am completely in agreement with you, Mr. Chairman, that it isn't just that the prices are all going up but that the value of the dollar

is going down. I think that is a very pertinent comment and a very serious matter.

OUTLOOK FOR 1974

Looking forward now to the year 1974, in which we presently are, we expect that our production will increase this year. We think we will be able to overcome the problems of lack of fertilizer and the problems with respect to fuel. We are increasing our acreage sharply of wheat and of corn, and we expect a considerable increase in agriculture production this year if weather is at all normal.

Our stocks are being drawn down during this marketing year, particularly for wheat, also for feed grains, for cotton. We anticipate that if the crop is good, as we think it will be, there will be some slight rebuilding of these abnormally low stocks. We do not see any likelihood that the crop might be so large or the exports so low as to build up stocks out of this coming crop that would be in any way difficult to manage.

Prices are high and will be high. Gross income will be very high as we will see from the chart soon, but costs also are up. Costs have risen very rapidly and we think that in 1974 the net farm income will be down a bit from 1973; $1 billion or $2 billion. Still the second best year in history, and the third consecutive good year of farm income and there has not been anything like that, 3 good years in tandem, nothing like that in history.

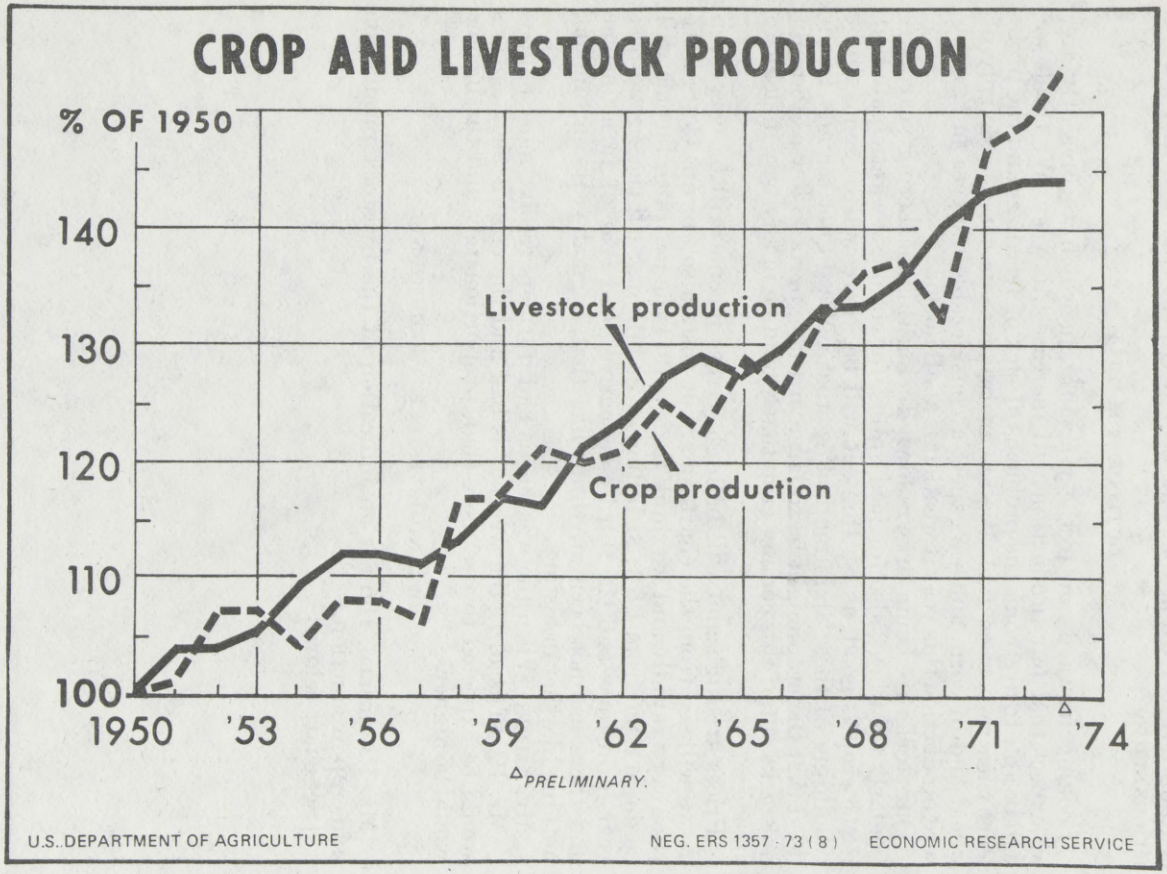
Mr. SMITH. When the weather is bad, farmers receive more money.

Mr. PAARLBERG. If the weather is bad and the crop is short, prices would be expected to rise more than proportionately and the income would be higher.

CROP AND LIVESTOCK PRODUCTION

Mr. PAARLBERG. Here is an indication of the livestock production and crop production.

[See chart below.]


CROP AND LIVESTOCK PRODUCTION
% OF 1950
140
130
120
110
100
Livestock production
Crop production
1950
'53
'56
'59
'62
'65
'68
'71
'74
△PRELIMINARY.
U.S. DEPARTMENT OF AGRICULTURE
NEG. ERS 1357 - 73 ( 8 )
ECONOMIC RESEARCH SERVICE

Here at 1970 was the corn blight. Then a good year, another good year and last year, despite the late planting season and despite the floods and all the problems we had a procession of crises, we did harvest an all-time record crop of good quality. But livestock production, as you will see, has been increasing at a very low rate and last year it was just about level.

The reason for this is that our exports of grain have been very large and the amount of grain available for livestock production therefore diminished. The price of grain was very high and the individual farmers got the signal through the price system that there should be a check on the rate of livestock production.

CROP PRODUCTION PER ACRE

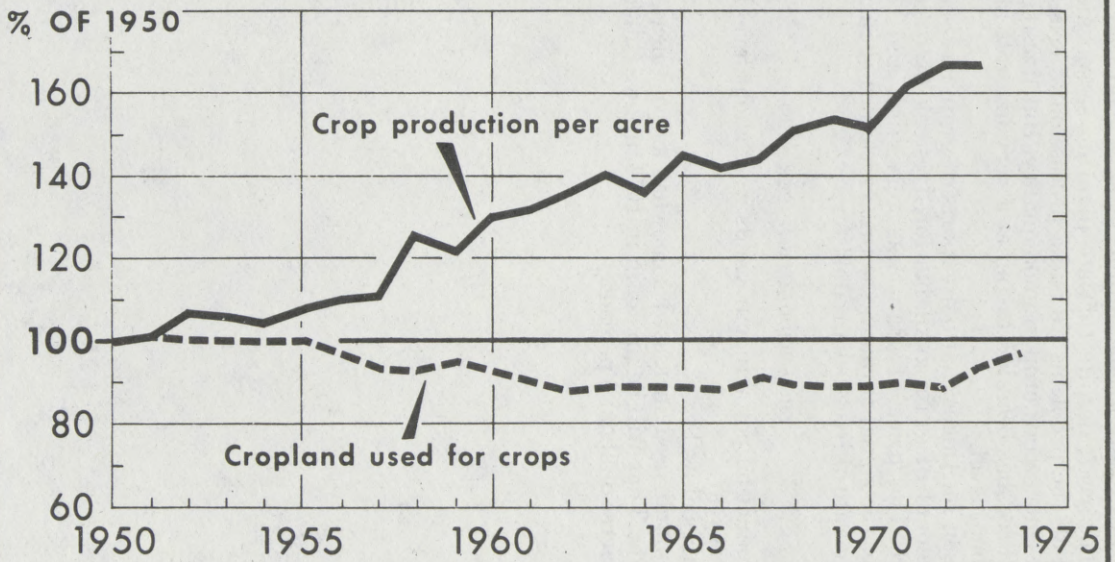
Crop production per acre, our yields were about level last year with the previous year.

[See chart below.]

The cropland used increased somewhat as we released acres from the set-aside. That will be up again in 1974, up, we think, maybe 10 to 15 million acres or about 5 percent.

30-100 (Pt. 1) O - 74 -- 19

# CROP PRODUCTION PER ACRE AND CROPLAND USED FOR CROPS

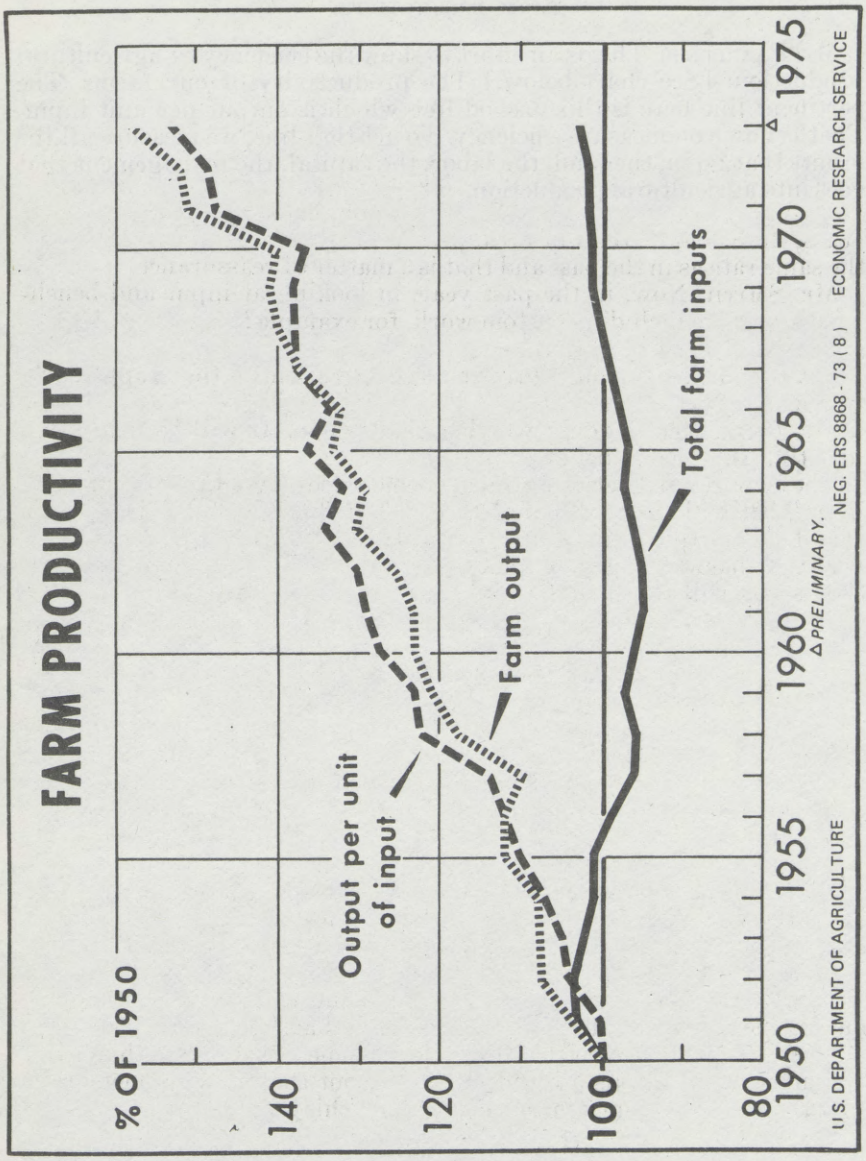



*1974 FORECAST FOR CROPLAND USED FOR CROPS.*

U.S. DEPARTMENT OF AGRICULTURE NEG. ERS 1355 - 74 (2) ECONOMIC RESEARCH SERVICE

FARM PRODUCTIVITY

Mr. PAARLBERG. This is an effort to show the efficiency of agricultural production. [See chart below.] The productivity of our farms. The pertinent line here is this dashed line which is output per unit input. That is how you measure efficiency. To get that line, we measure all the inputs that go in, the land, the labor, the capital, the management that goes into agricultural production.


FARM PRODUCTIVITY
% OF 1950
140
120
100
80
1950
1955
1960
1965
1970
1975
Output per unit of input
Farm output
Total farm inputs
△ PRELIMINARY.
U.S. DEPARTMENT OF AGRICULTURE
NEG. ERS 8868 - 73 (8)
ECONOMIC RESEARCH SERVICE

We have our overall farm output and then we show that output relative to the input and that has been rising over the years. This is a measure of the increased efficiency in agriculture production and is a great tribute to our farm people, to the research that has made these advances possible and to the help that you gentlemen have given in improving the efficiency of our agriculture production.

You will note there was a time here during the late sixties when our efficiency was essentially level. The increases had ceased practically and there was much concern expressed about that. Now, in the last 3 years, the upward trend in farm productivity has reappeared at about the same rate as in the past and that is a matter of reassurance.

Mr. SMITH. Now, in the past year, in looking at input and benchmarks, you are including custom work, for example?

Mr. PAARLBERG. Yes, sir.

Mr. SMITH. Have you readjusted the entire line on the graph representing inputs?

Mr. PAARLBERG. I doubt whether that is true. It will be readjusted sometime this year, I believe.

The new revised series on farm income does have the custom work in it. That will slightly change the level of this line, but I don't think it will change the essential picture we get from it.

Mr. ANDREWS. You show that massive upsurge. In the Great Plains States you will recall those were the 2 years you were telling us to go all out in production. We no longer have those summer fallowed acres to plant next year as we did before. I am talking of the transitional area between the Corn Belt, and the Great Plains area where you alternate, 50 percent summer fallow and 50 percent cropland.

The Department comes out with statements that fertilizer is available at 50 percent above last year's prices. In our area it isn't available at all and where it is, it is 100 percent above last year's price.

Without a lot of nitrogen fertilizer plus an unusual amount of rainfall, there is no way we can produce as much wheat as we did last year, much less more. Have you taken that into account?

Mr. PAARLBERG. We have in our projections of the 1974 crop. It is quite true, as you say that you are on a current basis for moisture there. There are locational problems with regard to fertilizer and these are very real. There is, as you perhaps know, a number of people who say that there is a clustering of good and bad years, particularly out in the Great Plains and that we have had a clustering of good years and that we are on the threshold of some years of less than average moisture. There is a big argument about that and the meteorologists, they do feel some apprehension about this point.

FERTILIZER NEEDS

Mr. ANDREWS. Has your shop taken into account that even if we get the same amount of rainfall in 1974 as we got in 1973, we will still need two to three times as much nitrogen fertilizer as we used last year to come out even because in effect we have been mining the soil by using that summer fallow—if you leave land idle for a year you nitrify the organic matter in it and it saves buying nitrogen fertilizer. We don't have that land that has been summer fallowed as set aside, so we have to buy it in the bag or in the tank and if it is not available

to the extent of two or three times what we had last year, our yields will go down rather than up.

Mr. PAARLBERG. The farmers are aware of this and this is the reason they are making such strong demands for additional fertilizer.

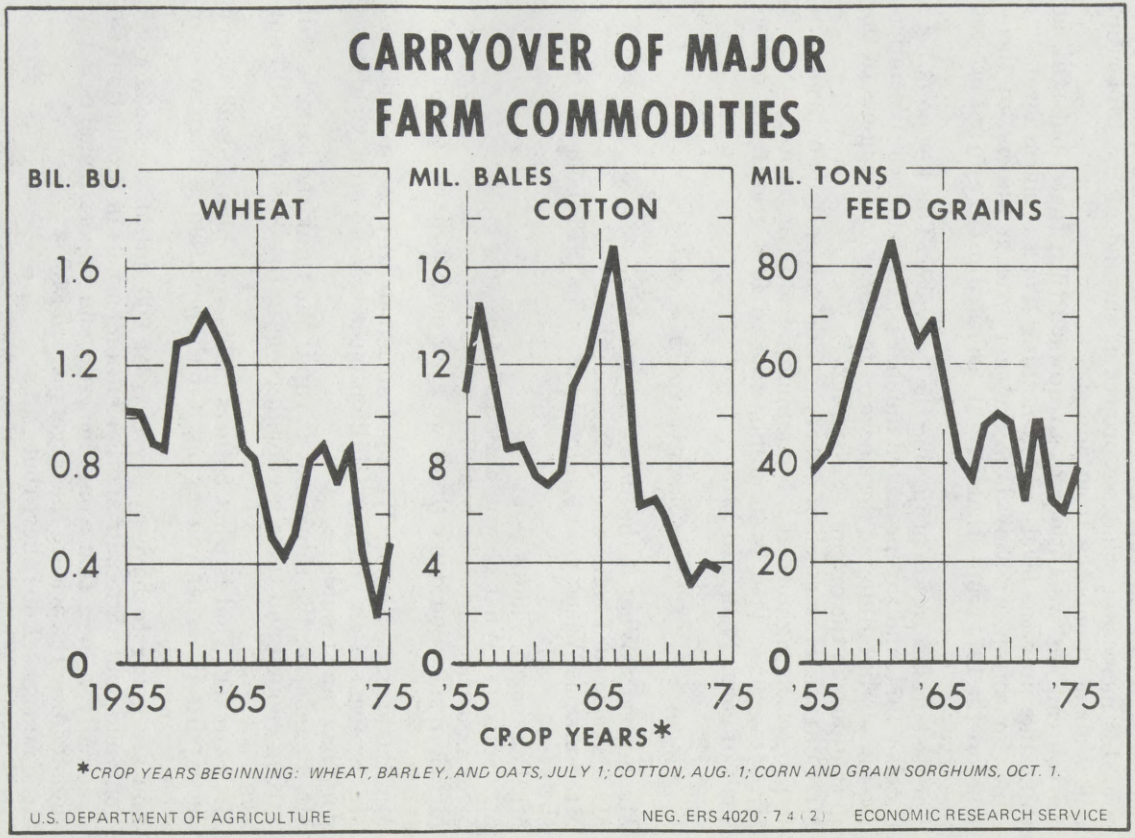
There are two ways to look at the fertilizer thing. You can look at the availability of fertilizer in physical terms compared with the availability a year ago and you get comfort from that because physically there is more than there was a year ago. The other way to look at it is to look at the farmer's fertilizer need, his felt desire for fertilizer and that is up very sharply from a year ago and it is that that is responsible for the grave concern about fertilizer.

Mr. ANDREWS. But you realize we need more to just stay even and you do put that into your calculations.

Mr. PAARLBERG. We do. Whether we are right or not, so much depends on the moisture. If you get no moisture, it can be too much nitrogen fertilizer can hurt you, as you know. Burn you up instead of help you.

CARRYOVER OF MAJOR FARM PRODUCTS

Here we have wheat, cotton, and feed grains from 1955 into the coming crop year. [See chart below.]


CARRYOVER OF MAJOR
FARM COMMODITIES
BIL. BU.
WHEAT
1.6
1.2
0.8
0.4
0
1955
'65
'75
MIL. BALES
COTTON
16
12
8
4
0
'55
'65
'75
MIL. TONS
FEED GRAINS
80
60
40
20
0
'55
'65
'75
CROP YEARS*
*CROP YEARS BEGINNING: WHEAT, BARLEY, AND OATS, JULY 1; COTTON, AUG. 1; CORN AND GRAIN SORGHUMS, OCT. 1.
U.S. DEPARTMENT OF AGRICULTURE
NEG. ERS 4020 - 74 (2)
ECONOMIC RESEARCH SERVICE

Wheat is the first one and, as you will see, this low point out here is our estimate for the carryover in July, 4 months from now. This figure, this increase is what we project at the end of the 1974 crop, which is about 16 months from now.

As you can see, we anticipate an upward turn there, but still, at nothing like previous levels and at nothing like a problem level.

Now, for cotton, we show here the carryover at the end of the—just before the 1974 crop—that is right, isn't it, Jim? We do not project the carryover.

For feed grains, we are projecting the carryover. This low point here is October 1974, and this projected number is October 1975. We anticipate some slight buildup in the stocks of feed grains coming out of the crop that goes in the ground this spring.

Mr. SCHERLE. How much of a carryover do you anticipate in corn in that projection right there? Four hundred million bushels?

Mr. PAARLBERG. That is 40 million tons of feed grains; 1.2 billion bushels of corn. That is in 1975.

CORN CARRYOVER

Mr. SCHERLE. What is the 1973 carryover?

Mr. PAARLBERG. I believe 600 million bushels.

Mr. SCHERLE. Wasn't your total yield basis for 1973 about 5.65 billion bushels?

Mr. PAARLBERG. That is right.

Mr. SCHERLE. What do you anticipate this year?

Mr. PAARLBERG. 6.6 billion bushels.

Mr. SCHERLE. You don't think we are going to have trouble with that?

Mr. PAARLBERG. No, sir. We don't anticipate any severe problems.

Mr. SCHERLE. Can you put 1 billion bushels more on a yield basis and not have any trouble?

Mr. PAARLBERG. We think that is right. We think the exports will be strong enough and there is enough room in the bins to rebuild our stocks.

Mr. SCHERLE. That is what bothers me, is your bins. I don't worry about exports, but when you say put it in the bins, that is when we have trouble.

You are going to have a carryover of 600 million bushels, a 5.6 billion yield, and anticipate another billion bushels in production. Do you actually believe that your domestic and export demand is not enough to lower the price to the target price of $1.38?

Mr. PAARLBERG. I do believe that.

Mr. SCHERLE. What do you have if you don't?

Mr. PAARLBERG. The target price.

Mr. SCHERLE. You can't survive on $1.38 a bushel any more, Mr. Paarlberg; you know that.

Mr. PAARLBERG. With the inflation in the world, with strong export demand and with the depleted stock, Congressman, I don't worry. And I am a pretty good worrier when there is need for it. I don't worry about getting in trouble with the 1974 corn crop.

Mr. SCHERLE. You won't be out of business like the farmers will. That is the salvation you have. If you make a mistake, you can just

say, "I'm sorry," but the farmer can't go to his banker and tell him that.

My point is, if you are going to have a 600 million bushel carryover with the 5.6 and you anticipate another billion, where is the assurance that export demand is going to take that dramatic increase in the proposed production?

EXPORT DEMAND

Mr. PAARLBERG. The export demand from countries that have been increasing their take of corn from us.

Mr. SCHERLE. What countries are those?

Mr. PAARLBERG. The European Common Market. Japan.

Mr. SCHERLE. I understand the European Common Market is not going to be as heavy on the export side this year as it was last year. Isn't that the USDA figures?

Mr. PAARLBERG. There might be some diminution. In fact, our export projects are down a little bit from the present year for corn, partly for that reason.

Mr. SCHERLE. We are not going to sell any more to the Common Market, the nine member nations over there. What other countries will increase? Japan? OK, let's say the fuel crisis takes a great deal of their wealth as far as crude oil is concerned. Will they have to buy that because that nation has to stay mobile? That money won't be available to buy our agricultural products.

NEED FOR CRUDE OIL

Now, that means that the export demand won't be as heavy when some of that money is siphoned off by mandatory payments for crude oil.

Japan is 85 percent importer of crude oil. What other nation do you go to, the Republic of China?

Mr. PAARLBERG. China. We sell agricultural products to some countries. Some of the oil exporting countries will have an enormous amount of demand. We sell some to countries who have large reserves who probably will not change their purchases from us as any result of the oil problems. We have tried to weigh this all out, Congressman Scherle.

Mr. SCHERLE. Dr. Paarlberg, they don't have much choice. If they need oil, they have to have it.

If these other nations of the world are also increasing production—because that is where a lot of our fertilizer has gone—I hope, as optimistic as your figures are, that they won't be the demise of the farmer this fall as well as running into 1975.

Mr. PAARLBERG. We certainly hope so. We have scaled back our projections of exports for precisely the reasons you indicate.

Mr. SCHERLE. If you have scaled back your exports, then you are building up your surplus. When the speculators see those tin cans sitting over there with a lot of corn in them that is not going to be healthy for the market, particularly when you can dump it any time you feel like it.

Mr. PAARLBERG. Our domestic consumption, on the other hand, is likely to increase.

Mr. SCHERLE. Not according to your statement here as far as livestock prices are concerned. What about hog expansion for this year?

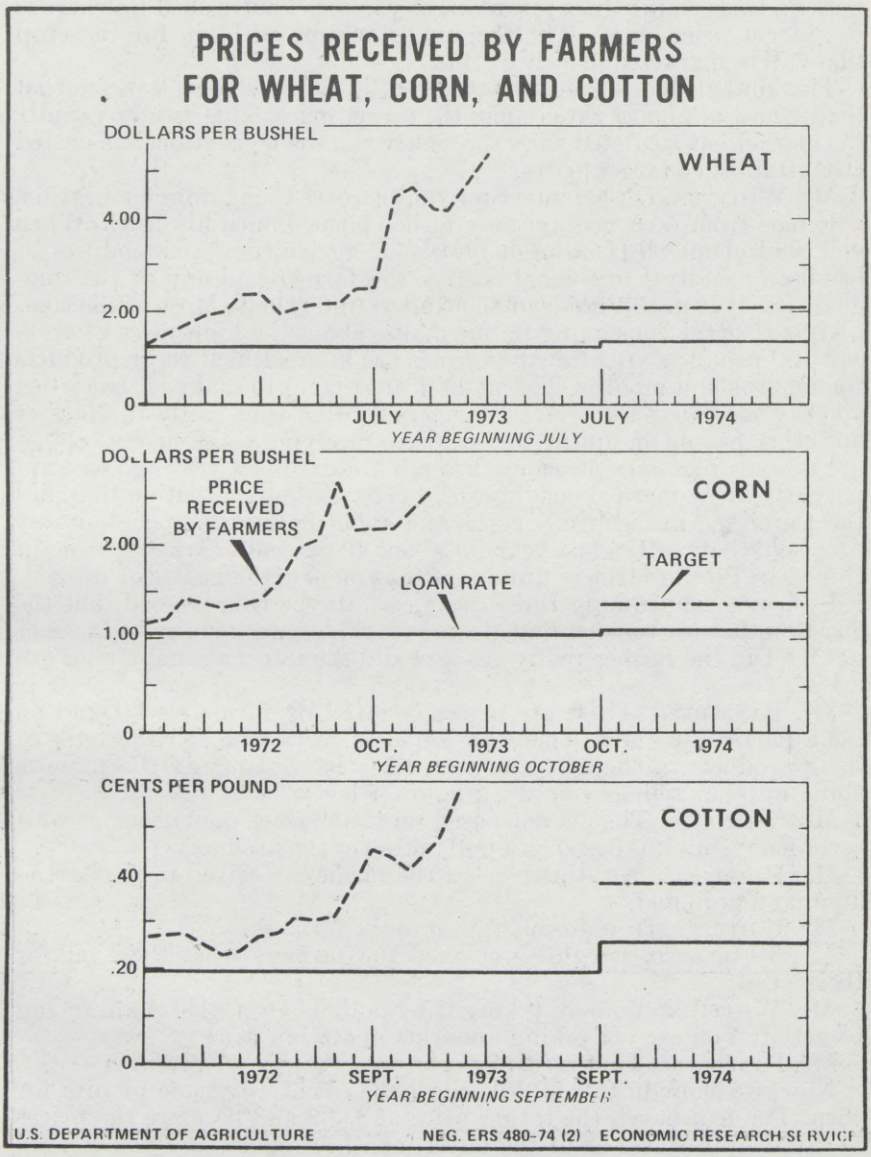
Mr. PAARLBERG. We probably will have a larger hog population to eat off of the 1974 crop. I think you would agree with that.

Mr. SCHERLE. Not the prices of meat. If you look at the head editorial in the Post this morning, I think you will see where people are just staying away from meat. They are even complaining about macaroni casseroles, because of the increased cost of macaroni.

Mr. PAARLBERG. The answer to this question will not be before us until a year from now, Congressman. I am aware of your apprehension and there are many people who share it.

WHEAT, CORN, AND COTTON PRICES

This chart follows quite logically from what we have been discussing. It would take a little while to comprehend it.


PRICES RECEIVED BY FARMERS
FOR WHEAT, CORN, AND COTTON
DOLLARS PER BUSHEL
WHEAT
4.00
2.00
0
JULY
1973
JULY
1974
YEAR BEGINNING JULY
DOLLARS PER BUSHEL
PRICE
RECEIVED
BY FARMERS
CORN
2.00
TARGET
LOAN RATE
1.00
0
1972
OCT.
1973
OCT.
1974
YEAR BEGINNING OCTOBER
CENTS PER POUND
COTTON
.40
.20
0
1972
SEPT.
1973
SEPT.
1974
YEAR BEGINNING SEPTEMBER
U.S. DEPARTMENT OF AGRICULTURE
NEG. ERS 480-74 (2)
ECONOMIC RESEARCH SERVICE

The top block shows wheat. The solid line is the loan level. That goes up this coming July just a bit, as you see. This dashed line here is the target price, $2.05. That begins to become effective for the crop that will be marketed in July of 1974.

This dotted line is the price received by farmers. You will see that that is now at almost three times the target price. That is how rapidly the market has escalated since the time when the legislation was passed that established target prices.

Mr. WHITTEN. Let me interrupt you there, if I may, for clarification.

I come from farm country; my father farmed until his death. When you read about all these high prices for agricultural commodities, it has been usually 4 or 5 months since the farmer had any of the commodities. It is in the hands of the traders and others. Most of the complaints that the consuming public makes about the high price of agricultural products are after the farmer has been without those products for months and months. The point I am trying to make is that when you say the prices received by farmers it often isn't really the farmer but other people on up the line who are receiving those prices.

For example, someone came through Mississippi a year ago who apparently knew more about the world cotton supply situation than did the Foreign Agriculture Service, and about half of the people in my area sold their cotton last year for about 40 percent of what it brought this year. So the farmers didn't get that money, the mills got it.

I am not condemning these practices. Maybe this is good, but the question there is, to what date do you tie that when you say the farmer got it? Did the farmer really get it or did the international trader get it?

Mr. PAARLBERG. These are prices received by farmers who sold on these particular dates. There are some farmers who sell the bulk of their products in the early months after harvesting. If the price is going up, they sell, as you say, at a lower level.

Mr. WHITTEN. That is not based on the market quotations as of a certain day, but it is based on a poll taking of the producers?

Mr. PAARLBERG. No; this is what the farmers received in the particular months quoted.

Mr. WHITTEN. How do you limit it to the farmers?

Mr. PAARLBERG. Because we asked the farmers what they got for their crop.

Mr. WHITTEN. You are taking it by poll. That is what I am trying to get at. You are not taking a market quotation price.

Mr. PAARLBERG. That is correct.

Now, we show in this middle chart the essentially same picture for corn. The loan level, the target price at $1.38 and here are the prices received by farmers as of the latest monthly report, and you can see this price is about twice the target level.

Here we show the same thing for cotton. The loan level, the target price, and here the prices received by farmers and again substantially above the target levels.

### TIMING OF CROP REPORTS BY USDA

Mr. SCHERLE. What is the basic determining level for the month of the year which will determine the outcome of agriculture predictions as far as it affects the market price? That is a complicated one, isn't it?

Mr. PAARLBERG. I am sorry, I didn't fully get the question.

Mr. SCHERLE. What month of the year provided by the U.S. Department of Agriculture statistics usually will govern the rise or fall of the commodity to be harvested, maybe 2 months hence?

When does the Department of Agriculture make predictions?

Mr. PAARLBERG. We engage in outlook work in December that tries to foresee what the situation will be for the next 12 months.

Mr. SCHERLE. I want to get down to the close nitty-gritty of determination as to whether your last predictions will govern the possible selling price of that commodity around, let's say harvest time in the fall. Is August the last month for determining your yield until you get to the actual yield itself at harvest time?

Mr. PAARLBERG. We have an August and September crop report, an October crop report. These give anticipated production for the crop.

Mr. SCHERLE. Does August govern the outlook more so than September or October?

Mr. PAARLBERG. I would say, Congressman Scherle, the August crop report is the most important of all those. Prior to that time we don't have a real fix on the condition of the crop. The August crop report is the first one that comes out with a crop far enough along so that it is possible to get some reasonable notion of supply.

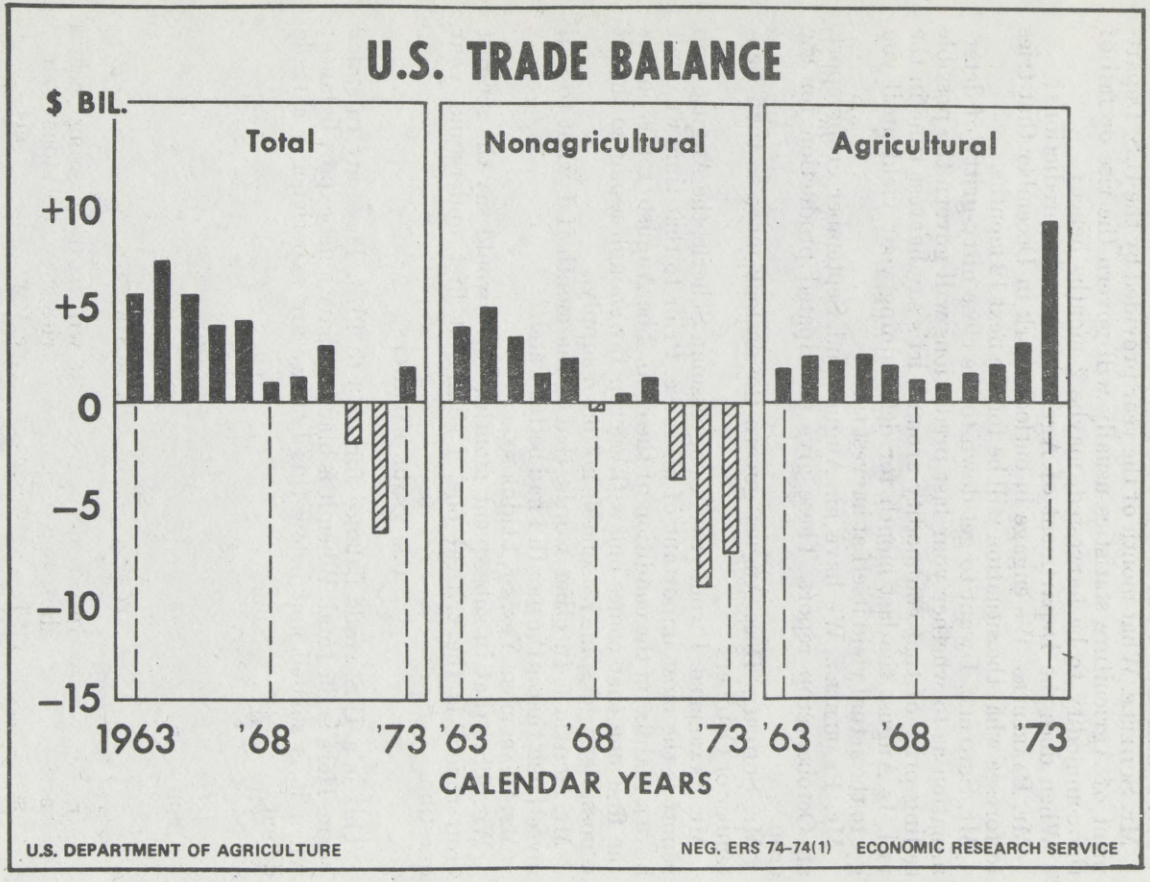
Mr. SCHERLE. In other words, that is the month if I want to bail myself out, that is the month I had better watch?

Mr. PAARLBERG. Yes, sir, I think so.

We refine that in subsequent months, but I would say the August crop report is the critical one. I didn't at first understand your question.

U.S. TRADE BALANCES

This is a U.S. trade balance for 1963 to 1973. These are calendar years. Here is the total. When it is black we have a net export balance; when it is shaded and below this line we are experiencing a trade deficit.


U.S. TRADE BALANCE
$ BIL.
Total
Nonagricultural
Agricultural
+10
+5
0
–5
–10
–15
1963
'68
'73
'63
'68
'73
'63
'68
'73
CALENDAR YEARS
U.S. DEPARTMENT OF AGRICULTURE
NEG. ERS 74-74(1)
ECONOMIC RESEARCH SERVICE

As you can see, from 1963 to date our trade balance which was favorable has generally declined. It showed a slight improvement during calendar year 1963. Here is a nonagricultural part of that and, as you can see, for nonagricultural items we have been in a very severe trade deficit for 3 years. Here is an agricultural part of the U.S. trade balance. We have been in the black throughout the entire period. We have contributed to the trade balance rather than contributed to a deficit, and in 1973 that shot up here to about $9 billion.

Another way to say that, gentlemen, is that the favorable trade balance of 1973, the fact we moved above the line for the total U.S. economy is entirely attributable to the contribution of agriculture to the trade balance.

Incidentally, the net trade balance of about $9 billion attributable to agriculture in 1972 was just about equal to the amount of money that we spent for imports of petroleum in that year. One way you can say this is that agriculture paid for the oil imports in 1973.

DOLLAR CREDITS

Mr. SMITH. Another way of putting it is that they were using up their accumulation of dollar credits. How long can they use up that accumulation like that?

Mr. PAARLBERG. There is an enormous amount of dollars overseas. I think $90 or $100 billion altogether, American dollars overseas, most of it in the Common Market and in Japan.

Mr. SMITH. Accumulated dollar credits?

Mr. PAARLBERG. Accumulated credits that they can use to buy things from us, and they are now using in part to pay for their oil imports.

Mr. SMITH. Even with oil imports to absorb a substantial amount of those dollar credits, you don't foresee the lack of dollar credits as being any brake on buying imports from us in the next 2 or 3 years?

Mr. PAARLBERG. As they diminish those and pay out more of them for oil, there will be fewer available to purchase our agricultural and nonagricultural products.

Mr. SMITH. There are enough dollar credits outstanding so you don't expect lack of such credits to cause any dampening of their ability to buy imports for a year or 2 or 3?

FOREIGN EXCHANGE RESERVES

Mr. PAARLBERG. In certain countries it will be dampening because they are not evenly distributed. Some countries have enormous reserves and some relatively few. The British have few and they may be in trouble. I would say that——

Mr. SMITH. Could you expand on that.

Mr. PAARLBERG. Spain, Canada, Germany, and the Netherlands can relatively easily cover their projected 1974 current account deficits, international transactions in goods, services, and unilateral transfers, even with higher oil prices by drawing down reserves in 1974. This is also true for Australia, Switzerland, Sweden, Belgium, Austria, and Ireland. In total these countries took nearly $3.5 billion of U.S. agricultural exports in fiscal year 1973. The centrally planned countries took about $1.4 billion, the OPEC countries about $0.5 billion, and

Public Law 480 shipments to non-OPEC countries equaled nearly $0.9 billion. Thus in total about $6.3 billion of our exports in fiscal year 1973, about half of the total, went to markets that are so far either unaffected by the balance-of-payments impact of the oil situation or else favorably affected (the OPEC countries).

To what extent the other half of our exports will be unfavorably influenced is difficult to say. Reductions in imports by the Japanese and other countries may be in the industrial sector. Many of these countries are faced with high rates of inflation and to restrict agricultural imports would only worsen the situation.

Projected Current Account Balances for 1974, Foreign Exchange Reserves, and Reserves as a Ratio of Projected Balances Resulting from Higher Oil Prices, OECD countries

| Country 1/ | Projected Current Account: Balance, 1974 2/: Without oil price increase | With higher oil prices 3/ | Reserves, November 30, 1973 | Column 2 as a ratio of Column 3 | Agricultural import from the United States FY 1973, 4/ |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| | $ Billion | | | (Percent) | ($ Million) |
| Australia | -0.1 | -0.5 | 6.2 | 8 | 37 |
| Switzerland | 0.4 | -0.6 | 7.2 | 8 | 133 |
| Spain | 0.2 | -1.0 | 6.7 | 15 | 400 |
| Canada | 0.0 | -1.0 | 5.7 | 18 | 657 |
| Germany | 1.0 | -6.0 | 34.1 | 18 | 903 |
| Netherlands | 0.8 | -1.2 | 6.2 | 19 | 5/1,017 |
| Sweden | 1.0 | -0.7 | 2.4 | 29 | 59 |
| Belgium-Luxembourg | 0.5 | -1.5 | 5.0 | 30 | 196 |
| Austria | -0.6 | -1.0 | 2.9 | 34 | 17 |
| Ireland | -0.2 | -0.4 | 1.1 | 36 | 42 |
| Norway | -0.8 | -1.2 | 1.6 | 75 | 72 |
| France | -0.8 | -6.8 | 8.6 | 79 | 355 |
| Japan | -0.5 | -11.5 | 13.2 | 87 | 2,311 |
| Italy | -1.4 | -6.4 | 6.1 | 105 | 509 |
| United Kingdom | -3.0 | -8.0 | 6.6 | 121 | 550 |
| Denmark | -0.6 | -1.6 | 1.2 | 133 | 139 |
| Finland | -0.6 | -1.2 | .6 | 200 | 19 |
| United States | 5.0 | -6.0 | 6/ | 6/ | --- |

1/ Listed by relative pressure on foreign exchange reserves (re. col. 4).

2/ Minus denotes deficit. The current account includes international transactions in goods services, and unilateral (both government and private) transfers. Balances without an oil price increase are OECD projections; balances reflecting higher prices of oil are ERS estimates.

3/ Assumes no change in 1974 from volume imported in 1973.

4/ Adjusted for transshipments through Canada but not through the Netherlands and Belgium; data not yet available for the latter adjustment.

5/ Includes shipments destined to Germany, United Kingdom, and other nations. In FY 1972 transshipments equalled nearly 30 percent of total agricultural imports from the United States.

6/ Not applicable; U.S. dollar is international medium of exchange.

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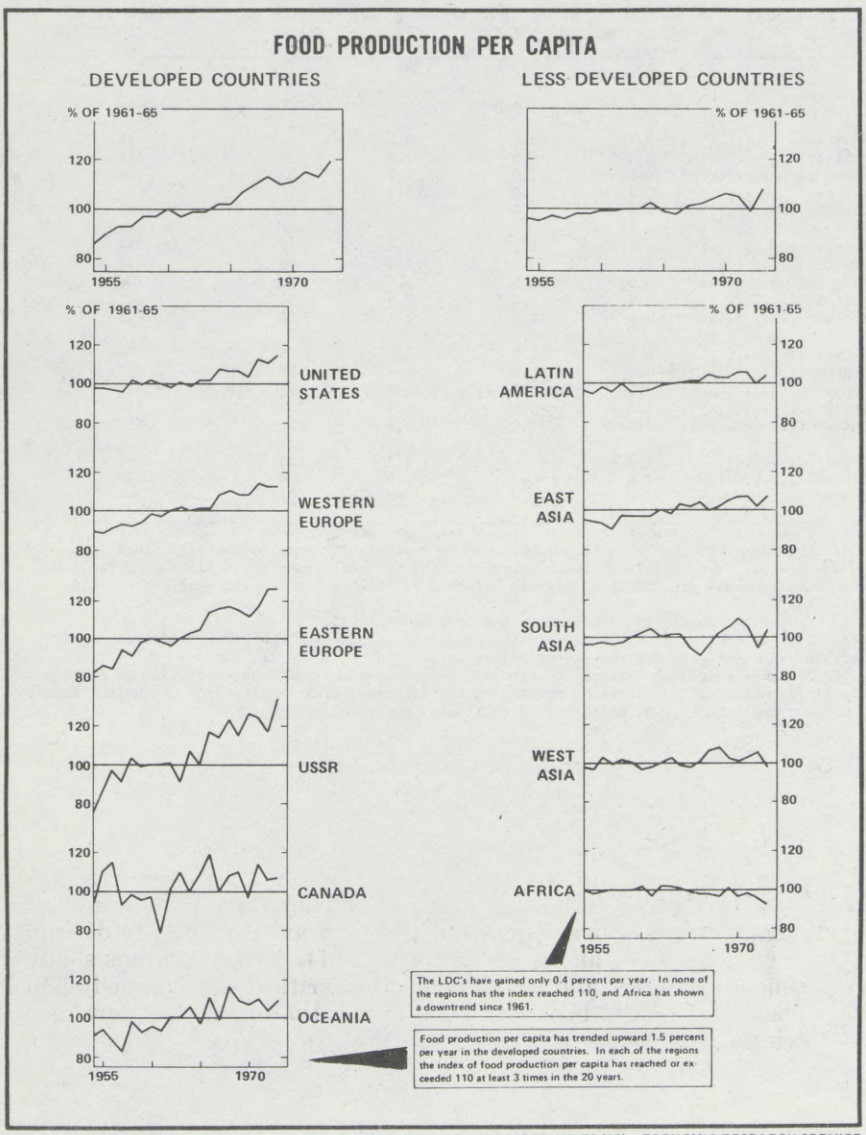
WORLD FOOD PICTURE

Mr. PAARLBERG. This is a chart showing the world food picture. This is food production on a per capita basis.




U.S. DEPARTMENT OF AGRICULTURE NEG. ERS 427-73 (12) ECONOMIC RESEARCH SERVICE

In many countries of the world this is not total but per person. In this row of pictures we have the situation in the developed countries and the span of time under review from 1955 to 1973. Put all the developed countries together and food production per capita is on an upward trend, as you see here, at a rate of about 1½ percent a year. In the United States it is moving upward. Western Europe moving upward and Eastern Europe moving upward very sharply. In the Soviet Union moving upward with very substantial year-to-year fluctuations. Their climate is uncertain, and so they have sharp changes from year to year. Canada per capita, fairly stable and Oceana slight increase. On the whole, the picture here is quite favorable. It is not as favorable in the less developed countries.

Mr. EVANS. Where is Oceana?

Mr. PAARLBERG. Australia, New Zealand, the ocean countries.

The less developed countries are aggregated in here, and there is an upward trend discernable but it is a very slight one, at the rate of about half of 1 percent a year. In the 1972 there is a sharp drop and that is what all the concern was about.

In 1973, a recovery from that, but not sufficient recovery to make up for the deficit that was incurred out of the 1972 crop. Latin America per capita, slight improvement. East Asia, which is the Philippines and similar countries, again a slight improvement. South Asia, chiefly India and Pakistan, practically level. They are just about keeping up with the rate of population growth. In Western Asia, fairly stable. Africa, a decline. You have read much about the difficulties in Africa, in the sub-Sahara area and Ethiopia. They do indeed have problems there. You will note that the 1972 shortfall occurred in almost all of these countries and in most of them 1973 showed a partial recovery.

Mr. SMITH. What commodities are included there?

Mr. PAARLBERG. These are the major grains.

Mr. SMITH. Rice?

Mr. PAARLBERG. Livestock commodities in here.

Mr. WEST. All foods, as much as we have information on them.

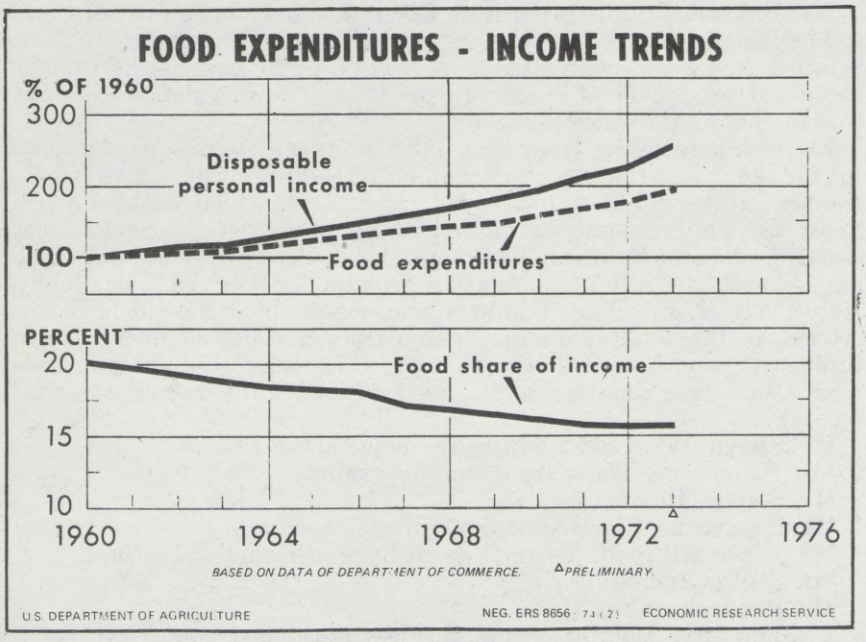
Mr. SMITH. Including rice?

Mr. PAARLBERG. Yes, sir.

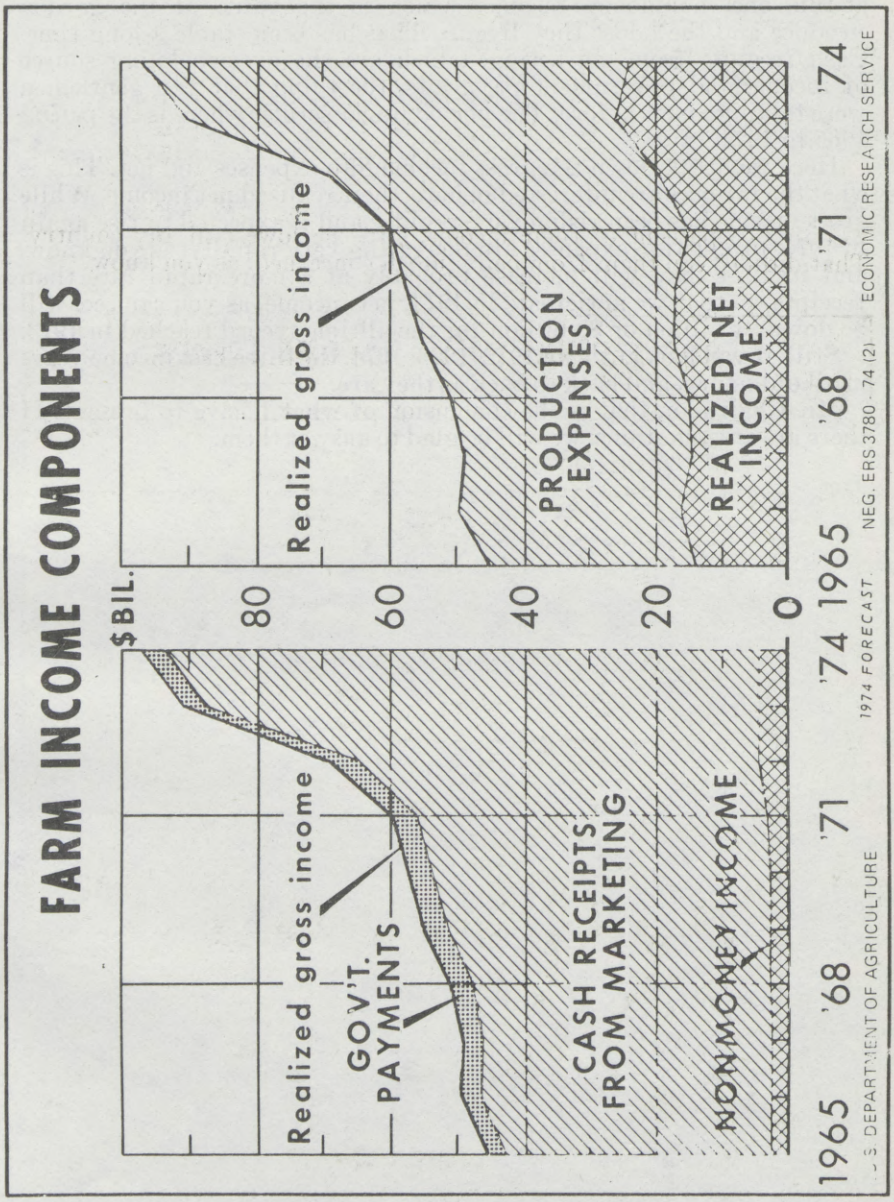
I would say, looking ahead, the less developed countries are in somewhat of a precarious position at the present time. Imported fuel is high in price and fertilizers are scarce. They have limited foreign exchange. Their stocks are depleted and they are very highly dependent on good weather and a good crop in 1974. If those things should not come about then, and many people are critically concerned about this, then there might be a very serious situation in the less developed countries of the world. We have more than an ordinary high stake in good weather for 1974.

FOOD EXPENDITURES—INCOME TRENDS

This is a familiar chart that you have seen many times: Food expenditures and income trends. Here is disposable personal income, which rose, and food expenditures, which rose. Food as a share of income, which has over time been declining and is now at about 16 percent of consumer's disposable income. In 1973, what happened was that that percentage increased two-tenths of 1 percent, from 15.7 to 15.9, I believe it was. The consumer concern about the high price of food has that sort of statistical base. What they spent for food increased from 15.7 to 15.9 percent of their income, still the lowest in any country. That didn't keep them from being much concerned, as you know.



This is my last chart.



Mr. PAARLBERG. It is a component of farm income. Let us look first at this one, nonmoney income, which is the value of the garden produce and the house they live in. That has been stable a long time. Cash receipts from marketing, which are the overwhelming source of income and government payments, the thing that you gentlemen were talking about before. The period under scrutiny here is the period 1965 to 1974.

Here we break down the gross income into expenses and net. This is what the farmers are interested in here, their realized net income. While gross income has been rising very rapidly and is expected to rise again in 1974, production expenses are increasing very rapidly, as you know, and in 1974 they will increase probably at a more rapid rate than receipts, so that we anticipate in 1974, net income, as you can see, will be down $1 billion or $2 billion for the alltime record reached in 1973.

Still, if you look at them, 1972, 1973, 1974, the three best income years in all of history, and back to back as they are.

Mr. Chairman, that is the conclusion of what I have to present. If there are any questions, we will be glad to answer them.

NONMONEY FACTORS INFLUENCING PRODUCTION

Mr. WHITTEN. Doctor, we appreciate this presentation very much. We realize that there are many factors which influence agricultural production. You have talked today about the economic factors, but noneconomic factors are also important.

I recently had a call from some news source in New York. He was making a survey of the viewpoint of Members of Congress about the energy crisis. After giving the best response I could, I told him that in my section we were completely without one source of energy—elbow grease.

While that was a somewhat facetious remark, it has a grain of truth in it. We don't have anybody that wants to farm, unless they inherit the farm or unless they grew up on the farm. There are very, very few people in my area, from the statistics we get here, who are going into farming. I think they claim there was some slight improvement last year, but the amount of capital required, and the amount of notes you have to sign, and the problems of health and safety and environmental regulations are all so great that it's still hard to get people to go into farming.

SIZE AND LOCATION OF FARMS

It's also difficult to buy the high-priced equipment needed to operate even a small farm satisfactorily in my area. I think this is due to a limitation on the payments. The only small farms that operate in my area are operated by big farmers who lease a great number of these small farms. They may lease cotton acreage. But anyway, it is a big operator because otherwise they cannot afford the high price of the equipment.

The effect of these limitations on farm payments was on the little farmer, because the fellow who leased a whole lot of these small farms could no longer operate. You had the little fellow squeezed out.

Dairy farming has also become quite difficult. The average dairy, because of transportation and handling, was built fairly close to the cities. Now with the cities growing and the country growing, this land has become so highly valuable that whatever the price of dairy products, whatever the price of milk, it is not going to keep lots of those folks in the dairy business because their land is so valuable. Whatever price you got would be too low to pay the reasonable income of what he can sell that land for.

He sells the land, makes enough out of it, and quits. I read 22 percent quit in my State in the last few years. Not on price relative to what it used to sell for, but it is the increasing value of that land. The fellow who sells it for the purpose of subdividing takes his money and goes on.

The farmer also has to contend with the Environmental Protection Agency running wild as it has for a couple of years. I think it is settling down some now, but its actions in regard to DDT, and waste disposal have created real problems.

HEALTH ORDINANCES

You also have the problem of unrealistic ordnances. I know this has also happened in the dairy industry. About the time that you get where you can operate successfully with a 100-head herd, the local department of health will come out and require that you freeze it within a certain time. When that machinery gets to where it is going good, they come up with a new discovery and require you to do that.

The point I make is if we get more and more urban and less and less on the farm, we may be in bad shape because people don't want to run the risk, and don't have the money to invest. When that happens we'll all be in trouble. The point I make is that with so much regulation and investment required, plus these other factors that we can see, who is going to be willing to farm?

WE MUST MAKE FARMING WORTHWHILE

Mr. PAARLBERG. I think the consumers are going to have to pay enough for their food in order to offset the added costs that come from these environmental restraints that are imposed on farmers and they are going to have to pay enough to make it worthwhile for that young man to commit his life to agriculture production, get to milking those cows and whatever it is he has to do.

Mr. WHITTEN. You are old-fashioned there. I heard your expression there and I am in your category, too, when you said "get out and milk that cow." They don't do that any more.

Mr. PAARLBERG. They still have to get the milk somehow.

Mr. WHITTEN. And that can be a problem now that the farmers are so dependent on fancy equipment.

The environmentalists stop the stripmining of coal, which makes it impossible to buy coal to keep the energy going, and electricity gets short, and because the power gets low it burns out the milking equipment. About that time you have 200 or 300 head of cows to milk, and if you don't milk them their bags go bad and you have lost your cow and you sell it on the market for beef. They don't call it beef, but canned something. It might pass for beef under some conditions.

The point of all of this is that we have gotten so integrated that one little breakdown and you are out of business. I still would question whether you are going to talk many folks to get into farming unless we come up with some lesson from this spreading energy crisis that makes us realize we have to have some standby or other means to handle this.

I used the dairy incident. Another example is broilers. We went into this a few years ago. If you are in the broiler business, I don't care how efficient or big you are, if you have to carry your broilers one extra day you go broke. That extra day ruins you. As long as we are that specialized and as long as one little fly in the ointment or one wrench in the machinery can wreck the whole business, isn't that a factor we have to think about?

Mr. PAARLBERG. It is. While we have become more vulnerable, as you say, because of these special interdependencies, and they are certainly there, in other respects we have a little more assurance.

Our deeper rooted plants are more likely to survive a drought. We have better means of meeting disease problems so while we have become more vulnerable in some areas, we have become a little better safeguarded in other areas. Both things have happened.

Mr. WHITTEN. You're right, of course, I sit on the Public Works Committee and I remember when you used to have a lot of contest between TVA and private power companies. Now they are tied into one common grid. It used to be if an electric line broke down, it was out, but now if you have a break in it they go around the two ends. We are meeting some of these things that I know about in a minor way. We do have some pluses as well as some minuses.

### INDUSTRY INTEGRATION

What is your reaction on this matter of contract farming, or this matter of integrated farming where some corporation owns the land, and the cattle, and the hogs and hires a farmer to do the work, but the corporation controls the operation?

This does not seem to be in the public mind as much as it was. What is the story there?

Mr. PAARLBERG. I have a lot of interest in that. Integration has progressed very handily for broilers, turkeys, to a large extent for eggs. It is underway in the cattle-feeding business, it is beginning to become evident in hog production, it has not really showed up in any major degree yet for grain production or for dairy production. It seems adapted for certain commodities and less adapted for other commodities. The great bulk of our agricultural products in terms of dollars are still produced by operators who produce and sell the product to a processor in something like a conventional manner. We are getting more contractual arrangements. I think those are good. They provide assurance of supply and they provide assurance of price. I don't think the contracts are always as considerate of the producer's interests as they should be. I think producers can get together and bargain on the terms of the contracts. I don't think that this trend toward large-scale corporate type integrated farming is going to sweep the country the way some people seem to think it is.

Mr. WHITTEN. I can not see that either. Almost anything can get so big that the unwieldiness of it defeats the benefits that might come

from proper management and equipment. We see that in some of the information the Federal Trade Commission supplies when they testify before the committee.

Mr. PAARLBERG. A lot of these big outfits have gone broke.

GOLD PRICE

Mr. WHITTEN. Gold is now selling at about $170 an ounce on the international market. If this level should continue or increase, what effects do you see it will have on the demand for American-produced agricultural commodities?

Mr. PAARLBERG. Rising gold prices result in part from people losing confidence in national currencies as a store of value. To the extent that agricultural commodities become viewed as attractive alternatives because of their intrinsic value, prices and export demand will increase. Moreover, increased purchasing power accruing to gold producing nations will strengthen their demand for our products.

BENEFITS OF AGRICULTURAL EXPORTS

Mr. WHITTEN. Agricultural exports contributed to our favorable trade balance last year. I wish you would amplify some of the benefits our national economy receives from agricultural exports.

Mr. PAARLBERG. Our favorable agricultural exports last calendar year produced a surplus of $9.3 billion which was more than enough to offset the deficit of $7.6 in nonagricultural trade and to provide an overall U.S. trade balance surplus of $1.7 billion—the first favorable balance since 1970. The surplus in agricultural trade generated enough foreign exchange to purchase all U.S. imports of petroleum and products of $7.5 billion, plus nearly the value of U.S. imports of petroleum and products of $7.5 billion, plus nearly the value of U.S. imports of electronic equipment. Agricultural exports also provide for about one-half million direct jobs in agriculture and perhaps this many indirect jobs in industry supporting agriculture, including transportation, warehousing, and manufacturing. Agricultural exports of $17.7 billion in calendar year 1973 generated an estimated overall business activity of $37.3 billion, over half of which was in the nonfarm sectors.

The expansion in agricultural exports has been the principal reason for the dropoff in the U.S. Government's budget cost of domestic agricultural programs. In 1974, we estimate that domestic programs will cost less than $0.5 billion, down from $2.6 billion in 1973 and from $4 billion in 1972.

IMPACT OF ENERGY CRISIS

Mr. WHITTEN. If the energy crisis should continue, what effects do you see on the price and availability of farm production?

Mr. PAARLBERG. We expect fuel prices will rise 40 to 50 percent over those of a year ago and farmers will be paying these higher prices for fuel. However, fuel costs are less than 5 percent of all farm production expenditures. Thus, increased fuel costs for farmers will not greatly increase food prices. Furthermore, our farmers are instituting fuel conservation measures such as reduced tillage practices that partly mitigate the increased cost of fuel. We expect farmers to have sufficient fuel to produce the agricultural output we desire.

ADDITIONAL PRODUCTIVE LAND

Mr. WHITTEN. What are your thoughts on the availability of additional land that can be brought into agricultural production if the high rate of demand continues or increases?

Mr. PAARLBERG. A study recently completely by ERS indicates that with favorable price-cost relationships, farmers could expand production to 350 million acres of cropland by 1985 compared with 318 million acres in 1973. Beyond that, we still have more than 200 million acres of class I, II, and III land, much of which could be cleared, drained, irrigated or otherwise developed for crop production if the economic incentives were sufficiently strong.

SUPPLY OF WHEAT

Mr. WHITTEN. There seems to be considerable controversy over the supply of wheat we will have on hand in this country next May. What is your assessment of this situation?

Mr. PAARLBERG. Our estimates of the wheat supply and utilization through the end of the 1973–74 marketing year indicate a tight situation. But we do not believe that there will in fact be shortages of wheat products.

EFFECTIVENESS OF EXPORT REPORTS

Mr. WHITTEN. The Department has been issuing weekly reports on export orders for agricultural commodities for the past several months. How effective do you think this information is in helping to predict export demand on an accurate basis?

Mr. PAARLBERG. These reports have proven useful is evaluating exports to large purchasers, particularly to the centrally planned countries. However, these reports indicate a higher level of exports than our analysts believe will be shipped during the current marketing season. The fact that there has been much talk about export limitations has caused foreign buyers to act in a precautionary manner by contracting to the fullest extent for their foreseeable needs, perhaps with the knowledge that some of these contracts might not be consummated.

FARMWORKER TRENDS

Mr. WHITTEN. Recent reports indicate a leveling off of farmworkers leaving the farm. May we have your comments?

Mr. PAARLBERG. With the increased demand for farm products in the past several years and net farm income reaching record levels, fewer farm families have been leaving agriculture of late. The decline in the farm workforce has paralleled the decline in farm numbers. Since 1969, numbers of farms and farm family workers have declined about 1 percent a year. Hired workers numbers have remained about constant during this period. Our technology continues to be substituted for labor at a rate sufficient to permit us to increase acreage and production with little change in labor. Last year 28 million more acres were harvested with only 22,000 more workers. I'd like to supply for the record an historical table which gives the trends since 1950.

[The table follows:]

FARM EMPLOYMENT

Thousands]

| Year | Total | Family workers | Hired workers |
|---|---|---|---|
| 1950 | 9,926 | 7,597 | 2,329 |
| 1955 | 8,381 | 6,345 | 2,036 |
| 1960 | 7,057 | 5,172 | 1,885 |
| 1965 | 5,610 | 4,128 | 1,482 |
| 1970 | 4,523 | 3,348 | 1,175 |
| 1971 | 4,436 | 3,275 | 1,161 |
| 1972 | 4,373 | 3,227 | 1,146 |
| 1973 | 4,395 | 3,232 | 1,163 |

AVAILABILITY OF FARM LABOR

Mr. WHITTEN. There are those who say that any material increase in meat or dairy production will require an increased availability of labor on the farm. Do you agree with this, and if so, what are the prospects?

Mr. PAARLBERG. Labor availability and quality of labor will be a continuing concern of farmers in the years ahead. But the trend toward more milk per cow and more milk per man-hour along with larger dairy herds will add to the overall efficiency of milk production. We have also made great strides toward increasing the efficiency of meat production. The shift to larger cattle and hog producing units are examples of how farmers are making better use of labor. We expect these trends will continue and increases in labor efficiency will tend to offset the problem of obtaining dependable labor.

BREAKTHROUGH IN RESEARCH

Mr. WHITTEN. It has been contended that we will have to have a significant breakthrough in agricultural research if we are to be able to increase food production consistent with higher demand. May we have your comments?

Mr. PAARLBERG. Major research breakthroughs cannot be predicted. One of the most recent examples was the development of chemical pesticides. Research has provided a continuous flow of minor technologies such as new high yielding seed varieties, and improved management practices. Current research efforts indicate possibilities of more double cropping and improvements in animal breeding giving rise to twinning in beef cattle, for example. There is a time lag between the discovery and development of any new technology and its full adoption by farmers. To assure continuous increases, we must continue supporting a strong research program. Although we are realizing some shortages today, in the near term, we expect to be able to meet our future needs by increases in agriculture production.

FOOD PRICE FORECAST

Mr. WHITTEN. The Department materially underestimated the expected increase in food prices last year. What has taken place that should cause us to give more credence to your predictions for the coming year?

Mr. PAARLBERG. Very rapid and far-reaching changes in the market for agricultural commodities around the world last year made our

early forecasts outdated very shortly after they were issued. The tremendous surge in worldwide demand for wheat, corn, and soybeans was not anticipated by the trade or by our analysts. The additional disruptions to the whole feed-livestock economy which were caused by ceilings were not anticipated by the USDA or the Cost of Living Council. The cost-price squeeze which resulted from the ceilings helped turn a year of increasing production of livestock products into a decline.

We now have a better handle on the export situation with the weekly reports of export commitments. Agreements have been worked out for a greatly increased flow of information from the U.S.S.R. which should substantially improve our knowledge of what is happening in Russia. In addition, we have realized our work activity to bring analysts concerned with foreign markets closer to the analysts of the domestic economy.

The tremendous impacts of the unforeseen developments of 1973 emphasize the need to consider much more explicitly the uncertainties which face us. In all of our outlook work, we are now emphasizing much more of the uncertainties and their possible impacts. Major uncertainties continue in the 1974 outlook so we are talking in terms of ranges in our forecasts. We are indicating the types of events that would lead to higher or lower forecasts than now seems mostly likely. In this way we hope to better inform the general public about the broad range of possibilities that underly predictions.

FARM DEFINITION

Mr. WHITTEN. In the compilation of your statistics, what do you consider a farm?

Mr. PAARLBERG. The Department's definition of a farm is the same as that of the Census of Agriculture. Basically it is a place with agricultural operations of 10 acres or more and an estimated sales of agricultural products for the year of at least $50. Places of less than 10 acres with agricultural operations are also counted as farms if the sales of agricultural products for the year amount to at least $250. I'd like to supply for the record a historical table which gives a more detailed explanation of the trends.

[The table follows:]

FARM NUMBERS AND AVERAGE SIZE

| Year | Number of farms (thousands) | Average size of farms (acres) |
|---|---|---|
| 1959 | 4,105 | 288 |
| 1960 | 3,963 | 297 |
| 1961 | 3,825 | 305 |
| 1962 | 3,692 | 314 |
| 1963 | 3,572 | 322 |
| 1964 | 3,457 | 332 |
| 1965 | 3,356 | 340 |
| 1966 | 3,257 | 348 |
| 1967 | 3,162 | 355 |
| 1968 | 3,071 | 363 |
| 1969 | 2,999 | 369 |
| 1970 | 2,954 | 373 |
| 1971 | 2,909 | 377 |
| 1972 | 2,870 | 381 |
| 1973 | 2,844 | 383 |

FAMILY FARMS VERSUS AGRIBUSINESS

Mr. WHITTEN. What is the current trend with regard to the phase-out of the so-called family farm and the switch to "agribusiness"?

Mr. PAARLBERG. If I might borrow a phrase from Mark Twain, the reported passing of the family farm has been greatly exaggerated. The proportion of all farms that hire less than 1½ man-years of family labor (the statistical definition of a "family farm") has remained at more than 90 percent of all farms for the past 25 years. The proportion of total sales of farm products from family farms is now about 60 percent, down only a little from 20 years ago. In the Midwest, more than 80 percent of total farm production comes from family-size farms.

The emergence of agribusiness firms that combine production with other business activities has been a gradual development in response to new technology, changing market demands and increased capital requirements. It has been quite selective as to commodities—extensive in poultry, fruits and vegetables, but essentially nonexistent in feed grains, soybeans, wheat and cotton. We have no evidence of any general takeover of family farms by agribusiness.

DISPOSITION OF DISPOSABLE PERSONAL INCOME

Mr. WHITTEN. Please insert in the record a table indicating the disposition of disposable personal income for the years 1950 through 1973 similar to the information you provided the committee last year.

[The requested table follows:]

Disposition of disposable personal income, 1950-73 1/

| Year | Disposable personal income | Interest paid by consumers | Transfer payments to foreigners 2/ | Personal savings | Personal consumption expenditures: Total | Durable: Total | Durable: Automobiles and parts | Durable: Furniture and household equipment | Durable: Other 3/ | Nondurable: Total | Nondurable: Food | Nondurable: Alcoholic beverages | Nondurable: Clothing and shoes | Nondurable: Gasoline and oil | Nondurable: Other 4/ | Services: Total | Services: Housing 5/ | Services: Household operations | Services: Transportation | Services: Other 6/ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. | Pct. |
| 1950 | 100.0 | 1.2 | 0.2 | 6.3 | 92.3 | 14.7 | 6.3 | 6.8 | 1.6 | 47.4 | 22.2 | 3.8 | 9.5 | 2.6 | 9.3 | 30/2 | 10.3 | 4.6 | 3.0 | 12.3 |
| 1951 | 100.0 | 1.2 | .2 | 7.6 | 91.0 | 13.1 | 5.1 | 6.4 | 1.6 | 48.0 | 23.0 | 3.6 | 9.4 | 2.7 | 9.3 | 30.0 | 10.5 | 4.6 | 3.0 | 11.9 |
| 1952 | 100.0 | 1.3 | .2 | 7.6 | 90.9 | 12.3 | 4.7 | 6.0 | 1.6 | 47.8 | 23.0 | 3.7 | 9.2 | 2.9 | 9.1 | 30.8 | 11.1 | 4.7 | 3.0 | 12.0 |
| 1953 | 100.0 | 1.5 | .2 | 7.2 | 91.1 | 13.1 | 5.6 | 5.9 | 1.6 | 46.2 | 22.0 | 3.5 | 8.7 | 3.0 | 9.0 | 31.6 | 11.6 | 4.8 | 3.1 | 12.2 |
| 1954 | 100.0 | 1.6 | .2 | 6.4 | 91.9 | 12.7 | 5.3 | 5.8 | 1.6 | 46.0 | 22.0 | 3.5 | 8.6 | 3.2 | 8.8 | 33.2 | 12.3 | 4.9 | 3.1 | 12.9 |
| 1955 | 100.0 | 1.7 | .2 | 5.7 | 92.4 | 14.4 | 6.7 | 6.0 | 1.7 | 44.8 | 21.1 | 3.3 | 8.4 | 3.3 | 8.7 | 33.2 | 12.2 | 5.1 | 3.0 | 12.9 |
| 1956 | 100.0 | 1.8 | .2 | 7.0 | 91.0 | 13.3 | 5.6 | 6.0 | 1.7 | 44.1 | 20.6 | 3.2 | 8.2 | 3.3 | 8.7 | 33.6 | 12.3 | 5.2 | 2.9 | 13.2 |
| 1957 | 100.0 | 1.9 | .2 | 6.7 | 91.2 | 13.2 | 5.9 | 5.6 | 1.7 | 44.0 | 20.7 | 3.1 | 7.9 | 3.4 | 8.8 | 34.0 | 12.5 | 5.3 | 2.9 | 13.4 |
| 1958 | 100.0 | 1.7 | .2 | 7.0 | 91.0 | 11.9 | 4.8 | 5.4 | 1.7 | 44.0 | 20.9 | 3.1 | 7.7 | 3.5 | 8.8 | 35.1 | 12.9 | 5.4 | 2.9 | 13.9 |
| 1959 | 100.0 | 1.9 | .2 | 5.6 | 92.3 | 13.1 | 5.8 | 5.6 | 1.7 | 43.5 | 20.3 | 3.0 | 7.8 | 3.4 | 8.9 | 35.7 | 13.0 | 5.5 | 3.0 | 14.2 |
| 1960 | 100.0 | 2.1 | .1 | 4.9 | 92.9 | 12.9 | 5.7 | 5.4 | 1.8 | 43.2 | 20.0 | 3.0 | 7.8 | 3.5 | 8.9 | 36.8 | 13.2 | 5.7 | 3.1 | 14.7 |
| 1961 | 100.0 | 2.1 | .1 | 5.8 | 92.0 | 12.1 | 5.0 | 5.3 | 1.8 | 42.8 | 19.8 | 3.0 | 7.7 | 3.4 | 9.0 | 37.1 | 13.4 | 5.7 | 2.9 | 15.1 |
| 1962 | 100.0 | 2.1 | .1 | 5.6 | 92.2 | 12.8 | 5.7 | 5.3 | 1.8 | 42.2 | 19.3 | 2.9 | 7.7 | 3.3 | 8.9 | 37.1 | 13.5 | 5.7 | 2.9 | 15.1 |
| 1963 | 100.0 | 2.2 | .1 | 4.9 | 92.7 | 13.3 | 6.0 | 5.5 | 1.9 | 41.7 | 18.9 | 2.9 | 7.6 | 3.3 | 9.0 | 37.7 | 13.7 | 5.7 | 2.8 | 15.4 |
| 1964 | 100.0 | 2.3 | .1 | 6.0 | 91.6 | 13.5 | 5.9 | 5.7 | 1.9 | 40.8 | 18.4 | 2.8 | 7.6 | 3.2 | 8.7 | 37.3 | 13.5 | 5.5 | 2.6 | 15.5 |
| 1965 | 100.0 | 2.4 | .1 | 6.0 | 91.5 | 14.0 | 6.4 | 5.7 | 1.9 | 40.4 | 18.1 | 2.8 | 7.6 | 3.2 | 8.7 | 37.1 | 13.4 | 5.4 | 2.7 | 15.6 |
| 1966 | 100.0 | 2.4 | .1 | 6.3 | 91.1 | 13.8 | 5.9 | 5.8 | 2.1 | 40.4 | 18.0 | 2.7 | 7.9 | 3.2 | 8.7 | 36.8 | 13.2 | 5.3 | 2.7 | 15.7 |
| 1967 | 100.0 | 2.4 | .1 | 7.4 | 90.1 | 13.4 | 5.6 | 5.7 | 2.1 | 39.4 | 17.2 | 2.7 | 7.7 | 3.2 | 8.5 | 37.3 | 13.1 | 5.3 | 2.7 | 16.2 |
| 1968 | 100.0 | 2.4 | .1 | 6.7 | 90.7 | 14.2 | 6.3 | 5.8 | 2.1 | 39.1 | 16.9 | 2.6 | 7.8 | 3.2 | 8.5 | 37.5 | 13.1 | 5.3 | 2.6 | 16.4 |
| 1969 | 100.0 | 2.5 | .1 | 6.0 | 91.3 | 14.3 | 6.3 | 5.8 | 2.1 | 38.8 | 16.4 | 2.6 | 7.9 | 3.3 | 8.5 | 38.3 | 13.3 | 5.3 | 2.6 | 17.1 |
| 1970 | 100.0 | 2.4 | .1 | 8.1 | 89.3 | 13.2 | 5.4 | 5.7 | 2.1 | 38.1 | 16.2 | 2.6 | 7.6 | 3.2 | 8.5 | 38.0 | 13.1 | 5.3 | 2.6 | 16.9 |
| 1971 | 100.0 | 2.4 | .1 | 8.1 | 89.4 | 13.9 | 6.2 | 5.6 | 2.0 | 37.4 | 15.7 | 2.6 | 7.6 | 3.2 | 8.2 | 38.2 | 13.2 | 5.3 | 2.7 | 16.9 |
| 1972 | 100.0 | 2.5 | .1 | 6.2 | 91.2 | 14.7 | 6.6 | 6.0 | 2.1 | 37.6 | 15.7 | 2.5 | 7.8 | 3.2 | 8.4 | 38.8 | 13.2 | 5.5 | 2.7 | 17.3 |
| 1973 | 100.0 | 2.6 | .1 | 6.2 | 91.1 | 14.8 | 6.5 | 6.2 | 2.1 | 38.1 | 15.7 | 2.6 | 7.9 | 3.3 | 8.6 | 38.2 | 13.0 | 5.4 | 2.7 | 17.1 |

1/ Derived from Personal Income and Outlay data of U.S. Department of Commerce. May not add precisely to totals shown because of rounding. Disposable personal income includes wages and salaries, other labor income, proprietors' income, rental income, dividends, interest income, and public or private insurance benefits less personal contributions for social insurance and personal tax and nontax payments. 2/ Personal gift of goods or money to foreigners. 3/ Includes wheel goods, durable toys, sports equipment, boats and pleasure aircraft. 4/ Tobacco products, toilet articles, semidurable house furnishings, paper products, fuel and ice, drugs and nondurable toys, and sport supplies. 5/ Includes space-rental value of owner-occupied dwellings 6/ Includes medical care services, clothing and shoe cleaning and repair, barbershop, beauty parlor, admission to spectator amusements, and service furnished without payment by intermediaries.

FUTURES MARKET

Mr. WHITTEN. What effects do you think the futures markets have on the economy of agricultural production?

Mr. PAARLBERG. Futures markets provide farmers with a means of forward pricing either through direct use or by contracting with marketing and processing firms which in turn use the futures market. This forward pricing facilitates the planning and financing of production. In addition, futures enable processors and handlers to hedge inventories and purchase commitments which leads to more orderly marketing and processing than otherwise might prevail.

FOOD AND FARM PRICES

Mr. WHITTEN. May we have your comments on the general comparability of food prices in the grocery stores as they relate to the fluctuations in farm prices?

Mr. PAARLBERG. Our market basket statistics for farm originated food show the relationship between farm and retail prices over the years. Recent changes in these statistics differ dramatically from the long term trend. Last year, food prices rose at the most rapid rate in over a quarter century. Retail cost for a market basket of domestically produced foods averaged 17 percent higher than in 1972. The farm value for these foods increased by one-third and accounted for about three-fourths of the rise at retail. Widening margins charged by food marketing firms for assembling, processing, and distributing these foods increased 6.5 percent and accounted for the remaining fourth of the rise at retail.

The long term trend in market basket statistics shows that retail prices for U.S. farm foods increased 27 percent between 1952 and 1971, reflecting a 4 percent increase in farm prices and a 48 percent increase in farm-retail spreads. During this period, 94 percent of the rise in retail prices of farm foods was due to the rise in marketing margins with only 6 percent due to the rise in farm value. Thus, the long term rise in the level of food prices was due to persistently and relentlessly rising marketing margins. On the other hand, farm prices have moved up and down and have only recently achieved the level of 1952. Those years have seen the farmer's share of the consumer's food dollar spent in retail food stores for farm produced foods decline from about 50 cents to as little as 37 cents. The farmer's share ranged from between 37 to 41 cents for most years during the last decade. This past year it rose significantly averaging 46 cents for the year, up from 40 cents in 1972.

We have a table for the record which shows the relationship between farm and retail prices over the past decade. The recent monthly changes may be of particular interest to you.

The market basket of farm food: Retail cost, farm value, farm-retail spread, and farmer's share of the retail cost 1/

| Year and quarter | Retail cost | Farm value | Farm-retail spread | Farmer's share | Month | Retail cost | Farm value | Farm-retail spread | Farmer's share |
|---|---|---|---|---|---|---|---|---|---|
| | 1967 = 100 | | | Percent | | 1967 = 100 | | | Percent |
| Average: | | | | | 1971 | | | | |
| 1947-49 | 82.9 | 106.9 | 67.7 | 50 | January | 112.3 | 108.8 | 114.5 | 38 |
| 1957-59 | 91.5 | 94.8 | 89.5 | 40 | February | 113.3 | 114.1 | 112.8 | 39 |
| | | | | | March | 114.0 | 114.1 | 114.0 | 39 |
| 1963 | 93.2 | 90.2 | 95.1 | 38 | April | 115.1 | 113.3 | 116.2 | 38 |
| 1964 | 93.4 | 90.0 | 95.5 | 37 | May | 115.5 | 113.8 | 116.6 | 38 |
| 1965 | 96.0 | 99.2 | 93.9 | 40 | June | 116.7 | 114.4 | 118.2 | 38 |
| 1966 | 101.1 | 106.3 | 97.8 | 41 | July | 117.7 | 116.7 | 118.4 | 38 |
| 1967 | 100.0 | 100.0 | 100.0 | 39 | August | 117.7 | 116.6 | 118.4 | 38 |
| 1968 | 103.6 | 105.3 | 102.5 | 39 | September | 116.4 | 113.2 | 118.3 | 38 |
| 1969 | 109.1 | 114.8 | 105.5 | 41 | October | 115.8 | 114.2 | 116.8 | 38 |
| 1970 | 113.7 | 114.1 | 113.4 | 39 | November | 116.1 | 116.5 | 115.8 | 39 |
| 1971 | 115.7 | 114.4 | 116.5 | 38 | December | 117.9 | 117.7 | 118.0 | 38 |
| 1972 | 121.3 | 125.1 | 118.9 | 40 | | | | | |
| 1973 2/ | 142.3 | 167.0 | 126.6 | 46 | 1972 | | | | |
| | | | | | January | 117.8 | 120.7 | 115.9 | 40 |
| 1970 | | | | | February | 120.3 | 122.5 | 118.9 | 39 |
| I | 113.9 | 120.3 | 109.8 | 41 | March | 120.4 | 120.3 | 120.4 | 39 |
| II | 113.9 | 115.1 | 113.1 | 39 | April | 119.9 | 119.9 | 119.9 | 39 |
| III | 114.7 | 114.8 | 114.6 | 39 | May | 119.8 | 122.1 | 118.3 | 40 |
| IV | 112.3 | 106.1 | 116.2 | 37 | June | 120.6 | 125.2 | 117.7 | 40 |
| | | | | | July | 122.2 | 128.9 | 118.0 | 41 |
| 1971 | | | | | August | 122.6 | 126.8 | 120.0 | 40 |
| I | 113.2 | 112.3 | 113.8 | 38 | September | 122.6 | 129.5 | 118.2 | 41 |
| II | 115.7 | 113.8 | 117.0 | 38 | October | 122.5 | 125.8 | 120.4 | 40 |
| III | 117.3 | 115.5 | 118.4 | 38 | November | 123.1 | 126.3 | 121.0 | 40 |
| IV | 116.7 | 116.1 | 116.9 | 39 | December | 123.8 | 132.8 | 118.1 | 42 |
| | | | | | | | | | |
| 1972 | | | | | 1973 2/ | | | | |
| I | 119.5 | 121.2 | 118.4 | 39 | January | 127.2 | 142.2 | 117.7 | 43 |
| II | 120.1 | 122.4 | 118.6 | 40 | February | 130.4 | 147.7 | 119.5 | 44 |
| III | 122.5 | 128.4 | 118.7 | 41 | March | 134.9 | 157.9 | 120.4 | 45 |
| IV | 123.1 | 128.3 | 119.9 | 40 | April | 137.0 | 158.1 | 123.7 | 45 |
| | | | | | May | 138.2 | 157.9 | 125.7 | 44 |
| 1973 2/ | | | | | June | 140.4 | 166.4 | 123.9 | 46 |
| I | 130.8 | 149.3 | 119.2 | 44 | July | 141.5 | 171.2 | 122.7 | 47 |
| II | 138.5 | 160.8 | 124.4 | 45 | August | 153.0 | 205.9 | 119.5 | 52 |
| III | 148.4 | 186.0 | 124.6 | 49 | September | 150.7 | 180.9 | 131.6 | 47 |
| IV | 151.3 | 172.0 | 138.2 | 44 | October | 149.9 | 174.4 | 134.4 | 45 |
| | | | | | November | 151.2 | 169.2 | 139.8 | 43 |
| | | | | | December | 152.7 | 172.3 | 140.3 | 44 |

1/ Retail cost of average quantities of farm-originated foods purchased annually per household in 1960-61 by urban wage-earner and clerical worker families and workers living alone, calculated from retail prices collected by the Bureau of Labor Statistics. Beginning November 1971, the retail cost is based on the index of domestically produced farm foods--a component of the Consumer Price Index published by the Bureau of Labor Statistics. Indexes may be converted to dollar totals by multiplying by the following amounts for 1967: retail cost, $1,080.64; farm value, $419.07; and farm-retail spread, $661.57. Additional historical data are published in Farm-Retail Spreads for Food Products, Misc. Pub. 741, January 1972.

2/ Preliminary.

SYNTHETICS VS. COTTON

Mr. WHITTEN. During the past few years synthetics have been giving increasing competition to cotton. What effect do you think the oil shortage will have on this situation and what is your prediction for an adequate cotton supply next year?

Mr. PAARLBERG. I believe that competition from manmade fibers will certainly moderate because of the shortage of petrochemicals needed in the production of these synthetic fibers. Textile mills are now being allocated these fibers and, as a result, will have to turn to cotton to supply a greater portion of their requirements. Although higher textile prices may result in greater consumer resistance and a leveling off in textile activity, mill use of cotton should gain over the next year. During the 1974–75 marketing year, consumption may increase 4 or 5 percent from the estimated 7½ million bales being used this season. And with continuing strong foreign demand for U.S. cotton, total disappearance may reach nearly 13½ million bales, most in over a decade.

At the same time, I am confident that U.S. producers will expand production from the 13 million bales of 1973–74. Despite current uncertainties over prospective fuel and fertilizer supplies, planted acreage may increase nearly a fifth to about 14½ million acres based on January 1 intentions. So given normal yields, production should be adequate to satisfy prospective domestic and export demand for U.S. cotton next season.

SHARE OF INCOME FOR FOOD

Mr. WHITTEN. The statistics on the percentage of income spent for food have been criticized by some groups because they are averages. These groups claim that the percentages are much higher for low-income groups. Do you have statistics based upon various income levels and what is your response to these critics?

Dr. PAARLBERG. The figures which we publish on the percent of total consumer income spent for food show only what is happening in the totals. They do not indicate what is happening to a typical family and particularly they do not show what is happening to low-income families. Every survey which has been done of a cross section of households shows that low-income families spend a higher percentage of their income for food, on the average, than do middle-income or high-income families. The most recent such survey was the household food consumption survey in 1965–66. We agree that current information on consumer food expenditures for different income groups and other groups in the population is needed. We are developing plans to obtain such information and make it available on a regular basis.

Mr. WHITTEN. Could you elaborate upon your plans for collecting additional data by income level? When would you expect this data to first become available?

Dr. PAARLBERG. We have not yet completed plans for obtaining this information. Consequently, I am not in a position at this time to say when this additional data will be available. However, we will keep the committee advised as we proceed.

SHARE OF INCOME FOR FOOD ABROAD

Mr. WHITTEN. Do you have comparable statistics on the percentage of income spent for food in other countries? If this information is available, would you also please provide appropriate comments concerning the reasons for the differences between countries?

Mr. PAARLBERG. The share of after-tax income spent on food in 1971—the last year for which we have reasonably comparable data for a number of developed countries—is as follows:

| Country: | *Percent* |
|---|---|
| United States | 15.8 |
| Australia | [1] 17.2 |
| Denmark | 18.5 |
| Belgium | 20.2 |
| Canada | [2] 20.6 |
| Netherlands | [3] 22.3 |
| West Germany | [3] 22.5 |
| France | 23.2 |
| Luxembourg | 25.0 |
| United Kingdom | [3] 25.0 |
| Japan | 26.6 |
| Italy | 28.6 |
| South Africa | [2] 28.7 |
| Sweden | [2] 30.5 |
| Spain | 33.0 |
| Finland | 33.7 |

[1] 1970/71.
[2] Includes alcoholic beverages and tobacco.
[3] Includes alcoholic beverages.

The share of income spent on food in a country is determined by a combination of several factors. However, the major reason for differences between countries in the percent of income spent for food is variation in the level of income. For example, if we look at the United States and Finland—the two extremes in the tabular data presented—U.S. per capita gross national product (GNP) in 1971 averaged $5,160 compared with $2,430 for Finland. The per capita average caloric intake of both countries is at a relatively high level.

Another factor influencing the percent of income spent on food in various countries is the price of food items. The food prices policy pursued by the United States in 1971—backed by low-cost, efficient farm production, marketing, processing, and distribution—aided in holding the share of income spent on food at a relatively low level. Conversely, a high food price policy was being pursued by a number of other countries including the EC–6 and most other countries in Western Europe.

Other lesser factors could be mentioned. Dietary patterns and consumption habits within a country affect the percent of income spent on food. The availability and price to the consumer of other nondurable and durable items might also influence the share of his income going for food. Taxation can have a significant effect on the amount of disposable income actually available to the consumer and the percent of after-tax income spent on food. In the Scandinavian countries, for example, tax rates are at very high levels.

Mr. WHITTEN. Mr. Andrews.

Mr. ANDREWS. In your discussion and in your prepared remarks you bring up the fact that we are in a whole new ball-game in agriculture and it is a price-sensitive market affected by developments in other countries than our own. What changes have you made in your own service so that you can keep tab of these conditions in other nations around the world so that your outlook forecasts are based on facts as they occur half a world away from us?

EXPORT SURVEILLANCE

Mr. PAARLBERG. That is a very good question, and we have taken steps to do this. The Congress asked us in the act of 1973 that we exercise surveillance over our exports, and we are now doing that. We report weekly what the exports have been on a cumulative basis and what remaining contracts there are out of the particular crop that are unfulfilled. We have improved the reporting service through the agriculture attaches so that we get more information regarding markets. The Economic Research Service under Dr. West's leadership is stengthening its analytical work with regard to foreign markets. This is not in my area, but the foreign work of the department has been pulled together in large measure under the Assistant Secretary for International Agriculture and Commodity Programs. The different agencies of the Department, Foreign Agriculture Service and Economic Research Service, are now sitting down together and collaborating more closely than they did in the past. We have trade missions in increasing number going overseas to try to determine what the foreign demand is likely to be. All of these things I think are important.

We have revised, are in the process of revising our outlook work. We have discarded some of our earlier concepts that were largely domestic oriented and inward looking and tried to replace them with concepts that take into account the broader markets in the world that are now important to us. We have been undergoing a transformation both in terms of our mental attitudes and in terms of programs we administer and in terms of the way we organize ourselves to administer them. It has been a major change which is not yet complete.

INFORMATION ON U.S.S.R. CROPS

Mr. WEST. One of the greatest uncertainties is the U.S.S.R., as witness what happened 2 years ago. We have fairly good information on their crop production. We knew it was 20 million tons short. The thing we didn't know was what they were going to do about that.

Back in the middle 1960's, 1963, and 1965, they had a shortfall of about 30, 35 million tons and bought about 10 million tons. This year, with 2 years with a shortfall of 20 million tons they bought 30 million tons. There is not any good way that we can really know what they are going to do. This raises some policy questions how we allow them to come in or out of the market that way. We have both signed an agreement with the U.S.S.R. in the area of exchange of information. I was in fact the chairman of the working party on agricultural economic research and information. We did sit down with them in November and they agreed to supply us considerable more informa-

tion than they had previously. Still much of that is not on the current situation in the current export outlook. This is an area where we had real difficulty. We did agree that twice a year we would sit down and discuss the current crop and what the trade intentions were. The proof or test of whether that is going to mean anything will come in May, when their team comes over here and we will sit down. And if they are at all forthcoming in their intentions, they have a big crop this year, they are not going to be buying any more. They had 220 million-ton production last year, which was very much a record. But it is at least a start in this direction of better dialog with the Russians on what their intentions are. As I say, I don't think we missed this, but we didn't miss it very far on what their actual production was. When we tried to urge them they needed better information, they said, "You needed it pretty well in 1972. You mean you are getting all the information you need."

Mr. ANDREWS. I asked the question specifically because we don't want to be caught with our pants down again. Twice in a row would be at least once too much. We should have learned our lesson.

Are you satisfied the steps you are taking are adequate to give us forecasts, not only of production, but intent? Intent in those countries must be measured in consumer pressure, or dollar reserves I would imagine, as well as political statesmanship.

### U.S.S.R. INTENTIONS

Mr. WEST. Not at all. I think we are a long way from getting any intent on the part of U.S.S.R. authorities. Here you have a centrally planned, centrally-oriented government. Those intentions can change over night. In the middle sixties they tightened their belts. They did not supply the consumer with as much food grains and they slaughtered a lot of livestock so they didn't have to feed grains. With a shortfall of 35 million tons, they got by with importing only about 10 million tons. This was entirely unexpected for them to buy 30 million tons with a shortfall of 30 million tons in production.

### EXPORT COMMITMENTS

Mr. SMITH. What is the latest period for which you have export commitment information?

Mr. PAARLBERG. We have that to some degree for the wheat crop that will be harvested in 1974, beginning in May. There are already some export commitments out of that crop that has not yet been harvested. We tabulate those. We tabulate now export commitments for the crop now being marketed and export commitments out of the next crop which is not yet harvested.

Mr. SMITH. For the crop now being marketed when is the last date for which you have export commitment statistics in millions of bushels?

Mr. AHALT. It would be February 10 which is the latest weekly information we have.

I think Dr. Paarlberg is saying we have information both on the 1973–74 crop as well as the 1974–75.

Mr. SMITH. February 10, that information is available to the public?

Mr. AHALT. Yes, sir.

Mr. SMITH. I checked down there after the first of February and the latest figures available were the first of January.

Mr. AHALT. They come out each week, sir, Friday afteroon at 3 o'clock. This report is released.

Mr. SMITH. For what period of time?

Mr. AHALT. There would be about a 10-day to 2-week lag.

Mr. SMITH. From the time the information came in?

Mr. AHALT. Until it is released.

Mr. SMITH. Prior to that time it covered a period that started 2 weeks prior to that, is that right?

Mr. AHALT. I believe that is right, sir.

Mr. PAARLBERG. We have shortened that lagtime somewhat?

Mr. SMITH. In the last month or so.

Mr. PAARLBERG. I think that is right.

Mr. SMITH. It is about 3 weeks and 3 days?

Mr. AHALT. I believe it is 2 weeks. Mr. Myers has a report dated February 15 which has information as of February 3. That is why I am saying it is about 10 days——

Mr. SMITH. That is information you received February 3, but the information you received February 3 was for a week prior to that, wasn't it?

Mr. AHALT. No, sir, this brings you up to—it publishes the situation as it stood on February 3, 1974.

Mr. SMITH. You shortened it then?

Mr. AHALT. Yes, sir.

STAFF AVAILABILITY FOR ECONOMIC INTELLIGENCE

Mr. ANDREWS. Do you have within your power all the ability to make these judgments that you feel are feasible to have? In other words, do you need more staff, more expertise, more funding, to give you a better handle on what is happening around the world, or are you satisfied with what you have?

I don't want to have that sound quite as blank-check as it might, but there has been a lot of criticism about not getting these figures right. I think most of the members of this committee, if not all, are very much interested in knowing what you need; also knowing what you are spending this year more than you were spending last year, both in dollars and by percentage.

Dr. PAARLBERG. The two agencies reporting to me that are responsible for economic intelligence functions are the Economic Research Service and the Statistical Reporting Service. The combined budget request for these two agencies is $48.8 million. This is an increase of $5.1 million over their fiscal year 1974 budget. However, of the $5.1 million over the 1974 budget, $2.4 million consists of increased pay costs and rent for GSA space. Therefore, $2.7 million represents actual increases to improve the economic intelligence functions of these two agencies.

The Economic Research Service estimates that about $1.9 million or about 10 percent of their budget will be spent for developing sup-

ply, demand, and price forecasts in fiscal 1974. The requested increase of $513,000 in fiscal year 1975 for this work is absolutely essential to bring this important function up to a level where some resources can be made available on a continuing basis to evaluate and improve our forecasting methods. A principal cause of the situation we are in today is lack of resources to keep our data and analytical techniques up to date.

We are requesting an increase of $463,000 for the Statistical Reporting Service to do the very thing we have been talking about; that is, obtain data on sales of agricultural commodities for export. For fiscal 1974, SRS is funding this program through reimbursements of $390,000 from CCC.

The budget for SRS also includes an increase of $754,000 to expand the multiple frame sampling program for cattle and hogs. This is the final increment of funds needed for implementation of multiple frame sampling for cattle and hogs to a fully operational level encompassing 95 percent of the cattle and hogs in the United States.

If granted by the Congress, the requested increases for fiscal year 1975 would lead to a much improved economic intelligence operation in the Department. I am not prepared at this time to state what might ultimately be needed in the way of resources to enable us to cope with the new economic environment for agriculture. I do, however, feel that 1975 budget request is adequate based on our present needs.

DIFFICULTIES OF FORECASTING

Mr. WHITTEN. I drove over Russia in 1956, accompanied by an attaché who had been there 4 years. That trip convinced me there are other problems affecting our ability to get good information and make good forecasts.

Russia just didn't have statistics and telephone directories. We went out to one of the big cooperative farms. At that time we had given them 9,000 tons of planting corn, Minnesota-type corn, but I didn't realize southern Russia is about the same latitude as northern Minnesota. But we went out to a big collective farm there, and they had planted lots of this corn. It had apparently got caught by frost just as it began to go into ears.

I asked about the frost. The Russian said he hadn't seen any frost. I said, "I know frost when I see it."

He said it was late spring.

On this committee we have had various organizations in the United States come before the committee wanting us to put up money to make the producers of certain types of livestock report to USDA their production intentions The reason they wanted us to pass something here was because their own members wouldn't turn in the full story unless forced to do so by the Government.

My question was, if your own membership won't tell you how many cattle they have, how do you think we can make them do it?

The point I make is, there will never be enough information, and we will always have to have experts who are sufficient gamblers like you, Doctor, who can take two or three examples and blow it up into a whole lot. Many of these countries simply won't provide you the information, and many of them are sufficiently backward that you

can't get any figures. You have to have been there long enough to know what they had last year and check the docks and see what they ship out.

The other thing you have to realize with Russia is that they use their agricultural commodities, or anything else, for foreign policy purposes. Forgetting that was the big mistake we made in relation to the Russian wheat sale.

They had a 20 million ton shortage and brought 30 million when they had a chance to do it. Apparently, we didn't know it was the only supply around the world that was available.

The point is, manpower is not the full answer to this in many countries. The qualifications of the man may be equally important.

Mr. PAARLBERG. It takes good judgment. There is no way you can simply do this in an internal fashion or relieve yourself of the necessity of judgment, particularly with regard to countries where information is not fully disclosed, as in the Soviet Union. You just have to get the best information you can.

Mr. WHITTEN. I come back to my original statement from our people. Many times they don't have any more idea about the subject than you do.

Mr. PAARLBERG. That is often true.

As Dr. West says, we have made some progress with the people of the Soviet Union on a mutual exchange basis in the agricultural economic area and we think that our intelligence of their operation and indeed their own intelligence of their operation will be advanced.

SOVIET WHEAT SALE

Mr. ANDREWS Doctor, we always get back to this bugaboo of the Soviet Union and the Soviet wheat sale. They bought 400 million bushels of wheat from us. Didn't we export in that year about a billion three?

Mr. PAARLBERG. It was about a billion two or a billion three. They took, I don't know, the smaller part of it.

Mr. ANDREWS. They took less than one-third of what we exported in that particular year. It would seem then that the events around the rest of the world where there might be a much more open society than there is in the Soviet Union, were also extremely important in the way they impacted on agricultural demand.

Now, back to the original question: What increase, roughly, percentagewise, are you anticipating that will meet your need for information not only from the Soviet Union, but from the other countries that will be brought to bear in your calculations?

Mr. PAARLBERG. The Economic Research Service, which is the main analytical arm of the Department, will have an increase in its budget of $500,000. This is not a large increase. That is for this particular area.

BETTER ECONOMIC INTELLIGENCE

Mr. ANDREWS. A moment ago you talked about all the other arms of the Department of Agriculture. Are they sharpening their wits or are they making better use of what they already have, or are they asking for additional manpower?

Mr. PAARLBERG. They are asking for additional finances. I don't have the numbers before me.

They have sought to increase their intelligence, particularly in the centrally directed countries. They have not been as successful in getting approval of strengthened work in the Peoples Republic of China as they would like to have. I think they should get better intelligence there. That market is now a large market and we don't know very much about it, but for reasons, I guess they are in part diplomatic, they have not been able to get approval for the kind of expansion in that area they would like to have.

AGRICULTURE ATTACHÉS

Mr. ANDREWS. Do we need more attachés or de need to just wake up the ones we have?

Mr. PAARLBERG. I think we need more in certain areas.

The ones we have, I think, are fairly well awake. I have been to see a number of them. They are very busy and I think very able people. They are not in my area of responsibility so I can't be fully accountable for them.

EXPORTS TO CHINA

Mr. WEST. This year we will export to the Peoples Republic of China $1.25 billion worth of agriculture products. That makes it one of the biggest markets. I remember when we looked forward to a billion-dollar market with Japan and we were going to make a big thing of it, but this year we will export $1.25 billion to China. We have no agricultural representation there.

Mr. SMITH. Can you explain why most of that is wheat and why it isn't rice?

Mr. WEST. Wheat is a bigger bargain than rice.

That is a big part of it, but also it goes to supply a lot of the northern cities who are used to eating wheat. The coastal cities.

You have a big market. In fact, China has ordinarily exported about 1 or 1.5 million tons of rice and imported wheat.

Mr. SMITH. Did they sell that because they didn't need it or because they needed foreign exchange?

Mr. WEST. I think that was a big element, to sell it to get foreign exchange, but also they had bigger problems in the northern cities which were wheat eaters.

Mr. SMITH. You don't think the mix was temporary?

Mr. WEST. I think this will continue. That they have a shortage of wheat and they have at least some rice they feel they can get rid of to eastern foreign exchange.

Mr. ANDREWS. Carbohydrates are about 30 percent cheaper in wheat than in rice, are they not?

Mr. WEST. Yes, sir. You have seen a tremendous shift in Japan and Bangladesh even, because it has been more readily available.

Mr. ANDREWS. I understand our Ambassador to mainland China has refused to allow USDA types to go into China. Why?

EXPANSION OF AGRICULTURAL ATTACHÉS

Mr. WEST. My reaction is that there has been a contest for a long time to prevent the expansion of agriculture attachés. We have strug-

gled at every place we have increased our coverage. The State Department no doubt would like to have the attachés back. You have certain elements in the State Department who have fought us at every point where we have tried to increase our coverage.

Mr. ANDREWS. The State Department doesn't know the difference between a cow and a steer, do they? Very few people in the State Department would understand agriculture unless they have somebody with an agricultural background.

It isn't just statistics that are available, but seat-of-the-pants judgment. Unless you have a capable individual adequately trained, it is hopeless.

What input have you made and has the Secretary contacted the Secretary of State and made a push for this or has agriculture sat down and played dead?

Mr. PAARLBERG. No, we have worked with this. I have worked with Dave Hume. I would suggest when the Foreign Agricultural Service comes before you you probe with him the extent of his efforts to get an attaché in the Soviet Union. He tried hard.

Mr. WEST. We have Chinese-speaking men ready to go.

Mr. ANDREWS. I am quite interested because there is another subcommittee I serve on that deals with the State Department. My colleague, Mr. Smith from Iowa, is also on that subcommittee. We might have some interesting discussions over there.

Mr. EVANS. Before we leave this question of anticipated sales of grain abroad, in 1974 you speak of China's buying about 1.25 billion from us in calendar 1974.

Mr. WEST. This would be fiscal compared to 200 million in the preceding year.

FARMERS INTENTIONS IN 1974

Mr. EVANS. What information do you have on the question of increased planting this coming year over what was planted and harvested last year?

Mr. PAARLBERG. Do you mean in this country?

Mr. EVANS. Yes, sir.

Mr. PAARLBERG. We have the farmers' intentions as reported to us in January.

Mr. EVANS. What do your figures show?

Mr. PAARLBERG. About a 20-percent increase in the acreage of wheat. Both Spring Wheat and Winter Wheat. About a 10-percent increase in the acreage of corn. About a 3-percent decline in the acreage of soybeans. Those are the major ones.

Mr. ANDREWS. How about barley?

Mr. PAARLBERG. I think it is down.

I think wheat is up at the expense of barley.

Mr. EVANS. Why are soybeans down?

Mr. PAARLBERG. Corn is more attractive than soybeans at prospective prices.

Mr. EVANS. Considering the kind of yield we will have with this increased acreage, do you foresee a softening of prices in the next year?

Mr. PAARLBERG. We see some softening of prices in these major grains in the coming year. Some decline from the presently very high prices.

Mr. EVANS. As we increase our production and foreign sales with this dramatic new purchase by the Chinese, do you foresee a better means by which we can market these agricultural products abroad and have current information as to the purchases and sales taking place as opposed to the interesting situation we had with the Russian wheat purchase?

Mr. WEST. Well, really, the biggest unknown in this was the Russian. You say that wasn't more than a third of our total sales, but you add this on top of the others and it being unexpected, was the biggest unknown.

EFFECT OF WEATHER ON OUTPUT

Mr. PAARLBERG. I would say there is a bigger unknown than that and that is what the weather was going to be that affected Russia, China, Australia, Pakistan, and the African countries.

Mr. WEST. What little we know about Russia, we know much less about China. We have fairly good information on production in Russia. We don't have—we have very little, mostly it is guesstimates in China. We just don't have estimates at all.

Mr. EVANS. I have other reasons for asking these questions. I have an additional one which is possibly peculiar to my neck of the woods and that is the summer fallow area; it is my understanding a lot of farmers in my area are foregoing summer fallow; that they are going to plant right over the last year's crop and increase their production. I am inclined to think your 20 percent figure is probably in the ballpark.

Mr. PAARLBERG. It reflects that. Indeed, there have been some advances in tillage practices that have come out of the experiment stations that make it possible to do this is places where it could not have been done before.

Mr. EVANS. That is what I am trying to get to here. If we continue to increase sales abroad, if we continue to have high demands domestically don't you fear that we may be getting back to what we found after the First World War, overproduction for so many years that we are destroying land?

PRODUCTION PROBLEMS

Mr. PAARLBERG. There are, certainly, dangers. There are dangers some land may come into tillage that should best be left in grass. There is some indication this has occurred in parts of the high plains. The Soil Conservation Service is concerned about that. They are trying to give guidance that this does not happen, but there is some hazard involved there, as we farm some of these lands. There is also the danger, as you say, that we might overextend ourselves, that production might recover abroad to a degree that we had not anticipated, or that export markets for one reason or another might diminish and there we would be. That is a risk.

The other risk is to forego needed production and run the risk of shorting food supplies in this country and elsewhere, foregoing the opportunity to earn foreign exchange, foregoing the opportunity to keep agricultural resources employed, and farm incomes up. So there are risks. You weigh the one against the other.

Mr. EVANS. Let's say in the weighing of one against the other you come up with a deep, grave concern that we may be returning to a

dust bowl condition and yet there is still a great demand for the product the land has been growing. What do you do then?

There is nothing in the law now that I know of that would say the Department of Agriculture or anybody else could go to a farmer and say, "Cut it out."

Mr. PAARLBERG. We haven't mandatory programs that compel farmers to use or not use their soil in a particular way. We work with the Extension Service and with the Soil Conservation Service through the Department of Agriculture and the land-grant colleges to try to get wise land use. To take into account——

Mr. EVANS. With the price at $5.60 or $5.80 a bushel, it will be difficult to encourage good farming practices for his own protection and to the protection of a larger area of people around him.

We have no means to control that, do we?

Mr. PAARLBERG. We do not and we don't seek such means. We try to do this through our educational programs and through the inducements we provide with our wheat program.

Mr. EVANS. What is the outlook for milk production for 1974?

OUTLOOK FOR DAIRY AND BEEF

Mr. PAARLBERG. The outlook for that is continued short supplies in 1974. Our people now tell us there are signs production will begin to increase in the latter part of 1974. It will be a year of short supplies and high prices.

Mr. EVANS. You also state that while beef output slipped it should recover most of the slippage if placements of cattle on feed this spring and winter reach expected levels. What would you say are the prospects for beef production this year?

Mr. PAARLBERG. I would say the prospects are for considerable increases in the supply of beef in the second and third quarters of 1974, and short supplies during the early part of the year.

Mr. EVANS. Why is that?

Mr. PAARLBERG. It is because the animals did not go into the feedlots in the summer and fall of 1973. What with the price freeze and the boycotts and the high price of feed, farmers were discouraged and they didn't put animals in the feedlots, so that the animals will not be coming out of the feedlots at 6, 8 months periods thereafter.

Now, farmers are again beginning to put more animals into the feedlots and we think the animals are out there. Indeed, the statistical reporting service says they are out there. We think they are going to go into the feedlots and they will be coming out in the late months of this year.

Mr. SMITH. You didn't mention the one thing that was the primary reason: They thought feeder calves were too high. Now they have come down some and they are starting to put them in the lots.

Mr. PAARLBERG. Very true.

FERTILIZER PRICES

Mr. EVANS. At page 6 you predict fertilizer prices should not rise much above late January levels for the remainder of the 1974 crop year. We have had some astronomical increases here. Upon what do you base this prediction?

Mr. PAARLBERG. I think I will defer to Mr. Ahalt on that. He's worked in that area more than I.

Mr. AHALT. That prediction is based on the commitment, Mr. Evans, that the major producers have given to the Cost of Living Council that they would not raise their prices above the levels they had in effect at the beginning of the year.

Mr. EVANS. How about the supply side?

Mr. AHALT. The supply side is tight, that is correct.

We have increased production of fertilizer and the people in the Economic Research Service have made estimates of fertilizer needs based on the acreages of the different crops and looking at the application rates, and they have indicated that we are about 5 percent short on nitrogen, which is the critical plant nutrient, of course. They indicate that the shortfall on phosphates may be a little higher, around 12 percent.

I might say that 5 percent shortfall estimated on nitrogen is well within the range of variability, that weather can have a greater impact on yield than that 5 percent.

TUESDAY, FEBRUARY 26, 1974.

## GENERAL AGRICULTURAL OUTLOOK—Continued

Mr. EVANS. The committee will come to order.

### TRANSPORTATION SITUATION

Yesterday I was just about through with the questions I had for Mr. Paarlberg. I have two or three others and then I would like to turn to the rest of the committee.

The next question I had was this: In view of the increased railway grain rates and the shortage of freight cars for the movement of agricultural commodities, do you see any prospect of improving the transportation situation for farm products this coming year?

Mr. PAARLBERG. Yes, we do.

Mr. EVANS. If you do, for what reasons?

Mr. PAARLBERG. For one reason, there has been a year now of very tight supply of rail cars and in the intervening period more cars have been made available.

There have been unit trains developed that have made more effective use of our rail equipment. We had our most heavy movement of grain to the ports in the first part of the present marketing year, and that leaves us a little more capacity for the latter part of the marketing year.

These things, in combination, I think are likely to some what ease the transportation problem as compared with a year ago. They will not alleviate it, we will have problems, but we think we have learned enough and been alerted sufficiently so that we will be better able cope this year than we were a year ago.

Mr. EVANS. You speak of additional freight cars having been constructed. Is this because of any particular policy of the Government or, if you know, why has this come about?

Mr. PAARLBERG. Well, I do not know all the details, Congressman Evans, but we have worked with the Department of Transportation

and sought to persuade them and have persuaded them of the importance of this thing. They have worked with the rails on this and I cannot say how much of this is in response to that effort and how much of it is in response to the rails themselves, now, having come to the opinion that large-scale grain transportation is a thing that is going to continue for quite a while. I think that has been a factor also.

Another thing that has happened is that we have made more effective use of the back haul arrangements. We do not send as many cars empty as we did before.

MOVEMENT OF GRAIN

Mr. EVANS. You know, it seems every year, at least since I have been back here, that we have had this problem, particularly when we start shipping wheat; a desperate look for enough cars to transport the wheat that has been harvested.

Over that period of time, have you been able to develop better understandings with the Department of Transportation and with the carriers, themselves, to be able to say that you think that they have recognized the problem and have tried to accommodate to it and are doing better than they have in the past.

Mr. PAARLBERG. I think the answer to that is affirmative. That does not mean that the problem has disappeared, but, as I said, I believe they are convinced that the heavy movement of grain to the ports is not just a passing phenomenon and they, therefore, have got more cars and have looked at the long-term dimensions of the problem, and I think have earnestly tried to give better service. That is not to say that the problems are solved by any means.

But last year the crunch, the movement to market, while it did have a lot of pains and binds, nevertheless, was a major accomplishment and it achieved a volume of movement that was thought to have been impossible, really, in the earlier estimation of what the capability of the rails was.

IMPORT QUOTAS ON WHEAT

Mr. EVANS. Would you give us your opinion of the effect of lifting import quotas on wheat?

What effect has this had on our domestic situation, and on the price?

Mr. PAARLBERG. It has opened our market to wheat from Canada. In the event that there should be an exceedingly tight situation in this market at the tail end of the present marketing year, the Canadian wheat, which is right next door, would be available to come into this market. Some has already come. Somebody told me some 300,000 bushels of soft red wheat from Eastern Canada has already come into this market. The fact that that access to this market is available to the Canadians, I think will discipline our price. If there should be a severe shortage of wheat, it would keep our price from being far above competitive levels in the rest of the world.

Our price for wheat and the Canadian price for wheat have already moved into closer coordination as a result of the lifting of this restriction.

EXPORT CONTROLS

Mr. EVANS. I understand the American Bakers Association is in Washington attempting to secure legislation or executive action to prevent the exportation of wheat grown in this country.

Mr. PAARLBERG. That is right.

Mr. EVANS. Does administration have a position on this issue?

Mr. PAARLBERG. We do have a position.

Mr. EVANS. State it please.

Mr. PAARLBERG. We are opposed to limiting the export of wheat from this market.

We support, instead, a three-pronged undertaking, one of which you have already mentioned, opening up our markets to markets in other countries, so that if we should have the tight situation that the bakers postulate, there could be wheat attracted in here to alleviate that situation.

The other thing we have done and are doing is to try to persuade people who have wheat, other countries who have wheat, to offer this wheat into the market during the present marketing year rather than carry that over into the next marketing year. And it is in their interest to do that, because prices now are high and all the expectation is that the coming crop will be a large one. The distant futures are low in price relative to the near futures. It is in the interest of the countries that hold wheat to get that wheat ino the market.

WHEAT FUTURES

Mr. EVANS. What is happening in the distant wheat futures?

Mr. PAARLBERG. They are about $1 a bushel below the current nearby futures. In recent weeks the whole structure has been lifted up, both distanct futures and near futures, but the distant futures are still low relative to the near futures.

The other thing we are doing is to try to persuade people who have contracts to purchase wheat and export it. In the present marketing year, to postpone those purchases until the next marketing year, which is in their interest to do in view of the fact that the price at that time promises to be less than the price presently.

Those people who are in position to defer their purchases, who have thought of purchases in terms of ample supplies rather than urgent needs, are making some of these postponements. Through this three-pronged venture, we hope to avert, and are convinced that we can avert the kind of situation that the bakers insist lies before us.

Mr. EVANS. Dr. Paarlberg——

Mr. WEST. Could I add to that?

Mr. EVANS. Yes.

Mr. WEST. The supply situation will not be as bad as it shows statistically. Now what we show as ending stocks as of the first of July is from the old crop. Actually, a lot of wheat is already harvested and is ready for sale during June. So there will be a lot of that new crop which is already coming on which does not show up in the ending stocks.

Now this is becoming—we are getting more and more of that in June, earlier harvesting of the crop so that we have under con-

sideration moving that crop year back 1 month, so that it would better represent the low point in the crop situation. What we show is the low point of the old crop, but not the low point in supplies that are available for market.

Mr. PAARLBERG. May I make another point?

Mr. EVANS. Quickly, because we are going to have to adjourn for a vote.

Mr. PAARLBERG. I will just save it because it will take more time than you want to use.

Mr. EVANS. All right. If you will excuse us, we will go to the floor.

Dr. Paarlberg, that concludes my questions, but you have an answer you want to make.

EXPORT CONTRACTS

Mr. PAARLBERG. Yes; a short comment.

One of the causes of confusion in the bakers' case is that they cite the figures from our export report. These figures include all the contracts that have been made to export grain, including some considerable contracts, including contracts to unknown destinations, including contracts that have been made in order to get the foot in the door in the event there might be export limitations, contracts that were not really intended to be consummated, but which we have difficulty sorting out.

Now, if you include all of those as being indicative of wheat that is actually going to move, then you come out with practically a zero carryover. Our experience is that contracts of this sort have quite a mortality, that many of them are not in fact consummated and our official estimates have sought to indicate the probable size of contracts of that sort that will not be consummated.

Mr. EVANS. How do you separate one from the other?

Mr. PAARLBERG. Well, our people who work on this have a very hard time doing it. They do this objectively as well as they are able. When there are contracts to foreign affiliates, for example, there is some doubt about these. Contracts for unknown destination, there is some doubt about these.

We have scrutinized the trading in commodities previously in other years and we find a certain proportion of the export contracts that are not consummated. That has been one of the guides that we use.

Admittedly our estimates may be too large, they may be too small, they may be just right. This is one reason why we have wanted and have indeed opened the market to the Canadian wheat, so that if our estimate is incorrect, and the thing turned out to be very short, that wheat could come into address this shortfall.

Mr. WHITTEN. Mr. Burlison?

FERTILIZER SITUATION

Mr. BURLISON. I want to pursue the fertilizer situation for a minute.

What percentage short are we for this crop year, 1974?

Mr. PAARLBERG. It depends on how you define shortage, Congressman. If you define it in terms of what the farmers would like to buy, it would be for nitrogen 5 or 10 percent shortage.

Mr. AHALT. Five percent on nitrogen, about 12 percent on phosphates.

Mr. PAARLBERG. If you define it in terms of the total supplies compared with last year, there will be more tons of fertilizer.

One of the real difficulties is the problem of dislocation; the fertilizer is not where the farmers would like to have it. There are very severe problems for particular farmers, especially in the Middle West area.

Mr. BURLISON. I was just going to say I would be amazed if there were only 5 or 10 percent shortage of nitrogen fertilizer in my part of Missouri. It seems to me there is a much more drastice shortage than that.

Mr. WEST. May I make one point here?

One problem in the distribution is on this back haul of trucks, and the independent truckers hauling grain out cannot haul certain commodities back.

If we could get that changed, this would help a lot in the distribution of this product.

Mr. BURLISON. What percentage shortage do you project for 1975? And by shortage, I mean short of what the farmer wants to purchase.

Mr. PAARLBERG. I do not think we have a number on that yet, but all the evidence is that it would—do we have?

Mr. AHALT. We do not have a number for 1975, that is right.

FERTILIZER PLANT CAPACITY

Mr. PAARLBERG. All the evidence is that it will take considerable time to build up the capacity in fertilizer production. The plants are large and sophisticated and it takes a long time to get them onstream.

The machinery companies that supply the necessary equipment for these factories are apparently working at capacity and it takes time for them to be expanded. So our best judgment is that we would continue to be short of fertilizer into the 1975 year by perhaps a considerable amount.

Measured in terms of what the farmers would like to have, that is.

Mr. BURLISON. What is the percentage of increase of the fertilizer supply for crop year 1974 over last year, 1973?

Mr. PAARLBERG. Mr. Ahalt has those numbers.

Mr. AHALT. The increase in production, Congressman, for 1972 will be about 5 percent. The production in 1972–73 of nitrogen and plant nutrient bases was 9.560 million tons. For 1973 the production is estimated to be at 10.232 million tons.

Mr. BURLISON. For an increase of how much?

Mr. AHALT. About 5 to 7 percent.

Mr. BURLISON. I take it from your answer to an earlier question that you would not have any figures for what the increases will be in 1975, the percentage of increase over 1974, in the way of production?

Mr. AHALT. That is right, we do not have a 1975 figure. There are some estimates, however, of the number of plants that will be available for 1975, but estimates have to be made at what level of capacity they will be operating, and so on.

Mr. BURLISON. I think it has been generally thought that we would have a shortage only of nitrogen and phosphates this year; that at least so far as resources are concerned, so far as the physical resources are concerned, there will be no shortage of potash. Is that right?

Mr. AHALT. That is correct.

Mr. BURLISON. But it turns out that we actually have a shortage of potash, do we not?

POTASH SUPPLIES

Mr. AHALT. Well, potash supplies are also tight in some areas but we do not estimate a shortfall as Dr. Paarlberg defined earlier for nitrogen and phosphates.

We do not estimate that kind of a situation on potash. As you know, we import substantial amounts of potash into the country, both production and importation of potash materials are up sharply from last year.

Mr. BURLISON. Are we not supposed to be self-sufficient in potash?

Mr. PAARLBERG. No, sir. We import substantial quantities in from Canada.

Mr. BURLISON. What bureau or section of the Department is charged with the responsibility of keeping up with or watching, alleviating the fertilizer supply problem?

Is there any particular agency in the Department?

Mr. PAARLBERG. Yes; there are several agencies that work at this. The Department of Agriculture has an office in the Agricultural Stabilization and Conservation Service that monitors the fertilizer supply in different areas.

The Department of Commerce gets figures on the export of fertilizer and on the production of fertilizer. So these two agencies both participate in the surveillance of the fertilizer supply.

In addition to that, the Cost of Living Council has extracted certain pledges from the fertilizer companies with regard to production and exports as a condition of releasing them from price controls. So all three of these agencies are involved.

EXPORTS OF FERTILIZER

Mr. BURLISON. Are there presently in place any restrictions on exportation of fertilizer products from this country?

Mr. PAARLBERG. Yes: there are.

Mr. BURLISON. Describe those restrictions.

Mr. PAARLBERG. I will ask Mr. Ahalt to do that.

Mr. AHALT. When the price controls were lifted from fertilizer in October, October 25, 1973, the major producers made commitments to divert tonnages out of the export market into the domestic market.

Mr. BURLISON. Were these oral understandings? Is there documentation for it, agreements in writing? What is there to evidence this?

Mr. AHALT. There is documentation, Congressman, at the Cost of Living Council from the companies, indicating the various tonnages that they agree to divert. These were tonnages which they had planned to export. They were not covered by firm export contracts.

Mr. BURLISON. Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Shipley?

RAIL SERVICE CLOSING

Mr. SHIPLEY. Are you familiar, Doctor, with the Report on Rail Service by the Secretary of Transportation?

Mr. PAARLBERG. I am not familiar with that report, no sir.

Mr. SHIPLEY. It is something that will deeply affect agriculture, I think, and particularly agriculture in the Midwest. It appears that agriculture could be deeply affected if this plan were put into effect.

I would hope that the Department of Agriculture would have some input into this study as it progresses, because my district, in fact the State of Illinois, would be great losers if this would go into effect.

Mr. PAARLBERG. Does this involve the closing out of branch lines?

Mr. SHIPLEY. Basically, yes, any bankrupt line.

Mr. PAARLBERG. Well, our Department has been concerned with that, Congressman Shipley.

We have people in Economic Research Service, other people in the Agricultural Marketing Service, who are involved in studies of transportation, and these things have been brought to the Secretary's attention and to the Assistant Secretary for Marketing. We have been involved in discussions within the Administration on that proposal.

Mr. SHIPLEY. Has the Department of Agriculture participated in all of the meetings in formulating this so-called plan, or do you know?

Mr. PAARLBERG. We have registered some dissents to the proposals for closing branch lines; I know that much. I do not know whether we participated in all the meetings but we have expressed some concern on behalf of the farming people with regard to the closing out of some branch lines.

HEARINGS ON CLOSING BRANCH LINES

Mr. SHIPLEY. I see where the Interstate Commerce Commission is going to have open hearings with regard to this, I believe on March 11. I find it unusual that the places they have selected as the sites for their hearings are places not affected.

For example, all of rural Illinois is affected by this proposal, and hearings are scheduled for St. Louis and for Chicago and Indianapolis, Ind., making it necessary for any of the farmers from the rural part of America to travel 200 or 300 miles to attend these hearings. I just feel the Department of Agriculture should be working very closely with these people, because there is no question, no question, if this plan would be adopted, just looking on the surface of it, it certainly would be a detriment to the farming community in several ways:

One, the most basic, would be simply that the rail service would be terminated from the elevators. They would have to truck the grain, as they are doing in some communities now, because of the shortage of boxcars.

Another thing that would happen certainly is that the farmers would have to travel farther to get their grain to market.

Maybe I have been negligent in not following this as closely as I should, but it seems the Department of Agriculture has also not been outspoken enough on this report, because, as I said, the hearings are scheduled for March. I would think they would be very interested in being able to have the direct input into these hearings, so that there will be no doubt what this will do to the economics in agriculture.

Mr. PAARLBERG. Well, the Department of Agriculture, the Secretary of Agriculture is charged by law with responsibility for expressing the interest of the farmers in hearings for the Interstate Commerce Commission that have to do with agriculture's transportation needs.

I suggest that when Assistant Secretary Yeutter is before you, which will be I think fairly soon, that you raise this question with him or indeed, get him on the phone prior to that time. He will be able to tell you much more fully than I about the Department's role in this particular matter.

Mr. SHIPLEY. I appreciate that very much. I do thank you. We will be in contact. I just hope the Department of Agriculture recognizes the seriousness of the situation, because just looking on the surface, for our own area of Illinois it is going to reduce our rail service by 50 percent. I have had hundreds of calls from our elevator people with regard to this. It is not something which is really that public to the general public but they will be affected if the farmers cannot get their products to market.

Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Natcher?

Mr. NATCHER. Thank you, Mr. Chairman.

AGRICULTURE SUPPLY SITUATION

Dr. Paarlberg, in your statement to the committee, you have given us a fine explanation, just like you always do, concerning the present supply situation.

In your statement, you pointed out to the committee that as far as the supply situation is concerned, world and domestic, it indicates the prices farmers receive will stay strong through the first half of 1974. Then you have given us a fine explanation as to how you feel about the last half of the calendar year.

Dr. Paarlberg, from time to time we hear people say that our country is rapidly becoming the food basket of the world, and that is good. I hope that takes place. As far as future expansion of products is concerned, over the next decade, what prediction would you make at this time concerning this period of time?

Mr. PAARLBERG. All right. I will try to keep it brief.

Mr. NATCHER. Yes.

U.S. AND WORLD PRODUCTION CAPABILITY

Mr. PAARLBERG. We have made studies both of American agricultural capability and of the production capability in the rest of the world. Briefly looking ahead in this country to 1985, we see the capability under favorable conditions of an increase of about 50 percent in our production of corn, of about one-third in our production of wheat, and about 40 percent in our production of soybeans from the 1973 levels.

Mr. BURLISON. Will the gentleman yield?

Mr. NATCHER. I certainly will.

Mr. BURLISON. I appreciate the gentleman yielding.

I notice, Dr. Paarlberg, that your percentage increase for soybeans was more than the percentages on the other commodities that you mentioned, not more than corn. I believe you said a 50-percent increase in corn.

Mr. PAARLBERG. Yes.

SOYBEAN INCREASE

Mr. BURLISON. On what basis can you project an increase in soybeans of more than the other commodities, wheat, for instance, when the past history has been from the beginning that soybeans have lagged behind the other commodities in percentages of increase in production?

Mr. PAARLBERG. The reason for that is that soybeans are an excellent source of protein, low-cost, high-quality protein, either for animals or for people.

There is a protein revolution going on in the world. People are trying to improve their diets.

Mr. BURLISON. When you say production increase, then you are taking into consideration the increase in acreage?

Mr. PAARLBERG. Total production, not yield per acre.

Mr. BURLISON. I understood you were speaking in reference to production per acre.

Mr. PAARLBERG. No. I was talking about total production in bushels or tons.

Mr. BURLISON. I thank you. Thank you, Mr. Natcher.

POTENTIAL FOR EXPANSION

Mr. PAARLBERG. Yes. So we see considerable potential for American agricultural expansion, if there are favorable conditions in terms of price incentives, availability of production supplies and opportunity to market.

Now, in the world we see also opportunities for expansion, but not at an equivalent rate.

We think in the less developed countries of the world that production will increase perhaps about enough to keep half a step ahead of population growth. To the year 1985 we see continued increase at a small rate in per capita supplies of food, but not enough to really alleviate the hunger and malnutrition in many parts of the world. These moderately increasing supplies will be unevenly distributed and undoubtedly there will be large areas of the world where there is considerable difficulty. So that we come out somewhere between those who on the one hand predict a new era of worldwide shortage, and those people on the other hand who say that the present tightness is a very passing thing, that we are just halfway through the old familiar boom and business cycle and that a year or two from now we will again be plagued with surpluses.

We come out, I would say, somewhere between those rival views.

Mr. NATCHER. Thank you.

Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Smith?

WEED CONTROL

Mr. SMITH. I wonder, Dr. Paarlberg, your Department is primarily staffed by economists. I wonder in making these projections which are primarily economic, if you take into consideration, to the appropriate extent, noneconomic matters, such as the discussion we just had.

The primary limitation on soybean yields has been weeds. We have poorer weed control for soybeans than for any other crop. We do not have herbicides for soybeans that are of the same quality that we have for cotton and for corn, and so forth.

How much do you take into consideration the possibility that there will be better weed control or there will not be better weed control for soybeans when you make these projections?

Mr. PAARLBERG. Well, the projections that we have made have been based on the continuing availability of new science and technology, new herbicides and chemicals, new breeding, at about the same rate that these new incremental advances have come along in the past. We do not project a major breakthrough on the one hand; we do not project a drying up of the foundations of new knowledge on the other.

We project advances in science and technology and agriculture in the next 12, 15 years at about the same rate that we have experienced these in the past 10, 15 years.

Mr. SMITH. Really, then, what you are saying is that you do not consider these other factors? You just consider them to be the same as in the past? You are not considering any change then?

Mr. WHITTEN. Will my colleague yield to me at that point?

Mr. SMITH. Yes.

DDT USE IN 1974

Mr. WHITTEN. I have before me an announcement that is going to be made at 2 o'clock eastern daylight time, 2 minutes from now, in which Mr. Train, Administrator of the U.S. Environmental Protection Agency, is permitting, for 1974, the use of DDT to handle the tussock moth. I thought that in view of the last paragraph of Mr. Train's announcement that my colleague might want to reask his question. I said some years ago, that Mr. Train had more power than a good man would want or a bad man should have. This is the last paragraph in his announcement:

> Given, however, that DDT use is authorized only for the 1974 control season, the Forest Service is required.

I repeat this is the Administrator of EPA speaking—

> as a condition of my approval of this exemption—and I have personally stressed this to the Chief of the Forest Service as well as to the Secretary of Agriculture—to undertake without delay, a fully-funded, comprehensive research program on tussock moth control which will support registration of effective and environmentally acceptable alternatives to DDT before next year.

The point of it is, in making your predictions of future agricultural production have you taken into consideration the dictates of Mr. Train and these other people who tell you that you have to do it without DDT and other needed practices?

I might say for the record, in the known history of the world no one has ever come up with anything as good or as safe as DDT. How you folks in Agriculture can invent something better by next January I don't know.

I thought my colleague might explore that, in view of what Mr. Train is going to make you do. Of course Mr. Train has no such authority, but it made him feel good.

Mr. PAARLBERG. The answer to the question, Congressman Smith and Mr. Chairman, is that in making these projections we have con-

sulted with the agricultural research people who are the competent scientific persons and who are aware fully, and I may say, sometimes angrily aware of the limitations that are imposed by these environmental restrictions.

### CORN AND SOYBEAN YIELDS

Mr. SMITH. Let's take corn and soybeans as examples. This is the reason I ask. These estimates are becoming terribly important nowadays—whether they are accurate or not. With soybeans, where I live, we have an average of about 35 bushels. We started really with 50 bushels. If there were no weeds, we would have 50 bushels. If you subtract from this according to how many weeds there are then you get down to 35 bushels.

That is a lot of difference. On the other hand, with corn it is the opposite. We get complete weed control on corn. If you figure in the future we are going to have the increase in corn yield that we have had in the past, then you are incorporating into your projection the assumption we will have an additional weed control again like we had in the past. That is not possible.

### IMPROVING YIELDS

Mr. PAARLBERG. Weeds are not the only thing. I visited this past week with Ed Wellhausen, the corn breeder for the Rockefeller Foundation down in Mexico, probably the leading scientific research outfit doing work on corn and wheat.

Mr. SMITH. Mr. Andrews and I both have been there.

Mr. PAARLBERG. Mr. Wellhausen believes that there will be continued gains in the average yield of corn in the Corn Belt, coming largely from improved breeds. We don't think that we have yet plateaued out yet in terms of average yield.

Furthermore, there are leading farmers, if you take the top 10 percent of the farmers, for example, and check their yields, these yields exceed the average yields by something like 50 percent. These people are capable of getting yields of that kind in areas where their neighbors are getting yields substantially less. There are practices that they are following that are available to other managers less skilled and never will quite reach that high level, but nevertheless who can increase yields substantially on their own farms from where they now are which will pull the average up.

Mr. SMITH. Then we have the laws of the balance of nature coming into play. When we increase acreage it increases the probability of additional diseases, faster spreading diseases. Nature has a way with that. You have to continually manipulate it or it will put the old prairie back in the grass.

Mr. PAARLBERG. Exactly.

Mr. SMITH. I wonder if these noneconomic matters really are considered enough and weighted enough in making economic assumptions.

Mr. PAARLBERG. It is possible they have not been. We have tried to take account of them in the projections that we have made. Time only will show whether we have done this correctly. We have tried to take account of these things.

LIVESTOCK ESTIMATES

Mr. SMITH. What can you tell us about your livestock figures, cattle and hogs? Why have they been so far off in the last 10 years? What are you doing to make them more accurate?

Mr. PAARLBERG. Congressman Smith, this is a matter of very great concern to us. The way you state your question makes it a little difficult to answer why we have been so far off. Well, I believe we have not been exactly on target. I don't know really how accurate we have been or how far we have deviated from accuracy. There is some evidence that our estimate of hog numbers and cattle numbers has been too high, and we have worked at this very carefully in order to determine what the facts are. I just read last week a lengthy report, the result of a field investigation of our crop and livestock reports, including careful study in your own State of Iowa, and we are now evaluating this report.

A part of our difficulty is that the structure of agriculture has so changed. We have now fewer and larger units. Hog production has become more concentrated. Cattle production has become more concentrated. When we do our sample studies, we have difficulty in generalizing for the population from our sample because the structure of agriculture has been changing and it may well be that we generalize from our sample to a larger population. It may be that the falloff in number of units is such that those generalizations are not as valid as they should be.

Mr. SMITH. Less than 800 cattle feeders feed what percentage of the cattle?

Mr. PAARLBERG. I cannot give you the answer. I will furnish it for the record.

[The information follows:]

CATTLE FEEDING

In 1973, the largest 704 cattle feeders, with a capacity of 4,000 head and over, fed out 13,938,000 head. These largest feedlots made up one-half of 1 percent of all feedlots, and accounted for 55 percent of the fed cattle marketed last year.

Mr. PAARLBERG. It is becoming more and more concentrated.

Mr. SMITH. I saw the figures a couple days ago, and it more than half the fed cattle.

Mr. PAARLBERG. It would be.

Mr. SMITH. Would that make it easier or harder to project?

NUMBER OF CATTLE ON FEED

Mr. PAARLBERG. It would make it easier if you were taking a total census. It makes it more difficult if you are doing your work from a sample basis, and we cannot take a census every month the way we would like to report the numbers on feed. We do that from a sample. Generalizing from this sample is difficult, as I say, because of the changing structure of agriculture.

Mr. SMITH. You are projecting now that during the first 6 months of this year, there will be a substantial reduction in marketings of cattle; is that true?

Mr. PAARLBERG. That is correct. Whether we got it just exactly correct or not I wouldn't say. I do believe that the number of cattle mar-

keted will be low, and the price will be strong during the first half of the year.

Mr. SMITH. You know, I am sure, that went on last fall. The reason less cattle went into the lots was that corn got to the place where it was getting more nearly its share of the feed cattle dollar; they had to readjust their thinking about the price of feeder calves. There has never been an economic justification for feeding cattle bringing more than fat cattle. And 500-pound cattle didn't used to, before corn got so cheap. When it got so cheap, they started paying 30 to 40 percent a pound more for a 500-pound calf than the choice calf of 1,000 pounds. They are in a readjustment period. We will come back to that soon.

They are going to start paying for a 500-pound calf the same amount per pound when they get it as for a thousand when it gets fed. During this period, people that filled their feedlots wouldn't buy because other people, feeder people, were accustomed to getting those higher prices. Those cattle didn't disappear.

Mr. PAARLBERG. They are out there.

Mr. SMITH. Are you assuming in this that their marketing has been delayed? You are not assuming that they will never come to market?

Mr. PAARLBERG. No, they will come to market. We are convinced they are out there. Our cattle inventory indicates that they are out there. Our calf crop indicates that they are out there.

Mr. SMITH. Are you assuming that they will come the last half of the year?

Mr. PAARLBERG. We are noting already a pickup in the number of feeder cattle going into the lots, and we judge that that rate of increase will continue.

Mr. SMITH. I wondered if maybe they are not being fed by the fellow that raised them a little bit. Maybe he is giving them a little extra cottonseed cake. And are they really going to be delayed that much?

HOLDING OF CATTLE

Mr. PAARLBERG. We think they will be delayed. The range conditions on the whole have been good. The grass has been plentiful. The ranchers have had good incomes, and they have been more inclined to hold these cattle for a time for income tax reasons. I think all those factors in combination, and perhaps most important, heifers have been held on ranches for the purpose of building up the breeding herds in response to the strong prices that we have had. This combination of factors has resulted in more animals being out there on the ranges than customary relative to the numbers in the feedlots.

Mr. SMITH. In conclusion, my question is about all the series of questions that I have asked you, whether we are talking about the laws of the balance of nature. Are we talking about readjustments in prices of feed cattle affecting the number that go into the lot? We are talking about herbicides being more advanced for cotton and corn than they were for soybeans. My question in all of this series is this: Do you really think in your shop, the way you are set up, that you have sufficient input of these noneconomic assumptions?

Mr. PAARLBERG. I think I will ask Dr. West to comment on that.

ENVIRONMENTAL FACTORS

Mr. WEST. For one thing, this balance of nature, this question on the environment, we are charged in the Economics Research Service to make this kind of evaluation of what the economic impact will be on argiculture of banning different pesticides or requirements for runoff control, both in terms of livestock feeding lots and fields in general. We have had quite an impact on even the decisions made by EPA on economic evaluation. Also on the question that you have on whether we are getting the technology involved in our projections—yes, we are trying to work very closely with ARS, and in a capacity study we sat down with them to ask what you see over the next 11 years, what comes down to 1985. We did evaluate our yield projections on the basis of what they could see that would be in the stream by that time. That is why we say by 1985 we are not talking about any breakthrough in yield of soybeans.

Mr. SMITH. For example, in making those projections, did they estimate that you should use a higher than average rate considering the experience of the past few years of gain as a result of better herbicides and lower than average rate as a result of going into the dry end of the weather cycle?

Mr. WEST. I can not give you the details. We do have those yield estimates that we have used for this. I can supply that for the record.

[The information follows:]

YIELDS OF MAJOR CROPS TO 1985

| Year | Corn (bushels per acre) | Wheat (bushels per acre) | Soybeans (bushels per acre) | Cotton (pounds per acre) |
|---|---|---|---|---|
| 1969–71 average | 82.2 | 31.9 | 27.4 | 437 |
| 1972 | 96.9 | 32.7 | 28.0 | 507 |
| 1973 | 93.8 | 32.2 | 28.5 | 502 |
| 1980 | 109.5 | 34.5 | 32.0 | 510 |
| 1985 | 120.0 | 36.6 | 34.5 | 535 |

Mr. SMITH. I thought Dr. Paarlberg said a while ago you used as an average from past years and projected at the same increase or decrease as applied to previous years?

Mr. WEST. What he meant is, it comes out somewhat like recent trends. We are not making a sudden jump or we are not making a sudden reduction in the general increase in yield. It was not just based on a trend, but based on an evaluation with ARS. It is what comes out more or less as a similar increase to what we have experienced in the past.

WEATHER CYCLES

Mr. SMITH. Do you consider weather cycles?

Mr. WEST. No. One of the assumptions on this was normal weather. We did not try to say what the weather might be in 1985.

Mr. SMITH. Nobody can predict what the weather will be during a certain year, but we do know there are cycles when it is dryer than normal and wetter than normal.

Mr. WEST. There are some people that have made some study of those cycles. In fact, we have started a research area to look more into this

around the world, the effect of weather and making projections in terms of what happens with bad weather. We have yet to find anybody who could really project what the weather would be. We have some, but Louis Bean has some thories and he has an art.

Mr. SMITH. We do know the weather the last 5 years has been above normal?

Mr. WEST. We do know that. Whether that means that the next 5 years will be below normal, I don't know anybody that can project that.

Mr. SMITH. Would you assume it would be above normal if you use the same experience?

Mr. WEST. No. I cannot exactly say what we said it was in terms of normal weather, whether these last 5 years moved this average up or what. I cannot say specifically. Our assumption was normal weather. How we average that in and whether this last 5 years had an influence in bringing it up higher we don't know.

Mr. SMITH. Have you tried to figure out how much of the increase in yield has been a result of better use of known technology and the discovery of new technology, and how much is due to above average weather?

Mr. WEST. We have done some work in that area but I cannot give you the breakdown. In fact, we tried to separate the impact that fertilizer had had on this.

Mr. SMITH. You recognize both factors caused the increase in yield?

Mr. WEST. Yes, sir.

Mr. SMITH. That is all I have.

Mr. ANDREWS. Mr. Chairman?

Mr. WHITTEN. Yes.

AGRICULTURAL ATTACHÉS

Mr. ANDREWS. Yesterday I asked a question to Dr. Paarlberg about this Chinese situation when he said we exported over a billion dollars worth of agricultural goods to China.

Mr. WEST. We will during this fiscal year.

Mr. ANDREWS. You, Dr. West, in answer to a question I asked about the assignment of an agricultural attaché over there, referred to the longstanding feud between the Agriculture Department and the State Department over who should have agricultural attaché. Now I understand the FAS has an attaché stationed in Hong Kong?

Mr. WEST. Yes, sir.

Mr. ANDREWS. Harold Chambeau, with long experience, speaks Chinese fluently and has many Chinese friends. I also found out since yesterday that last October, for the Chinese Trade fair, FAS asked the State Department to give Chambeau a 2-week visa to attend the economic fair, but that was denied even though visas were granted to Commerce and other agencies. Are you aware of this? What grounds did they use to deny him that?

Mr. WEST. Mr. Chairman, I was probably out of line in saying what I did yesterday. This is really the area of the Foreign Agricultural Service and Mr. Hume will be in a much better position to answer these. I do have some strong opinions and feelings about it and I kind of expressed those yesterday.

Mr. ANDREWS. We like to learn your feelings. We are like a hen in a barnyard, scratching around for that kernel, wherever we can find it.

Mr. WEST. What you report is the understanding that I have as to what happened. In fact, we became a little more closely involved. We are having a meeting the end of next week with FAS to talk about what we might do in the future. I have a man who is head of my research unit on the People's Republic of China who speaks Chinese and they would like to consider him in the future for work in that role. Part of our decision is whether he ought to go to Hong Kong and be in a second position there or whether he would best serve here until the opening comes in China. That is the way we get involved because we are to a large extent—we do serve to some extent as a training field for these attachés. In fact, all of the people in the U.S.S.R. once worked in my shop. They get a very broad economic marketing training.

NEED FOR INFORMATION ON CHINA

Mr. ANDREWS. I am aware of this. The reason I bring it up is that I think the American public is deeply concerned that next time we get into a massive grain sale we do it to maximum advantage to the United States. The only way we can do it is with accurate information. I think this committee and the whole Congress as well as most people in this country want to make sure we get this straightened out. It looks as though somebody is pretty much dragging their heels.

Do you know what reason they gave to forbid a USDA type going into China when they asked the Department of Commerce types to go in there?

Mr. WEST. Mr. Congressman, I am not sure I was ever told the official reason they gave for not letting him go in. If they did tell me what the official reason was, I have forgotten. In my discussions on this, it was again State who was reluctant to let Agriculture get a hold in this area.

Mr. ANDREWS. From your position as Administrator of the Economic Research Service, you feel it is extremely important such a position be established and staffed? So we do in fact know more about what is going on?

KNOWLEDGE OF CHINA

Mr. WEST. I do, sir. Because of all of the countries in the world, we know less about China. There is less information put together that flows out of there. In fact, the last hard statistics, that is relative but at least seemed fairly firm, was back in 1967, and most of the things that have gone on since then have been guesstimates. Remember, right after 1957 they had—1958 they had the so-called Great Leap Forward, in which they increased all of their production estimates more than 50 percent. They got way out of line in their whole statistical procedure and since then they have not released any official statistics. They must have something. It would be difficult to operate the country otherwise, but we have not had access to those. I think it is very necessary we get someone over there close at hand to search out some of these statistics. It is hard enough in a country like the U.S.S.R., where we do have something.

By the way, I might mention, when we were over there in November it was the first time that they had allowed anyone officially to

visit the central statistical office or the central planning office. I think this is a breakthrough in the U.S.S.R. There is a change of attitude.

Mr. ANDREWS. That is true. This objection came not from the People's Republic of China. It is an objection from our own State Department types?

Mr. WEST. That is right.

Mr. Congressman, I don't understand it myself either.

EXPORTS TO CHINA

Mr. ANDREWS. The fact of the matter is that during this year we will sell them $1.25 billion of farm products. This must be at least 400 percent greater than the total of any other exports.

Mr. WEST. A 504-percent increase over the previous year.

Mr. ANDREWS. What is the total of all other exports to China?

Mr. WEST. I don't have that figure.

Mr. ANDREWS. Provide that.

Mr. WEST. Yes, sir.

[The information follows:]

U.S. Trade with People's Republic of China

| Commodity | Unit | U.S. Exports 1973 Quantity | U.S. Exports 1973 Value | U.S. Exports 1972 Quantity | U.S. Exports 1972 Value | U.S. Exports 1971 Quantity | U.S. Exports 1971 Value |
|---|---|---|---|---|---|---|---|
| | | Thousands | 1,000 dollars | Thousands | 1,000 dollars | Thousands | 1,000 dollars |
| Total | --- | --- | 689,600 | --- | 63,500 | --- | 0 |
| Nonagricultural | --- | --- | 114,624 | --- | 2,215 | --- | 0 |
| Agricultural | --- | --- | 574 976 | --- | 61,285 | --- | 0 |
| Wheat | Bu. | 97,320 | 277,701 | 20,751 | 35,293 | | |
| Corn | do. | 54,833 | 132,384 | 14,789 | 23,792 | | |
| Cotton | Rbl. | 609 | 100,527 | --- | --- | | |
| Soybeans | Bu. | 7,284 | 43,365 | --- | --- | | |
| Soybean oil crude | Lb. | 128,625 | 17,863 | 22,042 | 2,200 | | |
| Tobacco | do. | 7,284 | 1,359 | --- | --- | | |
| Tallow, inedible | do. | 6,889 | 1,344 | --- | --- | | |
| Other | --- | --- | 433 | --- | --- | | |

| Commodity | Unit | U.S. Imports 1973 Quantity | U.S. Imports 1973 Value | U.S. Imports 1972 Quantity | U.S. Imports 1972 Value | U.S. Imports 1971 Quantity | U.S. Imports 1971 Value |
|---|---|---|---|---|---|---|---|
| | | Thousands | 1,000 dollars | Thousands | 1,000 dollars | Thousands | 1,000 dollars |
| Total | --- | --- | 60,800 | --- | 31,065 | --- | 5,040 |
| Nonagricultural | --- | --- | 39,356 | --- | 14,649 | --- | 1,057 |
| Agricultural | --- | --- | 21,444 | --- | 16,416 | --- | 3,983 |
| Bristles, crude | Lb. | 1,107 | 5,125 | 1,176 | 6,741 | 275 | 1,825 |
| Silk, raw | do. | 428 | 4,329 | 299 | 2,421 | 8 | 65 |
| Feathers, cr. ex. ostrich | do. | 912 | 1,375 | 416 | 549 | 15 | 19 |
| Gelaten, inedible | do. | 8,623 | 1,255 | 6,816 | 873 | 0 | 0 |
| Cassia, bud, vera | do. | 1,269 | 1,051 | 2,563 | 1,713 | 2,205 | 1,326 |
| Citronella oil | do. | 473 | 764 | 69 | 70 | 0 | 0 |
| Tung oil | do. | 5,721 | 705 | 0 | 0 | 0 | 0 |
| Tea, crude | do. | 1,279 | 613 | 837 | 299 | 26 | 10 |
| Cashmere hair, goat | Glb. | 320 | 473 | 201 | 248 | 147 | 264 |
| Other | --- | --- | 5,754 | --- | 3,502 | --- | 474 |

Mr. ANDREWS. Isn't it also true that behind those Chinese borders are more people than are in any other country of the world?

Mr. WEST. Yes, sir.

Mr. ANDREWS. People are the consumers of farm goods. It would certainly make sense to know more about what is going on in the largest nation in the world.

Mr. WEST. That is right.

STATISTICS IN CHINA

Mr. WHITTEN. On that score, if my colleague would let me, I think perhaps we shouldn't let the record indicate this is quite as simple as it might appear. I am no authority on it but I happen to have been in China during the war when Gen. Pat Hurley said he knew plenty of Americans who could speak Chinese and plenty of Chinese who could speak English, but if you would have a meeting with them, when they left, neither one really understood what the other one had said.

There is such a difference in the various meanings that might be applied. We learned at that time you have 7 or 8 warlords and 100 dialects and you have no central gathering of statistics so you are likely to go over there and come out with figures that are meaningless and false information and which can be more dangerous than bad information.

The other thing that struck me, we have a $17 billion deficit this year, according to the testimony of the Secretary of the Treasury. It varies from 9 to 17, depending upon how you figure it. We are running in the red, so it may not be possible to increase your budget. I wish you would submit a list of your present employees that you think you might be able to send over there if we are not able to increase your appropriation. Give us that list of names.

[The information follows:]

We have discussed this matter with the Foreign Agricultural Service who has the direct responsibility for staffing and supervising the Attaché Service. The following two candidates are now qualified—Harold Champeau, presently Agricultural Officer in Hong Kong, and Frederick Crook of Economic Research Service who is now scheduled to be Assistant Agricultural Officer in Hong Kong.

The above two have the necessary language capability. Other candidates to be qualified would need language training.

Mr. WHITTEN. Mr. Scherle?

ACCURACY OF STATISTICS

Mr. SCHERLE. Thank you, Mr. Chairman.

I couldn't help but be a little amused by the remarks by my colleague from North Dakota, talking about statistics. If these statistics from China are no more accurate than ours are, maybe we wouldn't have derived a lot of information from either one.

Mr. ANDREWS. I am not talking about bare statistics. I am not charmed with statistics. I would like a seat-of-the-pants feeling of what is going on back there, not only from the standpoint of what imports they might need but also from the standpoint of a lot of genetic material that might be available. My colleague from Missouri brought out very well our concern about soybeans. The soybean plant came from China. This committee increased funds for research in breeding

higher yielding soybeans to get that protein breakthrough we want. I tend to be as suspicious about statistics from China as statistics coming back from Russia. I would like three or four well-trained agriculturally oriented individuals to go over there and give us a seat-of-the-pants judgment as to what is going on from the standpoint of production, human needs, and genetic materials. This would benefit our Nation and it would benefit humanity around the world. That is the reason I bring it up. Statistics—I am not much for the slide-rule guys.

Mr. SCHERLE. Dr. Paarlberg, I cannot help but be a little apprehensive about the calculation you made yesterday with regard to our 6.6 billion bushels of corn. Have you based that figure on the farmers having ample fertilizer this year, 1974?

Mr. PAARLBERG. We based it on the fertilizer we thought would be available.

AVAILABILITY OF FERTILIZER

Mr. SCHERLE. How was that figured out at this stage of the game? Say the 1st of March. I have farmers crying to me now that fertilizer is not available. If we anticipate putting in 15 million acres, 17 million more this year, how do you anticipate getting that amount of yield if there is no fertilizer available for that?

Mr. PAARLBERG. There is fertilizer available, Congressman.

Mr. SCHERLE. Where is it?

Mr. PAARLBERG. A lot of it is in the ground plowed down last fall, vastly more than in any previous year. That is fertilizer the farmers already have, already applied to their fields. That is a very significant thing. That fertilizer will be there to grow corn next year. I know, as we have said, that there are farmers who can't get fertilizer. There are aeras that are very tight for fertilizer. Those are very real problems. There are all kinds of problems of the location of supplies. Very critical problems for individual persons and in individual areas.

Mr. SCHERLE. Let me tell you what some are running into, particularly one county not too far from Des Moines. These farmers received fertilizer last year from the Atlantic Richfield Co. They are no longer handling it in this particular area. Gulf is no longer handling this fertilizer in this particular area. These farmers last year were promised they would have ample fertilizer, so they sought out no new sources of fertilizer. They have now no source of supply.

Can anything be done in the Department to help out this situation?

EFFORTS TO INCREASE SUPPLIES OF FERTILIZER

Mr. PAARLBERG. We are working on this. People have come to see me and Mr. Ahalt. Mr. Smith, who heads this work in the Department, has a parade of people who come to see him with problems very similar to the problem that you describe. We have been working with the fertilizer companies. Our Secretary has personally contacted a number of these firms and indicated to them the severity of the problem and has urged on them the equitable distribution of supplies and the meeting of needs. It is a problem that is of major proportions and major concern to us. We work at it with a good deal of diligence. It is impossible to create fertilizer. It has to be manufactured. These plants are operating pretty much flatout, full tilt, and the transportation

problem that has been referred to and the exportation of fertilizer early in the year in large volume has distorted the normal marketing processes.

The fuel shortage, natural gas, has cut back fertilizer production in certain areas. So while the totals may look rather good, what you say is very true, there are particular areas and particular individuals for whom the problem is enormous.

Mr. SCHERLE. Even though all the shortages that you have outlined to me, you still anticipate that you are going to have 6.6?

CORN OUTPUT IN 1974

Mr. PAARLBERG. That is our best estimate. That is based on a number of things. On the fact that we have a good start. We got a lot of fall plowing down, a lot of fertilizer plowed down. We will get an early start in the spring for that reason. We should be able to use longer season hybrids for that reason. The farmers, with the high prices we have, will use practices that are better than ordinary, we are convinced.

Until and unless these expectations are modified by later developments, adverse weather or what not, we will continue to carry this number. When we get a chance to look at the crop, which is really in August, that is when we come up with our actual estimate of yield, it may look quite different. If by that time it proves true that the fertilizer was not there or the planing season was bad or here was not the fuel or the transportation system fouled up and the farmers didn't get the crop planted, we will knock that yield down. I don't think that that yield which we carry forward at this time is really all that important. It is a number that we carry for projection purposes because we have to have some kind of a number for the estimates that are required for the carrying out of our commodity programs.

Mr. SCHERLE. By the same token, the farmers rely on the intelligence and the wisdom of the Department, as questionable as that might be at times. They still do, for the simple reason no one else has the ability, computers, or the conglomerate of what it takes to put it all together. When you tell me, if I were a speculator and going to hedge against the market, and you told me you are going to have 6.6 this fall, I would have to take a close look at it and watch what happens. Last year you estimated 6.2 and ended up with about 5.6. If you had 6.2, I doubt corn would have been worth as much today.

Mr. PAARLBERG. I doubt it.

Mr. SCHERLE. This goes back to what I said before. What you tell the farmer has a great deal of impact on what he is going to do this year, amount of planting, and also the type of market that we anticipate that we will have in the fall of the year. You know fertilizer is a real problem and there is not a lot you can do because there are no laws passed by which you can sternly, sufficiently set out any type of allocation. I recognize the handicap that you are under.

Mr. BURLISON. Would you yield?

In the shortfall in commercial fertilizer, is there any greater utilization being given to natural fertilizer, manure, animal manure in the fertilization process?

Mr. PAARLBERG. I don't think very much, Congressman Burlison. I don't think so. We are doing research on use of animal wastes, but I

don't think the farmers have bought a lot of manure spreaders and I don't think they have fundamentally changed their fertility practices from the inorganic fertilizers to the animal wastes.

Mr. BURLISON. Thank you.

SAFEGUARDS ON FERTILIZER SUPPLY

Mr. SCHERLE. Dr. Paarlberg, we had plenty of time last year, after the bill was passed, to know we were not going to have a set-aside for 1974. Why didn't the Department of Agriculture, knowing all that land was going to become available in 1974, why wasn't some safeguard placed on the fertilizer supply so that at some time we have a sufficient carryover at that time, rather than let the farmer today be in such a terrible bind?

Mr. PAARLBERG. This is now the third year that we have had serious fertilizer scares, where the fertilizer people have warned that there would be a shortage of fertilizer, physical shortage, and in 1972, despite these earnings, the fertilizer was there. In 1973, despite these earnings, the fertilizer was there. There have been these cries of wolf! wolf! and since twice the call had been sounded and the problem didn't come up to the magnitude of the warnings, I think it is understandable that we didn't take early measures to set aside a particular amount of fertilizer for the American farmers.

Mr. SCHERLE. Dr. Paarlberg, that does not hold much rationally with me at all. I don't think it does with you either. Let me explain why. We have about 25 million acres set aside last year. That will be certainly different for 1974 than it was for 1971, 1972. Certainly now having 25 million acres available to you must be different than working under a 3-year farm program under which certain percentages would be withheld from production.

Crying wolf really has no impact as far as the actuality of the situation is concerned. You didn't have 25 million acres available in 1971 and 1972. You don't have that in 1973. But because of the new program, you got it in 1974 so this year has to be different.

Why did it take members of Congress to prod the Department of Agriculture to get fertilizer out from under the Cost-of-Living Council? You knew that this stuff was going overseas for $40 or $50 a ton more?

Mr. PAARLBERG. I think Secretary Butz was one of the early ones advocating decontrol of the fertilizer industry, both publicly and within the councils of government. Earlier within the councils of government than he was publicly. I think the Secretary took strong leadership.

EXPORTS OF FERTILIZER

Mr. SCHERLE. Thanks to him, it was finally done.

Mr. ANDREWS. Would my colleague yield? There are strange differences in attitude toward what the farmer produces and what the farmer has to buy in order to produce in this administration. Not in the Department of Agriculture, but somewhere in this administration. Somebody put export controls on soybeans. That is what the farmer produces. Somebody refused to put export controls on the fertilizer that the farmer purchased. It would look like the farmers don't have

too good a friend at the level that makes the decisions on whether or not export controls should be put into effect. They tried it 7 or 8 years ago in another administration on hides. It does not feel any better under your own administration than the administration of the other political party. This is a strange double standard. No one in your shop was in favor of that, were they?

Mr. PAARLBERG. No.

Mr. ANDREWS. No one, as far as you know, in the Department of Agriculture was in favor of that?

Mr. PAARLBERG. No.

Mr. BURLISON. Would the gentleman yield?

SOYBEAN EMBARGO

Mr. BURLISON. Would the gentleman yield on that point?

The Secretary of Agriculture gave his approval for that, didn't he? Didn't the law require that he be consulted and give his approval on that? Weren't there news releases put out by the administration that the Secretary of Agriculture did concur in this move to embargo soybeans?

Mr. PAARLBERG. I didn't detect any great deal of enthusiasm in his action, Congressman.

Mr. BURLISON. Wasn't it publicly announced by the administration that the Secretary of Agriculture concurred and approved of that move?

Mr. PAARLBERG. That was.

Mr. BURLISON. I thank the gentleman for yielding.

Mr. ANDREWS. The point we are trying to make is that you cannot serve the farmers and consumers of this Nation if you play with export controls on a willy-nilly basis. If you put export controls on what the farmer produces and not on what he needs to produce, you are putting the farmer in a hell of a squeeze. I don't think it is fair, equitable, or makes any type of economic good sense. If any of you have any dispute with this statement, say so. I recognize that you are a team, employees of the administration so to speak, and can't freely castigize the people who render the decision. I'm sure you would have spoken if there is any dispute with what I said, so silence will have golden aspects so far as my understanding is concerned.

Mr. PAARLBERG. As an individual and as a member of the Department, I make no case for export controls.

Mr. SCHERLE. Mr. Paarlberg, can you tell me how much fertilizer is being exported since the first of the year?

Mr. PAARLBERG. I think Mr. Ahalt has those numbers.

Mr. AHALT. Congressman Scherle, I don't have since the first of the year. What I have are exports for fiscal year 1973 and fiscal year 1974. Would you like those?

Mr. SCHERLE. How much has gone out of the country that the farmers could have used since January 1?

Mr. AHALT. 1974?

Mr. SCHERLE. Right.

Mr. AHALT. I don't believe that number is available yet. The January figure might be.

Mr. SCHERLE. December.

Mr. AHALT. That would be available and I would be glad to get that for you.

Mr. SCHERLE. Do this: Let me know how much fertilizer has gone out of the country since it was taken out from under the Cost of Living Council.

Mr. AHALT. October 25?

Mr. SCHERLE. Yes.

[The information follows:]

FERTILIZER EXPORTS

[In tons]

| Item | 4th quarter 1972 | 4th quarter 1973 |
|---|---|---|
| All manufactured fertilizer | 1,731,100 | 1,701,200 |
| Phosphate rock | 3,083,500 | 3,515,000 |
| Ammonia | 218,100 | 152,200 |
| Urea | 165,600 | 88,800 |
| Ammonia sulphate | 149,300 | 134,700 |
| Concentrated superphosphates | 222,900 | 279,700 |
| Ammonia phosphates | 536,000 | 543,000 |

METHODS OF REPORTING

Mr. SCHERLE. I have always been vitally concerned about the statistics and methods of reporting. As you admit, they have not been too accurate, sometimes you appear to throw a dart at a board and see what you come up with, even though we give additional money each year for betterment of the system

You say that you have sample methods. Why don't you take one State, Iowa, or Illinois—it doesn't make any difference—where your agriculture production is heavy and why don't you let the land-grant college in that particular State run the statistical reporting service for you for a quarter or 6 months or even a year? Why don't you use the county agents in every single county that travel that whole county day after day?

I have farmed for 25 years and even to this date I don't know how you get your samples. When I get them in the mail I file them in a bucket and pay no attention to them. I am sure there are thousands that do that so there is no way you could get an accurate picture. If I keep more cows or heifers I am going to lie to you, so-and-so, as did my neighbor. We are not going to tell you the truth, and you know that, Doctor.

Mr. PAARLBERG. No, I don't know that.

Mr. SCHERLE. We want to throw you off base as far as you possibly can so you are coming up with figures which are rather long than short.

Mr. WHITTEN. What you are saying Dr. Paarlberg is that you know these factors, and how to allow for them?

Mr. PAARLBERG. That is precisely the point.

Mr. WHITTEN. That is the art of it? How big a tale they are going to tell you?

Mr. PAARLBERG. We have a correction factor we apply to gentlemen like Congressman Scherle.

USE OF COUNTY AGENTS

Mr. SCHERLE. You have a secret factor and it has not worked too well either. What I am saying is for some type of pilot project, for your own curiosity try this in one State. Pick it out yourself and set it up with the land-grant college and use your county agents. The county agents are in a much better position to come up with a sample figure than the farmers who receive these computer cards that you send out.

It has bothered me for a long time because I bet we pay close to $25 million for statistical reporting service. When I came to this committee it was around $12 or $13 million, so it has doubled in both the amount spent and the inaccuracy. Maybe we should have backed off on the thing and maybe the accuracy would have been better. Still I would like to see some kind of try at this. What can you lose? There is not much faith in the system now.

Mr. PAARLBERG. This is a constructive suggestion and we will reflect on it. We have had suggestion before, Congressman Scherle. We realize the problems are very great and the problems are great enough so we have felt the need for professional people working in the crop and livestock reporting area. Whether a county agent, who has a thousand other things on his mind, is going to be able to perform satisfactorily and find the right correction factors, we rather doubt.

Mr. SCHERLE. Dr. Paarlberg, you don't have the time and I don't think people in your ship have the time, but a county extension agent in my humble opinion is one of the most proficient men you have in the Department of Agriculture. This man is as diversified as anyone can be. He is an alert, learned individual because his job depends on what he does within that county. The farmers have a great deal of faith in that individual, too. We do in our county. They are remarkable people, believe me. It does not take much for that young man when he is going down the road to look at the various feedlots and cattle and the people come in and talk to him all the time. Give it a try?

TRAINED STATISTICIANS

Mr. PAARLBERG. I am not knocking him. He is not a trained statistician.

Mr. SCHERLE. You have trained statisticians and you are not pleased with them and neither am I. We are paying them a lot of money. You may be dealing with a professional man and maybe it would be better not to deal with such a professional man. Why not ask somebody who can give you accurate reports? Try it and then if it does not work say "We have tried it." Use your land-grant colleges, where most of them are proficient in the field of agriculture and statistics.

Mr. PAARLBERG. I hear your suggestion and I take it in good faith, Congressman Scherle.

Mr. SCHERLE. I am a grain and livestock farmer, and what you put out every year means a great deal to me. What you do governs what I do 1, 2 or 3 years in advance. Your figures have also become suspect to me in the years, too, where they don't have the importance and significance they should. Those figures are much more important now than ever before in the history of the country.

VARIOUS ESTIMATING METHODS

Mr. WHITTEN. If my colleague would yield to me at this point, I think it might be helpful.

One advantage of my long service on the subcommittee is that I can remember how things have changed. At one time statistics were gathered by a civil service employee whose job it was to visit various farms and to develop estimates.

With time, that system was abolished, and then we started this card system instead of face-to-face visits. That was added at the instance of Fred Marshall to a great degree, and it is basically the system we have now—with refinement, of course.

I agree with my colleague from Iowa, I don't know whether there is any known way to be completely accurate where you start off with a relatively small report and try to blow it up to make national estimates. If you make a quarter inch of error in hitting a golf ball, by the time it is hit 200 yards it is a big error, although it was a minor error when you started.

If you are able to do it, trace the various methods that have been used in trying to improve your estimates. By recounting the past, you may help us to gain insight into the future. As expert as you are in this area, your view of what has been tried before might help me and you to see some of the things that might be done to improve things in the future.

We all know how very, very important it is to be accurate in your statistical projections. A few years ago there was a great turmoil over the country because the Department made such a terrific mistake one year in estimating the size of the cotton crop. The same people were fairly accurate the year before and the year after, so some unknown factor crept into it. You recall that, many years ago.

It put the whole system under attack, and yet it was the same system that worked very well every year except that one. Supply for the record a brief history of what you have done to improve your estimates and what can be done in the future to make further improvements.

Mr. PAARLBERG. That is a helpful suggestion.

[The information follows:]

IMPROVING CROP ESTIMATES

The Statistical Reporting Service has been moving toward a program of improved estimates through increased use of probability sampling since the mid-1950's. Previously reliance for data collection was on the traditional mail questionnaire survey. But changes in farming and marketing eroded this system.

As farms specialized, became fewer in number, but often larger in operation, the mail survey method alone was not sufficient for the accurate estimates needed in agriculture. For example, not all farmers receive a questionnaire, and of those who do, not all respond. Also the respondents may not be representative of the full group because of differences between their farms and others not in the sample.

In 1951, a "bust" in the cotton estimate brought the problem to public attention. It led to a congressional investigation that identified the need for more modern forecasting procedures.

The Statistical Reporting Service responded to the challenge and set up a research staff to develop and improve statistical techniques. A long-range program recommended probability sampling for enumerative surveys and objective measurements of crop yields. The program was initiated on a pilot basis in 10 States in 1954 and gradually expanded to fully operational in 48 States in 1967.

Statistical theory provides a basis of selecting samples so that the chance, or probability, of each farm or farmer being in the sample can be computed. This offers two definite advantages: Since the probability sample represents a cross section of U.S. farms, the estimates are not biased as they may be when sampling by mail with no followup of those who don't respond; and probability sampling provides information for computing sampling errors. Thus, estimates can be made with a known degree of precision.

Sampling errors for major agricultural items in the June survey average about 4 to 8 percent on a State basis, about 2 to 3 percent on a regional level, and about 1 to 2 percent for U.S. totals. A sampling error of 1 percent means that chances are about two out of three that the sample estimate is within 1 percent of the result that would be obtained if the same procedure were used to survey the entire population rather than just a sample. Statistical and agricultural experts consider this level of precision acceptable at a reasonable expense.

Probability sampling is applied to many estimating programs of the Statistical Reporting Service. The enumerative surveys conducted in June and December, two major data collection and estimating efforts of the agency, are founded on the probability technique.

The sample for the June survey is about 0.6 of 1 percent of the total land area in the 48 States and includes about 17,000 area segments, and around 25,000 resident farm operators, including some 4,000 extremely large livestock and poultry farms.

Now to the point of using information from county agents. At one time in our program we relied extensively on thier subjective evaluation of the farm situation to help us form production estimates. But this system will not suffice any more than the outmoded mail survey. We still consult them for their valuable and professional reading of conditions. In 1973, the Statistical Reporting Service and the Extension Service signed an agreement whereby county agents will help inform farmers of the crop and livestock estimating program and encourage their cooperation. We also count on the agents for data for the Weekly Weather Crop Bulletin published jointly by the Departments of Agriculture and Commerce. We also ask county agents to help recruit enumerators and crop reporters.

As to fuller use of county agents' time and talent in surveys, it would strain to the breaking point their already busy schedule. Field enumeration—both the personal interviews with farmers and counts and measurements of crops as a gage of yield—requires extensive specialized training and a great amount of time during the critical survey periods.

Our estimating record of recent years has substantiated the good judgment of implementing the probability sampling program. The estimates have held up well during a period of dynamic growth and change in agricultural production and marketing. The current surveys have been able to reflect what actually occurred in agriculture. For example, 1973's abnormal weather and economic conditions forced farmers to do many things they had not done before with their crop and livestock programs. Our estimates were subjected to heavy scrutiny by many analysts, and the confirming evidence has not refuted our published data.

U. S. CORN PRODUCTION
COMPARISON OF FORECAST AND FINAL ESTIMATES

| Year | Estimated Production | | | | | | Deviation from Final Estimate | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | July 1 | Aug. 1 | Sept. 1 | Oct. 1 | Nov. 1 | Final | July 1 | Aug. 1 | Sept. 1 | Oct. 1 | Nov. 1 |
| | (Millions of bushels) | | | | | | (Millions of bushels) | | | | |
| 1957 | 3,012 | 3,066 | 3,195 | 3,305 | 3,333 | 3,400 | - 388 | - 334 | - 205 | - 95 | - 67 |
| 1958 | 3,311 | 3,487 | 3,589 | 3,686 | 3,786 | 3,725 | - 414 | - 238 | - 136 | - 39 | + 61 |
| 1959 | 4,224 | 4,173 | 4,382 | 4,429 | 4,402 | 4,197 | + 27 | - 24 | + 185 | + 232 | + 205 |
| 1960 | 4,079 | 4,112 | 4,182 | 4,259 | 4,379 | 4,314 | - 235 | - 202 | - 132 | - 55 | + 65 |
| 1961 | 3,175 | 3,352 | 3,520 | 3,527 | 3,549 | 3,598 | - 423 | - 246 | - 78 | - 71 | - 49 |
| 1962 | 3,518 | 3,550 | 3,485 | 3,512 | 3,590 | 3,606 | - 88 | - 56 | - 121 | - 94 | - 16 |
| 1963 | 3,849 | 3,862 | 3,939 | 4,009 | 4,033 | 4,019 | - 170 | - 157 | - 80 | - 10 | + 14 |
| 1964 | 3,888 | 3,885 | 3,640 | 3,564 | 3,541 | 3,484 | + 404 | + 401 | + 156 | + 80 | + 57 |
| 1965 | 3,912 | 4,096 | 4,144 | 4,179 | 4,128 | 4,103 | - 191 | - 7 | + 41 | + 76 | + 25 |
| 1966 | 4,221 | 3,981 | 4,090 | 4,097 | 4,130 | 4,168 | + 53 | - 187 | - 78 | - 71 | - 38 |
| 1967 | 4,509 | 4,652 | 4,694 | 4,717 | 4,696 | 4,860 | - 351 | - 208 | - 166 | - 143 | - 164 |
| 1968 | 4,452 | 4,556 | 4,636 | 4,587 | 4,440 | 4,450 | + 2 | + 106 | + 186 | + 137 | - 10 |
| 1969 | 4,286 | 4,310 | 4,312 | 4,350 | 4,444 | 4,687 | - 401 | - 377 | - 375 | - 337 | - 243 |
| 1970 | 4,820 | 4,693 | 4,403 | 4,188 | 4,104 | 4,152 | + 668 | + 541 | + 251 | + 36 | - 48 |
| 1971 | N.A. | 5,345 | 5,266 | 5,400 | 5,552 | 5,641 | -- | - 296 | - 375 | - 241 | - 89 |
| 1972 | N.A. | 4,948 | 5,124 | 5,266 | 5,400 | 5,553 2/ | -- | - 605 | - 429 | - 287 | - 153 |

1/ All Corn 1957-60. Corn for grain 1961 to date.
2/ Published in March 1973, Ann. Sum. in January = 5,474

U. S. PRODUCTION OF SOYBEANS FOR BEANS
COMPARISON OF FORECAST AND FINAL ESTIMATES

| Year | Estimated Production | | | | | Deviation from Final Estimate | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Aug. 1 | Sept. 1 | Oct. 1 | Nov. 1 | Final | Aug. 1 | Sept. 1 | Oct. 1 | Nov. 1 |
| | (Millions of Bushels) | | | | | (Millions of Bushels) | | | |
| 1957 | 428 | 459 | 487 | 491 | 483 | - 55 | - 24 | + 4 | + 8 |
| 1958 | 536 | 561 | 573 | 575 | 580 | - 44 | - 19 | - 7 | - 5 |
| 1959 | 531 | 533 | 530 | 528 | 533 | - 2 | 0 | - 3 | - 5 |
| 1960 | 548 | 566 | 562 | 560 | 555 | - 7 | + 11 | + 7 | + 5 |
| 1961 | 683 | 720 | 710 | 701 | 679 | + 4 | + 41 | + 31 | + 22 |
| 1962 | 703 | 669 | 672 | 669 | 669 | + 34 | 0 | + 3 | 0 |
| 1963 | 723 | 728 | 727 | 718 | 699 | + 24 | + 29 | + 28 | + 19 |
| 1964 | 748 | 704 | 699 | 702 | 701 | + 47 | + 3 | - 2 | + 1 |
| 1965 | 864 | 867 | 862 | 853 | 846 | + 18 | + 21 | + 16 | + 7 |
| 1966 | 860 | 926 | 927 | 929 | 928 | + 68 | - 2 | - 1 | + 1 |
| 1967 | 999 | 1,003 | 994 | 985 | 976 | + 23 | + 27 | + 18 | + 9 |
| 1968 | 1,064 | 1,080 | 1,066 | 1,079 | 1,107 | - 43 | - 27 | - 41 | - 28 |
| 1969 | 1,061 | 1,055 | 1,070 | 1,094 | 1,133 | - 72 | - 78 | - 63 | - 39 |
| 1970 | 1,114 | 1,133 | 1,135 | 1,134 | 1,127 | - 13 | + 6 | + 8 | + 7 |
| 1971 | 1,235 | 1,186 | 1,175 | 1,200 | 1,176 | + 59 | + 10 | - 1 | + 24 |
| 1972 | 1,270 | 1,286 | 1,317 | 1,351 | 1,283 1/ | - 13 | + 3 | + 34 | + 68 |

1/ Published in March 1973, Ann. Sum. in January = 1,276

U. S. ALL WHEAT PRODUCTION
COMPARISON OF FORECAST AND FINAL ESTIMATES

| Year | Estimated Production | | | | | | Deviation from Final Estimates | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 1 | July 1 | Aug. 1 | Sept. 1 | Oct. 1 | Final | June 1 | July 1 | Aug. 1 | Sept. 1 | Oct. 1 |
| | (Millions of Bushels) | | | | | | (Millions of Bushels) | | | | |
| 1957 | 971 | 940 | 915 | 923 | 927 | 956 | + 15 | - 16 | - 41 | - 33 | - 29 |
| 1958 | 1,271 | 1,343 | 1,421 | 1,446 | 1,449 | 1,457 | - 186 | - 114 | - 36 | - 11 | - 8 |
| 1959 | 1,182 | 1,155 | 1,119 | 1,116 | 1,117 | 1,118 | + 64 | + 37 | + 1 | - 2 | - 1 |
| 1960 | 1,271 | 1,347 | 1,362 | 1,368 | 1,368 | 1,355 | - 84 | - 8 | + 7 | + 13 | + 13 |
| 1961 | 1,343 | 1,259 | 1,204 | 1,210 | 1,211 | 1,232 | + 111 | + 27 | - 28 | - 22 | - 21 |
| 1962 | 1,058 | 1,050 | 1,063 | 1,096 | 1,095 | 1,092 | - 34 | - 42 | - 29 | + 4 | + 3 |
| 1963 | 1,084 | 1,111 | 1,151 | 1,134 | 1,133 | 1,147 | - 63 | - 36 | + 4 | - 13 | - 14 |
| 1964 | 1,213 | 1,275 | 1,285 | 1,290 | 1,286 | 1,283 | - 70 | - 8 | + 2 | + 7 | + 3 |
| 1965 | 1,283 | 1,354 | 1,376 | 1,358 | 1,354 | 1,316 | - 33 | + 38 | + 60 | + 42 | + 38 |
| 1966 | 1,235 | 1,240 | 1,286 | 1,296 | 1,296 | 1,305 | - 70 | - 65 | - 19 | - 9 | - 9 |
| 1967 | 1,550 | 1,596 | 1,511 | 1,543 | 1,554 | 1,508 | + 42 | + 88 | + 3 | + 35 | + 46 |
| 1968 | -- | 1,588 | 1,606 | 1,597 | 1,598 | 1,557 | -- | + 31 | + 49 | + 40 | + 41 |
| 1969 | | 1,425 | 1,459 | 1,457 | 1,456 | 1,443 | | - 18 | + 16 | + 14 | + 13 |
| 1970 | | 1,349 | 1,357 | 1,360 | 1,360 | 1,352 | | - 3 | + 5 | + 8 | + 8 |
| 1971 | | 1,548 | 1,601 | 1,625 | 1,628 | 1,618 | | - 70 | - 17 | + 7 | + 10 |
| 1972 | | 1,551 | 1,543 | 1,560 | 1,559 | 1,545 | | + 6 | - 2 | + 15 | + 14 |

U. S. COTTON PRODUCTION: Comparison of Forecasts and Final Ginnings in 500 Lb. Gross Weight Bales — USDA, SRS, CROP REPORTING BOARD

| YEAR | AUGUST 1 | | SEPTEMBER 1 | | OCTOBER 1 | | NOVEMBER 1 | | DECEMBER 1 | | FINAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Thousand bales | % of final | Thousand bales | % of final | Thousand bales | % of final | Thousand bales | % of final | Thousand bales | % of final | Thousand bales |
| 1925 | 13,566 | 84.2 | 13,740 | 85.3 | 14,759 | 91.6 | 15,386 | 95.5 | 15,603 | 96.9 | 16,104 |
| 1926 | 15,621 | 86.9 | 15,166 | 84.4 | 16,627 | 92.5 | 17,918 | 99.7 | 18,618 | 103.6 | 17,977 |
| 1927 | 13,492 | 104.1 | 12,692 | 98.0 | 12,678 | 97.9 | 12,842 | 99.1 | 12,789 | 98.7 | 12,956 |
| 1928 | 14,291 | 98.7 | 14,439 | 99.7 | 13,993 | 96.7 | 14,133 | 97.6 | 14,373 | 99.3 | 14,478 |
| 1929 | 15,543 | 104.8 | 14,825 | 100.0 | 14,915 | 100.6 | 15,009 | 101.2 | 14,919 | 100.6 | 14,825 |
| 1930 | 14,362 | 103.1 | 14,340 | 102.9 | 14,486 | 104.0 | 14,438 | 103.6 | 14,243 | 102.2 | 13,932 |
| 1931 | 15,584 | 91.2 | 15,685 | 91.7 | 16,284 | 95.3 | 16,903 | 98.9 | 16,918 | 99.0 | 17,096 |
| 1932 | 11,606 | 87.0 | 11,310 | 87.0 | 11,425 | 87.9 | 11,947 | 91.9 | 12,727 | 97.9 | 13,002 |
| 1933 | 12,314 | 94.4 | 12,414 | 95.1 | 12,885 | 98.8 | 13,100 | 100.4 | 13,177 | 101.0 | 13,047 |
| 1934 | 9,195 | 95.4 | 9,252 | 96.0 | 9,443 | 98.0 | 9,634 | 100.0 | 9,731 | 101.0 | 9,637 |
| 1935 | 11,798 | 110.9 | 11,489 | 108.0 | 11,464 | 107.8 | 11,141 | 104.7 | 10,734 | 100.9 | 10,638 |
| 1936 | 12,481 | 100.7 | 11,121 | 89.7 | 11,609 | 93.6 | 12,400 | 100.0 | 12,407 | 100.1 | 12,399 |
| 1937 | 15,593 | 82.3 | 16,098 | 85.0 | 17,573 | 92.8 | 18,243 | 96.3 | 18,746 | 98.9 | 18,945 |
| 1938 | 11,988 | 100.4 | 11,825 | 99.0 | 12,212 | 102.2 | 12,137 | 101.6 | 12,008 | 100.5 | 11,944 |
| 1939 | 11,412 | 96.6 | 12,380 | 104.8 | 11,928 | 100.9 | 11,845 | 100.2 | 11,792 | 99.8 | 11,816 |
| 1940 | 11,429 | 91.0 | 12,772 | 101.6 | 12,741 | 101.4 | 12,847 | 102.2 | 12,686 | 101.0 | 12,565 |
| 1941 | 10,817 | 100.7 | 10,710 | 99.7 | 11,061 | 103.0 | 11,020 | 102.6 | 10,976 | 102.2 | 10,742 |
| 1942 | 13,085 | 102.1 | 14,028 | 109.4 | 13,818 | 107.8 | 13,329 | 103.9 | 12,982 | 101.3 | 12,820 |
| 1943 | 12,558 | 109.9 | 11,679 | 102.2 | 11,478 | 100.4 | 11,442 | 100.1 | 11,478 | 100.4 | 11,429 |
| 1944 | 11,022 | 90.1 | 11,483 | 93.9 | 11,953 | 97.7 | 12,320 | 100.7 | 12,359 | 101.1 | 12,230 |
| 1945 | 10,134 | 112.4 | 10,026 | 111.2 | 9,779 | 108.5 | 9,368 | 103.9 | 9,195 | 102.0 | 9,016 |
| 1946 | 9,290 | 107.5 | 9,171 | 106.1 | 8,724 | 101.0 | 8,437 | 98.2 | 8,482 | 98.2 | 8,640 |
| 1947 | 11,844 | 99.9 | 11,849 | 99.9 | 11,508 | 97.0 | 11,505 | 97.0 | 11,694 | 98.6 | 11,859 |
| 1948 | 15,169 | 102.0 | 15,219 | 102.3 | 15,079 | 101.4 | 15,166 | 101.9 | 14,937 | 100.4 | 14,877 |
| 1949 | 14,805 | 91.8 | 14,943 | 92.7 | 15,446 | 95.8 | 15,524 | 96.3 | 16,034 | 99.4 | 16,128 |
| 1950 | 10,308 | 102.9 | 9,882 | 98.7 | 9,869 | 98.6 | 9,945 | 99.3 | 9,884 | 98.7 | 10,014 |
| 1951 | 17,266 | 114.0 | 17,291 | 114.1 | 16,931 | 111.8 | 15,771 | 104.1 | 15,290 | 100.9 | 15,149 |
| 1952 | 14,735 | 97.3 | 13,889 | 91.7 | 14,413 | 95.2 | 14,905 | 98.5 | 15,038 | 99.3 | 15,139 |
| 1953 | 14,605 | 88.7 | 15,159 | 92.1 | 15,596 | 94.7 | 16,093 | 97.7 | 16,437 | 99.8 | 16,465 |
| 1954 | 12,680 | 92.6 | 11,832 | 86.4 | 12,511 | 91.3 | 13,206 | 96.4 | 13,569 | 99.1 | 13,696 |
| 1955 | 12,728 | 86.5 | 12,873 | 87.4 | 13,928 | 94.6 | 14,843 | 100.8 | 14,663 | 99.6 | 14,721 |
| 1956 | 13,552 | 101.8 | 13,115 | 98.5 | 13,268 | 99.7 | 13,153 | 98.8 | 13,303 | 99.9 | 13,310 |
| 1957 | 11,097 | 108.5 | 12,713 | 116.0 | 12,401 | 113.1 | 11,788 | 107.5 | 11,010 | 100.4 | 10,964 |
| 1958 | 11,583 | 100.6 | 12,105 | 105.2 | 11,675 | 101.4 | 11,764 | 102.2 | 11,581 | 100.6 | 11,512 |
| 1959 | 14,815 | 101.8 | 14,678 | 100.8 | 14,692 | 100.9 | 14,801 | 101.7 | 14,701 | 101.0 | 14,558 |
| 1960 | 14,471 | 101.4 | 14,581 | 102.2 | 14,553 | 102.0 | 14,298 | 100.2 | 14,309 | 100.3 | 14,272 |
| 1961 | 13,918 | 97.2 | 14,262 | 99.6 | 14,334 | 100.1 | 14,538 | 101.5 | 14,304 | 99.9 | 14,318 |
| 1962 | 15,102 | 101.6 | 14,687 | 98.8 | 14,675 | 98.7 | 14,533 | 97.8 | 14,723 | 99.0 | 14,857 |
| 1963 | 13,984 | 91.2 | 14,310 | 93.3 | 14,847 | 96.8 | 15,322 | 99.9 | 15,548 | 101.4 | 15,334 |
| 1964 | 14,785 | 97.4 | 14,945 | 98.5 | 15,274 | 100.6 | 15,444 | 101.7 | 15,356 | 101.2 | 15,180 |
| 1965 | 14,916 | 99.6 | 15,134 | 101.1 | 15,159 | 101.2 | 15,079 | 100.7 | 15,059 | 100.6 | 14,973 |
| 1966 | 10,820 | 113.0 | 10,992 | 114.8 | 10,688 | 111.6 | 10,290 | 107.5 | 9,627 | 100.5 | 9,575 |
| 1967 | 8,332 | 111.8 | 8,165 | 109.8 | 8,089 | 108.5 | 7,969 | 106.9 | 7,618 | 102.2 | 7,455 |
| 1968 | 10 976 | 100.3 | 11 197 | 102.3 | 11 071 | 101.1 | 10.912 | 99.7 | 10822 | 98.5 | 10948 |
| 1969 | 4,729 | 112.5 | 4,281 | 102.7 | 4,220 | 100.0 | 4,036 | 95.6 | 4,050 | 100.6 | 4,015 |
| 1970 | 11,089 | 109.1 | 10,758 | 105.8 | 10,617 | 104.4 | 10,426 | 102.6 | 10265 | 101.0 | 10166 |
| 1971 | 10732 | 104.3 | 10952 | 104.5 | 10701 | 102.1 | 10,819 | 102.3 | 10557 | 100.8 | 10477 |
| 1972 | 13343 | 97.4 | 13582 | 99.1 | 13670 | 99.8 | 13855 | 101.9 | 13469 | 98.3 | 13702 |
| 1973 | 12740 | 98.3 | 12939 | 99.8 | 13123 | 101.3 | 13189 | 101.8 | 13069 | 100.8 | 12961 |

Since 1971 based on 480 pound net weight bales.

Mr. SCHERLE. That is all.

FERTILIZER AND FOREIGN AID

Mr. WHITTEN. If there are no further questions, we appreciate your appearance here and your candor. We realize that you have a job no one could do and be satisfied, including yourself. You have to use your experience and the tools available to you. Throughout the world there are so many factors that are uncertain and unsettled at the present time, and which make your job so difficult.

I think that current problems with the fertilizer supply illustrate some of the problems of forecasting. We have had similar problems in the past.

Many years ago I was trying to be sure that we didn't ship all the fertilizer abroad under the foreign aid program and leave our own farmers without any. So I wrote an amendment and got it adopted by the full Committee on Appropriations that we would not export any fertilizer under the foreign aid program until we made a survey and determined that there was ample fertilizer for U.S. production.

In 3 days, Mr. Minor, who used to be down at the Department, said they had made the survey and there was ample fertilizer in this country. Well, Mr. Truman knew how to see that that got done.

We surveyed the problem and discovered that the sum total of fertilizer that was going abroad through foreign aid was not hurting us. It was the fact we were taking all the output at the wrong time. We then started to require that it be spaced and used at a time when we were not in dire need here and the problem leveled out.

There are many things that affect projections. With time we forget some of them and have to be reminded again of the lessons of experience.

I do wish to thank you for a very objective job. We hope that you are right in many of these projections. I know that you hope so, too.

FOOD STAMPS

Mr. EVANS. Before the doctor goes—just one second. Looking at the U.S. Department of Agriculture in 1975 budget summary, the first page of which summarizes major changes, I notice toward the bottom of the page you have food stamps and the figure opposite that on the right is $1,487,966,000. On the last page of your more detailed explanation of the summary, I look at food stamps and the total food stamp program you show an increase of $989 million. Could you explain that to me.

Mr. MILES. If I may, I will answer that.

The table on the back, which we did not get to yesterday, compares 1974 with what we actually expect to spend for these programs with the 1975 request. This committe will soon consider a supplemental appropriation in 1974 for $500 million for the food stamp program.

The back table assumes the appropriation of this amount for food stamps in the current fiscal year. The reason the number on the first page compares the actual appropriations to date with the amount requested in 1975 budget, the table in the back shows what we actually expect to spend in 1974, assuming favorable action by the Congress on all the supplementals. That reduces the difference then. In other words, Congress already appropriated $2.5 billion for food stamps in 1974.

A supplemental has been submitted to raise that to $3 billion in 1974. That is our current estimate requirement for that program. In 1975 we are asking for approximately $4 billion, an increase of $1 billion over the amount that we expect to use in 1974, an increase of $1.5 billion over what has been appropriated to date.

Mr. EVANS. You are just not cranking in the supplemental under one set of figures as you are in the other?

Mr. MILES. Yes, sir.

Mr. EVANS. I don't understand why you have done that. Both columns are described as budget estimates, the last page and the front page.

Mr. MILES. One takes the 1974 request, appropriation to date and compares it with 1975. The back table compares the total requirements that we expect to have in 1974 and compares it with what we are requesting in 1975.

Mr. EVANS. Thank you, Mr. Chairman.

Mr. WHITTEN. Your projection and estimate as to what Congress will do with the supplemental is based on past observation and experience; is that right?

Mr. MILES. Based on our hopes, Mr. Chairman.

Mr. WHITTEN. That is a good answer. Thank you very much for your appearance.

Mr. PAARLBERG. Thank you, Mr. Chairman.

TUESDAY, FEBRUARY 26, 1974.

## FARM CREDIT ADMINISTRATION

### WITNESSES

T. CARROLL ATKINSON, JR., CHAIRMAN, FEDERAL FARM CREDIT BOARD
EDWIN A. JAENKE, GOVERNOR
W. MALCOLM HARDING, DEPUTY GOVERNOR AND DIRECTOR OF CREDIT SERVICE
DR. DONALD B. ROARK, DEPUTY GOVERNOR AND DIRECTOR OF OPERATIONS AND FINANCE SERVICE
DANIEL L. MONSON, GENERAL COUNSEL
KERMIT OVERBY, CONGRESSIONAL LIAISON OFFICER
ROBERT J. HEWETT, COMPTROLLER

Mr. WHITTEN. We will now turn to the Farm Credit Administration.

We are glad to have you come before us and tell us what good shape the country is in at this time, particularly the farm element of it.

### PURPOSE STATEMENT

Mr. JAENKE. We are pleased to be able to give you a report on the state of agriculture credit. In a nutshell, as we talked last year, there is nothing that improves agriculture more than higher prices and better earning rates. So we do have a better report than we have had in a number of years prior to this point.

I wonder if I might ask Mr. T. Carroll Atkinson, land bank borrower, an implement dealer, a mayor of the town of Marion, S.C., a

former member of the State legislature down there and, as I indicated, recently was selected by his colleagues of the Federal board to be Chairman, to open up our testimony.

Mr. WHITTEN. We will be glad to have that done, but before you begin I would like to have the purpose statement from your budget justifications inserted in the record.

Mr. JAENKE. We will insert it, with your permission, at this point in the record approximately a 1-page description.

Mr. WHITTEN. We do not want to eliminate the broader discussion. I want it condensed for quick reference.

[The information follows:]

FARM CREDIT ADMINISTRATION

PURPOSE STATEMENT

The Farm Credit Administration is the independent Federal agency responsible for the regulation, supervision, and examination of the borrower-owned banks and associations that comprise the cooperative Farm Credit System. The administration also coordinates certain activities of these institutions in the best interest of their borrowers.

These activities are carried out under the direction of a 13-member Federal Farm Credit Board; 12 of its members, 1 from each Farm Credit district, are appointed for 6-year terms by the President of the United States. These members are subject to confirmation by the U.S. Senate and can serve only one term. The 13th member is appointed by the Secretary of Agriculture and serves at the pleasure of the Secretary.

Typical activities of the Farm Credit Administration include assistance in financing and investments, credit analysis, development of appraisal standards and policies, preparation of reports and budgets, and preparation and distribution of information on agricultural credit and the services offered by the various institutions of the system.

The Farm Credit Administration also issues regulations governing the lending activities and operations of the institutions under its supervision.

Originally established as an independent agency by Executive Order No. 6084, effective May 27, 1933, the Farm Credit Administration was transferred to the Department of Agriculture on July 1, 1939. It remained in the Department of Agriculture until the Farm Credit Act of 1953, reestablished it as an independent agency under the direction of the Federal Farm Credit Board.

The administration and the institutions under its supervision now operate under authorities contained in the Farm Credit Act of 1971, Public Law 92–181, effective December 10, 1971. Public Law 92–181 provides for the farmer-owned cooperative system to make credit available to farmers and ranchers, for rural residences, and to cooperatives and other borrowers for farm related businesses upon which farming operations are dependent; to provide for an adequate and flexible flow of money into rural areas, and to modernize and consolidate existing farm credit law to meet current and rural credit needs.

On January 1, 1974, the Farm Credit Administration had 194 full-time permanent employees, approximately 70 of whom were located in the field. These field employees are bank and association examiners and supporting clerical staff.

All expenses of the activities and personnel of the Farm Credit Administration are paid by assessments collected from the banks of the Farm Credit System.

BUDGET JUSTIFICATION

Mr. WHITTEN. I'd also like to have the budget justification inserted at this point in the record.

[The information follows:]

FARM CREDIT ADMINISTRATION

Administrative Expenses

Approved by the Federal Farm Credit Board and funded by assessments against earnings of the 37 Farm Credit Banks

| | |
|---|---|
| Budget, 1974, and base for 1975 | $5,810,000 |
| Budget estimate, 1975 | 6,160,000 |
| Change | $ 350,000 |

The increase of $350,000 for 1975 over 1974 results from the following:

(a) Reconciling Items

| | |
|---|---|
| (1) Net effect of anticipated vacancies, promotions and change in total personnel benefits | 430,100 |
| (2) Increased travel resulting from reorganization of Credit Service at full staff | 25,000 |
| (3) Cost of FCA office quarters rental | 84,200 |
| (4) Reduction in equipment expenditures | -50,000 |
| (5) Reduction in benefits due to fewer planned transfers in 1975 | -31,100 |
| (6) Reduction in benefits due to completion of severence pay payments | -55,900 |
| (7) Miscellaneous Items (Net) | -17,800 |
| (8) Reduction in printing and reproduction costs due to one time manual costs in 1974 | -34,500 |
| | $350,000 |

Program (in thousands)

| | 1973 actual | 1974 revised estimate | 1975 estimate | Change 1974 to 1975 |
|---|---|---|---|---|
| Supervision and examination of Farm Credit banks and associations | $5,485 | $5,810 | $6,160 | 350 |
| Unobligated balance | 60 | - | - | - |
| Budget total | 5,545 | 5,810 | 6,160 | 350 |

Financing

Assessments based upon estimated expenditures are collected from banks in the farm credit system and are available for administrative expenses. Obligations are incurred within fiscal-year budgets approved by the Federal Farm Credit Board as provided in Public Law 92-181.

## The State of Agricultural Credit

Estimated total farm debt outstanding on January 1, 1974, was $79.9 billion (table 1). During 1973 farm real estate debt increased $3.5 billion or 10.2 percent to reach $38 billion at the beginning of 1974. Short- and intermediate-term loans rose $4.1 billion or 11 percent during the year and was estimated at $41.4 billion on January 1, 1974. The strong demand for borrowed funds in 1973 reflected the producers needs to finance higher priced feed and livestock inventories, higher production costs, rising farmland prices, coupled with lower average interest rates and general farmer optimism. The 1973 increases for farm real estate and nonreal estate debt were record dollar increases.

Since 1971 nonreal estate farm debt outstanding has been larger than farm real estate debt. Today, nonreal estate farm debt outstanding, $41.4 billion, is larger than the $40.2 billion total farm debt outstanding at the beginning of 1966.

Physical and financial assets in the farm sector increased substantially during 1972 and 1973. The estimated value of farm real estate assets was $310.4 billion at the beginning of 1974, up 20 percent from 1973 (table 2). Similarly, the value of nonreal estate assets was $115.6 billion, a 16-percent increase. Higher net farm income in 1973 encouraged farmers to reduce income taxes through investment credit and higher depreciation deductions on increased purchases of machinery. Crops held for sale in the next tax year and possible gains from price increases contributed to an increase of more than 40 percent in the value of crops stored.

Table 1 -- Estimated total farm debt outstanding and percentage distribution by lender, United States, January 1, 1973 and 1974 1/

| | 1973 | | 1974 2/ | |
|---|---|---|---|---|
| | Amount | Percentage of total | Amount | Percentage of total |
| | million dollars | | million dollars | |
| | | Real estate debt | | |
| Federal land banks | 9,050 | 26.2 | 10,893 | 28.7 |
| Insurance companies | 5,643 | 16.4 | | |
| Commercial banks | 4,792 | 13.9 | | |
| Farmers Home Administration | 273 | .8 | 3/27,107 | 3/71.3 |
| Individuals and others | 14,713 | 42.7 | | |
| Total | 34,471 | 100.0 | 38,000 | 100.0 |
| | | Nonreal estate debt | | |
| Production Credit Associations | 6,607 | 17.7 | 7,829 | 18.9 |
| Federal Intermediate Credit Banks 4/ | 251 | .7 | 331 | .8 |
| Commercial banks | 14,315 | 38.3 | | |
| Farmers Home Administration | 781 | 2.1 | 3/33,240 | 3/80.3 |
| Individuals and others | 15,360 | 41.2 | | |
| Total | 37,314 | 100.0 | 41.400 | 100.0 |
| | | Total farm debt | | |
| Held by Farm Credit Banks | 15,908 | 22.2 | 19,053 | 24.0 |
| Held by other lenders | 55,877 | 77.8 | 60,347 | 76.0 |
| Total 5/ | 71,785 | 100.0 | 79,400 | 100.0 |

1/ Excludes data for Puerto Rico.
2/ Preliminary.
3/ Total for each other lender unavailable at this time.
4/ Loans and discounts to other financing institutions, not PCA.
5/ Excludes Commodity Credit Corporation loans of $1.8 billion and $0.5 billion for 1973 and 1974 respectively.

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Table 2 -- **UNITED STATES BALANCE SHEET OF AGRICULTURE, JANUARY 1**

| Item | 1960 | 1965 | 1970 | 1972 | 1973 | 1974 1/ |
|---|---|---|---|---|---|---|
| | (billion dollars) | | | | | |
| **Assets** | | | | | | |
| Physical assets | | | | | | |
| Real estate | 130.2 | 160.9 | 206.1 | 230.5 | 258.7 | 310.4 |
| Non-real estate | 55.2 | 56.9 | 76.2 | 86.0 | 99.3 | 115.6 |
| Financial assets | 18.1 | 19.4 | 22.8 | 24.9 | 26.5 | 28.6 |
| Total assets | 203.5 | 237.2 | 305.1 | 341.4 | 384.5 | 454.6 |
| **Debts** | | | | | | |
| Real estate debts | 12.1 | 18.9 | 28.4 | 31.3 | 34.5 | 38.0 |
| Non-real estate debt to creditors | 11.5 | 17.1 | 27.0 | 33.3 | 37.3 | 41.4 |
| Commodity Credit Corp. | 1.2 | 1.5 | 2.7 | 2.3 | 1.8 | .5 |
| Total debts | 24.8 | 37.5 | 58.1 | 66.9 | 73.6 | 79.9 |
| Farmers' net worth | 178.7 | 199.7 | 247.0 | 274.5 | 310.9 | 374.7 |
| Debt/asset ratio | 12.2 | 15.8 | 19.0 | 19.6 | 19.1 | 17.6 |

1/ Preliminary

Source: U. S. Department of Agriculture

Although debt claims on investments in the farm sector in 1973 were record dollar increases, the equity claims on assets increased 21 percent to reach $374.7 billion on January 1, 1974. The ratio of debt to equity was 21.3 percent on January 1, 1974, down 2.4 percentage points from the previous year. Debt-to-asset ratio decreased 1.5 percentage points during 1973 to stand at 17.6 percent on January 1, 1974. Thus, the relative financial position of farmers improved during 1973.

Higher levels of income in 1973 put farmers in a substantially better position to service debt commitments.

Agricultural loans made by the Farm Credit Banks and Associations during 1973, $23.2 billion, increased 39 percent over the volume loaned during 1972 (table 3). Loans made by the Banks for Cooperatives (BCs) increased 83 percent during 1973. Higher commodity prices coupled with transportation problems were factors contributing to the upsurge in lending by the BCs. Federal land banks extended $3.2 billion in agricultural loans during 1973, an increase of 42 percent. Loans made in 1973 were more than triple the volume loaned in 1970. The record volume of loans extended resulted from implementation of the Farm Credit Act of 1971, which permitted Federal land banks to increase the proportion of a farm's value they can finance, historic high net farm income coupled with lower average interest rates and a boom in farmland prices.

Loans held by the Farm Credit Banks and Associations on January 1, 1974, $21.7 billion, were 19 percent larger in volume than a year earlier (table 4). Even with a record $23.2 billion extended to agriculture during 1973, the Farm Credit Banks and Associations began 1974 holding 6.5 percent less than the volume loaned in 1973. Increased repayments kept the total loans outstanding from expanding. In contrast, the Farm Credit Banks and Associations began 1973 holding 9.2 percent more than the $16.7 billion loaned in 1972. Higher prices received for commodities during 1973 enabled the farmer to better service his outstanding debt commitments.

Table 3 -- LOANS MADE TO AGRICULTURE BY THE FARM CREDIT BANKS AND ASSOCIATIONS

| Lending banks and associations | Calendar year | | | | |
|---|---|---|---|---|---|
| | 1960 | 1965 | 1970 | 1972 | 1973 |
| | Million dollars | | | | |
| Federal land banks | 504 | 1,235 | 1,017 | 2,238 | 3,169 |
| Production credit associations | 2,607 | 4,136 | 8,277 | 10,439 | 13,031 |
| Banks for cooperatives | 684 | 1,316 | 2,476 | 3,374 | 6,166 |
| Federal intermediate credit banks a/ | 229 | 296 | 621 | 693 | 858 |
| Total loans | 4,024 | 6,983 | 12,391 | 16,744 | 23,224 |

a/ Loans and discounts made to other financing institutions. Excludes advance to PCAs.

Table 4 -- LOANS OUTSTANDING TO AGRICULTURE, HELD BY THE FARM CREDIT BANKS AND ASSOCIATIONS, JAN. 1, 1960 - 1974

| Lending banks and associations | 1960 | 1965 | 1970 | 1973 | 1974 |
|---|---|---|---|---|---|
| | Million dollars | | | | |
| Federal land banks | 2,359 | 3,717 | 6,713 | 9,092 | 10,947 |
| Production credit associations | 1,372 | 2,296 | 4,533 | 6,635 | 7,853 |
| Banks for cooperatives | 622 | 958 | 1,732 | 2,298 | 2,590 |
| Federal intermediate credit banks a/ | 95 | 132 | 224 | 253 | 333 |
| Total | 4,448 | 7,103 | 13,202 | 18,278 | 21,723 |

a/ Loans and discounts outstanding to other financial institutions. Excludes credit outstanding to PCAs.

## THE AGRICULTURAL ECONOMY

The U.S. farmer occupied headlines in much of the economic news of 1973. Record high farm income, sharply higher farm commodity and food prices, and short input supplies have all combined to produce many new economic relationships. Strong domestic and world demand for food and a reduced world output have turned our farm economy from one of production restraint to one of production stimulation.

The agricultural input situation has become vitally important. At no time have shortage of inputs, from machinery to baling wire and from petroleum to feed, been as critical as this past year. Transportation delays and problems were also frequent. Not only are there shortage problems but the rapidly increasing input prices have caused a price-cost squeeze in some sectors. The price of land jumped about 20 percent during the year and continues to increase. There is unusually strong competition for rental land with rent prices up sharply.

Consumer prices for food rose at unprecedented rates and reached record high levels in 1973. In June food prices were frozen as part of Phase III-1/2 economic controls. Controls were subsequently dropped on most food commodities with beef prices the last to be decontrolled. At the beginning of 1974 energy-related shortages and sharply higher prices of energy items were exerting inflationary pressures throughout the economy.

Despite these input problems farmers produced a record output of feed grains and soybeans in 1973. However, red meat production was down from a year earlier and milk production was about 3 percent below 1972. Prices received by farmers in 1973 averaged about 35 percent above the previous year. This combination of influences resulted in cash receipts of approximately $82 billion from farm marketings in 1973 as compared with $61 billion in 1972. Receipts from crops at $37 billion averaged about 50 percent higher than the previous year, while livestock and products receipts of about $44 billion were up 30 percent. Government payment dropped to about $1.5 billion in 1973. This banner income year was not evenly distributed by type of farm nor geographic region.

Production expenses increased sharply during 1973 and totaled $65 billion. Production expenses for inputs of farm origin -- feed, purchased livestock and seed -- total $26 billion in 1973, up nearly 50 percent from 1972. In 1973 farm origin inputs made up 41 percent of total farm expenses compared with 36 percent the previous year. Higher costs of farm origin inputs accounted for 60 percent of the total increase in production expenses but there were significant increases for nonfarm inputs as well.

Net farm income in 1973 totaled $25 billion, by far the highest on record. Another banner income year is expected in 1974, however, continued increases in production expenses are expected to result in a net farm income of $20 - 23 billion.

Exports of U. S. agricultural commodities have been stimulated by dollar devaluations in late 1971 and again in early 1973. These devaluations and realignments have had the effect of lowering the price of our farm exports in terms of the foreign currencies by an average of about 18 percent in the last two years. These influences along w th production shortfalls in several countries have pushed U. S. exports to a record high level. Current fiscal year (ending June 30, 1974) exports are expected to total $19 billion, substantially above the previous record high of $12.9 billion in the last fiscal year. Much of this increase is a result of higher prices; however, substantial volume gains have occurred.

## The General Credit Outlook

Inflation, the continuation of higher interest rates, increases in values of farm real estate and another good year of net farm income will affect the future credit needs of farmers. With a return of more acreage and higher prices for most farm inputs, production expenses are expected to remain high, thus, the strong demand for nonreal estate credit is likely to continue.

Nonreal estate farm debt outstanding is expected to reach $47.2 billion on January 1, 1975, up 13 percent from January 1, 1974. Substantial increases in prices paid for fertilizer, fuel, and farm machinery are expected to increase production expenses.

The cost of borrowing will be relatively high in 1974. In any event, the supply of loan funds made available by lenders will be adequate to meet the demands of producers to carry out planned production.

Farm real estate debt is expected to reach $44.6 billion by January 1, 1975 -- up 17 percent of $6.6 billion from January 1, 1974. Farm and ranch land values will continue to increase. The expectation of another good year of net farm income together with optimism regarding the future of U.S. agriculture will be factors encouraging the farmer to go in debt more.

The economy in 1973 was subject to exceptional strains--shortages and capacity limitations on production, heavy inflationary pressures, and the impact of an energy shortage. An assessment of the 1974 outlook must be made with considerable qualifications. On top of the uncertainty that exists regarding the food outlook we now have to assess how the economy will get along on less energy.

During 1973, we found that what happens in the food and agricultural sector can have enormous consequences for general inflation. The wholesale price index rose almost 14 percent from 1972 to 1973 and the consumer price index 6 percent, the steepest increases since World War II. Higher prices for food and petroleum were major contributors to the inflation. The increase in agricultural prices mainly reflected the shortness of supplies

caused by poor harvests abroad, augmented by the more or less conincident timing of booms in major world economies.

Monetary policies of the Federal Reserve Board will in part determine the level of interest rates in the farm and nonfarm sectors of the economy. If the authorities follow a tight money policy, steady or rising interest rates are expected. However, there will be an effort to avoid an overly tight monetary policy which could lead to reduced economic activity and higher unemployment. Farm borrowers will have to compete with other sectors of the economy, who are also experiencing strong demands for credit.

## INTEREST RATES

At the beginning of 1974 the interest rates charged by Federal land banks ranged from 7-1/2 to 8 percent and compare with a range of 7 to 7-1/2 percent on January 1, 1973. About two-thirds of the production credit associations were charging between 8-1/2 and 9-1/2 percent, 25 percent were charging more and 8 percent were charging less. Bank for cooperatives' seasonal loans ranged from 9 and 9-1/2 percent with term loans also between 9 and 9-1/2 percent (Table 5).

Table 5 -- Interest Rates of Farm Credit Banks and Associations

January 1, 1974

| Farm Credit District | Land Banks a/ | | Federal Intermediate Credit Banks | Production Credit Association most prevalent rate b/ | Banks for Cooperatives | |
|---|---|---|---|---|---|---|
| | Farm | Rural Home | | | Seasonal | Term |
| Springfield | 7.50 | 7.50 | 8.40 | 8.51 - 8.75 | 9.00 - 9.50c/ | 9.00 - 9.50c/ |
| Baltimore | 8.00 | 8.00 | 8.33 | 9.26 - 9.50 | 9.25 | 9.25 |
| Columbia | 7.75 | 7.75 | 8.00 | 8.51 - 8.75 | 9.50 | 9.50 |
| Louisville | 8.00 | 8.00 | 8.41 | 9.26 - 9.50 | 9.00 | 9.50 |
| New Orleans | 7.50 | 8.00 | 8.56 | 9.26 - 9.50 | 9.25 | 9.25 |
| St. Louis | 7.50 | 7.50 | 8.50 | 9.51 - 9.75 | 9.00 | 9.00 |
| St. Paul | 7.50 | 7.50 | 8.27 | 8.76 - 9.00 | 9.25 | 9.25 |
| Omaha | 8.00 | 8.00 | 8.45 | 8.76 - 9.00 | 9.50 | 9.50 |
| Wichita | 8.00 | 8.50 | 8.40 | 9.26 - 9.50 | 9.50 | 9.50 |
| Houston | 7.75 | 8.25 | 8.54 | 9.51 - 9.75 | 9.50 | 9.50 |
| Berkeley | 8.00 | 8.50 | 8.76 | 9.26 - 9.50 | 9.50 | 9.50 |
| Spokane | 8.00 | 8.00 | 8.40 | 8.76 - 9.00 | 9.25 | 9.25 |
| Central Bank | - | - | - | - | d/ | d/ |

a/ Current billing rate.
b/ Interest rate plus loan service fees
c/ As assigned under the approved differential interest rate program.
d/ Follows district rate on participations.

The cost of obtaining money in the market place plus the cost of making and servicing loans determines the interest rate that farmer borrowers pay. The efficiency of the local association is also an important determinant of interest rates. There is the possibility of dividends and of patronage refunds on interest, which together in the most recent year totaled $26 million for the system.

Funds are obtained through bond sales by the fiscal agency in New York. During 1973, $17.0 billion was obtained from the financial market. This resulted from 4 sales by the Federal land banks, 12 sales by the Federal intermediate credit banks and 11 sales by the banks for cooperatives. All money is obtained at the "going rate" for funds, thus the Farm Credit System competes on an even basis with other industries for its capital.

## The Farm Credit System

The cooperative Farm Credit System operates under authorities contained in the Farm Credit Act of 1971. The banks and associations which comprise the System are supervised and examined by the Farm Credit Administration, an independent agency in the Executive Branch of the Government.

The System provides credit and closely related services to farmers, ranchers, producers and harvesters of aquatic products, agricultural and aquatic cooperatives, rural homeowners, and certain businesses providing farmers with services essential to their on-farm operating needs.

To fulfill these purposes, the country is divided into 12 Farm Credit Districts. At the same location in each district there is a Federal land bank, a Federal intermediate credit bank, and a bank for cooperatives. There is also a Central Bank for Cooperatives in Denver, Colorado.

### Federal Land Banks - Federal Land Bank Associations

The Federal land banks make loans with terms of from 5 to 40 years through 566 Federal land bank associations. These loans are secured by first liens on farm and rural real estate.

Loans are made for a variety of purposes including the purchase of farm property, rural homes, real estate needed for farm related businesses, purchase of equipment, machinery, livestock, refinancing existing mortgages and paying other debts and financing other needs of the borrower.

Total credit extended to one borrower may at no time exceed 85 percent of the market value of the property taken as security. Each Federal land bank is limited in rural home lending to 15 percent of its total loan volume outstanding.

### Federal Intermediate Credit Banks - Production Credit Associations

The Federal intermediate credit banks provide loan funds to 435 production credit associations and discount notes of eligible borrowers given to certain other institutions financing agricultural producers. They also

participate with one another and with production credit associations in making loans.

Production credit associations make loans with terms of up to seven years to farmers, ranchers, producers and harvesters of aquatic products, rural homeowners, and certain farm related businesses.

Loans are made for a variety of purposes related to the production of agricultural products, the production and harvesting of aquatic products, the purchase, repair or maintenance of rural homes and other requirements of borrowers. At no time, however, may the total credit extended for other than agricultural purposes exceed the value of assets devoted to agricultrual production or the production and harvesting of aquatic products.

The total amount of credit extended to a rural homeowner may not exceed 85 percent of the appraised value of the property. Each production credit association is basically limited in rural home lending to 15 percent of its total loan volume outstanding.

Banks for Cooperatives

The 12 district banks for cooperatives serve marketing, supply and business service cooperatives whose headquarters are within their respective territories. To qualify for a loan at least 80 percent of the voting control of the cooperative must be in the hands of farmers, ranchers, or producers or harvesters of aquatic products. To be eligible, a cooperative must also do at least 50 percent of its business with or for its members as patrons. Excepted from this requirement is business done with the United States Government and services or supplies furnished by the cooperative as a public utility. The Banks also serve associations or federations of such cooperatives.

The Central Bank for Cooperatives participates with the district banks on loans which exceed their individual lending capacity.

Financial Characteristric of the Farm Credit System

The following tables show both individual and combined information of the Farm Credit System. Gross assets of the system on June 30, 1973 was $29.9 billion with a net worth of $2.9 billion. Loans and discounts outstanding on June 30, 1973 totaled $20.6 billion. This figure has increased substantially in recent years.

Table 6 -- NET WORTH OF FARM CREDIT SYSTEM AS OF JUNE 30, 1973

| Banks and associations | Paid in capital | Earned net worth | | Total net worth |
|---|---|---|---|---|
| | | Reserved | Unreserved | |
| Federal land banks..... | $588,715,305 | $375,773,501 | $60,497,178 | $1,024,985,984 |
| Federal land bank associations..... | 587,507,349 | 106,394,478 | 79,197,581 | 773,099,408 |
| Federal intermediate credit banks..... | 275,060,510 | 156,031,917 | 19,411,271 | 450,503,698 |
| Production credit associations..... | 799,896,030 | 379,098,807 | 27,543,603 | 1,206,538,440 |
| Banks for cooperatives.... | 204,539,774 | 145,475,454 | - | 350,015,228 |
| Grand total..... | 2,455,718,968 | 1,162,774,157 | 186,649,633 | 3,805,142,758 |
| Less intercorporate items | 852,867,648 | 71,195,235 | - | 924,062,883 |
| Net total..... | 1,602,851,320 | 1,091,578,922 | 186,649,633 | 2,881,079,875 |

Table 7 -- GROSS ASSETS OF FARM CREDIT SYSTEM AS OF JUNE 30

| Banks and associations | 1971 | 1972 | 1973 |
|---|---|---|---|
| Federal land banks..... | $7,962,090,455 | $8,844,237,930 | $10,588,283,935 |
| Federal land bank associations..... | 618,470,005 | 675,525,190 | 783,992,144 |
| Federal intermediate credit banks..... | 6,240,902,749 | 6,717,140,263 | 7,367,000,974 |
| Banks for cooperatives.... | 2,182,544,415 | 2,232,997,275 | 2,847,316,150 |
| Production Credit associations..... | 6,933,552,944 | 7,535,768,762 | 8,267,069,569 |
| Total..... | 23,937,560,568 | 26,005,669,420 | 29,853,662,772 |

Table 8 -- AMOUNT OF LOANS AND DISCOUNTS MADE BY FARM CREDIT SYSTEM, FISCAL YEARS 1971 THROUGH 1973

| Banks and associations | 1971 | 1972 | 1973 |
|---|---|---|---|
| Federal land banks..... | $1,281,524,127 | $1,771,434,223 | $2,953,251,747 |
| Federal intermediate credit banks to OFIs.... | 630,775,103 | 662,895,313 | 746,607,372 |
| Banks for cooperatives.... | 2,764,536,242 | 2,911,858,672 | 4,880,027,501 |
| Production credit associations..... | 8,922,988,517 | 10,020,723,406 | 11,425,725,081 |
| Total..... | 13,599,823,989 | 15,366,911,614 | 20,005,621,701 |

Table 9 -- AMOUNT OF LOANS AND DISCOUNTS OUTSTANDING FOR FARM CREDIT SYSTEM, AS OF JUNE 30

| Banks and associations | 1971 | 1972 | 1973 |
|---|---|---|---|
| Federal land banks..... | $7,579,613,241 | $8,431,406,290 | $10,117,668,867 |
| Federal intermediate credit banks to OFIs..... | 253,478,077 | 261,326,388 | 297,430,948 |
| Banks for cooperatives.... | 2,040,873,744 | 2,061,401,337 | 2,725,220,981 |
| Production credit associations..... | 6,273,190,711 | 6,831,903,965 | 7,501,023,602 |
| Total..... | 16,147,155,773 | 17,586,037,980 | 20,641,344,398 |

Table 10 -- SELECTED COMPARATIVE DATA ON FEDERAL LAND BANKS

| Item | June 1971 | June 1972 | June 1973 |
|---|---|---|---|
| **Federal land banks** | | | |
| Gross assets | $7,962,090,455 | $8,844,237,930 | $10,588,283,935 |
| Loans outstanding: | | | |
| Number | 405,767 | 406,473 | 413,763 |
| Amount | $7,579,613,241 | $8,431,406,291 | $10,117,668,867 |
| Loans closed during year ended: | | | |
| Number | 36,936 | 44,500 | 58,742 |
| Amount | $1,281,524,127 | $1,771,434,223 | $2,953,251,747 |
| Repayment of loans during year ended 1/ | 450,189,481 | 575,531,976 | 721,192,335 |
| Real estate and sheriffs' certificates acquired during year ended: | | | |
| Number | 7 | 6 | 6 |
| Investment | $428,697 | $329,175 | $286,622 |
| Real estate and sheriffs' certificates on hand: | | | |
| Number | 8 | 7 | 8 |
| Investment | $468,317 | $339,564 | $351,725 |
| Bonds outstanding | 6,641,057,500 | 7,383,082,000 | 8,835,997,000 |
| Net worth: | | | |
| Capital stock owned by Federal land bank associations | 446,220,830 | 495,083,340 | 588,715,305 |
| Legal reserve | 239,333,357 | 247,281,308 | 264,163,501 |
| Surplus reserve | 111,610,000 | 111,610,000 | 111,610,000 |
| Earned surplus | 30,548,806 | 39,952,263 | 60,497,178 |
| Total net worth | 827,712,993 | 893,926,911 | 1,024,985,984 |
| **Federal land bank associations** | | | |
| Number of associations | 602 | 584 | 566 |
| Net worth: | | | |
| Capital stock owned by borrowers | $446,524,730 | $495,531,280 | $587,507,349 |
| Legal reserve and surplus | 153,218,824 | 167,982,991 | 185,592,059 |
| Total net worth | $599,743,554 | $663,514,271 | $773,099,408 |

1/ Includes principal matured, special principal payments, loans paid off prior to maturity.

Table 11 -- SELECTED COMPARATIVE DATA ON FEDERAL INTERMEDIATE CREDIT BANKS

| ITEM | June 30, 1971 | June 30, 1972 | June 30, 1973 |
|---|---|---|---|
| Gross assets..... | $6,240,902,749 | $6,717,140,263 | $7,367,000,974 |
| Loans and discounts outstanding.. | 5,909,416,356 | 6,379,763,507 | 6,958,251,011 |
| Loans and discounts made..... | 8,675,860,272 | 9,637,134,532 | 10,338,844,112 |
| Repayments of loans..... | 7,863,690,500 | 9,166,787,381 | 9,760,356,608 |
| Unmatured debentures and bonds outstanding..... | 5,672,833,000 | 6,127,990,000 | 6,656,993,000 |
| Net worth: | | | |
| Capital stock owned by Production credit associations..... | 195,592,795 | 222,688,090 | 262,281,080 |
| Participation certificates - Other financing institutions.. | 9,085,000 | 10,494,655 | 12,779,430 |
| Surplus reserve..... | 63,066,704 | 63,066,704 | 63,066,704 |
| Surplus..... | 18,049,865 | 18,049,864 | 18,049,864 |
| Legal reserve - Allocated to patrons & reserve for contingencies..... | 55,662,943 | 64,120,970 | 74,915,348 |
| Undistributed earnings..... | 11,942,751 | 17,217,593 | 19,411,272 |
| Total net worth..... | 353,400,058 | 395,637,876 | 450,503,698 |

Table 12 -- SELECTED COMPARATIVE DATA ON BANKS FOR COOPERATIVES

| ITEM | June 30, 1971 | June 30, 1972 | June 30, 1973 |
|---|---|---|---|
| Gross assets..... | $2,182,544,415 | $2,232,997,275 | $2,847,316,150 |
| Number of borrowing cooperatives. | 2,907 | 3,021 | 3,113 |
| Loans made during year ended..... | 2,764,536,242 | 2,911,858,672 | 4,880,027,501 |
| Repayment of loans during year ended..... | 2,470,550,872 | 2,891,272,731 | 4,201,133,166 |
| Loans outstanding..... | 2,040,873,744 | 2,061,459,685 | 2,725,220,981 |
| Unmatured debentures and bonds outstanding..... | 1,769,600,000 | 1,785,800,000 | 2,316,500,000 |
| Net worth: | | | |
| Capital stock owned by borrowers and others..... | 177,348,054 | 190,078,184 | 204,539,774 |
| Surplus - Reserved..... | 88,111,198 | 88,111,198 | 88,111,198 |
| Surplus..... | 1,908,789 | 1,908,789 | 36,084,102 |
| Surplus - Allocated to patrons. | 34,351,511 | 35,462,010 | 21,280,154 |
| Total net worth..... | 301,719,552 | 315,560,181 | 350,015,228 |

Table 13 -- SELECTED COMPARATIVE DATA ON PRODUCTION CREDIT ASSOCIATIONS

| ITEM | June 30, 1971 | June 30, 1972 | June 30, 1973 |
|---|---|---|---|
| Gross assets..... | $6,933,552,944 | $7,535,768,762 | $8,266,895,849 |
| Number of associations..... | 442 | 439 | 435 |
| Number of members..... | 523,226 | 522,376 | 519,599 |
| Amount of loans made during year ended..... | $8,922,988,517 | $10,020,723,406 | $11,425,735,081 |
| Number of loans outstanding..... | 316,140 | 320,177 | 321,520 |
| Amount of loans outstanding..... | $6,273,190,711 | $6,831,903,965 | $7,501,023,602 |
| Total amount of repayments of loans during year ended..... | 5,022,383,804 | 6,016,599,629 | 7,103,160,422 |
| Amount of renewals..... | 2,962,097,985 | 3,412,721,955 | 3,620,220,621 |
| Net Worth: | | | |
| Paid-in Surplus - FICB..... | | 733,413 | 340,000 |
| Capital stock owned by Federal intermediate credit banks..... | 580,000 | 41,000 | 500,000 |
| Capital stock owned by members. | 468,465,962 | 516,347,714 | 723,166,115 |
| Equity reserve..... | 156,306,340 | 188,675,102 | 75,889,915 |
| Surplus..... | 293,113,389 | 329,744,673 | 379,098,807 |
| Unapplied earnings..... | 29,123,951 | 30,443,220 | 27,543,603 |
| Total net worth..... | 947,589,642 | 1,065,895,122 | 1,206,538,440 |

## SHORT TERM CREDIT INVESTMENT FUND

This fund is available to the Governor of the Farm Credit Administration as a revolving fund for investment in the Class A capital stock of the Federal intermediate credit banks and Class A and Class C stock of the production credit associations.

On December 31, 1968, the Government's investment in the Class A stock of the Federal intermediate credit banks was retired in full, thus making them privately owned. Of the $107,496,625 paid the Treasury for the capital stock, $43,839,120 was credited to proprietary receipts of the general fund and $63,657,505 was returned to the revolving fund. The last of the Government's investment in the production credit associations was also repaid. There is now $111,707,505 available in this fund but no investment of Government capital in the Federal intermediate credit banks and production credit associations is anticipated in the near future.

## BANKS FOR COOPERATIVES INVESTMENT FUND

This fund is available to the Governor of the Farm Credit Administration for investment in Class A capital stock of the banks for cooperatives.

The last of the Government's investment in the banks for cooperatives was retired on December 31, 1968, which made them privately owned. The amount in the fund available to the Governor is $148,091,211. No investment of the Government capital in any of the banks is anticipated in the near future.

## PASSENGER MOTOR VEHICLES

The Farm Credit Administration hires one automobile. This automobile is used primarily by the Governor's office for transportation to and from official meetings and conferences in Washington, D. C., with other Government officials, and with congressional bodies.

The 1975 budget estimates do not include funding for the purchase of any autos.

Mr. JAENKE. The Chairman of the Federal Farm Credit Board will cover our organization and some highlights of last year.

Mr. ATKINSON. Thank you, Governor, Mr. Chairman, and members of the committee: I, too, express my appreciation to the committee for the privilege of meeting with you, and make a few remarks on the structure of the farm credit system, how we are doing and where we are going.

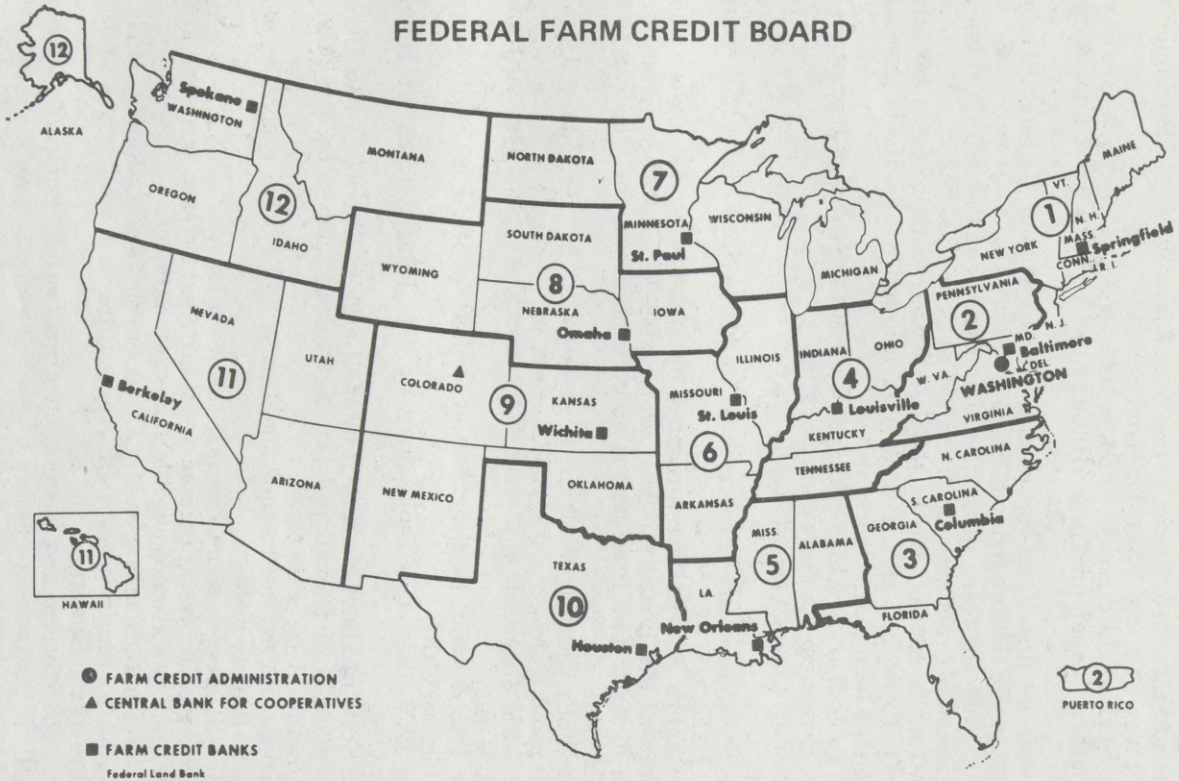
First, I would like to say thank you to the Members of Congress on behalf of the Federal Farm Credit Board and Farm Credit Administration for the splendid cooperation that we have had from the Congress in recent years. You gave us additional tools that we need to better serve the farmers, ranchers, and cooperatives of this country.

I am referring primarily to the Farm Credit Act of 1971 which we have now been operating under for 2 years.

I am going to now use a chart or two to outline the structure of the farm credit system.

[The information follows:]

# FEDERAL FARM CREDIT BOARD



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Mr. ATKINSON. We have 12 farm credit districts in the country. The number of States in a district varies from one to eight. The Springfield district serves the eight New England States.

The Springfield district, which is district No. 1, is represented by Mr. Luther Jennejahn from Hilton, N.Y. He is a fruit and dairy farmer.

The second district is represented by Mr. Homer Remsberg from Middleton, Md. He is a dairy farmer.

I represent the third district, which consists of the two Carolinas, Georgia and Florida with district offices in Columbia, S.C.

The fourth district, the Louisville district, is represented by Mr. Kenneth Probasco, who is from Worthington, Ohio. He is general manager of Landmark Cooperatives.

The fifth district, which is the New Orleans district, is represented by Mr. Ernest Spivey from Jackson, Miss.

The sixth district, the St. Louis district, is represented by Mr. Melvin Sims.

The seventh district is represented by Mr. Alfred Underdahl from North Dakota.

The eighth district is represented by Mr. Everett Spangler, who is going off the Board this year along with Mr. Remsberg from the second district. The President is now in the process of selecting two new directors.

The ninth district, Wichita, is represented by Mr. James Dean, Hutchinson, Kans.

The 10th district is represented by Mr. E. G. Schuhart II from Dalhart, Tex.

The 11th district, Berkeley, is represented by Mr. Earl Smittcamp, from Clovis, Calif.

The 12th district is represented by Mr. Riddell Lage, of Hood River, Oreg.

The State of Hawaii is served by the Berkeley district. A new PCA was organized in Hawaii just last November. This is the first newly chartered PCA for some time.

Alaska is served by the Spokane district and Puerto Rico is served by the Baltimore district.

This will give you some idea as to the overall scope.

Two directors are appointed by the President each year for a 6-year term. They are not eligible for reappointment.

We have a 13th member, Mr. Elton Smith from Caldonia, Mich., appointed by the Secretary of Agriculture and who serves at the pleasure of the Secretary

Now, the district and association organization. Each district has a board of directors consisting of seven members. Two members are elected by the Production Credit Associations; two members are elected by the Federal Land Bank Associations; two members are elected by the patrons of the Banks for Cooperatives; and the seventh member is appointed by the Governor of the Farm Credit Administration.

FUNCTIONS OF THE BOARD

These district boards adopt policies within guidelines set by the Farm Credit Administration and the Federal Board. These district policies regulate activities of district banks and associations.

The 13-member Federal Farm Credit Board is a part-time board. The Board appoints the governor, and the governor, in turn, employs a staff. The governor of the Farm Credit Administration is responsible for supervision, and examination of the districts. The district banks also review credit and operations activities of the associations.

During 1973, we improved some of the policies and regulations of the Farm Credit Administration. We defined more clearly the role of the Farm Credit Administration in the Farm Credit System.

### ROLE OF FARM CREDIT ADMINISTRATION

The primary purpose of the System is to improve the economic well-being of farmers, ranchers, and their cooperatives by providing them the best possible credit service at the lowest possible cost, consistent with sound operations.

In addition to policies established by regulation, the Federal Board has established policies to direct the functions of the Farm Credit Administration.

We have streamlined the supervision aspect. We have improved the examination function. We adapted a three-region approach throughout the country on examinations. One region is housed in Columbia, S.C., another in St. Louis, and the third in St. Paul. Each regional examination staff is responsible for the examination of four farm credit districts.

We have tried to improve the coordination of lending and management, service policies, and activities of the institutions of the system vital to the goal of efficient credit service to the borrowers.

The Farm Credit Administration will continue to represent the system at the national level—with the Congress, Government agencies, investors, and the general public in the dissemination of information and making reports. It shall, in accordance with the law, recommend legislation after appropriate consultation with the district boards, the grassroots level, the bank management, national committees, and other interested groups.

We keep the public interest in mind at all times to see that it is protected through comprehensive regulation, supervision, and examination of farm credit institutions and their activities. We try to provide the necessary leadership to assure that the system maintains the highest standards of good corporate citizenship and responsive service to present and future borrowers.

### REGULATIONS REVISED

During 1973 we spent a great deal of time improving the regulations. The act was signed into law in December of 1971. We had to draw up a complete new set of regulations in 1972. Naturally, some errors were made. So during 1973 we reviewed our regulations drawn up in 1972 and tried to improve these regulations.

We kept in mind, in updating these regulations, our goal of giving more authority back to the districts, thereby getting the Farm Credit Administration just about completely out of the approval of loans.

Another area for which a new regulation came into effect during the year 1973 covered the financing of feedlots. We realized that possibly we were not doing the job that we should be doing in financing feed-

lots. It was almost impossible for the average farmer to invest the sums necessary to establish feedlots. So we implemented a new regulation during the year 1973 which provides that a group of farmers could band together and, as long as they control at least 50 percent of the feedlot operation, then they are eligible for financing under Farm Credit Administration regulations.

NONPARTISAN SYSTEM

We reiterated during the year, by adopting a resolution, that the farm credit system was free of partisan politics. I would like to read this resolution as adopted by the Federal Farm Credit Board at the June 1973 meeting:

The Federal Farm Credit Board affirms the essential need for keeping the operation of the farmer-owned farm credit system free of partisan political influence. This was the principle established by the Congress in the Farm Credit Act of 1953 and restated in the act of 1971, that this system shall be a borrower-owned, borrower-directed credit organization. The success of the system in serving the rapidly growing credit needs of agriculture since 1953 has proved the wisdom of maintaining this independent credit source.

Farm credit legislation has always had broad bipartisan support. Presidents Eisenhower, Kennedy, Johnson, and Nixon have made their appointments to the Federal Farm Credit Board from individuals nominated by the system. Decisions of the Board are made only on the basis of business and economic considerations. Partisan politics must be kept out of the management and operation of the system, and particularly in the selection of personnel at all levels. Preserving the lending service of the farm credit system, predicated on nonpolitical influence, is vital to the welfare of farmers and thus to the consumers of the Nation.

Mr. BURLISON. Will the chairman yield at that point?

Mr. WHITTEN. I yield.

Mr. BURLISON. Have you had some unfortunate, unpleasant experience recently to bring about such a strong statement?

Mr. ATKINSON. Yes, in the spring of 1973 there were rumblings to the effect that there was political influence being exerted to get the Federal Board to appoint a Republican Governor. So we decided that in order to quiet the rumors we would take a strong position against partisan politics.

Mr. BURLISON. Thank you.

STRONGER COMMUNICATIONS WITHIN SYSTEM

Mr. ATKINSON. In addition, we made a very strong effort during the year 1973 to strengthen our communication link between the Federal Board, the Farm Credit Administration, and the farmer-directors in the system. We do this with national committees from the various associations. They come into Washington once a year to meet with the Federal Board, the Governor, and his staff.

In addition, we have what is known as a policy coordinating committee which consists of one member from each district board who comes in once or twice a year and meets with the Federal Board. This practice forms a liaison between the districts and the Federal Board, to let us know what the districts are thinking and, in turn, let them go back and let the district board and bank management know what the Federal Board is thinking.

In addition to that, each member of the Federal Board tries to meet monthly with their district board to keep the district board fully informed on matters affecting the system.

YOUNG FARMERS CONFERENCE

Now, in closing, my last comment will be in regard to another area with which we have been vitally concerned. That is farm credit system financing for young farmers. In fact, the Governor, Mr. Harding, and I flew in from Indianapolis this morning. We are having a young farmers meeting, with about 110 young farmers who were invited in by the farm credit banks and various farm organizations.

This morning at a breakfast meeting, Congressman Litton made a most inspiring talk. Tonight Secretary Butz will speak to the conference group. I thought it was outstanding that the Secretary was able to meet with such a small group. This indicates his interest in financing young farmers and their problems.

We have various members of farm credit bank staffs attending these meetings. It is a listen session for farm credit officials and their staff. These young farmers are telling us what they think we need to be doing in order to do a better job financing their needs as young farmers.

Thank you, Mr. Chairman. That concludes my statement.

TYPES OF LOAN SERVICES

Mr. WHITTEN. Thank you very much.

In the various systems, Federal land bank, intermediate banks, all the various credit divisions of the farm credit system, how many different type loans do you make? Do you make loans for improving residences, loans for business activities, loans for cattle business?

Mr. JAENKE. We will submit a listing for the record.

[The information follows:]

The Federal land banks make long-term loans, from 5 to 40 years, secured by first liens on farm or rural real estate. Loans may be made in amounts equaling up to 85 percent of the market value of the property taken as security.

These loans are made through local Federal land bank associations. There are 565 such associations across the country, many with branch offices for added convenience.

The land banks may make loans to: farmers and ranchers; legal entities (corporations, partnerships, etc.); rural residents (homeowners); and farm-related businesses.

A farmer or rancher is defined as a person owning agricultural land or engaged in the production of agricultural products on a full- or part-time basis.

A legal entity, obviously, is a corporation, partnership, or other form of organization legally constituted to conduct a business. Such entities must meet the qualifications of being a farmer or rancher, and the amount of credit they are extended depends on several factors relating to their agricultural operations.

A rural resident may obtain a loan secured by a first mortgage on a single-family, moderate-priced dwelling in an area that is primarily agricultural in nature. Included may be towns and villages where the population does not exceed 2,500 persons.

A farm-related business is one that provides farmers with on-the-farm services, such as custom combining or pruning, aerial spraying, or fertilizer application.

Land bank loans may be made for a variety of purposes: Buying farm or rural real estate; constructing, repairing, or remodeling buildings; refinancing existing debt; and other needs of the borrower.

When someone borrows from a Federal land bank, he invests in the capital stock of the local Federal land bank association in an amount in proportion to his loan—usually 5 percent. The association, in turn, invests an equivalent amount in the land bank. These investments help capitalize both the banks and associations. Nonfarm borrowers purchase participation certificates instead of stock.

The Federal intermediate credit banks provide short and intermediate term

loan funds to production credit associations. They also discount the notes of farmers given to other financing institutions. In certain circumstances, the FICB's can participate with production credit associations in making loans. They also provide supervision for the PCA's and coordinate some of their activities.

There are 435 production credit associations serving borrowers throughout the Nation. Like the Federal land bank associations, many of them have branch offices.

PCA's may make loans with terms of up to 7 years to: farmers and ranchers; legal entities (corporations, partnerships, et cetera); rural residents (homeowners); farm related businesses; and producers or harvesters of aquatic products.

The definitions of the first four classes of borrowers are the same as for the land banks.

A producer or harvester of aquatic products is a person engaged in the production or harvesting of aquatic products for economic gain in open waters. In other words, a commercial fisherman.

Loans may be made for any agricultural purpose and for other needs of the borrower. Some common purposes are: purchase of feed, seed, fertilizer or livestock; purchase of machinery or equipment; constructing, repairing, or remodeling buildings; operating capital; and other farm, farm home, or family needs.

Credit extended borrowers for other than agricultural purposes is dependent on the agricultural assets of the borrower.

Borrowers invest in capital stock or participation certificates of production credit associations in the same manner land bank borrowers invest in their associations.

In addition to making direct loans to individuals, PCA's may also participate with commercial banks in making agricultural loans.

The Central Bank for Cooperatives participates with the district banks on loans which exceed their individual lending capacity. All 13 banks, however, operate on a cooperative basis to provide a complete loan service to their borrowers. In certain circumstances, the BC's may participate with commercial banks on loans or may share lines of credit with them.

In order to be eligible for a loan from a bank for cooperatives, a cooperative must meet the following requirements: at least 80 percent of its voting control must be held by farmers, ranchers, or producers or harvesters of aquatic products; at least 50 percent of its business must be done with or for its members as patrons; (excepted from this requirement is business done with the U.S. Government and supplies or services furnished by the cooperatives as a public utility); and, no member of the cooperative can have more than one vote because of the amount of stock he owns unless the cooperative restricts dividends on its stock to 10 percent per year or the maximum allowed by State law, whichever is less.

Mr. ATKINSON. I need to explain the different aspects. Land bank is designed primarily for long term first mortgage real estate lending.

Mr. WHITTEN. For what purpose, for what use by the borrower?

Mr. ATKINSON. For purchasing additional farm property, for construction of buildings, for purchase of equipment.

In addition to that, the 1971 act authorizes us to get into nonfarm rural housing. This has taken on well now, particularly in my part of the country, and in the New Orleans district. They are the two leading districts.

The farmer can get from 5- to 40-year financing in this area. From the production credit associations they can do likewise, but it is on a shorter term for a maximum of 7 years.

Mr. JAENKE. In the short time that that program has been in effect for land banks, I think this shows the need for commercial credit in rural areas in small towns. We have 6,500 nonfarm rural home loans for $140 million, in just over a year of lending.

Mr. WHITTEN. That is good.

My question was, from where to where do you go in the type of loans that you make insofar as the purpose for which the money is to be used?

Mr. JAENKE. For any purpose related to the farming operation or the family living operation.

Mr. WHITTEN. Does that include water systems?

Mr. JAENKE. Yes, it would on an irrigation farm.

Mr. WHITTEN. Sewage treatment?

Mr. JAENKE. Sewage treatment probably not, but if it were part of a home or farm operation, yes; it probably would. We finance some of the required pollution equipment, settling pools, things of this nature.

Mr. EVANS. How about installment purchase of trucks and cars?

Mr. JAENKE. If it is part of the family operation, yes, sir, farm expenses and living expenses.

HIGH RISK LOANS

Mr. WHITTEN. Another thing I wonder about is whether or not you are making enough high risk loans. On the committee we went through a period with the Rural Electrification Administration where many of the borrowers got to where they had electricity on their farms, so they lost interest in serving their neighbors. This committee had to initiate and push through Congress the requirement that they give area coverage, so that somebody would not be left out.

We got to where some of the REA cooperatives were like little private power companies. They were proud of the profits they made; I do not believe the REA system was required under the law to pass back the benefits to the consumer as the TVA is required to do.

We are all proud of the farm credit system. We have all supported it. You are proud of it, and you support it. We say that it is farmer-owned, and what a marvelous job is is doing. But we must not lose sight of the fact that it must serve as many people as possible.

We also need to see how the Farm Credit Administration relates to the Farmers Home Administration. An FHA borrower has to show he cannot get the money elsewhere,which means he cannot get it from you.

According to the budget the Farmers Home Administration is going to make almost $4 billion in loans in 1975. The fact their loan levels are so high means you have turned them down or else they would not have to do it.

Now recently I was called, because of the position I am in, with regard to whether the OMB should release another $175 million for production loans. They did release it, which means there is $525 million of production loans that you have turned down that the Government has had to pick up through this other agency where the Government is involved.

As I say, the Farmers Home Administration is having to pick up $4 billion of loans. So it kind of looks like maybe the Farm Credit Administration is getting a little bit like the average banker whose stock is returning good dividends and whose employees are living pretty well and whose travel expenses are pretty well taken care of. Like a whole lot of banks that I know of, maybe you have gotten prosperous enough now so that you do not deal with the risky loans. They have to go and sign a statement that we have been everywhere, we cannot get any money and the Government has to directly handle the loan through the Farmers Home Administration.

So, to the degree that the Farmers Home is making $4 billion in loans, and to the point they are handling $525 million in production loans, to that point you are not meeting the need.

What is your reason for that?

EXTENT OF LENDING

Mr. JAENKE. May I come to this as I go through it?

Farm credit institutions are set up to be sound credit lenders. Our sources of funds are the private capital markets. The law specifically directs us not to be soft lenders. We have been told by some of the legislative committees, something is wrong when Farm Credit loses money and when Farmers Home Administration does not lose some money. There are a number of reasons why FHA needs have risen.

Farm credit institutions are serving. Last year PCA's and land banks increased their loans outstanding from $16 to almost $19 billion, in 1 year. A 30-percent increase. We are lending to more farmers and ranchers than at any time since World War II.

Mr. EVANS. Could I ask a question on this point?

FARM CREDIT ADMINISTRATION SHOULD REPORT TO CONGRESS

Mr. WHITTEN. Let me ask one more question and then I will yield. I am also concerned about the fact that the farm credit system sends me word that they would just as soon not have to report to Congress. They do not want Congress passing on the amount of administrative funds that you spend in supervising them. When somebody tries to escape congressional review, it arouses my curiosity, because frankly, from my experience, when you do a good job most folks want to advertise it and testify about it. If you do not do a good job, you would just as soon that nobody knew anything about it.

Now the good job I think you are doing leads me to believe that you should want to tell somebody about it. I think if you are doing a good job of supervision that you would want the Congress to go over it each year. I have been through this with the bank system where we have insurance, insured deposits, various and sundry other things. Each of us trusts ourselves and we would just as soon nobody took a good look at what we had to do.

Mr. JAENKE. That is not true of the farm credit system.

Mr. WHITTEN. I said by all means I felt your system needed to report to Congress every year for your own sake.

Mr. JAENKE. Mr. Chairman, we concur in this.

Mr. WHITTEN. That is right.

UNSERVED NEEDS

I return again to this question of areas that you are not serving I am not saying you should. But I also know that every bank in my district has loans in the bank that they would like to wish off on Farmers Home Administration if they could. They would like to go through their portfolio and take out every questionable loan and get the Government to take them over.

I can see lots of signs that your production credit associations are not above the same feeling.

I raised it, so it is up to you to answer it.

Mr. ATKINSON. From a local level, I would like to comment.

Mr. WHITTEN. I am about as local as you can get. I live in a small Mississippi town.

Mr. ATKINSON. I served on a local PCA board, and I am familiar with Farmers Home Administration lending. The Farm Credit System could probably take a lot of the loans that FHA is carrying, but there is a problem. Initially, when they apply to Farmers Home Administration they get three declines from different lending institutions. FHA works very closely with these farmers in trying to advise them and counsel with them. But once FHA makes a loan, the borrowers do not want to leave FHA.

Many people that are still getting FHA financing could possibly get it from another source now since they have established themselves.

Mr. BURLISON. Will the gentleman yield?

And how much pressure are you under to give these declinations so that the farmer will be eligible to get the FHA loan?

Mr. JAENKE. That varies among Farmers Home Administration offices.

Mr. BURLISON. Do you have any way of monitoring your own organization or auditing your own organization to see that you do not get too lax in complying with the wishes of the farmer to decline his loan so he will be able to go to the FHA and get a smaller interest loan?

Mr. JAENKE. We do. Each Production Credit Association, is examined each year. As part of that examination, a review is made of the rejected loan applications, and of the total community service. This is part of the restructured examination function.

I think we have a pretty good picture of this across the country. Obviously, the pressure for it gets greater the lower the FHA rate is compared to the commercial rate. We now have a rather wide rate separation.

Our PCA's are charging around 9 percent. So there is more pressure on them to decline applications from FHA applicants.

LOAN LOSS RECORD

Mr. EVANS. As he answers your question, and I think it is a good one, would you include in that statement, a discussion of your losses and delinquencies in the last 2 years so that this whole picture can come out in your answer?

Mr. JAENKE. Yes, sir. Several questions have been raised here.

No. 1, any applicant who applies to an institution of the farm credit system and who has a reasonably sound basis of credit is almost always given favorable consideration for that credit.

Mr. WHITTEN. You can see why we want you to testify, not before me or this subcommittee but before the Congress, because if you do not report to anybody, you can see that you might get over to where you are worse than the New York banks.

I mean it is possible, if you do not have to account to anybody under the system that you now have.

Last year was the best year that we have had in a long time agriculturally, and yet $4 billion is outside your system for one reason or another, and $525 million is outside your system for production pur-

poses only, it causes some question to be raised as to whether this farm credit system is being all we need or whether it is a case of the fellow finding a way to get three or four bankers saying they will not lend him money so he can get a lower rate of interest than he could get someplace else.

But the point of it is that these requests need to be stirred up every year so you will stay on the track. So if I do not think of the hard question, it is just because I cannot, because the question gives you a chance to give the answer. It does not hurt to have you give the answer every year. As far as I am concerned, I am going to insist that Farm Credit continue to report to the Congress, whether our committee or another.

I think it is to your own interest in the long run.

You know the average Farmers Home Administration loan provides that once you get on your feet that they can call your loan and you have to pay it back. Every time they do call a low-interest rate in my district, I think I get a letter from the man about it, I have to write and call his attention to what is in the contract.

I recognize all those things. I do think this needs to be not only aired but put in public print. So that is the reason I am asking you. You may proceed.

POLICY ON DELINQUENT BORROWERS

Mr. ANDREWS. There is a corollary concerning what our chairman brought out. He brought up the fact that you might be getting too fat and relaxed and leaning back on your laurels. The fact that the Farmers Home Administration has to loan more money in the field of agriculture would mean that you are not totally covering the waterfront. In your outlook on the agricultural economy you point out the fact the price of land has gone up 20 percent in the last year. Our chairman last year made the statement about this whole Russian wheat sale, expressing his concern that this might be a Johnny-one-shot operation. I think this committee should be concerned not only with the possibility of what might happen a year or two hence when wheat is not selling for $5 a bushel and when the rest of the prices are not that good and when this 20- or 25- or 30-percent hike in land values turns the other way and we go down. Then is the Farm Credit system—are you going to be pawning off some of your borrowers on Farmers Home and are we going to have to double or triple the lending capacity of Farmers Home? Have you checked your loans to such an extent that you are willing to stay with these people even if the bottom falls out of the real estate market and you end up with real estate loans out there at 110 percent of the value of the farm? Can you scale down your payments so you don't have to unload them? Have you taken that into consideration?

Mr. JAENKE. Yes, we are very much concerned. The question of what happens when the high price levels that we have had in the last year or so in agriculture come back to previous levels, while cost increases continue very high. Then we are going to get in a serious cost-price situation. I will cover that later.

Before I start with my regular presentation, I would like to answer your question on reporting to Congress.

Mr. WHITTEN. We thought we would shove you back a little before you start.

Mr. JAENKE. You did.

RESPONSIBILITY FOR REPORTING TO CONGRESS

This question of reporting to Congress, we agree completely with the responsibility of a public supervisory agency to report on its activities to Congress.

Mr. WHITTEN. If you don't you are going to get some new legislation.

Mr. JAENKE. First of all, appointees to the Federal Board must be approved by the Senate Committee on Agriculture. The Farm Credit Act of 1971 requires us to make an annual report to the two legislative committees of the House and Senate. We will report to the Senate side in early March and to the House soon, thereafter.

Mr. WHITTEN. We will be glad to give you this practice round.

Mr. JAENKE. As you requested 2 years ago, although the law no longer requires us to come here for appropriation item consideration, we have continued to come here and report the state of the agriculture credit, as we see it. We are a creature of Congress and respect and understand that; we respect the committee's wish to review our administrative expenditures. We asked only that the committee not report out an administrative limitation in the Appropriations Act. This request was in the interest of demonstrating the successfulness of the farm credit system and the faith placed in the system by Congress. In addition, we make an annual written report to every Member of Congress. This is coming off the press very soon.

Mr. WHITTEN. How many find time to read it?

Mr. JAENKE. We have tried to put a summary sheet on it to facilitate use of it.

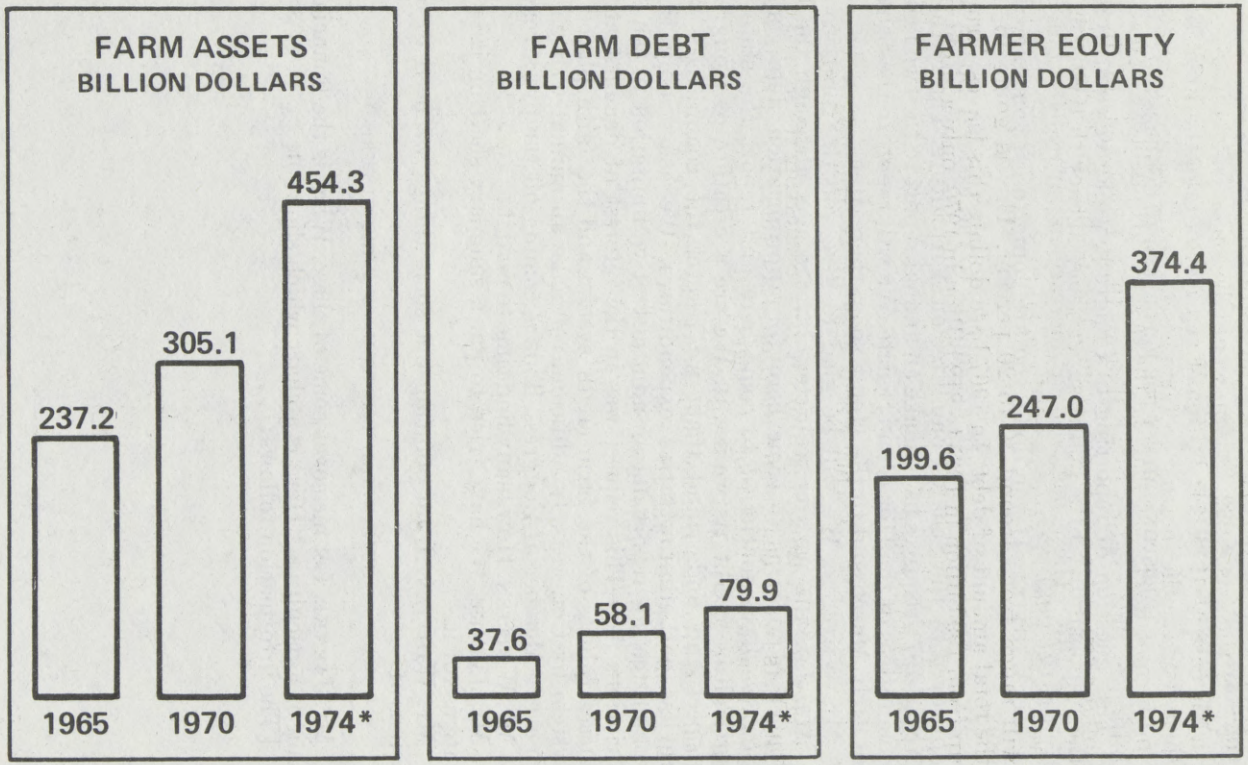
Mr. WHITTEN. I am pointing out some things we need to be conscious of.

FINANCIAL POSITION OF AGRICULTURE

Mr. JAENKE. Let me cover some of these. What is the financial position of agriculture? Here is a chart which shows it.

[The information follows:]

## FINANCIAL POSITION OF AGRICULTURE




*PRELIMINARY

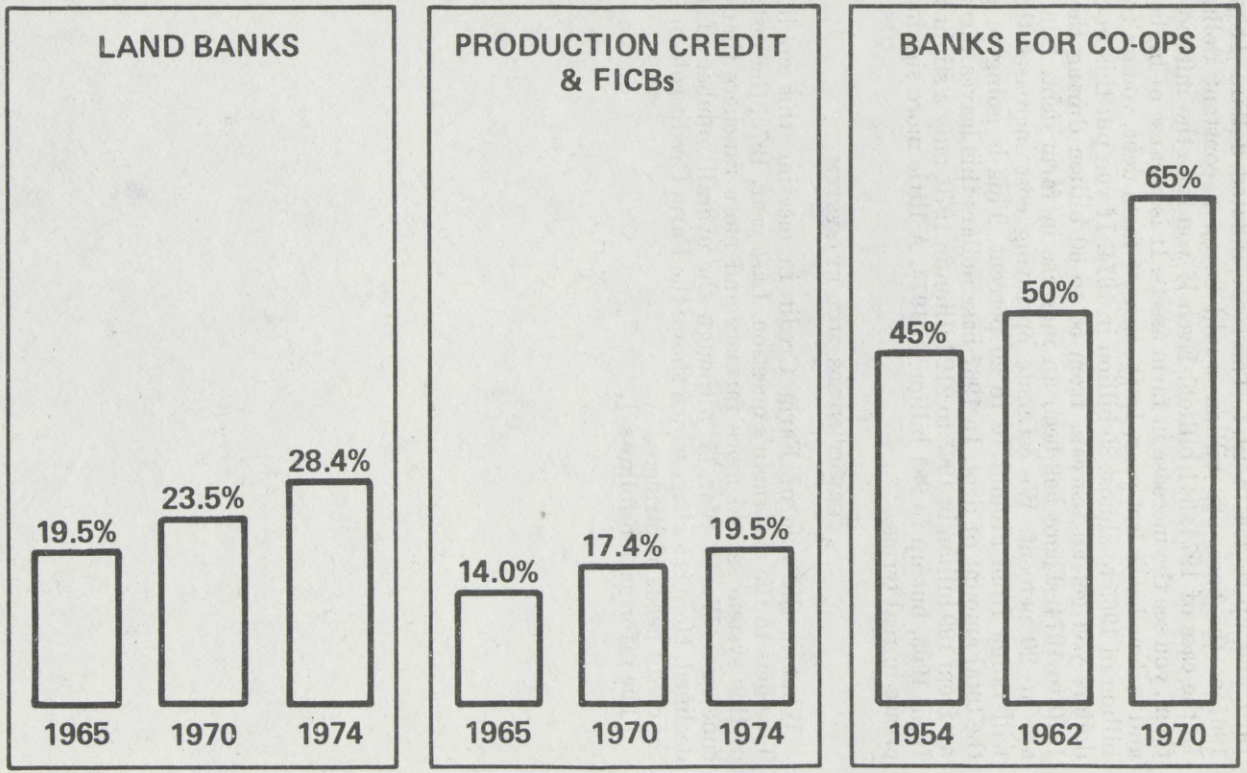
First of all, assets in billions of dollars: 237 in 1965, up to 305 in 1970, and up to 454 in 1974. These are inflated dollars. If you take 1967 as the base, 262 billion would be on a constant dollar basis. In the case of 1974, 341 billion. Even if you take the inflation out of them, you see the increase in farm assets. It is because of higher prices and income levels last year. In the case of farm debt, you go from 37.6 billion in 1965 to almost 80 billion in 1974. If you put this in constant dollars you get an increase from 50 to 60 billion during the period 1970 to 1974. There has been an increase in farm debt. Land prices are up 20 percent. We estimate operating cost increases this year, will range from around 10 to 20 percent. This is going to increase the total amount of debt. In 1967 base dollars this leaves farm equity up from 199 billion in 1965 to 212 billion in 1970, only a slight increase from 1965, but up to 281 billion in 1974. A little more significant increase in real terms.

CREDIT NEEDS MET BY SYSTEM

What is the role of Farm Credit in meeting this credit need? This gets to the chairman's question. Last year, 1973, the institutions of this system served more farmers and more ranchers than at any time since World War II, although the overall number of farmers declined. Here is a chart which shows the Farm Credit role in meeting the credit needs of farmers.

[The information follows:]

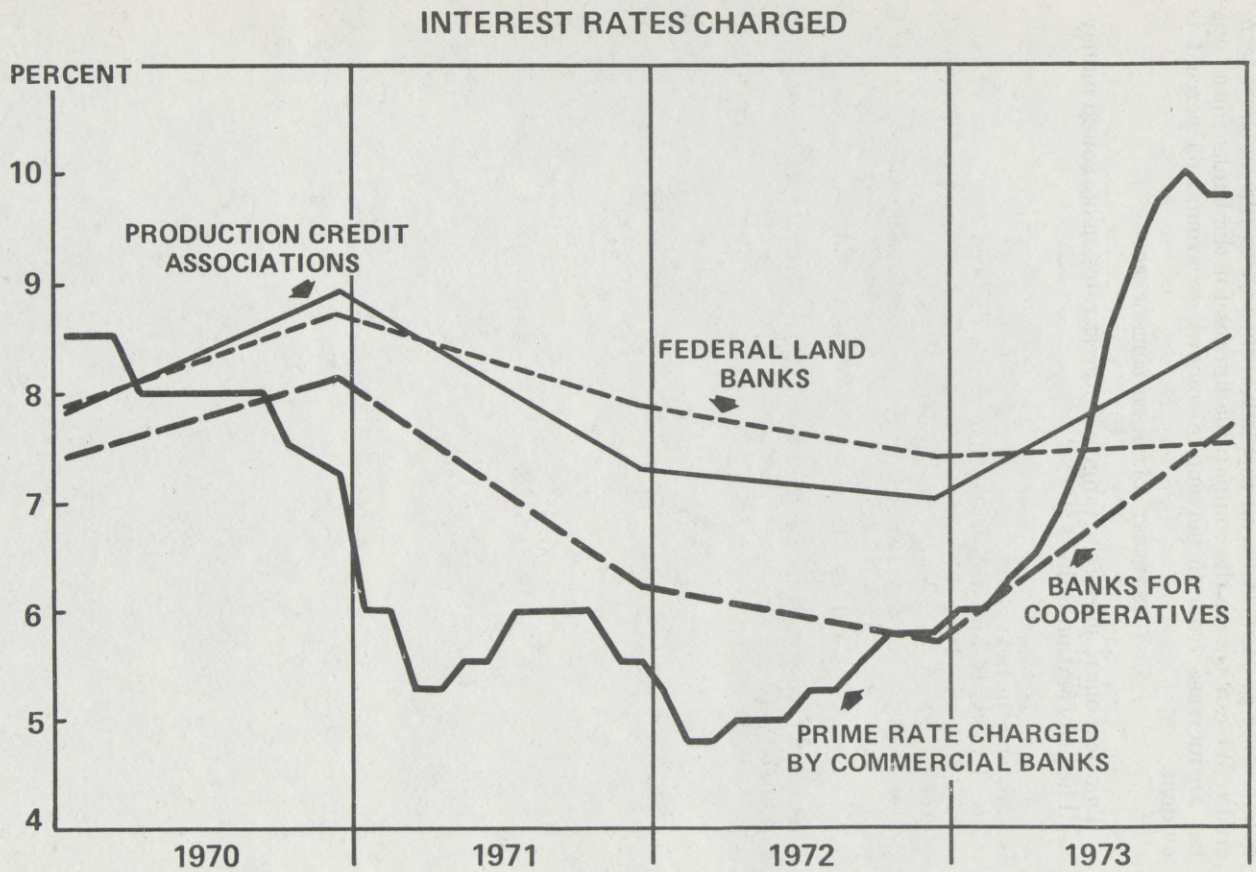
## FARM CREDIT ROLE
### IN PROVIDING FINANCING FOR AGRICULTURE



The specific numbers represent almost a 40-percent increase in loans outstanding on land. Also, an increase from 17.4 to 19.5 in short-term credit. We don't have the comparable figures for the banks for co-ops but an increase from 45 percent to somewhere around 65 percent is evident.

INTEREST RATES TO BORROWERS

This next chart shows the range of interest rates on borrowed money. [The information follows:]


INTEREST RATES CHARGED
PERCENT
10
9
8
7
6
5
4
PRODUCTION CREDIT ASSOCIATIONS
FEDERAL LAND BANKS
BANKS FOR COOPERATIVES
PRIME RATE CHARGED BY COMMERCIAL BANKS
1970
1971
1972
1973

What about the interest rates? They are up to 10 or 12 percent of the farmer's expenses. That is one of the larger items in the farmers overall expenses. Our interest rates are based on the wholesale cost of money. As you can see on the chart the prime rate has been erratic for 4 years. In the last few weeks it has declined, and today it is down to about 8½ percent. Our rates, following the general cost of money, were above the prime rates during 1970, 1971, and 1972, by about a half to a point and a half. In 1973 we were below the prime rate most of the year. We were able to get money for farmers for a point and a point and a half less than the prime rate. The reason we were able to do this is shown on the next chart.

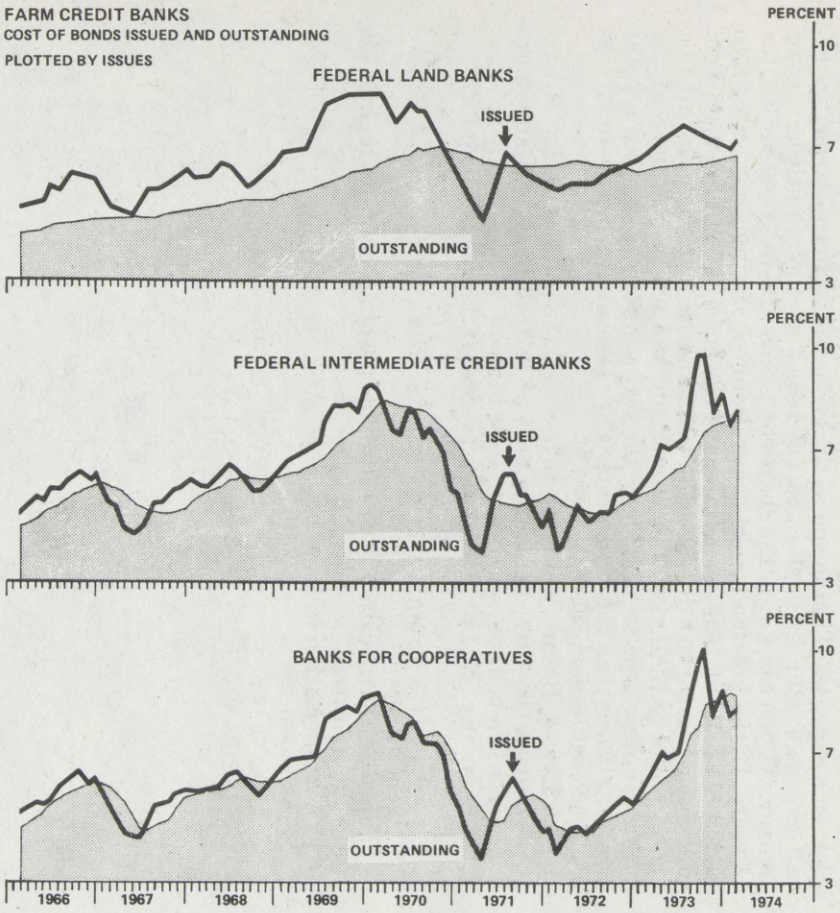
Mr. EVANS. Before you leave that chart, did you lose a lot of borrowers from the latter or middle part of 1970 through the latter part of 1972, when your rates appeared to be higher?

Mr. JAENKE. No, sir. Because very few farmers qualified for that prime rate.

WHOLESALE RATES PAID FOR MONEY

This next chart further illustrates the effect of bond rates on interest rates to borrowers.

[The information follows:]


FARM CREDIT BANKS
COST OF BONDS ISSUED AND OUTSTANDING
PLOTTED BY ISSUES
FEDERAL LAND BANKS
ISSUED
OUTSTANDING
PERCENT
10
7
3
FEDERAL INTERMEDIATE CREDIT BANKS
ISSUED
OUTSTANDING
PERCENT
10
7
3
BANKS FOR COOPERATIVES
ISSUED
OUTSTANDING
PERCENT
10
7
3
1966
1967
1968
1969
1970
1971
1972
1973
1974

What determines the rate the farmer pays when he borrows from us? It is the cost of these bonds. The dark line represents a particular issue and the price that the land banks had to pay. The shaded area is the average of all those issues outstanding. The peak occurred in late summer of 1973. We have had some tailing off as we came into 1974. The last time we paid 7.15 percent we borrowed about $660 million in January 1974. The land banks paid an average of 7.15 for money in early February. You add roughly one-half a point by the time you get to central Iowa and farmers borrowing out there will be paying 7¾ percent. Our rates across the country for money today will run between 7½ and 8½ percent.

LAND BANK MATURITY PLANS

The variety of loans that can be worked out for a borrower are almost unlimited. Some can be partially amortized with no repayment of principal for 5 years. Some are fully unamortized with full payment at the end of 10 years.

We also have an advance payment provision so that in a year like this they can pay ahead and it earns interest for them. If they have a drought or the prices go down, next year they are covered for some of their payments.

Mr. ANDREWS. Two years hence, put in that 5-year moratorium on payments to keep them floating?

Mr. JAENKE. Yes sir. Within the 40 year life of a loan. However, I was thinking here in terms of new loans. If a man goes into a new cattle operation, he knows he is going to buy these heifers today, and that he is not going to market them for 3 or 4 years. That is the kind of loan on which we would initially defer the principal repayment. However, the deferment of payments can be made through several plans later in the life of the loan.

Mr. ANDREWS. My concern is this land value. If these prices collapse, you are going to need a Federal land bank loan with a foregiveness period so that they can finance their way through even waiving the interest. On land that is overpriced it is going to be difficult to maintain payments. Over the years we have many, many cases where a farmer was not able to make a payment on his principal in a particular year, particular 2 years. You are not going to peddle them off to Farmers Home?

Mr. JAENKE. Those loans are already made. We are obligated for the 35 years as long as the borrower can show repayment capability within a reasonable time.

Mr. ANDREWS. You are not going to keep them to the original terms of the loan? You will give them some foregiveness along the line.

Mr. JAENKE. If he has a 35-year loan and has temporary problems such as a year or two of drought, that loan is going to be continued for that 35 years until maturity date or until he pays it off. If the management quality is not there and he has no repayment capability, foreclosure procedures are available. They come occasionally. The farmer board at the local land bank association must recommend that action. Obviously, they are reluctant to yank the string on somebody who has the capability of repaying that loan. Carry that loan payment over an extra year or two? By all means. We cannot continue to carry bad

loans or this bond rate we are paying will go skyrocketing. One of the reasons our rate is so low, is because we are the second largest borrower from this market, second only to the U.S. Government. We get better rates through the Farm Credit institutions than Home Loan banks and other Government-sponsored institutions. We have never had a default on a bond issue. Why? Because these loans are backed up with good farm real estate and other collateral.

I want to flag quickly the short-term picture. We set an alltime record during 1973 of almost 10 percent for short-term bonds. One issue of $700 million sold for that much. Obviously, that is the wholesale cost. A point or a point and a quarter on top of that would be added on for the borrower to pay if it stayed at that level. It did not stay at that level so our rates charged borrowers have been between 8½ and 9½ percent.

EARNINGS SHARED WITH BORROWERS

Mr. WHITTEN. In order to borrow from the Federal land bank or from the local production credit association, my recollection is that you have to buy so much stock in order to be eligible for a loan.

Mr. JAENKE. Yes, sir.

Mr. WHITTEN. Once you pay off that loan you get a refund of what you paid for the stock and not what it might then be worth. Is that right?

Mr. JAENKE. You get the value you placed into it. Par value.

Mr. WHITTEN. That is what you paid in the first instance?

Mr. JAENKE. Yes, sir.

Mr. WHITTEN. Any profits that might have accrued are not profits but go to the net strength of the association or the land bank?

Mr. JAENKE. Or is paid as patronage refunds and dividends. Last year over $26 million was paid back to farmers as dividends or patronage refunds.

Mr. WHITTEN. It can be paid out in dividends?

Mr. JAENKE. Yes, sir. We are real pleased with the short drop in these bond rates. It has been long overdue. I expect that the next time we go to market for PCA or short-term money we will be under 7 percent.

SCHEDULED BOND SALES

Mr. WHITTEN. We had the Secretary of the Treasury before the full Committee on Appropriations recently and before that the Under Secretary for Monetary Affairs. The Government is now changing its approach in many of these lending programs. For example, TVA now goes into the market and sells bonds. Many other governmental agencies for which we used to have to appropriate the money now do the same thing.

We have changed the law so they are merely insured loans and they in turn have to pool notes to sell in the private markets.

In your case you call it bonds. We have so many governmental agencies involved; departments of Government going to the money markets for money. What system do you have whereby you attempt to keep from bumping noses and competing with each other? Do you have any method whereby you try to regulate who goes when?

Mr. JAENKE. Yes, sir, we do. We have a regularly scheduled pattern set in advance. In the case of the land banks, they go into the market four times a year. We know the exact dates.

Mr. WHITTEN. The description of the system is what I want.

Dr. ROARK. January, April, July, and October.

Mr. JAENKE. In the case of the short-term part of the system, they go in once a month. That day is also known.

Mr. WHITTEN. Which means all the other governmental agencies are aware of these?

Mr. JAENKE. We are not required to clear our issues with Treasury. The law requires the Governor to approve these issues, but we do work quite closely with Treasury.

Mr. WHITTEN. You work by a definite procedure which can be relied upon by other agencies?

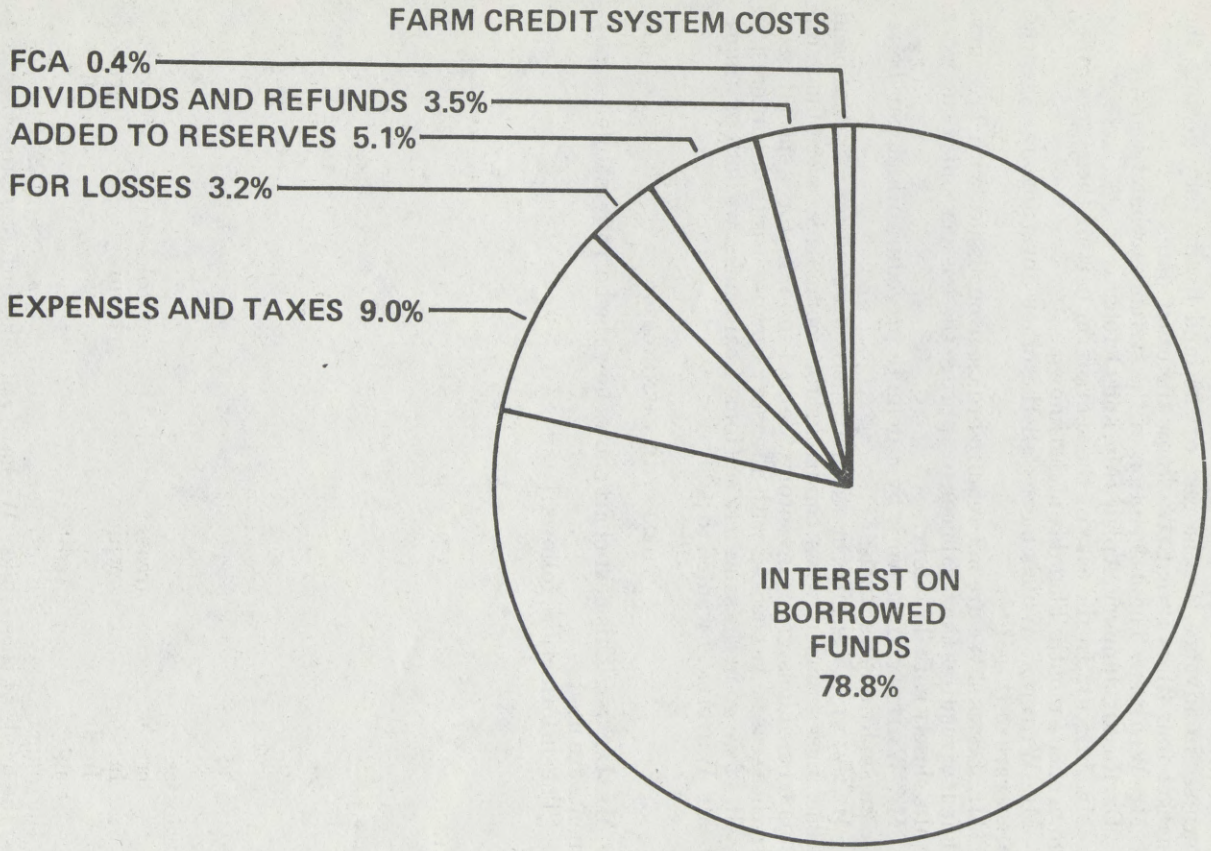
Mr. JAENKE. Yes, sir. On occasion, there is a need for a special bond issue. Last summer, when the banks for cooperatives were financing this tremendous grain inventory, we had to go in for a special issue. In those cases, we checked with Treasury because it is to our interest as well. If we go in the same day as Home Loan banks, we both pay more.

Mr. WHITTEN. I wanted to be sure.

WHERE THE EARNINGS GO

Mr. JAENKE. This next chart shows how the borrowers' interest payments are used.

[The information follows:]


FARM CREDIT SYSTEM COSTS
FCA 0.4%
DIVIDENDS AND REFUNDS 3.5%
ADDED TO RESERVES 5.1%
FOR LOSSES 3.2%
EXPENSES AND TAXES 9.0%
INTEREST ON BORROWED FUNDS 78.8%

Mr. JAENKE. Where does the farmer's dollar go? In our system almost 80 cents of that dollar is used to pay for interest expense on Farm Credit bonds. We have outstanding as of today about $19 billion. Expenses and taxes make up 9 percent. Of that, taxes are a little less than 2 percent, expenses about 7 percent. Reserves for losses, 3.2 percent. Also 5.1 percent is added to reserves. We have put these provisions in the regulations. Dividends and patronage refunds, 3.5 percent. Cost of Farm Credit Administration supervision, .4 of 1 percent. That is where the interest dollar goes.

Mr. EVANS. You have 3.2 percent in there for losses. How does that compare with your actual losses?

Mr. JAENKE. It is larger.

Mr. EVANS. How much larger?

Mr. JAENKE. Approximately 2 percent larger.

Mr. EVANS. Is this fairly stable? Is this the same picture that we have for others? Isn't that better than we had in the preceding 4 or 5 years?

Mr. JAENKE. Better in terms of how much we are putting away?

Mr. EVANS. Yes.

DELINQUENCY RATE IMPROVED

Mr. JAENKE. It is a little better this year. There have been fewer delinquencies this year, and fewer losses. Let me mention a little more on this 3.2 percent for losses. We serve only one industry. We don't lend to anybody but farmers and ranchers. plus a few housing loans out in the country. If, as Congressman Andrews suggested before, we have some kind of a economic downturn, all of the risk is centered in one industry. You must have to have a little more in reserve when you are dealing with a single industry than when you have your loans scattered in 8 or 10 industries. We think that the 3.2 percent figure is probably at the very minimum in terms of the uncertainties in agriculture that we have experienced in the last 2 or 3 years.

Mr. EVANS. Has that 3.2 percent figure been a constant figure?

Mr. JAENKE. No; it has been slowly growing. We are trying to keep a little larger reserve because of the greater risk. We are funding 25 or 26 percent of all the financing used in American agriculture. As more and more people depend on that one source of credit, the Farm Credit System has a greater responsibility to keep adequate reserves for losses.

We have some new areas. Carroll Atkinson told you a little of the young farmers meeting which we will be returning to this afternoon out in Indianapolis. If you recall, the Commission on Agricultural Credit and the Farm Credit Act of 1971 urged us to take a look. It is in the same tone of your questions, Mr. Chairman: Are we really meeting the needs of these folks? We have put this conference together and we will give this committee a report by early next week on the results. It is a listening conference.

AVERAGE AGE OF BORROWER YOUNGER

Last year the average age of land bank borrowers dropped 5 years. New land bank loans made to farmers and ranchers last year was to farmers 5 years younger than before.

Mr. WHITTEN. You mean you squeezed out the older ones?

Mr. JAENKE. No, sir. As I recall, the average age is down to 42 years of age right now.

There are several reasons for this. The larger amount of loans that you can make now. Before we were limited to, in effect, 50 percent of market value. Now we are able to go lend more on land we can help with these fellows who need more capital and can't come up with the equity.

LOANS FOR NONFARM RURAL HOMES

I mentioned the rural homes—6,500 loans for about $140 million as of this point through Federal Land Banks.

Mr. BURLISON. What percentage of your money is in the nonfarm, rural housing area?

Mr. JAENKE. About $140 million out of $11 billion. 1¼ percent——

Mr. BURLISON. The law limited it to 15 percent?

Mr. JAENKE. Fifteen percent.

Mr. BURLISON. You are way, way short?

Mr. JAENKE. Yes.

Mr. BURLISON. What the law permits?

Mr. JAENKE. Yes, sir.

Mr. BURLISON. It does not require that?

Mr. JAENKE. No. The program is only 15 months old and it is growing at a very rapid rate. I am not saying we are going to be anywhere near 15 percent, but we will be higher next year.

LOANS TO RURAL ELECTRIC COOPERATIVES

This Congress passed a law saying rural electric cooperatives should tap private sources of capital. One of these would be the banks for co-ops. They have on a very limited basis. There is about $23 million, a relatively small amount of loans to rural electrics. There is a great deal of interest on the part of a number of the rural electric cooperatives and their related Generation and Transmission Cooperatives to come to a bank for their funds. They think the bank for cooperatives is better able to serve their needs. About 40 percent of the REA leadership at local, district, and State levels consists of persons who are also PCA or other Farm Credit System people. There is a piece of legislation pending before the Legislative Committee of this body. It has already passed the Senate, which would open up bank for cooperatives lending to rural electrics while still keeping farmer control.

Mr. EVANS. Isn't that going to provide difficult days ahead for your rural electric banks?

Mr. JAENKE. No, sir, I don't believe so. The needs in the rural electrification program are so great that realistically speaking their own bank is not likely to be able to meet those kind of requirements. It is going to take their bank and other large banks, plus the 2-percent money and 5-percent money that the Rural Electrification Administration is able to put out to begin to meet these needs. They have some pretty firm estimates concurred in by the Rural Electrification Administration of $4.9 billion needs. These are hard estimates; not just dreams of some expansion of generation transmission capabilities.

Mr. EVANS. What is the total amount of money that you have out on loan?

Mr. JAENKE. Loans approved totaled about $23 million on January 31, a very small amount relative to those kinds of needs.

AQUATIC LOANS

In the case of fisherman loans, there is a new authority in the act of 1971. It has been tremendous. That rate charged to a commercial fisherman in Oregon was around 13½ percent. Production Credit Associations made a loan to this man for a boat and some equipment. He was an experienced fisherman, and that loan was made at 8¾ percent. You can imagine what happened to the rest of the loans in that area. It has been healthy—giving these farmers of the sea—an opportunity to borrow money at a reasonable rate.

We now have about $20 million in loans to commercial fishermen.

Mr. SMITH. What about that particular program; isn't it true that it costs about as much for them to go out and get the fish and put them on board their boats as it does to raise the fish, where you commercially feed them?

Mr. JAENKE. It depends on the kind of fish that you are talking about. In the case of shrimp and saltwater fish it is very, very difficult to grow them in controlled waters. In the case of catfish and some of the others it is very economical.

Mr. SMITH. You are not making loans to them on the basis of that kind of fishing?

Mr. JAENKE. No, sir. I am sorry, I overlooked that. We have long made loans for catfish farming. We are speaking here of fishing in uncontrolled waters. These fishing boats go off and get the shrimp off the coast of Oregon.

Mr. SMITH. They are not looking for the kind of fish raised in these ponds?

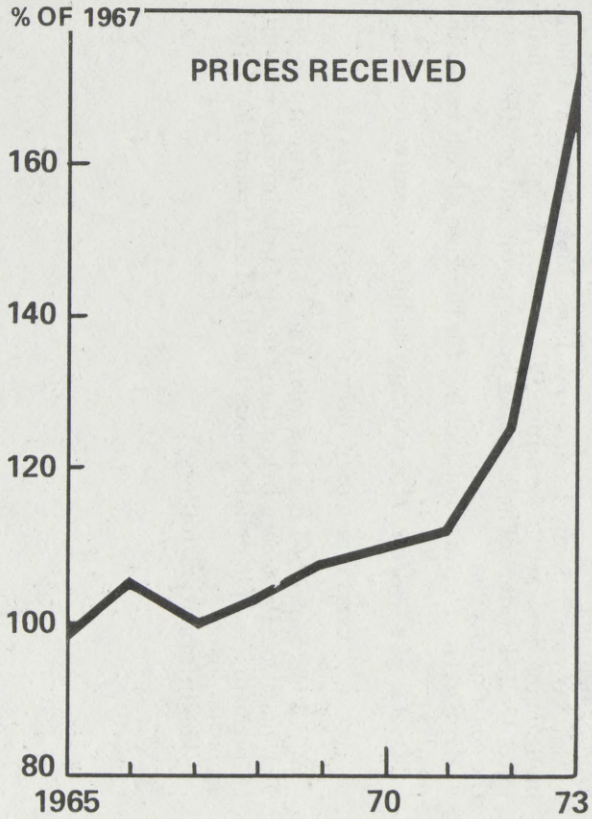
Mr. JAENKE. No, sir. It is shrimp, shellfish, or saltwater fish.

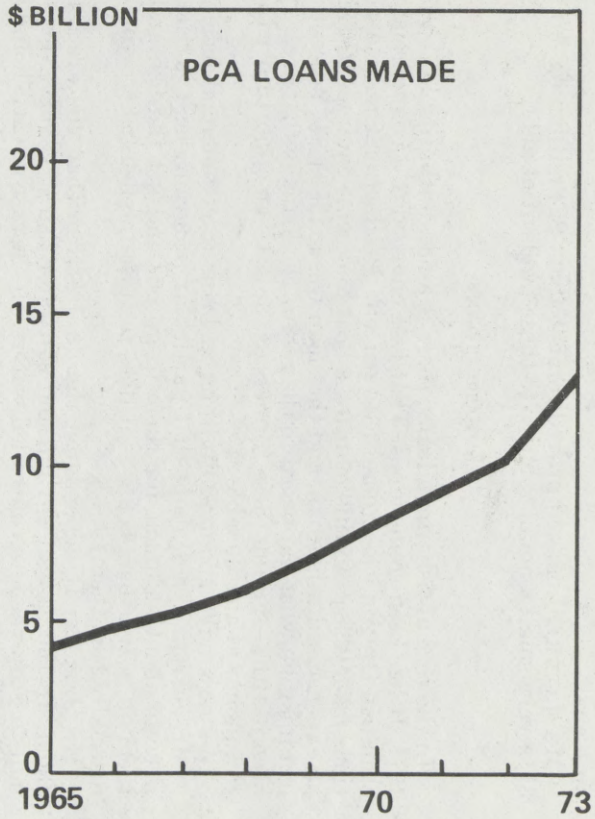
EFFECT OF COMMODITY PRICES ON PCA LOANS

What has happened this last year and what it has meant to farmers. You had Don Paarlberg bring the statistics in before the committee as to farm prices. This chart shows the trend in Production Credit Association loans.

[The information follows:]

## THE COMMODITY PRICE IMPACT



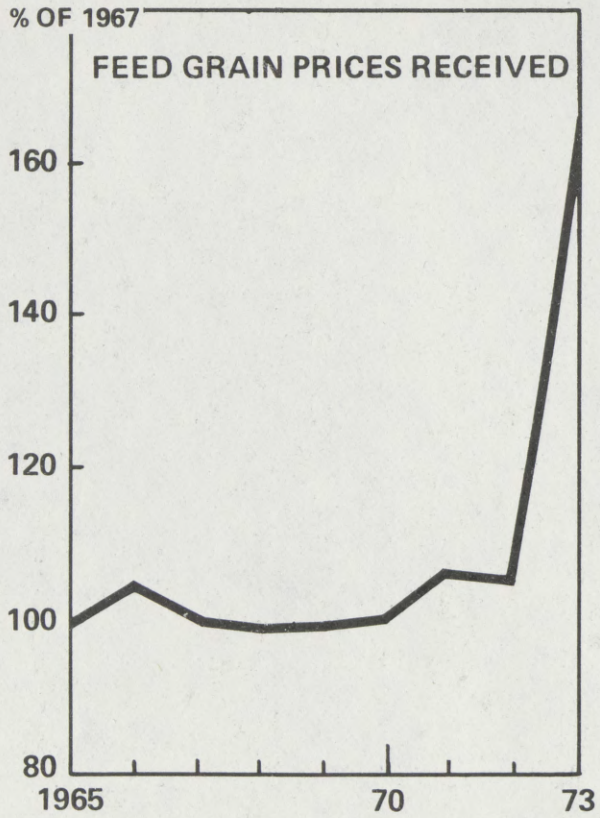



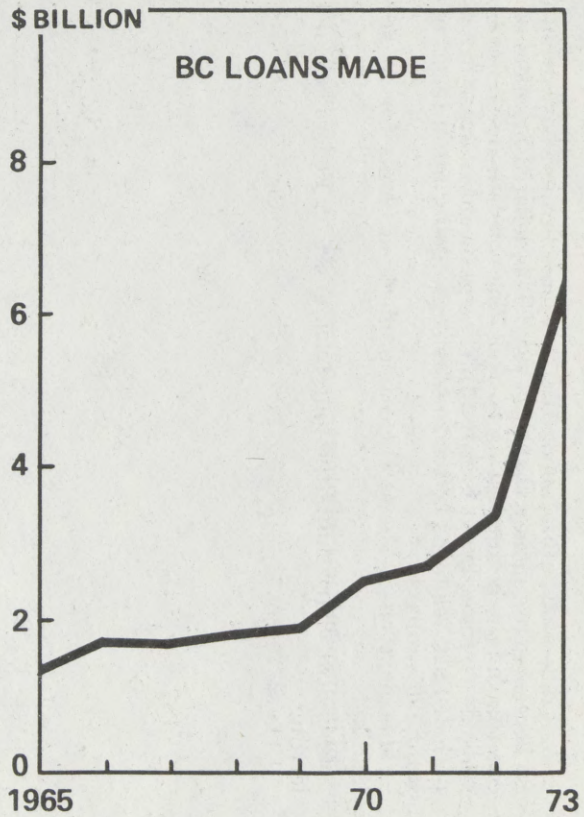
As I indicated before, about 3 percent more farmers borrowing about 20 percent more money than last year. The deflated numbers on that one that might be interesting to you. The constant dollar brings the slope down some, but it is still a fairly significant increase in a 5-year period. Last year was better for farmers—going up in terms of constant 1967 dollars.

This next chart shows this same effect on banks for cooperative lending.

[The information follows:]

## THE GRAIN MARKET IMPACT



Again comparing feed grain prices and the amount of Banks for Cooperatives loans made, a very, very sharp increase. This got up to almost $6¼ billion at one time when farmers were borrowing money against their wheat, and their local co-ops were in turn borrowing the money from the banks for cooperatives.

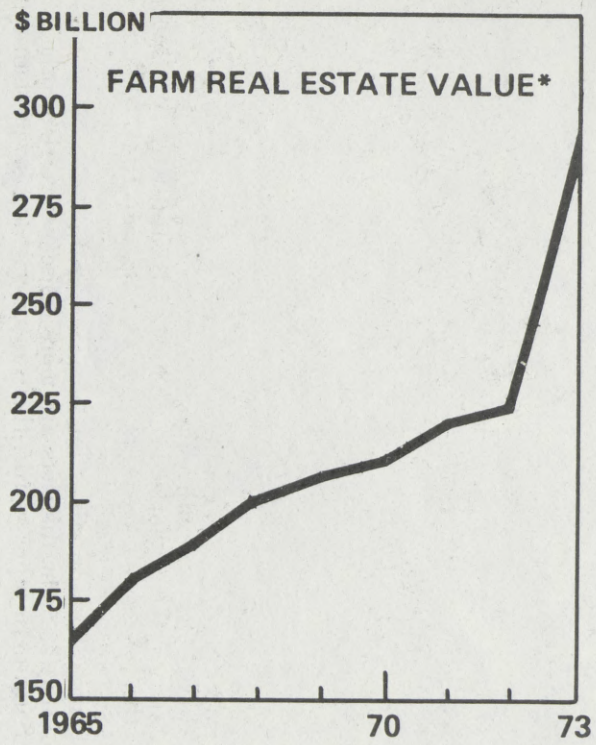
Here again without inflation the net result last year was roughly the same.

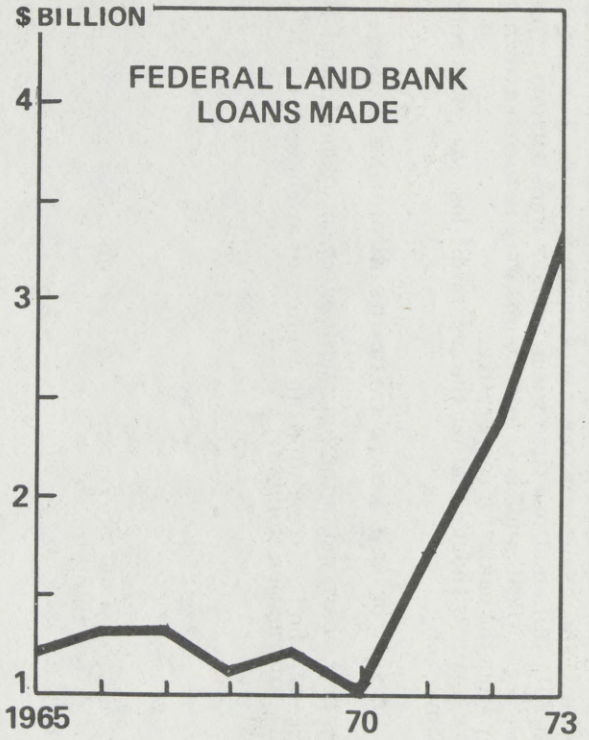
EFFECT OF REAL ESTATE VALUES ON LAND BANK LOANS

This next chart shows the long term effect on Federal Land Bank lending.

[The information follows:]

## FARM REAL ESTATE IMPACT




*PRELIMINARY

We talked about this 20 percent increase in farm real estate value. It does concern us a great deal. As I indicated to Congressman Andrews a minute ago, it puts a real pinch on young fellows. Young farmers at this Indianapolis meeting say they have got a problem trying to purchase land.

Mr. WHITTEN. Let me interrupt you to say I wish to commend you for your efforts in regard to young farmers. The need to get young people into farming is really important from the standpoint of the American consumer. Economically, agriculture has had so little to offer to young people. The cost of real estate is now all out of proportion to the expected income. It just makes for lots of reasons why a young man, who has to get up to an average of around $80 to $100,000 to get started, looks in other directions. It is certainly to the interests of the American consumer to get some other people interested in agriculture because we have seen it constantly, year by year, where those in agriculture are getting older and older and they are not being replaced by younger farmers.

Somewhere along the line we will go hungry if we don't get young people into farming. So I am glad to see you are making a special effort. It is one thing to interest somebody, it is another thing to make the money available so they can do it. So I am glad to see you are doing both.

LAND BANK LOANS COMPARED TO INSURANCE COMPANY LOANS

Mr. SMITH. In the case of land bank loans, you are loaning less than insurance companies, are you not?

Mr. HARDING. I cannot answer that question.

Mr. SMITH. I understand all year long insurance companies are lending more money than the land banks; that is why people are saying the land bank does not need a loan.

Mr. JAENKE. I would be very surprised if that is true.

Mr. SMITH. There have been times in the past when it was just the opposite; insurance companies did not want to be bothered. Right now they are lending more.

Mr. JAENKE. They are lending more than 80 percent of an appraised value of a piece of land?

Mr. SMITH. Your appraised value is too low. You are using bench marks.

Mr. JAENKE. We should not be doing that.

Mr. SMITH. As of a month ago you were.

Mr. JAENKE. We authorized some guides. Basically, we are awfully close to the current market value. Maybe if a piece of land has jumped another $20 to $100 an acre——

Mr. SMITH. They are still using bench marks.

Mr. JAENKE. Some districts are more conservative than others.

Mr. SMITH. In other words, their appraisals are lower than other people's. They are not recognizing the advances made in farm profits.

Mr. JAENKE. This is the first time I have heard this complaint. We will look into it.

Mr. SMITH. I heard about it this year, not in previous years.

Mr. JAENKE. Last year, as we discussed before this committee, unless you had a one-half or three-quarter-million dollar loan, the insurance company just would not even talk to you.

Mr. SMITH. That is right.

Mr. JAENKE. They are now back in a little more but I did not think they were lending significantly more per acre than Federal land banks.

Mr. SMITH. Yes. The difference is in what the appraisal is.

Mr. JAENKE. We ought to check on that. It is the first time I have heard it.

Mr. HARDING. I have heard in recent days some concern out in the Far West, where they are putting in some of the specialized irrigation areas, that the insurance companies are coming in and lending more money than the land bank. But until this meeting out in Indianapolis I had not heard this. It is interesting to hear and we will follow up on it.

Mr. SMITH. They are appraising on the basis of market value supported by sales, current sales, in most instances. Now they are using in Omaha, and some of the other areas, as guides some of the factors in the old benchmark approach.

FERTILIZER SHORTAGE FORECAST

Mr. JAENKE. You were talking with Don Paarlberg a few minutes ago. We are very much concerned—and I do not mean to depreciate his statement of this 5-percent shortage of fertilizer, but we just cannot find anyone in our system that feels 5 percent is the correct figure.

They are thinking closer to a 15-percent shortage. It is going to be much more critical in certain areas.

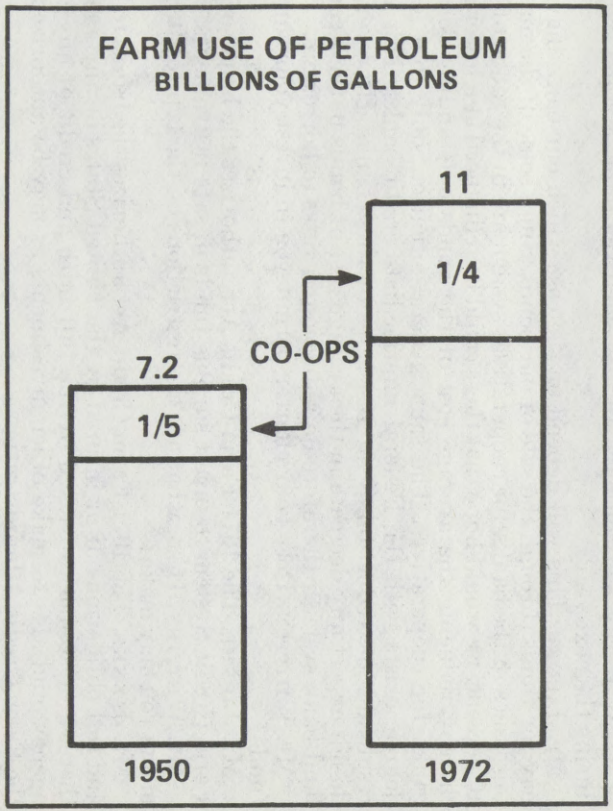
In Omaha, Nebr., last week, I was visiting with some people from Iowa. They are convinced that the corn production is not going to be as high as the estimates of the Government, but that the soybean production is going to be higher because there is no fertilizer available out there.

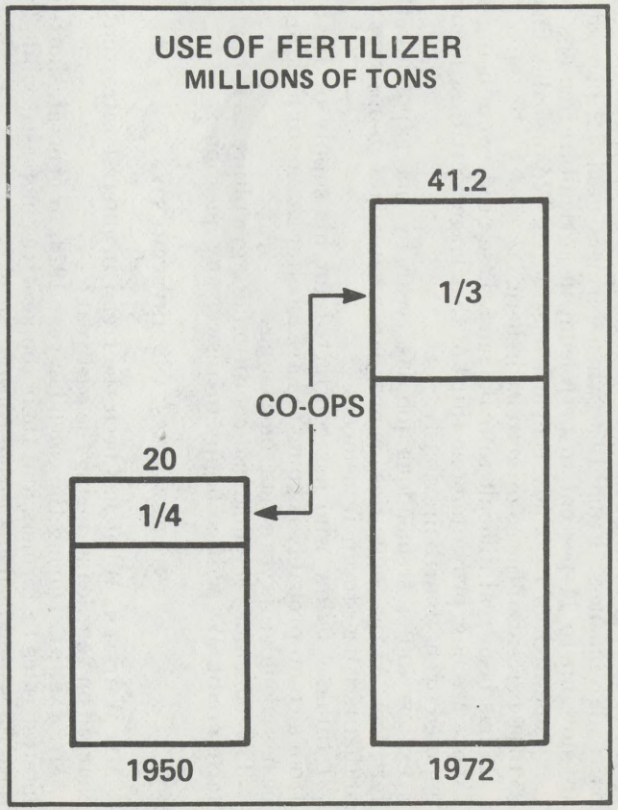
Mr. WHITTEN. I mentioned this earlier in the hearings here. I was in a local store the other day, some lady I never saw before was four or five people ahead of me in the line in the store; she was talking a whole lot, and said gasoline just simply was not short. I worked my way up to her, I said, "I can't find it, so it is short to me." I do not know what the fertilizer situation is, but when the fertilizer dealers in my area tell me they cannot get anybody to sign a contract for delivery, it is short for that area. What the national picture is I do not know.

Mr. JAENKE. As brought out by several members of the committee, the comparison with last year is meaningless, because we have another 15, 20, 25 million acres back into production that will need fertilizer. As you can see by this next chart the co-ops have an increasing share in both production and use of fertilizer and petroleum.

[The information follows:]

## ENERGY AND AGRICULTURE




30-100 (Pt. 1) O - 74 -- 27

Co-ops are big in this area, and increasing their participation in this particular business. From 1950 when farmers used 7.2 percent, we are now up to 11 percent in petroleum in agriculture; co-ops were using one-fifth in 1950, now they use one-fourth. We probably finance 85 to 90 percent of the co-op activity in here.

It has been real difficult to make sure these needs were being met. Co-ops are now providing one-third of that larger fertilizer figure, as opposed to one-fourth previously.

Co-ops did a tremendous job last year by not exporting their fertilizer. As the committee members are aware, most co-ops kept most of that fertilizer for their members.

I think a fellow who has contracted for his supply of fertilizer from a co-op probably is going to have a better chance of making sure he has enough this year than someone else.

This concludes the financial condition of agriculture as it relates to farm credit. We will be happy to answer any questions.

### INTEREST RATES AND INVESTMENTS

Mr. WHITTEN. What has been the trend in interest rates you have charged on your loans during the past year?

Mr. JAENKE. During the calendar year 1973, in general, short-term interest rates to farmers and their cooperatives increased while long-term rates remained at a rather constant level.

Mr. WHITTEN. Do you have an idea what the interest trend will be during the next year?

Mr. JAENKE. This will depend on the cost which our banks have to pay for funds through the sale of our bonds. Since some of the maturing issues in the banks for cooperatives system are in the range of 9 to 10 percent, we would hope that these could be refinanced at a lower rate thereby reducing the average cost of the bonds outstanding for the banks for cooperatives. The same general situation, only to a lesser degree, exists with the Federal intermediate credit banks. This may result in some reduction of interest rates by these banks. However, we do not expect any decrease in the average cost of bonds in the Federal land bank system; therefore no reduction in rates to borrowers.

Mr. WHITTEN. Does your charter permit you to invest your surplus funds?

Mr. JAENKE. The 1971 Farm Credit Act authorizes the banks of the Farm Credit System to invest surplus funds in safe instruments.

Mr. WHITTEN. If so, what are the restrictions on the type of investments you may make?

Mr. JAENKE. The 1971 Farm Credit Act authorizes the banks to buy and sell obligations of or insured by the United States or any agency thereof, or securities backed by the full faith and credit of any such agency, and also to make other investments as may be authorized by the Farm Credit Administration.

### OFFICE SPACE

Mr. WHITTEN. Please insert for the record a tabulation indicating by location the annual rental costs and square footage per installation.

Mr. JAENKE. We will insert that information for the record.

[The information follows:]

FARM CREDIT ADMINISTRATION OFFICE SPACE

| Location | Square footage | Annual rental |
|---|---|---|
| 475 L'Enfant Plaza, West Washington, D.C. | 38,560 | $262,893 |
| 2530 Divine St., Columbia, S.C. | 2,537 | 13,028 |
| 11710 Administration Dr., St. Louis, Mo. | 2,496 | 14,851 |
| 2850 Metro Dr., Bloomington, Minn. | 2,660 | 17,423 |
| | 46,253 | 308,195 |

Mr. WHITTEN. Do you rent all of your office space, or do you provide your own quarters in some instances?

Mr. JAENKE. We rent all office quarters occupied by the Farm Credit Administration. In about 1969 the General Accounting Office ruled that Farm Credit Administration should pay rent for the space it occupied in the South Agriculture Building. This ruling was premised on the fact there was no longer any appropriated moneys in the system.

BUDGET TRENDS

Mr. WHITTEN. Please insert for the record a listing of your administrative expenses by objective classification for the past 4 years.

Mr. JAENKE. The information will be inserted for the record.

[The information follows:]

FARM CREDIT ADMINISTRATION—ADMINISTRATIVE EXPENSES BY FISCAL YEARS

[In thousands of dollars]

| Object class | Fiscal year— | | | |
|---|---|---|---|---|
| | 1970 | 1971 | 1972 | 1973 |
| Personnel compensation | 3,155 | 3,407 | 3,668 | 3,740 |
| Personnel benefits | 243 | 285 | 308 | 380 |
| Benefits for former personnel | | | | |
| Travel and transportation of persons | 398 | 435 | 464 | 611 |
| Transportation of things | 6 | 3 | 9 | 3 |
| Rent, communications, and utilities | 79 | 105 | 176 | 428 |
| Printing and reproduction | 21 | 30 | 42 | 32 |
| Other services | 62 | 36 | 165 | 123 |
| Supplies and materials | 29 | 40 | 64 | 49 |
| Equipment | 17 | 31 | 202 | 92 |
| Total | 4,010 | 4,372 | 5,098 | 5,485 |

Mr. WHITTEN. What were your actual expenditures in fiscal year 1973 and what do you propose in fiscal years 1974 and 1975 for entertainment expenses?

Mr. JAENKE. As you know the Farm Credit Act of 1971 authorized the Farm Credit Administration to pay, from its administrative funds, limited official function expenses. These expenditures are made only after approval by me if the total is over $50. The data you requested will be included for the record.

[The information follows:]

*Farm Credit Administration—Official function expenditures*

| | |
|---|---|
| Actual, 1973 | $6,664 |
| Estimated, 1974 | 6,000 |
| Estimated 1975 | 6,000 |

Mr. JAENKE. The bulk of these expenditures were incurred for meeting facilities and group luncheons during conferences on reviewing and improving regulations written under the Farm Credit Act of 1971 and analyzing current credit problems. Approximately 20 percent was spent in discussions with various farm organizations and national leaders on credit problems in agriculture. Other activities, such as National Farmers Day and the 20th anniversary meeting of the Federal Farm Credit Board accounted for the remainder.

LOSS AND DELINQUENCY EXPERIENCE

Mr. WHITTEN. To what extent are you able to fulfill the loan requests made on the various agencies of your organization?

Mr. JAENKE. We have never turned a loan down because of lack of funds. One reason we have been able to meet these loan requests is independent entries into the bond market that we discussed earlier in this hearing.

Mr. WHITTEN. What has been your loan default experience during the past 2 years?

Mr. JAENKE. Very good, as you can see from these tables submitted for the record.

Farm Credit Administration
Losses and Provisions for Losses -

| | Year Ended | Actual Losses | Provision for Losses | Total | Loans Outstanding | As a % Loans Outstanding Losses | As a % Loans Outstanding Total |
|---|---|---|---|---|---|---|---|
| **1973** | | | | | | | |
| Federal Land Banks | 12/31 | $(134,118) | $ 80,451,772 | $ 80,317,654 | $11,073,276,150 | - | 0.73 |
| Production Credit Assns. | 12/31 | 805,877 | 228,740,125 | 229,546,002 | 7,859,553,610 | 0.010 | 2.92 |
| Federal Int. Cr. Bks. | 12/31 | (46,763) | 787,748 | 740,985 | 7,198,488,822 | - | 0.01 |
| Banks for Cooperatives | 6/30 | 11,862 | 18,240,494 | | 2,061,401,337 | - | 0.89 |
| **1972** | | | | | | | |
| Federal Land Banks | | $ 126,939 | $ 63,919,913 | $ 64,046,852 | $ 9,104,930,176 | 0.001 | 0.70 |
| Production Credit Assns. | | 6,322,663 | 192,499,848 | 198,822,511 | 6,096,116,287 | 0.103 | 3.26 |
| Federal Int. Cr. Banks | | (46,018) | 22,173 | 23,845 | 6,636,075,451 | - | - |
| Banks for Cooperatives | | 523,573 | 32,288,728 | | 2,235,826,848 | 0.023 | 1.47 |

Number and Amount of Delinquencies - Calendar Years Ending December 31

| | Total Number Loans Outstanding | Delinquencies | As a % of Total | Total Amount Loans Outstanding (000) | Amount of Delinquencies (000) | As a % of Total |
|---|---|---|---|---|---|---|
| **1973** | | | | | | |
| Federal Land Banks | 420,487 | 11,501 | 2.7 | 11,073,276 | 40,158 | .36 |
| Banks for Cooperatives | 3,011 | 61 | 2.0 | 2,061,401 | 3,093 | .15 |
| **1972** | | | | | | |
| Federal Land Banks | 408,324 | 16,216 | 4.0 | 9,104,930 | 26,299 | .29 |
| Banks for Cooperatives | 3,004 | 80 | 2.7 | 2,235,827 | 11,188 | .50 |

## FARM CREDIT ADMINISTRATION

Foreclosures - Calendar Years ending December 31, --

| | Acquired | Disposed of | Consideration | Consideration as % of Investment | On Hand 12/31 |
|---|---|---|---|---|---|
| **1973** | | | | | |
| Federal Land Banks | | | | | |
| Amount | $1,905,892 | $2,126,919 | $2,444,474 | 114.9% | $185,395 |
| Number | 6 | 9 | – | | 3 |
| **1972** | | | | | |
| Federal Land Banks | | | | | |
| Amount | $438,156 | $750,736 | $708,959 | 94.4% | $183,767 |
| Number | 9 | 10 | – | | 6 |

## PRODUCTION CREDIT ASSOCIATIONS

Credit Examinations: Classification summary and comparisons, System totals, 1965-73

| Year | Total classified loans outstanding at examination date | | | Problem loans - 1969 through 1973 (Class "C" loans - 1965 to 1968)[1] | | | Vulnerable loans | | | Loss loans | | | Total vulnerable and loss loans | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Amount | Average amount | Number | Amount | Percent of total amount classified | Percent of Number | Amount | Percent of total amount classified | Number | Amount | Percent of total amount classified | Amount | Percent of total amount classified |
| 1965 | 239,109 | $2,569,051,360 | $10,744 | 36,340 | $671,409,597 | 26.1 | 2,110 | $47,251,641 | 1.9 | 1,046 | $15,736,899 | .7 | $62,988,540 | 2.5 |
| 1966 | 225,817 | 2,898,866,180 | 12,837 | 34,680 | 732,439,692 | 25.3 | 1,578 | 39,603,803 | 1.4 | 974 | 16,220,961 | .6 | 55,824,764 | 1.9 |
| 1967 | 208,314 | 3,303,907,348 | 15,860 | 33,183 | 864,687,235 | 26.2 | 1,532 | 48,032,682 | 1.5 | 883 | 17,985,651 | .5 | 66,018,333 | 2.0 |
| 1968 | 208,471 | 3,759,621,080 | 18,035 | 34,841 | 1,032,173,174 | 27.5 | 1,651 | 61,656,122 | 1.6 | 906 | 22,333,025 | .6 | 83,989,147 | 2.2 |
| 1969 | 217,622 | 4,167,109,789 | 19,148 | 14,657 | 570,950,144 | 13.7 | 1,150 | 47,977,095 | 1.1 | 796 | 19,500,330 | .5 | 67,477,425 | 1.6 |
| 1970 | 193,852 | 4,824,952,224 | 24,890 | 13,251 | 652,579,552 | 13.5 | 1,069 | 53,630,562 | 1.1 | 775 | 27,121,287 | .6 | 80,751,849 | 1.7 |
| 1971 | 196,130 | 5,656,449,487 | 28,840 | 13,374 | 827,901,013 | 14.6 | 1,257 | 75,134,851 | 1.3 | 864 | 38,852,314 | .7 | 113,987,165 | 2.0 |
| 1972 | 194,345 | 6,155,292,261 | 31,672 | 13,556 | 851,816,127 | 13.8 | 1,075 | 73,166,787 | 1.2 | 725 | 33,019,182 | .5 | 106,185,969 | 1.7 |
| 1973 | 174,426 | 6,408,463,132 | 36,470 | 9,828 | 697,128,432 | 10.9 | 741 | 50,362,577 | 0.8 | 445 | 23,667,984 | .4 | 74,030,561 | 1.2 |

[1]Reported for information only and cannot be used for comparative data due to change in classification standards.

NOTE: In 1965-73 loans in Puerto Rico are included.
For 1965-73 number represents number of members having loans outstanding. All data represents loans classified and excludes loans to patrons of cooperatives and other suppliers made at the point-of-purchase which were not classified, and small loans which were not classified.
In 1973 there were 2,788 point of purchase loans outstanding for $10,599,171 which were not classified and 143,266 small loans for $901,097,922 which were not classified

Farm Credit Administration - Accounting, Budget and Data Management Division

FEDERAL FARM CREDIT BOARD ACTIVITY

Mr. WHITTEN. How often does the Federal Farm Credit Board meet?

Mr. JAENKE. The Federal Farm Credit Board meets regularly bimonthly and occasionally at other times for special reasons such as the National Farm Credit Directors meeting.

Mr. WHITTEN. Please insert for the record a current listing of the membership of the Board.

Mr. JAENKE. The information requested will be provided.

[The information follows:]

THE FEDERAL FARM CREDIT BOARD

First Farm Credit District: Luther W. Jennejahn, Hilton, N.Y.
Second Farm Credit District: J. Homer Remsberg, Middletown, Md.
Third Farm Credit District: T. Carroll Atkinson, Jr., Marion, S.C., chairman.
Fourth Farm Credit District: Kenneth N. Probasco, Worthington, Ohio.
Fifth Farm Credit District: Ernest G. Spivey, Jackson, Miss.
Eleventh Farm Credit District: Earl S. Smittcamp, Clovis, Calif.
Sixth Farm Credit District: Melvin E. Sims, Liberty, Ill.
Seventh Farm Credit District: Alfred Underdahl, Hebron, S. Dak.
Eighth Farm Credit District: C. Everett Spangler, Omaha, Nebr.
Ninth Farm Credit District: James H. Dean, Hutchinson, Kans., vice chairman.
Tenth Farm Credit District: E. G. Schuhart II, Dalhart, Tex.
Twelfth Farm Credit District: E. Riddell Lage, Hood River, Oreg.
Secretary of Agriculture's appointee: Elton R. Smith, Caledonia, Mich.; Jon F. Greeneisen, Farm Credit Administration, secretary.

Mr. WHITTEN. What emoluments other than salary do the members of the Board receive?

Mr. JAENKE. None, other than the normal insurance and retirement benefits available to all Federal Government employees.

Mr. WHITTEN. Who is responsible for determining the level of your administrative expenses budget?

Mr. JAENKE. The Governor annually presents a proposed budget to the Federal Farm Credit Board. The Board approves the budget and the total cannot be increased without the Board's consent and approval.

1956–57 CONDITIONS NOTED

Mr. WHITTEN. This is along a different line, Governor Jaenke, but in the hearings of this past year, at my insistence we put in volume No. 9 a verbatim repeat of the hearings in 1956 and 1957 by this subcommittee. At that time we had about $8 to $10 billion in agricultural commodities on which we were paying storage, and the producers, the farmers were being hit over the head by the press and news media every day. It had been held up because our Government had followed a policy—all this is proven in the record, in the volume I am talking about—of holding surpluses off world markets at the insistence of our national business interests, so as to hold an umbrella over world production. These people were making fortunes down in Central and South America and everywhere else. Not only did we hold these products off world markets, but by holding them off the world markets, we counted them as part of the world supply and used them, under existing law, to curtail American acreage.

We had Secretary Benson, Mr. Butz was an Assistant Secretary at that time, to make a study as to how many farmers were put off the farm and out of business because of this policy. Their own figure, which you will find in that volume, was 53,000.

During that period you will find that the American Congress provided some $18 billion to American industry so they could convert to peacetime activity. They did no such thing for agriculture.

Under the new Farm Act we are getting back now to where we are not paying a fellow not to produce, but where we are sponsoring his production. I think this is necessary with an urban society such as we have today. More and more Congressmen come from our cities, and we are going to have to have a policy of production to keep the support of the urban areas. But the danger in such a thing is that if we tell the farmer to produce all this food and then we have it on hand and let some international merchants convince the State Department and then the White House to hold American production off of world markets again we will have the consumer up in arms, and the farmer may be badly hurt by adverse public reaction.

I commend that volume to you. We did not even comment, we just brought it forward. It clearly shows what can happen to us if we get farmers to go all out and produce and let the Government get into that fallacious policy of holding this production off world markets.

You say that may be too far out, that my fears are groundless. Well, I have that experience to support it. Not only that, but if you will notice in the last 6 months some rather prominent Members of the other body have contemplated introducing a bill to slap an embargo on exporting U.S. cotton production, so as to keep it here in the United States so that domestic mills can buy it at their pleasure and at their price.

So with U.S. Members of Congress advocating such a thing, my fears are not completely groundless. The more folks in your position and elsewhere that I can recall that situation to, the better chance we have to keep the Government from getting into it.

I am not going to embarrass you by asking you whether you read volume 9. I am going to ask you to get your hands on it and read it, because anybody else interested had better look and see what happened to us before, because we are on that same road, open to the same possibility, unless we learn the lessons of history.

Governor, we thank you a whole lot. I do think it is good for you to appear before this committee. You are before a friendly subcommittee. It is helpful to us, because we can in turn recommend the financing of Farmers Home Administration and these other agencies based upon some of the facts we learn from reviewing your agency.

The part that you are able to meet, we feel you should meet. But in our determination, we need to know what you are meeting so we will know what we have to do in these other areas.

I wish to thank you as chairman, as well as on behalf of the other members, for doing a very fine job, and we appreciate your appearance.

Mr. JAENKE. Thank you, sir.

# APPENDIX

## AGRICULTURAL RESEARCH SERVICE

(Note: Following is the report of the committee's Surveys and Investigations Staff, referred to on p. 55 of the hearings:)

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

February 21, 1973

MEMORANDUM FOR THE CHAIRMAN

Re: Research Activities of the
U. S. Department of Agriculture

By directive dated May 8, 1972, the Committee requested that an investigation be made of the activities and results obtained by the Agricultural Research Service and the other research agencies of the U. S. Department of Agriculture.

The investigation has been completed and the results are included in this report.

Respectfully submitted,

C. R. Anderson

C. R. Anderson, Director
Surveys and Investigations Staff
House Appropriations Committee

# I. INTRODUCTION

## A. Directive

By directive dated May 8, 1972, the Committee instructed that a study be made of the research activities of the Agricultural Research Service (ARS) and other research agencies of the U.S. Department of Agriculture (USDA). It was indicated that the study should include information and determinations concerning the following:

1. Supervision and prevention of duplication.
2. The establishment of research priorities in relation to the needs of the agricultural producer and the food and fiber needs of the country, including an assessment of the factors considered.
3. The system (and its operation) for assuring the full contribution of the available scientists to the overall needs of agriculture.
4. The general distribution of research funds between applied or problem-solving research versus pure research.
5. Evidence that agricultural scientists are aware of other related research and making use of the results.
6. Evidence that research projects are discontinued when results are not forthcoming or when priorities have changed.

## B. Scope of Inquiry

The Investigative Staff met with officials of the USDA in the Office of the Director, Science and Education, which has overall responsibility for the USDA's research program in agriculture. Thereafter, officials in each of the USDA agencies having research programs, namely the Agricultural Research Service, the Cooperative State Research Service, the Forest Service, the Economic Research Service, the Statistical Reporting Service, and the Farmers Cooperative Service, were interviewed. These interviews entailed a discussion of the approaches to research, the organizations for administering research activities, and means of

coordinating their research efforts.

In view of the fact that the ARS conducts the major research effort in farm research and recently reorganized its administration of research, the Investigative Staff centered its inquiry primarily in a study of this organization. A review was made of the composition of the ARS as it existed prior to reorganization and following reorganization. Officials of the ARS at the headquarters level in Washington, D. C., were interviewed and administrative memoranda and instructions relative to the reorganization were reviewed and discussed. Procedures for initiating research programs, for determining priorities, and for supervision of research efforts were reviewed at the headquarters level.

The Investigative Staff visited the ARS Regional Office at Beltsville, Maryland, and an ARS Area Office at Hyattsville, Maryland, to determine how these offices function in program planning, administration, and supervision of research activities. The Investigative Staff visited the ARS Regional Offices at New Orleans, Louisiana, and Berkeley, California; and ARS Area Offices at Stoneville and State College, Mississippi; Tifton and Athens, Georgia; Gainesville, Florida; College Station, Texas; Tucson and Phoenix, Arizona; and Riverside, California.

Visits were also made to a number of special laboratories wherein research is being conducted in support of programs designed to find alternatives to pesticides for control of insect populations and to increase crop production.

Visits were also made to locations where pilot tests are being run to suppress or eradicate insect populations, such as the cabbage looper on St. George Island, Florida; the corn earworm and tobacco budworm on St. Croix, Virgin Islands; the Hawaiian fruit flies on Lanai, Hawaiian Islands; and the codling moth at Yakima, Washington.

During the field trips, interviews were had with representatives of the

State Experiment Stations in Mississippi, in Georgia, in Florida, in Texas, and in California, with respect to the coordination of state programs with the in-house Federal programs.

Interviews were also had with officials of the National Science Foundation and the Environmental Protection Agency, both sponsors of substantial grants to the University of California for research on biological control of insects as a part of the International Biological Program.

Interviewed at the University of California, Berkeley, California, was the principal investigator and project director of a group involving nineteen universities, segments of the ARS, the Forest Service, and elements of private industry who are joined together in a major effort to develop new, reoriented, expanded, and closely coordinated research seeking practical alternatives to the extensive use of broad-spectrum toxic chemicals for control of certain insect pest complexes.

C. Legislative Authority for Agricultural Research

The USDA is authorized by the Congress to conduct both basic and applied agricultural research. There are several basic authorizations, which are general in nature and form the framework wherein the Department conducts and supports research. In addition, there were 28, or perhaps more, specific authorizations which cover specific studies of farm crops, animals, markets, the construction of special laboratories, and other agricultural topics and problems.

The general authorizations, on which the Department's continuing research programs are based are contained in nine Acts of Congress. These Acts are:

1. The Organic Act of 1862 (May 15, 1862)

The Organic Act of 1862, in addition to establishing the Department of Agriculture, authorized the Department to perform a research function in relation to agricultural matters.

2. The Organic Act of 1862 (July 2, 1862)

This Act donated public lands to the states and territories to provide colleges which may benefit agriculture and the mechanic arts. These land grants were made to endow, support, and maintain a course of study related to agriculture and the mechanic arts.

3. The Hatch Act of 1887, as amended (P.L. 84-353)

The original Act established the State Agricultural Experiment Stations for the conduct of original and other research, investigations, and experiments contributing to the establishment and maintenance of an effective agricultural industry. The Secretary of Agriculture is charged with the administration of this Act. As amended in 1955, the Act became the primary source of authorization for the states to conduct agricultural research in connection with, and supported by, the Federal Government. There is a fund matching requirement.

4. The McSweeney-McNary Act of 1928, as amended (P.L. 70-466)

This Act authorized the Department to do research in reforestation and growing, managing, and utilizing timber, forage, and other forest products, maintaining favorable conditions of water flow and the prevention of erosion, protecting timber and other forest growth from fire, insects, disease, or other harmful agents, obtaining the fullest and most effective use of forest lands, and to determine economic considerations which should underlie the establishment of sound policies for managing forest land and utilization of forest products. The Act further provided for the Department to cooperate with other public and private agencies, institutions, and individuals. The Act also authorized the Department to receive money contributions from cooperators to use in research activities.

5. The Research and Marketing Act of 1946, as amended (P.L. 79-732)

This Act gave broad authorization to the Secretary of Agriculture for research into basic laws and principles relating to agriculture and to improve and facilitate the marketing and distribution of agricultural products. The authorization included research to improve the quality of, and the development of, new and improved methods of the production, marketing, distribution, processing, and utilization of plant and animal commodities at all stages from the original producer to the ultimate consumer. The Act further provided authority to conduct research in the areas of human nutrition, development of new uses and markets for agricultural commodities and agricultural resources. The authorization provided for research relating to conservation development and the use of land, forest, and water resources. The Secretary of Agriculture was authorized to enter into contracts with public or private organizations or individuals when in his judgment the research could be carried out more effectively, more rapidly, or at less cost than if performed by Department personnel.

6. The Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480)

The Act authorized the sale of agriculture commodities to friendly countries. The amendment authorized the use of foreign currencies accruing from such sales for a variety of research activities, such as developing new markets, disseminating scientific and technological information, and conducting research overseas.

7. Basic Research Grants (P.L. 85-934)

This Public Law authorized Federal agencies to make grants for basic

scientific research to nonprofit institutions of higher education or nonprofit organizations whose primary purpose is the conduct of scientific research.

8. The McIntire-Stennis Act of 1962 (P.L. 87-788)

This Act authorized the Secretary of Agriculture to cooperate with the states for the purpose of encouraging and assisting them in carrying out programs of forestry research and to increase scientific competence of foresters through graduate study. All funds must be matched.

9. Special Research Grants (P.L. 89-106)

This Public Law authorized the Secretary of Agriculture to make grants to State Agricultural Experiment Stations, colleges, universities, and other research institutions and organizations and to Federal and private organizations and individuals for basic and applied research to further the programs of the Department.

## II. THE ORGANIZATION OF RESEARCH IN USDA

Agricultural research activities are administered by six agencies within the Department and the National Agricultural Library. The six agencies conduct and/or support a comprehensive agricultural research program in crop and livestock production, in plant and animal diseases, in farm management, in forestry, in entomology, in soil and water conservation and management, in market quality and transportation facilities, in nutrition and consumer use of food and fiber, in agricultural engineering, in farm cooperative organizations, in processing and utilization of agricultural products, and in agricultural economics. Both basic and applied research are undertaken as dictated by the problems of national and regional concern to agriculture, as well as those problems that involve international relationships. The six USDA research agencies and their scope of activities are described as follows:

### A. The Agricultural Research Service

The ARS is the primary USDA agency engaged in both basic and applied agricultural research. It was established by the Secretary of Agriculture on November 2, 1953, under the authority of the Reorganization Act of 1949, Reorganization Plan No. 2 of 1953, and other authorities. It evolved from a previous organization known as the Agricultural Research Administration which was composed of a number of bureaus, each concerned with a particular crop or problem, but lacking any significant degree of coordination. Subsequent to the establishment of the ARS, certain of its functions have been transferred to other USDA agencies leaving the ARS with the principal responsibility for basic and applied research. For instance, plant and animal disease and pest control activities, previously carried out by the ARS, were transferred to the Animal and Plant Health Inspection Service effective October 31, 1971. The functions of

the Animal and Plant Health Inspection Service were in control and regulatory activities, rather than research, and its major objective is to protect the animal and plant resources of the Nation.

The ARS underwent a major reorganization on July 1, 1972, which revised its system for administering research activities, but did not affect the authority or responsibility for its research effort. Details of this recent reorganization, the status of the reorganization, and an evaluation of its effectiveness are discussed later in a separate section of this report.

The ARS conducts both basic and applied research in the fields of livestock, plant sciences, entomology, soil and water conservation, agricultural engineering, utilization and development, nutrition and consumer use, and marketing. Prior to the reorganization, each of these fields of endeavor were represented by a division of the ARS.

The ARS directs foreign-based research mutually beneficial to the United States and the host country which can be advantageously conducted in foreign research institutions and universities. This program is carried out under the authority of Public Law 480, as amended, by the utilization of foreign currencies generated from the sale of surplus agricultural commodities.

There are four general categories of research conducted by the ARS, namely, farm research, utilization and development research, nutrition and consumer use research and marketing research.

In farm research, investigations are conducted on production methods and improvement of field and horticultural crops and of farm livestock, poultry, and domestic fur animals, including means of control of plant and animal pests and diseases. Also under farm research, soil and water conservation research is conducted to develop new and improved soil and crop management practices, to

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improve irrigation and drainage methods, to develop information on watershed hydrology, and to determine the relationship of soils to plant and animal nutrition. Engineering studies are made to improve production and the harvesting and processing of farm crops.

In utilization and development research, the ARS conducts basic, applied and developmental research in the field of chemistry and related physical and biological sciences to determine basic knowledge of chemical composition and physical properties of farm commodities. This knowledge is used to develop new or improved products and processing technology that will enhance the utilization of farm products and expand the markets for agricultural products and at the same time reduce processing and distribution costs.

Nutrition and consumer use research investigations are conducted on human nutritional requirements, composition and nutritive value of foods, and on problems relating to consumer and food economics.

Marketing research investigations are directed toward increasing marketing efficiency by reducing product losses and costs, and improving methods of quality identification and measurement. This involves the development of solutions to problems encountered in the handling, storage, grading, and distribution of agricultural products from the farm through retail stores.

B. The Forest Service

The Forest Service conducts research in the entire field of forestry and the management of forest and related ranges. This includes the growth and harvesting of timber, its protection from fire, insects, and diseases, the protection and management of watersheds, and improved methods for development and management of recreation resources. It conducts studies in forest economics, the marketing of forest products, and surveys of the present extent, potential growth

and use of the Nation's forest resources. It also conducts research to develop new and improved products from wood, to increase efficiency of utilizing forest products, and to advance the efficiency and mechanization of forestry operations.

A small headquarters staff in Washington, D. C., has the responsibility for national program formulation and direction, interagency coordination, and research requiring frequent contact of scientists with national institutions. At the field level, the research organization is led by Directors of eight Regional Experiment Stations, the Forest Products Laboratory at Madison, Wisconsin, and the Institute of Tropical Forestry at Rio Piedras, Puerto Rico. These research centers supervise more than 3,700 studies in support of 325 research projects at 80 locations in 42 states and Puerto Rico. The Forest and Range Experiment Stations are responsible for solving regional problems, but many of their research programs have interregional, national, and even international significance. For example, each of three major Fire Research Laboratories has special national assignments, whereas the total program covers the full spectrum of investigations needed to prevent and control forest fires on a national basis.

The Forest Products Laboratory at Madison, Wisconsin, is the national center for research on wood and wood products. The program covers all aspects of wood from its formation during growth of the tree to its chemical makeup and physical properties. Utilization of wood in solid form as chips, as pulp, or as chemical constituents is the subject of intensive studies.

C. The Farmer Cooperative Service

The Farmer Cooperative Service helps farmers and other rural people develop new cooperative services and advises rural co-op officials to improve or expand existing cooperatives. The research program is focused on uniquely cooperative aspects of organization structure, financing methods, cost and efficiency,

merchandising methods, management practices, and member relations. It is dedicated to helping improve the economic income and the quality of life of the family farmer.

D. Economic Research Service

The Economic Reserch Service's program is designed to provide economic intelligence for the Department and other Federal decision-makers, farmers and related industries and the general public. The findings of this research effort are made available to the users through research reports and through economic outlook and situation reports on major commodities, the national economy, and the international economy. The studies are directed toward finding answers to current and emergency problems of agricultural production marketing, and resource development. The work is divided into three financial projects: farm economic research, marketing economic research, and domestic and foreign economic analysis.

The Economic Research Service functions through a central office in Washington, D. C., and a small field staff at each of 64 locations, principally the land-grant colleges and universities, throughout the United States. Much of the research is carried out in cooperation with State Agricultural Experiment Stations.

The Foreign Economic Development Service, a USDA organization to coordinate and administer the Department's programs in international development, technical assistance, and training, was combined with the Economic Research Service in January 1972. The personnel for this activity are stationed at Washington, D. C.; however, from time to time, staff members are stationed abroad under agreements with the Agency for International Development.

Officials of the Economic Research Service advised the Investigative Staff

that effort is being made to redirect its programs to make the projects more relevant to the times. Instead of looking at farm production of a product and then marketing of the product separately, the studies now entail the complete range of activities from supply of production inputs to the retailing of the products. These officials stated that effort is being made to expand the research in the export market area. Previous approaches of generalized research on a country by country basis have not provided the kind of information needed for export market development. Instead, the Service is now looking at specific commodities in specific markets. The officials remarked, however, that no matter how much research one does on world markets, export sales such as were recently negotiated by the Administration with Russia and China for large shipments of grain could never have been predicted through market analysis. Officials advised that regardless of these extraordinary export sales there is a need to know whether Government policies obscure the true conditions of demand and competition.

The Economic Research Service has recently conducted environmental impact studies to relate the economic impact of actions taken or pending before the Environmental Protection Agency. Such studies included the economic effects of restricting the use of DDT on cotton, of restricting the use of 2,4,5-T in rice production, of discontinuing farm use of Aldrin and Dieldrin, and of pollution abatement in family livestock production. Such studies have been general in nature and officials of the Economic Research Service advised the Investigative Staff that they have not been requested by officials of ARS to make any economic studies of the cost of full-scale application of pilot programs relating to alternatives to pesticides.

E. The Statistical Reporting Service

The Statistical Reporting Service provides the statistical intelligence about

the agricultural economy of the country. This entails nationwide crop and livestock estimates and special surveys of market potentials for agricultural products. The Statistical Reporting Service maintains a central office in Washington, D. C., but a large part of the crop and livestock estimates program is carried out through 44 state offices.

F. The Cooperative State Research Service (CSRS)

The primary function of the CSRS is to administer Federal-grant funds for agricultural and forestry research to the land-grant agricultural experiment stations, forestry schools, and other eligible institutions located in the various states and Puerto Rico. The appropriated funds, which constitute the Federal contribution and partnership in the programs of agricultural experiment station research, approximate 25 percent of the research budgets of recipient institutions.

The CSRS staff, located entirely in Washington, D. C., administers the programs authorized by the Hatch Act of 1887, as amended in 1955; the McIntire-Stennis Act of 1962; the Grants for Scientific Research (P.L. 89-106 approved in 1965); and a Research Facilities Act of 1963.

The appropriations under the Hatch Act provide funds annually for 53 agricultural experiment stations, one for each state, except the States of Connecticut and New York, which have two stations each, and one for Puerto Rico. A recent amendment to the Higher Education Act added experiment stations for Guam and for the Virgin Islands; however, no programs for these locations have been developed as yet. The funds appropriated under the Hatch Act are disbursed according to a formula established by law, as follows:

1 - 20 percent allotted equally by State.

2 - Not less than 52 percent allotted to the States based upon

(a) the relative rural population of each State to the total rural population of all States, and (b) the relative farm population of each State to the total farm population of all States.

3 - Not more than 25 percent allotted to the States for cooperative research in which two or more State stations are cooperating to solve problems of more than one State.

4 - The remaining 3 percent to the Secretary of Agriculture for administration.

There are other restrictions in the use of Hatch Act funds, such as, a certain percentage to be used for research in marketing.

The McIntire-Stennis Act provided that the apportionment among the states was to be determined by the Secretary of Agriculture after consultation with a national advisory board. A Forestry Board developed a formula for disbursements based on certain pertinent factors including, but not limited to, areas of privately-owned forest lands, number of areas of board feet cut, etc. There are 63 institutions receiving funds, which have been designated by the governors of the states receiving funds. The legislation specified that the governors were to designate the institutions eligible to receive grants. There were no specific numbers of institutions established for the states, and in some states only one institution was designated, while in other states, there were several institutions designated to receive funds.

The Grants for Scientific Research (P.L. 89-106) administered by the CSRS has a wide and varied distribution to scientific organizations, institutions and individuals. Of the total funds available from this source, $283 thousand was used each year from 1967 to 1971 to finance grants to the 16 land-grant colleges established pursuant to the Second Morrill Act of 1890 (Negro agricultural

colleges). In fiscal year 1972, an increase of $8.6 million was appropriated specifically for the "1890" colleges and Tuskegee Institute, even though only $2 million was requested in the budget presentation. The formula for distribution of funds to these institutions was established by the National Academy of Sciences, which adopted the formula that had been set out in the legislation under the Hatch Act for the land-grant colleges.

Funds were appropriated under the Research Facilities Act for 1965 through 1968 and for 1970. No funds were appropriated for this program in fiscal years 1969, 1971, or 1972.

An official of the CSRS advised the Investigative Staff that only a small technical staff administers the programs from headquarters. No field personnel are maintained and most of the contact with the states is carried out through correspondence.

The CSRS is responsible for reviewing the projects for acceptance and determining whether the Federal-grant funds allotted to each station are used in accordance with the statutory authorization. Progress reports are submitted to the CSRS annually and are reviewed by the technical staff at headquarters. Since projects run for an average of 5 years, only about 1,500 to 2,000 new projects are submitted for approval each year.

The CSRS official advised that, until recently, there was a policy of the technical staff reviewing projects at the station level each year for technical competence. A scientist from headquarters would review all projects at the station even though he had technical competence in only one discipline. Since he could not be an expert in all disciplines, it was difficult for him to be objective in programs with which he was not familiar. Now, under a new policy, each scientist visiting a station reviews only those grant projects he has the

technical competence to evaluate. This results in visits less frequently, such as once every three to five years, instead of once a year.

The Investigative Staff observes that with such infrequent visits, a delay of from three to five years prior to review of a project which may have only five years to run would be meaningless in terminating a project that might not be worthwhile.

A CSRS official advised the Investigative Staff that very little influence can be exerted by his office on the state's grant programs. He pointed out that a previous Administrator had attempted to give direction to the state programs and was removed from office after state officials complained about his interference in their program planning. Recommendations have been made on previous occasions to make the position of the CSRS Administrator a political position with an appointment of someone who would more typically represent the state position.

The CSRS official also advised that it is difficult to terminate research projects which do not appear to be successful or to shift priorities. The State Agriculture Experiment Station officials view the projects as their projects and under their control. He stated that there are approximately 16,000 research projects at the experiment stations and 10,000 scientists are involved in these projects. Approximately 7,500 of the 16,000 projects have Federal funds. He said that even if it was decided that a particular project should not be funded in future years with Federal funds, the state might continue the effort on its own and shift the Federal funds to another project, if in the opinion of the state the project had value.

## III. PROGRAMS FOR FEDERAL-STATE PLANNING OF AGRICULTURAL RESEARCH

The administration of the USDA research activities has undergone a number of changes since the Agricultural Research Administration (ARA) was established in 1946. Prior to 1953, research in the Department was administered by 14 offices and bureaus, with the Administrator of the ARA serving as the coordinator of all research in the Department other than economic research. The ARA did not itself conduct research, but operated a Central Project Office, managed the facilities of the Agricultural Research Center at Beltsville, Maryland, performed central budgetary and financial reporting services for research, and provided secretarial assistance for various Commodity and Functional Research Advisory Committees which were begun under the authority of the Research and Marketing Act of 1946.

In 1963, the Secretary of Agriculture established the position of Director of Science and Education, and in 1964 a staff was provided the Director to assist in overall planning, coordination and evaluation of research activities of the Department. Functions, formerly the responsibility of the ARA (now ARS), which dealt with coordination of all the USDA research were transferred to the Office of the Director of Science and Education. This office also had the responsibility for the coordination, processing, and maintenance of research projects conducted by the USDA and State Agricultural Experiment Stations.

### A. The "Long-Range Study"

As a result of certain comments in Senate Report No. 156, dated April 9, 1965, by the Committee on Appropriations, U.S. Senate, a self-analysis of agricultural and forestry research programs in the United States was made by the USDA and the Association of State Universities and Land-Grant Colleges. The "Need for evaluation of agricultural research," as stated in the Senate Report, was as follows:

"It is now recommended that the Secretary of Agriculture give immediate consideration to the establishment of an appropriate Research Review Committee comprised equally of representatives of the land-grant experiment stations, departmental research activities, affected producer organizations, and with appropriate industry representation to examine fully each and every line of agricultural research conducted by the Department and by the State Experiment Stations."

"The Committee recommends that the Secretary of Agriculture, in close cooperation with the appropriate representatives of the State experiment stations, develop and submit to the committee within the next 60 days a program proposal setting forth the general outline of the content and scope of such a review of the research programs conducted by the Department, by the States and financed by cooperating industry contributions, which would be directed toward the general objective of making recommendations on the respective roles, responsibilities, and areas of cooperative effort that should be examined to arrive at an overall evaluation as the basis for future recommendations involving the realignment and reassignment of research responsibilities for existing programs, and also to be used as the basis for projecting agricultural research requirements for the next several years."

Plans for the study were agreed upon by the Secretary of Agriculture and by the Chairman of the Executive Committee of the Association of State Universities and Land-Grant Colleges. It was agreed that the study would be conducted by representatives of the USDA and by representatives of the State Agricultural Experiment Stations (SAES). As a result of this study, a report was prepared dated October 1966, and entitled, "A National Program of Research for Agriculture," more commonly referred to as the "Long-Range Study."

The stated purposes of the study, in addition to compliance with the Senate's request, were to:

1. Define the goals, purposes, and scope of agricultural research.
2. Develop an agricultural research classification system.
3. Appraise the character and effectiveness of the current program.
4. Project the future needs of people as they relate to agriculture.
5. Recommend research needed during the next decade.
6. Specify resources required to achieve the goals.

The USDA-SAES task group developed ten goal statements for research that would enable agriculture to fulfill its role in meeting overall national objectives. These goals were to provide the framework for developing projections of the future needs of people; for evaluation of the contribution that could be made by current research programs; and for the recommendation of adjustments in the total program. The goal statements were stated as follows:

1. Insure a stable and productive agriculture for the future through wise management of natural resources.
2. Protect forests, crops, and livestock from insects, diseases, and other hazards.
3. Produce an adequate supply of farm and forest products at decreasing real production costs.
4. Expand the demand for farm and forest products by developing new and improved products and processes and enhancing product quality.
5. Improve efficiency in the marketing system.
6. Expand export markets and assist developing nations.
7. Protect consumer health and improve nutrition and well-being of the American people.
8. Assist the more than 50 million rural Americans to improve their level of living.
9. Promote community improvement including development of beauty, recreation, environment, economic opportunity, and public services.
10. Enhance the national capacity to develop and disseminate new

knowledge and new or improved methodology for solving current problems or new problems that will arise.

The study group established a list of 91 problem areas associated with the first nine goals and developed recommended levels of scientific effort that would be needed by FY 1972 and by FY 1977 for each of the 91 problem areas. The tenth goal was considered to be more basic research and research conducted under the other nine goals would contribute to the tenth goal. No increase was recommended for a problem area when it was felt that current progress plus shifts of scientific effort among the research questions within a problem area would satisfy the more urgent needs for new knowledge during the next ten years. As an initial starting point, an inventory was made of the FY 1965 USDA-SAES research effort and then projections were made as to the scientist man-year effort required by FY 1972 and by FY 1977.

In total, it was recommended that the FY 1965 USDA-SAES research effort in scientist man-years be increased from 10,330 to 14,250 in FY 1972, and to 18,170 in FY 1977. The percentage increases above the FY 1965 level were 38 and 76 percent, respectively. The research aimed principally at assuring an adequate supply of farm and forest products (goals 1, 2, and 3) involved 6,588 scientist man-years, or 64 percent of the total, in FY 1965. It was recommended that the scientist man-years in this area be increased by an additional 4,217 by FY 1977. Research aimed at assuring the consumer a better product and minimizing the costs of processing and distribution (goals 4 and 5) involved 2,321 scientist man-years in FY 1965 or 23 percent of the total. The increase recommended by FY 1977 was an additional 1,109 scientist man-years. Research identified as assisting in increasing markets, improving the balance of payments, and assisting developing nations (goal 6) utilized 207 scientist man-years in

FY 1965, or 2 percent of the total. The recommended increase by FY 1977 was an additional 743 scientist man-years. Research that dealt with people-oriented problems (goals 7, 8, and 9) utilized 1,214 scientist man-years in FY 1965, or 11 percent of the total. The recommended increase for FY 1977 was an additional 1,671 scientist man-years.

The Investigative Staff observes that in each of the 91 problem areas, there were no projected reductions in scientist man-years and each problem area showed either a continuation at the same level or a substantial increase for the period FY 1966 through FY 1977. The study group apparently did not anticipate that any of the problems would be resolved in this time frame or that there would be sufficient results accomplished so that scientific personnel could be shifted to other work.

Recommendations by the study group to improve the organization and operation to better solve the problems confronting agriculture were as follows:

1. The Congress should enact legislation establishing an additional Assistant Secretary position in the USDA for Science and Education.
2. A more systematic and continuing mechanism should be established to facilitate joint research program planning, evaluation, and coordination.
3. The research inventory should be continued on an annual basis as a joint SAES-USDA activity.
4. The USDA should enunciate and pursue a policy of broadening application of grant and contract programs.
5. Increase concentration and specialization at certain locations.
6. Develop more effective research-extension education programs.

7. Major regional or national laboratories should be jointly planned by USDA-SAES administrators.
8. Organize program advisory committees so that they serve both state and USDA groups in advising on research program orientation.
9. The Federal Government and the states give appropriate consideration on a continuing basis to a desirable balance of Federal and state contributions to agricultural research in order that the objective of this report be effectively achieved.
10. Research support for action programs should be extended.

The USDA officials advised the Investigative Staff that while a lot of time and effort went into this study it really did not serve as a basis for future research planning. The projections for expansion of research effort were not based upon the real world but represented more the attitude of scientists to expand all research effort. While both the USDA and the SAES planned their budgets in subsequent years based on the projections of this study, funding in support of these projections never materialized. These officials further advised that, as a result, the study served very little useful purpose other than (1) to establish for the first time an inventory of ongoing research activities being conducted by the USDA and the SAES, and (2) the establishment of a centralized national computerized system for storing and retrieving information on current research projects in the Department and the SAES. This system, which was initiated in 1967, was identified as the Current Research Information System (CRIS). Comments concerning the CRIS are set forth later in this report.

Following the Long-Range Study, from 1967 through 1969, the USDA and the National Association of State Universities and Land-Grant Colleges participated in 32 task forces, the subject matter of which encompassed in considerable detail all of the agricultural research dealt with in a general way during the Long-Range Study. Basically this exercise continued the projections of need stated in the Long-Range Study without any consideration that Congress might not fund the programs at the levels anticipated.

B. Joint Ad Hoc Task Force on Federal-State Experiment Station Relations

By Secretary's Memorandum No. 1638, dated August 5, 1968, the Secretary of Agriculture established an Ad Hoc Task Force of USDA and SAES personnel to identify and review common and different responsibilities and objectives of the USDA and the SAES, to explore and analyze alternatives for increasing the relationship between the USDA and the SAES, and to recommend organizational procedures for carrying out a mutually supported research program.

The Joint Ad Hoc Task Force report, dated October 1968, indicated that while some new planning and coordinating procedures had been developed to meet emerging problems, rapidly changing conditions required more attention be given to strengthening USDA-SAES cooperative relationships. The report noted that problems had arisen as a result of: (1) attempts to use comparative rates of increase, which had been determined for a growth situation, to establish priorities; (2) attempts to apply such priorities to individual SAES and USDA research units; (3) the lack of an orderly mechanism for change of the national program; and, (4) efforts to correlate future public research and industry research.

The report objected to the USDA using the Office of the Director of Science and Education in a coordinating role with the SAES for CSRS grants and the

failure of that office to effectively represent the SAES problems and needs to the Secretary of Agriculture, to the Bureau of the Budget, and to the Congress. The report also stated the value of the National Agricultural Research Advisory Committee (and 14 subcommittees), which was established by law in 1946 to provide consideration of specific commodities and problem areas was questionable, particularly in view of the high cost of servicing these groups.

It was recommended that the Agricultural Research Planning Committee, which previously included both USDA and SAES research administrators, be made an advisory committee with appointments to be made by the Secretary of Agriculture and the President of the National Association of State Universities and Land-Grant Colleges. It was further recommended that the new advisory committee have a subcommittee to make in-depth studies and carry out the detailed planning for the parent committee.

C. The Agricultural Research Policy Advisory Committee (ARPAC)

On June 16, 1969, the Secretary of Agriculture issued a memorandum establishing the ARPAC to develop recommendations for policy with respect to planning, evaluating, coordinating, and supporting long-range research programs and delineating the appropriate areas of responsibility of Federal and state agencies in carrying out these programs. Equal representation on ARPAC would be selected from USDA and the state agricultural research organizations. In addition, the Secretary established a standing subcommittee, the Agricultural Research Planning and Facilities Subcommittee (ARPF), to conduct studies and carry out planning for the parent committee.

At its October 1971, meeting, the ARPAC adopted a recommendation made by its subcommittee, the ARPF, relating to implementation of a regional and national research planning concept. The ARPF had concluded that "Both the universities and

USDA recognize the need for planning and implementing research on a regional and national basis. Our agricultural and forestry research system is very complex, involving many diverse research problems and organizational entities. An organizational structure that will meet our planning and implementation needs must evolve at a deliberate pace to allow for experience and felt needs to have an impact."

The ARPF proposed a planning system, for cooperative planning of local, regional and national agricultural research. The planning system was designed to encompass all agricultural and forestry research. The initial emphasis was on publicly supported agricultural research performed within the SAES and the USDA. While there was some evidence that industry was interested and desired to participate in the initial planning process, representatives of industry were apparently not included in the planning process.

The key role in the proposed system will be the Regional Planning Committee, one in each of four regions. The four committees will make preliminary judgments on priorities among the regional research programs. The Regional Planning Committees will be influenced not only by their knowledge of regional needs and aspirations, but also by inputs from the national point of view that is to be furnished by the ARPAC and the ARPF, which will act as the National Planning Committee.

The ARPF identified 39 research programs, the equivalent to the 32 National Task Forces that reviewed the Long-Range Study in 1966. They differ only in that some have been subdivided, some realigned, and under the new system they are to be regional rather than national. In addition, the 39 research programs have been combined into 6 research program groups as follows: natural resources; forest resources; crops; animals; people, communities, and institutions; and competition,

trade, adjustment, and price and income policy.

Each of the Regional Planning Committees will appoint leaders for the six program groups and as many task forces for the 39 research programs as may be needed within their respective regions. Programs planned by these research program task forces and the research planning groups will be reviewed by the Regional Planning Committees and may be accepted or rejected back to the states and groups for further review and consideration. After the results of these interactions are resolved, the Regional Planning Committees will decide what programs and level of effort to recommend to the ARPF. The ARPF, with the aid of advisors, will review the proposal of the Regional Planning Committees and, if accepted, will forward the program recommendations to the ARPAC which, in turn, is advisory to the Secretary, the USDA, and to the President of the National Association of State Universities and Land-Grant Colleges.

In proposing this plan, the ARPF stated that a full-time staff would be needed in the planning process. The staff assistants proposed were to be analysts and coordinators. It was also proposed that a center be established to improve analytical methodologies and procedures for research on resource allocation and other aids to research management.

The following paragraph noted in a draft of the proposed system for local, regional, and national planning typifies the concern for the success of the program:

> "Probably the most important requisite of all to a successful planning operation is a high degree of desire, motivation and commitment of the participants to the process. Each must spend substantial time and effort. Concomitantly, there must be some muting of the vested interests of all concerned if a good plan and its implementation are to be achieved. Use must be made of the results in the decision-making process. If they are not so used, commitment will soon wither and fade away."

In the Investigative Staff's contact with field personnel of the USDA and the SAES, it was learned that the four Regional Planning Committees have been appointed and have held some meetings. In some regions the task forces for the research programs have been selected; however, no reports have been completed by these task forces. Field personnel advised that it is too early to evaluate the success or failure of the Regional Planning Committee concept. It was also learned that it is not planned to have this system fully operational until the preparation of the FY 1975 budget.

In discussions with various USDA and SAES personnel connected with the planning system, the Investigative Staff was advised that the personnel on the national and regional committees are high level administrative personnel who cannot devote the time and effort to this work and still perform their regular agency responsibilities. No staffs have been provided for the ARPAC or for the ARPF, as previously suggested, to make the program workable. In addition, to make the planning system effective, it must be linked to the budgeting process. As it now stands, the task forces in each region will review ongoing areas of research and project the requirements for expansion of these areas, the same as the task forces did in the Long-Range Study of 1966.

The budget and program planning will apparently be developed through separate channels and will not meet until they collide head on at the Department level. Historically, USDA-SAES research budgets have been projected on estimated increases over prior years' Executive Budgets by 10 percent, 20 percent, etc., or by specific dollar amounts, such as $40 million, $60 million, etc. In planning these budgets, consideration is given to where they can spend these increases. In the planning process, the increases are distributed equally between USDA and SAES research activities.

With respect to the work to be performed by the task forces, one SAES representative said he had been on so many task forces that he had become tired of these exercises, particularly when no increased funding to carry out the increases was ever received. He commented that after these exercises the states' share of funding always remained at about the same level as before.

Other officials advised that the supreme test will occur when the Regional Planning Committee receives its inputs from the task forces and has to make trade-offs between the recommendations of various task forces. At this time the numerous vested interests will come into play not only between the commodity groups but between the USDA and the SAES as to whether the research is to be performed by the Federal laboratories or by the state laboratories.

In addition, officials of the USDA advised that actually there can be little shifting of funds between programs because any reallocation of funds not only involves the funds but involves technically trained people, facilities, ties of activities to locations, Congressional commitments and public issues. Thus, the opportunity to make significant in-house shifts from one research alternative to another is largely limited to what can be done at one location.

## IV. REORGANIZATION OF AGRICULTURAL RESEARCH SERVICE

On April 21, 1972, the ARS issued a letter to all of its employees notifying them of organizational changes to be made in the ARS, effective July 1, 1972.

According to an official of the ARS, the reorganization was made to accomplish the following objectives:

"1. Increase responsiveness to multi-disciplinary research problems and remove administrative awkwardness and barriers in planning and carrying out such research.

2. Increase responsiveness to new research problem areas including development of new disciplines and entirely new research areas as needed--provide capability to do this without major disruption of organization structure.

3. Provide top program managers with direct control of management services.

4. Decentralize line decision-making from the national to major location level.

5. Provide program-oriented staff to review line operations and recommend new programs on a national basis.

6. Increase capability of research organization to cooperate and integrate their programs with those of SAES at the regional and local levels.

7. Free administrative management staff from operations to the fullest extent possible so that this staff can devote its efforts to developing and recommending innovative human resource development programs and other managerial improvements for the organization."

As a result of the reorganization, the ARS replaced the centralized and compartmentalized discipline-oriented line and staff structure having four deputies, 15 divisions, and over 50 branches and special laboratories with a decentralized line organization represented by four regional and 29 area offices. The Administrator's Office is supported by two major staff units, (1) a National Program Staff composed of four Assistant Administrators and staff specialists for program development, evaluation, and coordination, and (2) a

business administration staff, under a Deputy for Administrative Management.

The four regional offices for line supervision are staffed by Deputy Administrators and Associate Deputies and are supported by the necessary services staff, including a small program planning, development, and evaluation staff. The regional offices are located within each of the four SAES regions and are intended to provide the basis for closer cooperation and coordination with the SAES.

Each region is subdivided into a number of research area centers (area offices) under the direction of an Area Director and Assistant Area Director and supported by the necessary administrative assistants to carry out program operations. The area offices have line supervision over the locations in their respective geographical areas where research is performed. At each location, one individual is designated as location leader and is the primary contact and focal point for program and administrative control. Research investigation leaders, responsible for the technical direction of specific research programs, are located in the field.

The four Regional Deputies, together with their Area Directors, location leaders, and research leaders, have the responsibility for the implementation and operation of research programs within their geographical areas.

The four Assistant Administrators heading up the National Program Staff, together with their staff specialists, operate from Washington, and devote full time to national program review, evaluation, and development. Any influence it may have over redirection of research efforts must be carried out through contacts with and persuasion of Regional and Area Directors. The Staff is to conduct onsite reviews at the research location levels and work closely with the Regional Deputies and their program planning staff and with the research

leaders in developing and carrying out their national program assignments. The National Program Staff serves purely in a staff capacity and has no control over funds or research personnel. They are to be responsive to the Administrator of the ARS, the Secretary of the USDA, and the Congress in providing the national and international overview on the current status and future program needs.

Also, there exists at the headquarters level a Program Analysis and Coordination Staff to assist the Administrator in establishing policy for all aspects of program planning, evaluation, budgeting, and coordination as related to national programs, goals, and objectives. This Staff is to interface with the National Program Staff and Regional Deputies in coordinating the budget development process with program planning inputs. It is intended they will carry out program analysis at the national level, including economic justification, technology assessment, and cost-benefit analysis.

The Administrator of the ARS has a Board of Directors for major policy issues which may evolve from program planning, review, evaluation, budgeting, and coordination. The Board of Directors is composed of the Administrator, the four Deputy Administrators from the four regions, the four Assistant Administrators heading up the National Program Staff, and the Deputy for Administrative Management. It is assumed that normally all issues will have been thoroughly reviewed, analyzed, and reduced in scope and detail by appropriate staffs prior to submission to the Board of Directors for decisionmaking.

According to an official of the ARS, no changes in research programs were authorized as a result of the reorganization and the reorganization will not disrupt for the time being the work units, research activities, or accounting work reporting units in effect at the locations. All programs will remain in effect at the same level of effort.

The planning of the reorganization was closely held by only a few officials within the USDA and the ARS prior to the public announcement. According to officials of the ARS, this secrecy was purposely intended to prevent employees from generating political opposition to the plan prior to the implementation. When the announcement was made it had a traumatic effect on many of the employees, but in recent months most of the opposition has subsided.

The importance of this is that as it was decided that prior announcement of the reorganization was unwise, most of the detailed problems inherent in reorganization could not be staffed and resolved prior to the announcement. As a result, a number of task forces have been staffed for specific problems which arose subsequent to the reorganization. The intermittent issuance of regulations, instructions, and administrative memoranda as guidance for operations are continuing. The receipt of these documents by ARS personnel appear to be answering most of the questions that have been posed by the personnel as to their responsibilities under the reorganization.

It should be noted that, prior to the reorganization, the ARS did not have any high-level administrators in the field. While there were prominent scientists at the locations trained in certain disciplines there were no personnel who could represent the ARS as an entity. It should also be noted that the Secretary established the ARPAC in 1969 and that the Committee adopted the Regional Planning Committee concept in 1971 for overall USDA-SAES program planning with representation on the Regional Planning Committees from the research organizations of the USDA and the SAES.

While it is apparent that in order to properly represent the ARS on these Regional Planning Committees the ARS had to have qualified personnel in the regions, the ARS officials claimed that the reorganization of the ARS was not

carried out for this purpose, but does benefit from the move.

In the decentralization process, many of the headquarters' personnel, who represented the divisions and branches, were transferred either to the National Program Staff or were made Regional or Area Directors. These personnel were specialists in particular disciplines or commodities. The personnel transferred to the National Program Staff will remain in a particular discipline or commodity, while those transferred to the regions or areas will have line responsibility over all disciplines and commodities, areas in which they have no special expertise. Technical guidance to the researcher will have to be supplied by the National Program Staff or the research leader.

The Investigative Staff, in its contact with selected regional and area office personnel, learned that, during the six to eight months since the reorganization of the ARS was announced, their time has largely been spent in visiting the research locations, meeting location personnel and SAES personnel, holding conferences, and generally getting acquainted with the research being conducted in their geographical areas. They also advised that they are in the process of making an inventory of the research programs (work reporting units) and determining the amount of funds associated with these programs.

Most of the Regional and Area Directors advised that there are certain locations and research efforts which, in their opinion, appear to be uneconomical in operation or less productive, and the research effort may be of low priority in comparison with other work. However, until a more thorough review of the needs for these locations and/or research efforts can be determined, no recommendations will be made with respect to the discontinuance of the locations or their research programs. According to these Regional and Area Directors, no changes in programs or closing of facilities can be accomplished by the

Regional or Area Directors. The right to close any facility has been reserved for the Administrator of the ARS. Changes in programs are not planned before FY 1975.

The Regional and Area Directors, in general, expressed enthusiasm about the new organization. They stated that by being at the local level they are more aware of the problems in agriculture and the need to make their programs more meaningful to the farmers. Some concern was expressed about meeting national research objectives when they are planning for the needs of the local or regional programs, as well as avoiding duplication of research between regions. However, the leveling influence to keep the programs national in scope and avoid duplication is the responsibility of the National Program Staff.

The bench scientists interviewed by the Investigative Staff had mixed feelings about the support they may receive under the reorganization. Previously, their support came from the divisions or branches, which represented the discipline involved. Now, they must look to the Area Director, who may have an entirely different background and be unfamiliar with their work or may not place a sufficiently high priority on their work. Their principal complaint was that there had not been sufficient funds for support to the scientist, that the ratio of technical support help to scientific man-years was abnormally low. The imbalance between salaries for professionals and support has been caused by increases in salaries and, with fairly stable budgets, support funds have been reduced each year.

There has been considerable discussion by management concerning the appointment of technical advisors for the bench scientists; however, no decision has been made in this regard. One Area Director advised that he conducted a survey of the professionals in his area concerning the use of technical advisors.

The results of this survey disclosed that almost 2 to 1 they were against appointing technical advisors. The professionals indicated that if they needed outside help they know where to go and there is no prohibition on calling anyone or corresponding with other scientists. The professionals also indicated that if they were appointed as technical advisors it would consume about 40 percent of their time and leave only 60 percent to perform research. The bench scientists also indicated that rather than look to the Area Directors for technical assistance they would continue to maintain contact with the scientists in their fields, whether inside or outside the ARS.

When questioned concerning the use of the Current Research Information System (CRIS), an automated system for storing and retrieving information on current research projects in the USDA and the SAES, prior to initiating a research project to avoid duplication, the response was generally that they did not.

One of the objectives in establishing the CRIS was to provide the scientists with research underway or already conducted and prevent the scientists from conducting research that had previously been conducted. The scientists stated that they did not use the system because either they were already familiar with the research conducted in their fields or the information filed in the CRIS was years behind the times or was inadequate for their use.

Interviews by the Investigative Staff with several National Program Staff personnel disclosed that there were broad feelings of apprehension, discontent, and mistrust on their part concerning the general subject of the ARS reorganization, and more specifically, the role of the National Program Staff under decentralization. A National Program Staff workshop, held on September 18 and 19, 1972, disclosed that some personnel felt there had not been a clear definition

of the Staff role in the new organization. They indicated that the Staff had been delegated broader fields of responsibility, including the maintenance of a national thrust to the programs, but relegated to a position of inadequate authority, facilities and staff assistance. They had no authority to manage scientists or resources and could only function by "moral persuasion."

Several personnel assigned to the National Program Staff stated at the workshop meeting that bench scientists felt a loss of accountability to someone from their own discipline and an absence of technical leadership. They felt that administrators, not trained in their discipline, will not be able to relate to them and objectively evaluate their performance for promotional purposes. Some of the small station scientists felt isolated from the national program, since they are no longer in direct contact with discipline-oriented supervisors.

Probably one of the greatest fears expressed by personnel from the National Program Staff at the workshop was that research will become area-oriented under the regional structure, since the Area Director will develop programs to satisfy outside interests within his particular area. This will further result in ARS research efforts targeted toward local problems, rather than a national program. An SAES official interviewed by the Investigative Staff had a similar opinion and envisioned that the reorganization might result in a number of little ARSs, one for each area or region, rather than a national ARS.

Despite the aforementioned expressions of pessimism and criticism by some personnel from the National Program Staff, there appeared a determination to make the system work. They looked upon their work as a challenge and a new way to bring new people and ideas together. The National Program Staff, now free of the operational problems and burdens of line administration, believes it can become objective, evaluative, and developmental while offering professional help to

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scientists in the field. They envisioned greater multi-discipline cooperation, which had been difficult to achieve on an inter-division basis. The ARS officials admitted that there was much frank discussion at the workshop and the purpose of the workshop was to air any complaints. However, these officials were of the opinion that by the conclusion of the workshop most of the personnel objections had been satisfied and those in attendance fully supported the program.

An official of the Planning, Analysis and Coordination Staff advised the Investigative Staff that his organization had not been fully manned, but he intended to have a mixture of scientists and economists on board in the near future. He plans for his staff to carry out program analysis at the national level, including economic and cost-benefit analysis. He said these are areas which in the past have received little consideration in program development. In the past, the branches and divisions prepared their programs without consideration of interdisciplinary relationships. This staff official advised that, regardless of any substantial effort to redirect programs, there are certain constraints which prevent the ideal application of sophisticated program planning. He stated that because of specific legislation which requires the ARS to conduct research on certain commodities or in geographical areas, the shift of emphasis from one research alternative to another of higher priority is practically impossible. In other areas, it is not politically feasible to de-emphasize a program, although the requirement for research may no longer be needed at the level being maintained. This official initially agreed to furnish the Investigative Staff with documented instances of constraints which handicap the ARS program development process, but upon recontact, this official said after talking with the ARS Administrator he had probably "overstated" his case and the "alleged" constraints "did not present an unworkable problem."

V. REPORT OF THE COMMITTEE ON RESEARCH ADVISORY TO THE USDA

On February 10, 1969, the Secretary of Agriculture requested the President of the National Academy of Sciences to establish a Committee on Research Advisory to the USDA to provide counsel to the USDA and the Land-Grant Colleges of Agriculture. The primary requests to the Committee were: to examine and evaluate the quality of science in agricultural research; to ascertain gaps in agricultural research and make such recommendations as might be appropriate; to ascertain the extent to which scientists in the basic disciplines relate their research to agriculture and the extent to which agricultural scientists contribute to basic science. The Committee, composed of leading scientists from universities and scientific organizations, visited a number of agricultural installations and laboratories and sought opinions and obtained information from a large number of research scientists and administrators in both the universities and the USDA. This study was financially supported by a USDA contract. In late 1972, the Division of Biology and Agriculture, National Academy of Sciences, issued a report concerning its findings.

While the report extolled the progress made by the USDA in our national development, it also pointed out that society's agriculturally related problems are not all solved.

Although the Committee found many programs of excellence, it concluded that "much of agricultural research is outmoded, pedestrian and inefficient," and called for bold moves in reshaping administrative philosophies and organizations, in establishing goals and missions, in training and management of research scientists, and in allocation of resources.

The committee found evidence that, in the allocation of resources for agricultural research, grossly inadequate support was given to the basic sciences,

that the agricultural research establishment seemed to have an excessive number of field laboratories with an undesirably low level of coordination and integration of USDA-SAES efforts; and that disproportionate commitments of funds to some areas have resulted in undercommitment in others, thereby weakening the vitality and balance of the total program.

The Committee found evidence that, in the research programs, there was an unwarranted duplication of effort in some areas and thus a wastage of resources. Also, that far too much of the research was of low scientific quality, indicating low ability of some researchers, or poor administrative management of the researchers.

In the area of management of scientists, the Committee found very disturbing evidence of ineptness with direct impact on research quality. Administrative structures and philosophies were found that reduced the decision-making power and freedom of movement of the scientists, with repressive effects on the quality of science. Programs for staffing improvement throughout the system were, according to the Committee, either grossly inadequate or ineffectively used, resulting in stagnation and premature obsolescence of the scientists.

With respect to the "Long-Range Study" made in 1966 and numerous commodity-oriented task force studies, the Committee concluded that little has resulted from much of the planning other than to create additional layers of administration at the expense of programs. Further, all of this planning has had relatively minor impact on the nature of research projects and increased emphasis on new program areas has not come from the internal planning, but from pressures by society.

The Committee report questioned the proliferation of many USDA field laboratories in the states. It stated that many of the small laboratories most

often resulted from Congressional thrusts in response to local interests. The Committee further reported that it should be a matter of national policy that USDA research should be directed at national or broadly regional problems, or problems that would be of such high cost that individual states cannot assume them. Many of the USDA field laboratories do not meet these criteria.

The Committee report complained that the Congress, in response to special interest groups, had sanctioned a grossly imbalanced earmarking of funds for research on specific commodities which had led to lower overall scientific quality. The report stated that it is unlikely that money will be effectively spent when funds are earmarked for research that no one can define or for which no scientists are equipped or interested.

The Committee report indicated there was a greater need to develop a system whereby research proposals made by a scientist could be evaluated by more broadly representative and competent panels before support is allocated for the research effort. The report stated that the systems now in use are grossly inadequate in terms of the scope and subject matter competence of the reviews. They do not include enough objective evaluation by a sufficiently wide spectrum of competent scientists. The report further stated that the general practice within the USDA is for research proposals to be reviewed within the research division in which the investigator works, and usually within his research branch. The review is too much an administrative review and has too little input from active researchers. The input from peer bench scientists is usually from the research branch or division within which the project originates and unless the unit already includes leading scientists in diverse fields the conclusions as to relevancy may be misleading.

The Director, Science and Education, USDA, in an undated memorandum, replied to the Committee's report. He stated that in connection with recommendations for organizational changes, several changes had occurred in the ARS during the Committee's deliberations. He pointed out that the regulatory activities had been separated from the ARS and placed into another agency; management authorities were strengthened for program managers as compared to administrative managers; the field structure of the ARS was completely overhauled; and the entire top staff was replaced or reassigned.

The Director also mentioned that during the Committee's deliberations, the Federal-state regional cooperation and planning structures were restructured. He apparently was referring to the establishment of the ARPAC and the Regional Planning Committees. He remarked that all of these changes have the potential of meeting some of the Committee's recommendations for "bold moves" in reshaping administrative philosophies and organizations.

The Director, Science and Education, took exception to the Committee's recommendation that more autonomy in research administration be provided at the scientists' level while at the same time it called for a more active evaluation process of the scientist's programs. He stated that the Committee, throughout the report, mentioned the lack of funds. While funding has been a problem, he said that no research activity has ever been sufficiently funded to meet all the important problems the scientists involved in such studies believed should be undertaken.

Another area in which the Director, Science and Education, took exception was the emphasis the Committee placed upon publications as a measure of research productivity. He stated that the use of this measure is still controversial in the scientific community.

The Director, Science and Education, agreed with the Committee's statement that the CRIS progress reports, as reports, are of poor quality. He indicated that the deficiency is in the report form rather than the deficiency of the research on which they are based. In fact, he personally favored the discontinuance of the CRIS progress reports in their present form.

With respect to the Committee's recommendation that they develop a peer evaluation system for approval of research proposals, the Director, Science and Education, stated, "As far as I know, no one has determined the correlation between any research proposal's plan of work and the actual plan of work carried out. Nor do I know of any correlative study between the rating of the plan of work and accomplishments achieved."

In conclusion, the Director, Science and Education, welcomed the review of the Federal-state research program in agriculture by an outside panel of experts, which he said had been long overdue. He stated that the areas of research, which the Committee and its panels found important for renewed or increased emphasis, should be carefully considered by the national and regional cooperative planning groups as they develop their activities.

## VI. USDA FUNDS OBLIGATED FOR AGRICULTURAL RESEARCH

A review was made of the funds obligated by the USDA for agricultural research activities during the three-year period, FYs 1970 through 1972. Funds obligated for research represented approximately four percent of the total USDA budgets. The breakout of these funds by agency and the National Agricultural Library for each of the fiscal years was as follows:

| | Fiscal Years | | |
|---|---|---|---|
| | 1970 | 1971 | 1972 |
| | (in thousands) | | |
| Agricultural Research Service | $158,812 | $171,237 | $188,410 |
| Cooperative State Research Service | 62,584 | 69,507 | 82,816 |
| Forest Service | 45,590 | 48,751 | 54,440 |
| Economic Research Service | 14,881 | 15,934 | 16,386 |
| Farmer Cooperative Service | 953 | 1,018 | 1,069 |
| Statistical Reporting Service | 689 | 720 | 741 |
| National Agricultural Library | 208 | 391 | 228 |
| TOTALS | $283,717 | $307,558 | $344,090 |

For each of the respective fiscal years, the ARS accounted for approximately 55 percent of the total USDA research obligations. A breakout of the ARS obligations by area of research for each of FYs 1970 through 1972 is as follows:

| | Fiscal Years | | |
|---|---|---|---|
| | 1970 | 1971 | 1972 |
| | (in thousands) | | |
| Farm Research | | | |
| Animal Science | $ 10,513 | $ 11,678 | $ 12,663 |
| Veterinary Science | 16,038 | 17,295 | 18,849 |
| Plant Science | 34,360 | 36,467 | 40,105 |
| Entomology | 20,422 | 21,966 | 26,762 |
| Soil and Water Conservation | 19,120 | 20,561 | 22,175 |
| Agricultural Engineering | 7,376 | 8,175 | 8,638 |
| TOTALS | $107,829 | $116,142 | $129,192 |

(Continued)

(Continued)

| | Fiscal Years | | |
|---|---|---|---|
| | 1970 | 1971 | 1972 |
| | | (in thousands) | |
| **Utilization Research and Development** | | | |
| Cereal and Forage Crops | $ 7,981 | $ 8,643 | $ 8,917 |
| Cotton, Wool and Other Fibers | 6,860 | 7,289 | 7,605 |
| Fruits and Vegetables | 5,900 | 6,320 | 7,082 |
| Oilseeds | 4,668 | 5,542 | 5,540 |
| New and Special Plants | 3,511 | 3,088 | 3,588 |
| Poultry, Dairy and Animal Products | 7,514 | 8,399 | 8,567 |
| TOTALS | $36,434 | $39,281 | $41,299 |
| **Nutrition and Consumer Use Research** | | | |
| Human Nutrition | $2,961 | $3,409 | $3,412 |
| Consumer and Food Economics | 1,742 | 1,697 | 1,796 |
| TOTALS | $4,703 | $5,106 | $5,208 |
| **Market Research** | | | |
| Market Quality | $6,670 | $7,524 | $7,905 |
| Transportation and Facilities | 2,736 | 2,930 | 3,130 |
| TOTALS | $9,406 | $10,454 | $11,035 |
| **Other Activities** | | | |
| Coordination of Pest Control Activities | $96 | $79 | $54 |
| Research on Narcotic-Producing Plants | - | - | 1,588 |
| Construction of Facilities | 344 | 175 | 34 |
| TOTALS | $440 | $254 | $1,676 |
| GRAND TOTALS | $158,812 | $171,237 | $188,410 |

In connection with the FY 1972 ARS program, there was appropriated a total of $4,057,000 more than was requested in the budget. An analysis of these increases showed the following:

| | (in thousands) |
|---|---|
| Projects added by the House of Representatives | |
| Net increases for staffing and equipping laboratories | $1,723 |
| Special research identified by the House | 212 |
| Total added by the House | $1,935 |
| Projects added by the Senate | |
| Special research identified by the Senate | $2,052 |
| Plans for a new laboratory | 70 |
| Total added by the Senate | $2,122 |
| Total Increases | $4,057 |

With respect to the net increases for staffing and equipping laboratories, the ARS sought an increase of $4,081,000 in FY 1972 to complete the staffing of five recently constructed pesticide laboratories (completed between February 1969 and July 1970). However, the Congress appropriated only $2,840,000 for this purpose. In addition, the Congress appropriated $2,964,000 that same year for staffing of other specific laboratories when the ARS did not include such requests in its budget. The net increase for staffing of laboratories was $1,723,000 over the budget request ($4,081,000 requested and $5,804,000 appropriated).

With respect to the actual requirement for staffing of the pesticide laboratories, the following data was supplied by officials of the ARS.

| Location and Purpose of Laboratory | Funds Available for FY 1971 | | Estimate to Complete Staffing in FY 1972 | |
|---|---|---|---|---|
| | *SMY's | Amount (000) | SMY's | Amount (000) |
| Gainesville, Florida (insect attractants) | 18 | $ 932 | 18 | $ 921 |
| Stoneville, Mississippi (pesticide research) | 12 | 549 | 12 | 590 |
| Stoneville, Mississippi (weed research) | 14 | 588 | 13 | 675 |
| Durant, Oklahoma (water pollution) | 7 | 374 | 4 | 220 |
| College Station, Texas (livestock insects) | 14 | 737 | 25 | 1,675 |
| TOTALS | 65 | $3,180 | 72 | $4,081 |

*Scientific man-years used herein represent the number of professionals that the funds provided would permit. An SMY is defined as a scientist plus support personnel and other services.

An official of ARS advised that actually the funds allotted to these five pesticide laboratories were not used for new hires because of personnel ceilings imposed by the Administration but were used to equip the laboratories, to move personnel from other laboratories to the pesticide laboratories, and for related operating expenses. The ARS attempted to achieve the staffing of the pesticide laboratories through transfer of scientific personnel already employed by ARS or by entering into cooperative agreements with state scientists to work in the laboratories. Transfers were initiated, prior to the end of FY 1972, to bring the staff levels up to that which would have been achieved by the amount of funds appropriated for this purpose, if ARS had been permitted to hire personnel, or about 65 percent of the increase requested in the FY 1972 budget.

This same ARS official stated that an additional request for funds to complete the staffing of these pesticide laboratories was included in the FY 1973 budget. Because of the ceiling placed on the FY 1973 hirings, ARS was also prevented from hiring additional scientists. Transfers are being issued to personnel stationed elsewhere in order to bring these laboratories up to full staff by the end of FY 1973.

Between November 1972 and January 1973 when the Investigative Staff visited four of the five pesticide laboratories, it was discovered that the staffing had not been completed. The following table is an analysis of the design capacities and numbers of professional personnel on board as of the times of the Investigative Staff's visits; however, we were advised that additional personnel were under transfer but had not arrived.

| | Design Capacity SMY's | On Duty SMY's |
|---|---|---|
| Gainesville, Florida (insect attractants) | 36 | 27 |
| Stoneville, Mississippi (pesticide research) | 24 | 15 |
| Stoneville, Mississippi (weed research) | 27 | 18 |
| College Station, Texas (livestock insects) | 39 | 27 |
| TOTALS | 126 | 87 |

It should also be noted that funds appropriated to staff and equip other special laboratories were not used, as intended, due to personnel ceilings.

The other items of research added to the appropriations by the Congress were for specific research on commodities or problem areas. The program areas

included by the House of Representatives specified research in the following:

| | |
|---|---|
| Soil and Water Conservation Research | $ 17,000 |
| Animal Science Research | 60,000 |
| Plant Science Research | 35,000 |
| Veterinary Science Research | 100,000 |
| TOTAL | $212,000 |

The program areas included by the Senate specified research in the following:

| | |
|---|---|
| Soil and Water Conservation Research | $ 225,000 |
| Animal Science Research | 250,000 |
| Plant Science Research | 517,500 |
| Veterinary Science Research | 615,000 |
| Entomology Research | 360,000 |
| Agricultural Engineering Research | 50,000 |
| Transportation and Facilities Research | 35,000 |
| TOTAL | $2,052,500 |
| Planning of New Laboratory | 70,000 |
| TOTAL | $2,122,500 |

In addition to those savings in FY 1972 for the pesticide and other laboratories, due to restrictions on hirings, there were similar savings in the commodity or problem area programs added by the Congress. The total savings, due to restrictions on hirings, amounted to $4,108,000. There were also savings in the amount of $519,000 due to attrition of personnel, or a combined total savings of $4,627,000. However, $2,627,000 of these savings were absorbed by ARS in pay increases, travel, health benefits, and research related to pest management. A total of $500,000 was redirected to extramural research concerned with an integrated pest management control research program. The remaining $2 million in savings was ordered by the Office of Management and Budget to be

transferred to the Executive Office of the President to help finance the Economic Stabilization Activities for wage and price controls.

The FY 1973 budget request for ARS was only slightly larger than the budget request for FY 1972. Since the request was only a $1 million increase, it actually represented a decrease in operating funds in terms of buying power. However, the Congress added an additional $10 million to the budget in granting the appropriations for FY 1973. This increase represented a restoration of some of the funds appropriated in FY 1972, but frozen due to personnel ceilings, as well as several new items for specific research to be conducted on commodities or problem areas at specified locations. Included in the $10 million additional appropriations were funds to construct two new laboratories and to plan another new laboratory. Officials of ARS advised that a total of $9,698,000, representing most of the programs and construction added by the Congress, has been impounded by the Office of Management and Budget. The programs and construction projects for which funds have been withheld are as follows:

| | (Dollars in Thousands) |
|---|---|
| Restoration in FY 1973 of research funds appropriated in FY 1972 but frozen due to personnel ceilings.... | $2,929 |
| Cooperative soil tilth research at Auburn University | 100 |
| Research on peanut insect control..... | 100 |
| Research on nonlethal methods of predator control.... | 375 |
| Research on alternatives to field burning of grass seed straw..... | 23 |
| Soybean production research..... | 168 |
| Research on mosaic resistant and cold tolerant sugarcane varieties, Houma, La. ..... | 125 |
| Research on smut disease in the sugar industry..... | 200 |
| Research on saline seepage in Northern Plains Soil and Water Research Center, Sidney, Mont. ..... | 40 |
| Research on DES at Southern Illinois University..... | 100 |
| Establishing Tropical Agriculture and Training Centers | 500 |

(Continued)

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| | (Dollars in Thousands) |
|---|---|
| Staffing at: | |
| a. Soil and water lab at Orono, Maine..... | $ 55 |
| b. North Central Soil and Water Conservation Research Laboratory, Morris, Minn..... | 100 |
| c. Columbia Plateau Conservation Research Center, Pendleton, Oregon..... | 58 |
| d. Richard B. Russell Laboratory, Athens, Georgia | 1,200 |
| e. Grain Marketing Research Center, Manhattan, Kansas..... | 400 |
| f. Human Nutrition Laboratory, Grand Forks, North Dakota..... | 450 |
| g. Meat Animal Research Center, Clay Center, Nebraska..... | 1,125 |
| Planning Northeastern Appalachian Region Fruit Crop Laboratory..... | 200 |
| Construction of: | |
| a. Soil and water facilities at Akron, Colorado.. | 750 |
| b. Beckley, West Virginia, Soil and water conservation research facility..... | 700 |
| TOTAL..... | $9,698 |

In reviewing the various programs of ARS and particularly the funding for the programs, it was observed that obligations for plant science and entomology research were greater than the other programs and had the largest percent of increases between FY 1970 and FY 1973. In examining these programs it was noted that considerable research effort is being directed towards studies of non-chemical alternatives to pest control, including small and large scale field pilot programs to test laboratory results.

During the Investigative Staff's visits to field offices, several pilot programs were examined and discussions were held with research leaders at the locations regarding the status of these programs.

## VII. PILOT FIELD TESTS OF ALTERNATIVE METHODS OF INSECT CONTROL

In FY 1973, the ARS sought increases in appropriations totaling $2.1 million of which $1.2 million was desired to expand research on biological and other alternative methods of pest control in recently completed pesticide laboratories located at Gainesville, Florida; at Stoneville, Mississippi; and at College Station, Texas. The remaining $900,000 was for pilot field testing of promising alternative methods of insect control. In FY 1972, $1,050,000 was made available for pilot field testing programs and an additional $500,000 was redirected to these program through savings, due to personnel ceilings.

The allocation of the $1,550,000 to specific projects in FY 1972 was as follows:

| | |
|---|---|
| Tobacco Budworm and Corn Earworm (Testing on St. Croix Island, V.I.) | $ 400,000 |
| Green Peach Aphid (Orono, Maine) | 75,000 |
| Lesser Peach Tree Borer (Vincennes, Indiana, | 161,000 |
| Beltsville, Maryland) | 4,000 |
| Greenbug (Stillwater, Oklahoma) | 125,000 |
| Dogfly (Gainesville, Florida) | 35,000 |
| Hawaiian Fruit Fly (Honolulu, Hawaii) | 250,000 |
| Boll Weevil Eradication (Prentiss, Mississippi) | 500,000 |
| TOTAL | $1,550,000 |

In presenting the proposed FY 1973 pilot programs to the Congress, the

ARS stressed the urgency to develop new pest control methods for use in lieu of persistent and other broad-spectrum pesticides, which are being severely restricted for use. The ARS officials pointed out the need for funding large-scale field evaluations necessary to perfect such promising alternate methods of insect control that have reached the stage over the past decade where practical field trials are needed. The ARS officials stated that the proposed large-scale field evaluations would involve the use of attractants, releases of sterile insects, predators, parasites or pathogens, and environmental modifications. The ARS officials further said that these alternative methods of insect control offer the best hope of replacing persistent insecticides, thereby reducing pollution due to insecticides in the environment.

The ARS identified six programs in which increases were sought in FY 1973. The funds were to be used for necessary supplies, equipment, operations, and subprofessional assistance, principally in connection with the rearing and releasing of insects and monitoring insect populations. Funds were appropriated to conduct pilot field testing of insect control or eradication techniques, as follows:

| | Increases FY 1973 |
|---|---|
| 1. Codling Moth (Testing on large orchards in the State of Washington) | $300,000 |
| 2. Pink Bollworm (Testing on St. Croix, V.I., and in the Moapa Valley, Nevada) | 90,000 |
| 3. Tobacco Budworm and Corn Earworm (Testing on St. Croix, V.I.) | 100,000 |

(Continued)

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| | Increases FY 1973 |
|---|---|
| 4. Hornfly (Testing on Washington Island, Wisconsin) | $100,000 |
| 5. Sugarcane Borer (Testing in Florida) | 100,000 |
| 6. Cabbage Looper (Testing on St. George Island, Florida) | 100,000 |
| 7. Taxonomy (Beltsville, Maryland) | 55,700 |
| TOTAL | $845,700 |

With respect to funds expended on those insect programs selected for large-scale pilot field evaluations, ARS officials advised that research has been in process for nearly a decade and for the five years preceeding the proposed pilot programs (FY 1968 - FY 1972) nearly $10 million had been expended on these programs, as follows:

| | |
|---|---|
| Codling moth | $1,239,600 |
| Pink bollworm | 2,534,981 |
| Tobacco budworm and corn earworm | 3,847,945 |
| Sugarcane borer | 546,300 |
| Hornfly | 366,931 |
| Cabbage looper | 1,332,000 |
| TOTAL | $9,867,757 |

An official of ARS, who was formerly the Director of the Entomology Research Division prior to the reorganization, said that pilot programs for which increased funding was sought by ARS were not intended to be successful to the point of commercial application at this time. He said they were suggested as experiments to field test laboratory results. He further remarked that these

pilot programs were more politically than economically feasible and the danger that may result from running a two-year pilot program is that the results may not be adequate to satisfy the public demand for practical application. This official advised that his division had not planned to undertake all of these pilot programs at the same time. He said that a list of these programs was prepared purely as examples for pilot programs with the intention that a selection could be made from this list as to those projects deemed feasible for study. He stated that to his amazement the full list was presented to the Congress and the Congress appropriated funds to commence all of the programs in FY 1973. This ARS official said that ARS may have undertaken some of these programs prematurely because they ran into a lot of early problems.

The Investigative Staff visited some of the locations where the programs were in process, or were being planned, and obtained the following information.

A. The Codling Moth Program

The stated technique to be evaluated in this program is the use of sterile males and cultural methods to suppress the codling moth, a very costly pest to the apple and pear growers.

The ARS research effort on the codling moth is located in Yakima, Washington, in a fresh apple and pear growing belt of the United States. Since 1968, the ARS has expended $1,239,600 in this program. In 1970, ARS initiated a 432-acre pilot test in the Wenas Valley of Washington to explore the eradication of the codling moth by use of the sterile male release concept in conjunction with a sanitation program and some insecticide spraying. The sanitation program and the use of pesticides were necessary to eliminate the host sources of the codling moth. This test, concluded in 1972, resulted in a 96 percent reduction of the population by the use of insecticide spraying and the elimination of

non-productive trees. However, the release of the sterile insects did not eliminate the remaining population and in some instances there were even slight increases in the population levels. According to the research leader in charge of this test, the answers to several questions remain unresolved. These questions are the compatibility of the strain of insects being reared with the wild strain, the competitiveness of the reared strain with the wild strain, and the methods used in dispersing the insects in the orchards.

In the budget presentation for FY 1973, ARS proposed a 5,000-acre pilot test for the eradication of the codling moth near Yakima, Washington, utilizing the sterile male release concept in conjunction with a sanitation program and the use of insecticides to eliminate host sources of infestation. This test was estimated to cost about $300,000. In late FY 1972, a pest management action program was funded by the Animal and Plant Health Inspection Service and the Extension Service in the proposed test area to eliminate the host sources of infestation. However, before the funds could be expended the growers in this pest control district initiated a sanitation program on their own accord in the proposed test area. The $300,000 estimate for FY 1973 has now been revised to $50,000, which will be used to develop a pheromone (attractant) as a suppression technique.

The Regional Deputy of the ARS for this location advised the Investigative Staff that he is reconsidering this pilot program and is having second thoughts as to whether ARS should conduct the test. He said it would appear that it is more of a control program and should be conducted by the Animal and Plant Health Inspection Service of the USDA.

In discussing the proposed 5,000-acre pilot test with the Investigative Staff, the research leader at Yakima stated that in his opinion this test was

premature. He said that the problems discovered in the earlier 432-acre pilot test should be resolved before proceeding on a larger test. He also stated that, if a large-scale project is undertaken, a rearing facility would have to be constructed to supply the insects for this test, as well as the formulation of an artificial diet to rear the insects. It was his opinion that such a facility could cost in excess of the $300,000 initially allocated to this program. As to the economics of the sterile insect release method of eradication as compared to the conventional use of pesticides, he stated that it would cost the grower twice as much for the sterile release program.

B. The Pink Bollworm Program

In connection with the pink bollworm program, two separate efforts were proposed. One effort was to be directed to evaluating the effectiveness of the release of fully sterile males on the island of St. Croix, Virgin Islands. The other effort was the possibility of totally suppressing pink bollworm populations with partially sterile non-diapause (non-overwintering) strains in the Moapa Valley, Nevada.

The Investigative Staff was informed that the pink bollworm is the primary pest of western grown cotton, particularly in southern California, and western Arizona and to a lesser extent in central Arizona and parts of New Mexico. Officials of ARS advised that the insect had seriously damaged the cotton industry in the Imperial Valley of California and posed a threat to the San Joaquin Valley of California. Since 1968, the USDA has been releasing up to one million sterile pink bollworms daily in the San Joaquin Valley during the growing season. Although this method of control has never been proven in a large field test, the USDA has credited this method with controlling the insect in the San Joaquin Valley. One ARS official remarked that while there are several

scientists who believe that the sterile release program has been ineffective in controlling the insect population, the USDA is afraid to discontinue the program for fear a severe infestation might occur in the Valley. The purpose of the proposed project at St. Croix was to test the success of a sterile release technique.

The effort planned at St. Croix was cancelled because it was later decided that even if a pink bollworm sterile male release field test program proved effective on St. Croix, the conclusions reached would not necessarily prove the program would be effective in the San Joaquin Valley because of geographical and climatical differences. The effort planned for the Moapa Valley, Nevada, was cancelled because an immediate need for relief from pink bollworm infestations was indicated by the growers in the Imperial Valley. Sterile male release programs are considered to be effective only when infestation levels are low, such as in the San Joaquin Valley. Infestations are considered to be high in the Imperial Valley and ARS officials recognized that a sterile release program, without employing other integrated techniques, would be ineffective.

It has recently been decided that the approach to the field test experiment of sterile pink bollworms will be revised and the location of the test program will be changed. This experiment, which may contintinue for as long as three years, will now be conducted on a ranch near Parker, Arizona, where conditions are similar to those in the Imperial Valley. Another reason for the shift to Parker, Arizona, was the recent concern over the contamination of cotton seed with aflatoxin. Aflatoxin is a natural occurring toxin caused by a fungus on a variety of hosts, including rotting cotton bolls. The aflatoxin is carcinogenic in some animals and ingestion by dairy cattle of cotton seed meal containing

aflatoxin can result in residues in milk.

During the first year of the experiment three different control methods will be used. Cultural practices, such as early planting, mid-winter irrigation, stalk shredding and early plow down, will be applied to the entire project area. Growth arrestant chemicals to stop late fruiting of the plants prior to the diapause season will be used on some small plots to prevent larvae from over-wintering. On other small plots, cotton will be treated either with pesticides or a virus, or will be left untreated. An assessment will then be made of the effectiveness of each of these control methods.

If the above measures sufficiently reduce pink bollworm populations, other methods may be added to the experiment in future years. These methods include the release of sterile insects or partially sterile, non-diapausing insects, development of resistant varieties of cotton, and baits or attractants. It is hoped by ARS officials that this project may demonstrate control over all the known pests of western cotton, including the corn earworm, tobacco budworm, cotton leaf perforator, cabbage looper, and beet armyworm, and that damage to other crops, such as vegetables, may also be reduced.

The Investigative Staff interviews with ARS and state scientists disclosed that some of the components to be used in the pilot project had not been fully perfected. The virus, which has been proven effective in limited tests, cannot be produced at this time in sufficient quantities to make it commercially feasible. The methods and facilities used to rear pink bollworms have previously resulted in poor quality insects with high mortality rates. The attractant to be used is not the true pheromone of the pink bollworm and therefore must be applied in massive doses. The Investigative Staff was told that research is continuing on all these problems. The ARS is also doing research on parasites

and while efforts in this area appeared to be promising, these parasites cannot, as yet, be produced in large quantities. Therefore, they will not be used in the pilot project.

The ARS has been provided $90,000 for this project in FY 1973 and it is estimated that $150,000 will be needed each year for FYs 1974 and 1975.

C. The Tobacco Budworm and Corn Earworm Program

The tobacco budworm and corn earworm pilot projects are being undertaken simultaneously on the 84-square-mile island of St. Croix, Virgin Islands. Previous laboratory studies had demonstrated radiation induced sterility would not seriously damage the mating competitiveness and behavior of the adult moths. These field experiments were initiated to demonstrate the potential of the sterile insect release method for the suppression and control of tobacco budworms and corn earworms. ARS officials advised that if the sterile insect technology could be perfected and made economical, the process could be integrated into a pest management system to reduce and maintain these insect populations at economic levels in the continental United States.

The tobacco budworm larvae is developed at Brownsville, Texas, and flown daily to St. Croix where it is further developed to the moth stage and released. The release program began in March 1972 and sterile insects of both sexes were being released. According to the project leader on St. Croix, it has been determined that the released sterile tobacco budworms were only about 25 percent competitive with the native insects. This ARS official also advised that the radiation method of sterilization of the females had not been fully effective because the released females often contributed progeny after mating with the native males. He said that research is continuing in order to improve the

sterilization technique to prevent the females from reproducing; otherwise, they will have to separate the insects by sex and release only males. This can only be accomplished by hand sorting and is a costly process because of the labor involved.

The ARS research leader on St. Croix advised that even less success has been achieved on the corn earworm program than on the tobacco budworm program. The corn earworms for release were being reared at Tifton, Georgia; Oxford, North Carolina; and at St. Croix. Those insects reared outside of St. Croix are flown there for release. The release program began in May 1972, and initially only males were being released. This, of course, involved the separation of insects by sex, a laborious effort on the part of several technicians. The ARS research leader estimated that the released sterile male corn earworms had been only about one percent competitive with the native males. The degree of competitiveness is critical because it dictates the size of the insect release required to maintain control.

The ARS research leader advised that he decided to experiment with releasing sterile females as well as sterile males in the hope that the native males would mate with the sterile females rather than the native females, and thus reduce the population levels. The results of this experiment were inconclusive.

During the Investigative Staff's visit to the project location, the ARS had called in a radiation expert to determine whether the radiation treatment being used had rendered the insects non-competitive.

Following the Investigative Staff's visit an ARS official advised that it had been concluded that the reason the released corn earworms were not competitive was because the strain of insects being reared, which was native

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to the continental United States, is different from the strain native to St. Croix, and therefore non-compatible. This official advised that corn earworms native to St. Croix will have to be trapped and a new rearing program initiated. This project was initially planned for two years, but, because of the failure during the first two years, will have to be continued at least during a third year.

D. The Sugarcane Borer Program

The proposed sugarcane borer program is intended to evaluate the release of parasites to suppress the sugarcane borer, a pest of sugarcane in the United States. ARS officials advised the Investigative Staff that improved methods to rear the cuban fly, the most effective parasite of the sugarcane borer, have resulted in a decision to attempt a pilot field test program on a large 5,000-acre plot in Florida over a three-year period. The pilot test called for the release of 500 female cuban flies at weekly intervals over a 20-week period.

According to an official of ARS, this program has been postponed for a year because funds were needed to supplement a boll weevil project being conducted at Prentiss, Mississippi, which had run into financial difficulties. Another reason for the postponement was due to the failure to construct a parasite rearing facility at Stoneville, Mississippi, because of technical problems.

E. The Hornfly Program

The location for proposed field testing of the sterile male release of mass reared hornflies which attack cattle was not firmly established at the time of the FY 1973 hearings. At that time, consideration was being given to locating the project at either Santa Cruz Island, California, or St. Croix, Virgin Islands. The proposed plan was to use integrated control methods utilizing a combination of insecticide application to reduce the native hornfly

population followed by release of sterile males to eliminate the remaining population.

An ARS official advised that the above locations were determined to be unsuitable for the project as was a later selected site at Washington Island, Wisconsin. It now has been planned to shift the location to the Island of Hawaii and a scientist will be dispatched to Hawaii to make biological studies of the hornfly, including diapause, and establish a rearing facility.

As a result of the delays in deciding on a suitable location, $50,000 of the $100,000 appropriated for this program in FY 1973 is being redirected to other pilot programs. A sum of $25,000 is being used to supplement a boll weevil eradication program in operation at Prentiss, Mississippi, and another $25,000 is being redirected to a gypsy moth program under the supervision of the Forest Service.

F. The Cabbage Looper Program

ARS officials advised that radiation dosages have been developed which permit induction of sterility in cabbage looper moths without excessive damage to mating competitiveness or behavior of the insects. Mass-rearing techniques have also been developed and large field cage tests have demonstrated the potential for controlling and suppressing populations of the insect through the sterile-release methods.

Research was initiated, through the allocation of FY 1972 contingency funds of the Administrator of ARS, on the 14-square mile St. George Island, which is approximately four miles off the Gulf coast of Florida. The work being performed is cooperatively undertaken by ARS and the University of Florida.

Work on this program began in February 1972, with the release of between 60 to 70 thousand sterile moths. About three years will be required to evaluate the program. Releases continued weekly until August 1972, and are planned to be repeated in 1973 during the same months. Data collected by the ARS research leader indicated 26 percent of the cabbage looper population on the island was sterile in May 1972; up to 36 percent in June 1972; and a range of 33 to 74 percent in July 1972. However, in August 1972, due to a heavy infestation from the mainland, the population level of sterile insects dropped to 20 percent. It was the opinion of ARS scientists that migration of the moths during that time of the year may be a characteristic of the insect.

ARS scientists were of the opinion that the project would be successful in the reduction of the cabbage looper population if the same results can be obtained during 1973. They also advised that the program should thereafter be directed to survey the affinity of the looper to its various overwintering hosts throughout the State of Florida and, also, to survey its migration habits.

G. Other Pilot Programs

Two additional pilot programs for which increased funding was not requested by ARS in FY 1973, but were funded under the base program, involved a pilot boll weevil eradication experiment in Mississippi and an Hawaiian fruit fly investigation in Hawaii. The Investigative Staff, in interviews with ARS personnel involved in these two programs, obtained the following information:

1. The Pilot Boll Weevil Experiment

The National Cotton Council, in early 1957, recommended the initiation of a boll weevil eradication program to get rid of a destructive pest which had caused economic damage to cotton growers throughout the southeastern United States. Funds were appropriated by the Congress to construct a Boll Weevil Research Laboratory on the campus of Mississippi State University and to initiate a broad cooperative research program with the university to investigate methods of control that might eventually lead to the eradication of the boll weevil from all infested cotton growing areas in the United States. Reports of progress presented in May 1969, by a Special Study Committee on Boll Weevil Eradication, a special subcommittee of the National Cotton Council, indicated that suppression techniques had been developed to the point that eradication might be achieved if they could be applied in an integrated program. It was concluded, however, that an adequate pilot experiment was necessary to demonstrate the techniques before engaging in a mass program of eradication.

Preliminary cost estimates of such a pilot program, made in 1970, indicated that it would cost a minimum of $2.85 million the first year, including $350,000 for a new rearing facility, and $2.5 million the second year. At the end of the second year a decision could be made regarding the continuance of the program for a third year. The subcommittee of the National Cotton Council

recommended a primary test site centered in southern Mississippi and extending into southeastern Louisiana and southwestern Alabama. By March 1971, it was decided that the acreage in the project area would be reduced, due to a new cotton price support program which limited the amount of acreage that could be planted in cotton. The project area, as now defined, has a radius of about 75 miles and consists of a core area with a radius of about 25 miles and 3 outer buffer areas. This reduction in the amount of acreage to be treated in the project area reduced the estimate of costs to $2 million for each year.

The project became a joint effort of the USDA, selected states, and Cotton, Incorporated, an industry association formed as a result of the Cotton Research and Promotion Act. Under the budget arrangement for the first year, $1 million was supplied by ARS, $500,000 by the Cooperative State Research Service, and $500,000 by Cotton, Incorporated. In October 1971, when the control activities of ARS were separated and placed under a new agency, the Animal and Plant Health Inspection Service, one-half of the $1 million ARS share was assumed by the new agency. A Technical Guidance Committee was established with representation from each of the four organizations participating in the program. At a meeting of these representatives it was decided that no one individual or organization would have absolute authority to make decisions concerning the running of the project, but decisions would have to be resolved by the Technical Guidance Committee.

The integrated program consists of four major techniques, as follows:

Phase I - Reproduction Diapause Spray Program

The cotton fields are sprayed with insecticides each fall to kill as many of the weevils as possible before they can reproduce and enter diapause and overwinter.

Phase II - Attractants and Traps

In the spring, before the growing season, traps are baited with a pheromone (sex attractant) and placed around the perimeter of each cotton field at a ratio of two traps per acre. The purpose of the traps is to catch those weevils which might migrate into the cotton producing area.

Phase III - Trap Rows

In each cotton field in the test area, four rows of early-fruiting cotton is planted and the soil and the cotton is treated with high doses of a systemic insecticide. The theory being that weevils escaping the traps on the perimeter will attack the cotton in these four rows and be eradicated before the remainder of the field matures. The remainder of the field is planted with normal-fruiting cotton plants.

Phase IV - Release of Sterile Males

Sterile males are released during the growing season to "fool" the females that may have escaped the other phases of the program or may have migrated to the pilot area.

In connection with all of these phases it is necessary for the farmer to employ good farming practices, such as (1) spraying at the right times, (2) planting at the right times, and (3) destruction of trash after the growing season. In order to carry out these practices, a large number of insect scouts and Extension Service personnel are detailed to advise farmers of the proper practices and specific times for their application.

The initial thrust of the program was carried out in early 1971 by Extension Service personnel who visited farmers and solicited their cooperation in carrying out good in-season control practices through the use of pesticides. This early control was necessary to provide a low insect population level to

commence the fall reproductive diapause spray program. In late summer of 1971, the project personnel began the application of insecticides to further reduce the possibility of insects overwintering. The Technical Guidance Committee concluded in the spring of 1972 that the techniques relied upon during the previous year to lower the insect population prior to entering the 1972 growing season had not been up to expectations because the population levels were higher than hoped for. In analyzing the failure, it was determined that not all growers had followed the prescribed in-season spraying program. Also, there were adverse weather conditions during the fall diapause spraying and the best benefits were not derived from the pesticides. The high population levels in the spring of 1972 rendered the techniques to be employed during the 1972 growing season less effective.

In preparation for the sterile release phase of the program, which was to commence during the growing season of 1972, a specially designed rearing facility was financed and constructed by the State of Mississippi; however, it failed to operate satisfactorily during the 1972 season. An ARS official advised the Investigative Staff that the architect who designed the building had never built a facility of this type and he not only failed to provide the proper ventilating system but also made other design errors which had to be corrected by the contractor during the rearing process. This official also advised that the operator of the facility failed to exercise proper sanitary precautions and as a result of these problems, the insects reared were of poor quality and suffered high mortality rates. In addition, the chemosterilant used was thought to be adequate to sterilize both male and female boll weevils; however, it failed to completely sterilize the female, thereby making it necessary to separate the sexes so that only sterilized males were released.

ARS officials advised that in preparation for the 1973 growing season they are in better shape. Instead of relying upon farmers to carry out the in-season practices, project personnel actively participated in the in-season control measures. Also, they were of the opinion that the reproduction diapause spray program was more successful because weather conditions were much improved over the previous year and, in addition, they went into the fields and did some ground spraying rather than rely upon the airplane as the sole vehicle for application. They advised that the problems encountered in operating the rearing facility had been resolved and a new chemosterilant has since been developed which appears to be capable of sterilizing both females and males, thus eliminating the necessity and cost of separating the sexes.

In November 1972, participants in the experiment met to discuss the results of the program as of that time and outlined plans for the 1973 growing season. They agreed that prior to the conclusion of the experiment, additional research would be needed to establish the effectiveness of pheromone traps versus trap crops; a workable procedure would have to be developed to survey the project area at the conclusion of the experiment; and criteria would have to be established in order to measure whether eradication had been achieved. With regard to criteria to evaluate the experiment, one ARS scientist reported that "we believe that the final evaluation of whether we possess the technical capability to eradicate the weevil will be a judgment rather than an absolute certainty." Another ARS scientist, identified as a specialist in systems analysis and insect populations, said, "he felt the project lacked assessment systems to evaluate the results achieved from the project and that results achieved from the experiment could not be substantiated."

Regardless of the problems encountered in the project, the participants in the experiment had enough confidence in the outcome of the program to form a Technical Committee to Develop Overall Plans for Boll Weevil Eradication. The most current cost estimate for an eradication program covering the cotton belt from the Atlantic Coast to the Texas-Mexico border was an average of $100 dollars per acre for an estimated 8 to 10 million acres of cotton. The Committee identified many problems which have to be solved before such a program can be carried out, including the following:

1. At least four additional rearing facilities will be needed to provide sufficient quantities of sterile insects.

2. Large numbers of personnel will have to be trained to operate the program.

3. Statutes of states in the cotton belt will have to be reviewed and any necessary enabling legislation enacted to provide adequate regulatory enforcement powers to require farmers to comply with planting dates, spraying requirements, and cultural practices.

4. A massive education program will have to be undertaken to indoctrinate the farmer on the desirability of cooperating in the program.

5. Development of reliable techniques for pinpointing infested areas as well as for identifying those cotton acreages not being farmed in keeping with the aims of the program.

6. Determination of seasonal diapause in various geographical areas and better knowledge of insect emergence which might influence planting dates.

7. Federal statutes enacted to indemnify the farmer for any yield losses which may be suffered as a result of the program.

2. Investigation of the Hawaiian Fruit Flies

In FY 1972, the U. S. Senate included appropriations to undertake an entomological research program for eradication of Hawaiian fruit flies from Hawaii. Current research is designed to develop new or improved techniques for using the sterile insect release method or synthetic lures and natural attractants combined with a toxicant for large area control, suppression, or eradication of fruit flies. A pilot test of eradication methods is proposed to be conducted on the Island of Lanai to demonstrate that the technology has been developed for fruit fly eradication from the entire State of Hawaii. The test is intended to perfect techniques and make more precise estimates of the cost of a statewide eradication program.

Hawaii is the only known place in the world where the oriental fly, the melon fly, and the Mediterranean fruit fly occur together; and the only place in the United States or its possessions, with the exception of the Territory of Guam, where any one of the three has been established. These insects are highly destructive pests of fruits and vegetables and of several nuts and flowers. Because of greatly expanded tourist travel and world trade, a constant hazard exists that any one of these destructive fruit flies may be introduced into the continental United States, despite rigid quarantines now in force.

According to an ARS scientist, it has been determined that an adult fly can live several months, can fly or be carried on winds up to 45 miles in distance, can produce 10 generations a year, lay as many as 500 eggs during its life cycle, and thrive at altitudes of 6,500 feet. He further stated that crop destruction sometimes reaches 100 percent if no spraying is done.

The proposed eradication program to be attempted on the Island of Lanai involves three techniques. The first technique to be used is the

dispersing of a malathion-baited spray over the entire Island by aircraft to reduce the population levels of the flies. Because of the topography of the land, including remote valleys where the infestation sites are not readily accessible, it is not expected that the spray technique will be 100 percent effective. However, it should reduce the population levels sufficiently to release sterilized insects.

The second technique utilizes flies sexually sterilized by gamma radiation. The sterile male fruit flies, when released in numbers many times greater than the population of wild flies, mate with the wild females and thus prevent egg hatch. It is hoped that by continuing the release through several generations, the population will diminish and die out.

The third method makes use of a small amount of a suitable poison, which is mixed with an attractant and used to saturate small absorbent blocks or short lengths of rope which will be dropped from an airplane at 2-week intervals. It is expected that young males will respond to the poisoned lure before any attain sexual maturity. Lures that have been developed appear to be an effective attractant to the males. If the male population can be eradicated, the females' eggs will not be fertilized; therefore, the species disappear.

The ARS research leader advised that the experiment was supposed to get under way in FY 1972; however, several problems prevented the start of the program. The rearing facility, that has been in use for the past 12 years, is located in a temporary structure on the campus of the University of Hawaii. The University has asked for the return of the building and, as a result, ARS initiated the construction of a new laboratory and rearing facility at another location. Most of the funds available for the project in FY 1972 have been

committed to the new buildings. While the old facility could have been used during FY 1972, the principal delay was caused by the inability to purchase the synthetic attractant until after the FY 1973 funds became available. Large quantities of the attractant were necessary for the project and there were not sufficient funds to make the purchase.

Until ARS can commence the experiment, technicians are monitoring fruit fly population trends on Lanai with traps to determine seasonal variations and the migration of flies from other islands. Releases of sterile fruit flies are being made to study the best technique for future releases. The ARS research leader stated that he has become concerned about the lack of competitiveness of the laboratory-reared insects with the native insects, therefore, an effort is being made to rear a new strain for the experiment. Eggs of the native flies were obtained from the islands in November 1972 and ARS is in the process of developing a new supply. Of course, this new strain will have to be field tested to determine if it is any more competitive than the previous strain. The ARS scientist responsible for this experiment estimated that the released flies that he had been working with were about 50 to 80 percent competitive with the wild flies. However, an ARS technician on the Island of Lanai told the Investigative Staff that when he made the releases, he noticed that a large percent of the flies did not survive and were found dead near the cages. He also said flies that survived were so tame that he had even seen ants approach and carry them off.

An ARS official advised that because of funding limitations in this program, which was scheduled to run for four years at a cost of $250,000 each year, some of the proposed efforts will have to be curtailed. In his opinion, technology has been adequately developed in prior experiments for the oriental

fruit fly and therefore research on this particular fly will be eliminated from the experiment. The experiment will only cover the melon fly and the Mediterranean fly. This scientist said that technology appears to be fairly well developed for the melon fly, however, more tests need to be done. He said that male annihilation technology for the Mediterranean fruit fly should undergo considerably more development before a formulation is recommended, since the best formulations now available for use against this species would be quite expensive. A scientist on the National Program Staff advised the Investigative Staff that "although the proposed experiment should yield valuable research data, it would be risky to recommend a statewide eradication effort even if all suppressive components tested in this plan function adequately."

Another area of concern, which had not been anticipated, came to the Investigative Staff's attention during the field visit to the project. The Lanai Company, the principal landowner and pineapple grower on the island, had granted permission for ARS to conduct the experiment; however, the officials of this Company recently requested that assurances be given to them that the crops raised on the island can be marketed. The ARS research leader said that it had never been planned to conduct studies of the impact of the fruit fly eradication technology on nontarget organisms and there were no funds to do so. The next procedure will be an attempt to have the Environmental Protection Agency give these assurances without the requirement for supporting data. This same individual also said that, while it has not been explored, the State Game and Wildlife authorities may want assurance that the toxin to be used will not endanger the wildlife on the island. These recent problems could either delay or place the experiment in jeopardy.

While the concern of the grower on Lanai about the marketing of his

products was the only time that the social/economic impact was mentioned, it can be anticipated that as projects are moved from the laboratory to large field tests there will be more public reaction. The Investigative Staff observed that practically no effort is being undertaken to evaluate the impact these field experiments will have on the public. While no specific time frames could be furnished by ARS officials for the practical application of biological control techniques, scientists interviewed by the Investigative Staff indicated that proven techniques may not be available to the farmer for many years, perhaps a decade.

## VIII. FEDERAL GRANT FOR RESEARCH ON BIOLOGICAL CONTROL

On April 14, 1972, the Director, National Science Foundation, presented to the National Science Board, for review and approval, a proposal made by a group of universities which sought support of a program of research as a part of the International Biological Program. The proposal that was presented to the Board had as its overall objectives the obtaining of basic understanding of insect populations, including their ecology, behavior, and interactions, so that effective strategies could be developed to institute biological controls, thus minimizing the need for pesticide application.

The proposal requested a continuing grant in the amount of $1 million for the period May 1, 1972, to March 31, 1973, and up to $3.4 million for the period April 1, 1973, to March 31, 1974. The Director, National Science Foundation, informed the Board that the Environmental Protection Agency would provide $700,000 towards the first 11-month period and up to $1.7 million for the following 12-month period. The National Science Foundation would provide the balance. The Director further advised the Board that, in addition to the continuing grant, the USDA would provide $911,500 in grants to universities during the first 11 months, as well as other contributions in direct operations. Some of these grants would cover an 18-month period, and others, 3 years. The Director also advised the Board that by agreement with the USDA and the Environmental Protection Agency, the National Science Foundation would serve as the lead agency in administering the program. However, prior to the awarding of the grant on May 1, 1972, the University of California, Berkeley, California, was given authority to administer a series of individual grants with the various universities under a one-package grant. Dr. Carl B. Huffaker, Division of Biological Control, University of California at Berkeley, was named the

Principal Investigator and Project Director.

Dr. Huffaker had previously presented the proposal before the Agricultural Research Policy Advisory Committee (ARPAC) in October 1971, at which time he referred to the program as "The Principles, Strategies and Tactics of Pest Population Regulation and Control for Major Agro-Ecosystems." This title has continued for the project. Dr. Huffaker told ARPAC members that considerable research in pest control had been under way in the USDA and in the universities for at least a decade, but it was evident that many of the approaches had concerned one pest at a time, in rather isolated fashion, with little effort made to look at the whole pest and cropping system. In presenting his proposal, Dr. Huffaker told the members that scientists within the university or campus representing different disciplines and subdisciplines pursue their work as if the others' efforts and potentials have no bearing on their own work. He also said that USDA scientists stationed on a given campus, and Experiment Station scientists, often pursue their work along their own distinct lines and with different objectives, even though cooperative research agreements exist to umbrella their activities. He pointed out that the lack of unity in approach is thus evident both within the disciplines of a single campus and with respect to Federal and state cooperative research efforts.

The proposal outlined an in-depth national research effort concentrating on five crops and on pine bark beetles as presenting a significant forest problem. The crops identified were alfalfa, citrus, cotton, pome and stone fruit, and soybeans. It was stated that about 70 percent of the insecticides were used on these crops. The plan proposed would develop the basic biological information required for a broad ecologically based control of the pest insects on these crops (and coordinated with control of other pests), and would develop methods of systematizing all relevant information necessary in pest control

decision-making. It was also stated that the program should lead, within 5 to 10 years, to a greater reduction in the use of the more environmental polluting insecticides. The reductions mentioned were 40 to 50 percent within a 5-year period and 70 to 80 percent in 10 years.

Dr. Huffaker stated that while a number of relatively new techniques on a single pest problem have had limited trials, and other techniques have suggested exciting possibilities, they must now look at the whole complex. The indicated measures for one pest problem often complicate the problems with another. He said that the important factors and interactions of factors and control measures have not been quantified. Much of the basic research which might have been directed to establishing the data and guidelines for a proper systems analysis approach to such integrated control has been done in isolated pieces, each discipline proceeding without regard to the dictates indicated by the other disciplines.

Dr. Huffaker listed the following examples of what can reasonably be expected from the efforts of the proposal:

"1. Explore principles, tactics and strategies of insect-control population regulation to find practical alternatives to the extensive use of broad spectrum toxic chemicals.

"2. Utilize these principles, tactics and strategies in a multi-disciplinary, integrated, system approach to decision making.

"3. Develop better methods of collecting, handling, and interpretation of relevant biological data and of employing natural enemies and other ecologically compatible control measures.

"4. Concentrate effort on field-oriented ecosystem research and when appropriate, on total populations relevant to explaining interactions, broad economic and environmental consequences and predicting and modifying pest populations as a continuing dynamic series of events.

"5. Control pest populations at non-economic densities in a manner as to optimize cost-benefit relations and to minimize environmental degradation."

Dr. Huffaker told the ARPAC that the project could establish adequate guidelines to the real need for use of pesticides and place pest control on a more scientific basis wherein the grower can manage his crop pests in a more reliable, predictable way, such that he is not constantly faced with "putting out brush fires," with consequently long-term disadvantage to himself, to society, and the environment.

A report of the expenditures for the first 11 months (May 1, 1972, to March 31, 1973) disclosed that the $1 million ($300,000 from NSF and $700,000 from EPA) was used for 24 grants made to 16 universities and related to the following crops:

| | |
|---|---|
| Soybeans | $ 235,500 |
| Alfalfa | 227,200 |
| Citrus | 149,500 |
| Pome and Stone Fruit | 109,800 |
| Cotton | - |
| Pine (Bark Beetle) | 170,200 |
| Total | $ 892,200 |
| Administration | 107,800 |
| Total | $1,000,000 |

In addition to the $1 million financed by the National Science Foundation and the Environmental Protection Agency for the first 11 months, the USDA, through ARS and CSRS, made $911,500 in grants available to 9 universities, including 3 universities which had not participated in the $1 million in grants. These funds were variably disbursed to cover segments of the program and were to remain under the general direction and guidance of the program's managerial staff, while at the same time conforming to the terms of the contracts with the USDA and satisfying its goals.

The proposal for the next 12 months (April 1, 1973, to March 31, 1974)

included a request for $2.6 million ($1.3 million each from NSF and EPA), which will be disbursed in grants to 19 universities. The $2.6 million is to be related to the following crops:

| | |
|---|---|
| Soybeans | $ 540,449 |
| Alfalfa | 501,105 |
| Citrus | 263,676 |
| Pome and Stone Fruit | 310,819 |
| Cotton | 486,502 |
| Pine (Bark Beetle) | 323,808 |
| Total | $2,426,359 |
| Administration | 173,641 |
| Total | $2,600,000 |

ARS will not be making a direct funding in support of the program during the second year but, instead, will attempt to identify some of its in-house research effort that might be supportive of the program and make its contribution in this fashion.

The Project Director advised the Investigative Staff that the initial effort is being directed towards the synthesizing of data collected into a format compatible with computer modeling and towards developing suitable models. Simultaneous and subsequent efforts will be directed towards filling in data gaps, particularly in relation to insect populations and their interactions. He stated that there was considerable data already available but it has never been placed in this type of format. He said that initially there were several ARS field scientists interested in this program; however, officials of ARS did not appear equally interested. Subsequently, the USDA did become involved and has appointed an in-house steering committee to coordinate with the project. He also said that the USDA is represented on the Ad Hoc Panel of Experts and on the steering committee for the project

but at the request of the USDA officials they elected to be nonvoting members of the Panel and steering committee. The steering committee is a very important committee on this project because it has the ultimate responsibility for review, redirection, and curtailment or augmentation of specific lines of research and specific institutional participation.

The Project Director advised that while the National Science Foundation had agreed to fund this program for a period of two years, it is anticipated that it will take a minimum of five years to complete and, even after the five years, it should be a continuing program.

In discussing this program with a number of ARS scientists in the field, who are considered experts in their particular disciplines, they stated that they not only were unaware of the program, but also they had not been called upon to assist. These scientists seriously questioned the accomplishments that could be made from such a program, pointing out that if only laboratory and theoretical inputs are used in the computer modeling, the results can be misleading. From their own experiences in taking a technique from the laboratory to the field for testing, they learned that considerable adjustments have to be made in the program to make it work. They said that it is very timely to sell a program of this type because of the great concern by the public about the environment. They also said that many of the things planned for this program have already been accomplished by ARS and they were especially concerned that those responsible for the project will take their research and capitalize on it without giving due recognition to ARS scientists who have spent their careers in this work.

Officials of the National Science Foundation and the Environmental Protection Agency advised that they had not intentionally circumvented the

USDA by funding this project. They stated that they had consulted with officials of the USDA about the proposal made by a group of universities and received their concurrence in the decision to fund the project. An official of the Environmental Protection Agency claimed that ARS does not have personnel with the required expertise in mathematical modeling or population dynamics, and such an undertaking would be beyond the capability of the USDA.

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