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# TEMPORARY PROGRAM FOR REDUCED RATE BEEF CATTLE FEED

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## HEARING BEFORE THE SUBCOMMITTEE ON LIVESTOCK AND GRAINS OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES NINETY-THIRD CONGRESS

SECOND SESSION

ON

### H.R. 17208

DECEMBER 10, 1974

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## TEMPORARY PROGRAM FOR REDUCED RATE BEEF CATTLE FEED

TUESDAY, DECEMBER 10, 1974

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

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 1302, Longworth House Office Building, Hon. Thomas S. Foley (chairman of the subcommittee) presiding.

Present: Representatives Foley, Gunter, Mayne, Zwach, and Sebelius.

Also present: Glenda L. Temple, staff assistant.

Mr. FOLEY. The Subcommittee on Livestock and Grains will come to order.

The subcommittee meets this morning for consideration of H.R. 17208 which would establish a temporary program whereby the Secretary of Agriculture could obtain feed for beef cattle and sell it to cattlemen at a reduced rate if the parity price of milk falls below a specified level.

[The bill H.R. 17208 and the Department of Agriculture report follow:]

[H.R. 17208, 93d Cong., 2d sess.]

A BILL To establish a temporary program whereby the Secretary of Agriculture shall obtain feed for beef cattle and sell such feed to cattlemen at a reduced rate if the parity price of milk falls below a specified level

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) notwithstanding any other provision of law, the Secretary of Agriculture (hereafter in this Act referred to as the "Secretary") shall establish a program whereby he shall obtain feed for beef cattle pursuant to subsection (b) of this section and make the feed available to owners of beef cattle pursuant to section 2.

(b) For purposes of subsection (a) of this section, the Secretary shall obtain the feed at a price not exceeding the market price.

SEC. 2. (a) Whenever the price of milk paid to producers is below 90 per centum of the parity price, the Secretary shall offer for sale to owners of beef cattle the feed obtained pursuant to the first section of this Act.

(b) (1) The price at which the feed is offered for sale may not exceed the amount paid for the feed minus a percentage of that amount as described in paragraph (2).

(2) The percentage to be used in paragraph (1) is that percentage part of the full 100 per centum parity price is not being paid to producers of milk at the time the feed is offered for sale.

SEC. 3. The authority of the Secretary under this Act shall terminate two years after the date of the enactment of this Act, except that the Secretary thereafter may sell, under section 2, any feed which he has on that date and which he purchased under the first section of this Act.

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., December 10, 1974.

HON. W. R. POAGE,  
*Chairman, Committee on Agriculture,  
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request of November 14, 1974, for a report on H.R. 17208, a bill "To establish a temporary program whereby the Secretary of Agriculture shall obtain feed for beef cattle and sell such feed to cattlemen at a reduced rate if the parity price of milk falls below a specified level".

This Department recommends that the bill not be passed.

The bill provides that the Secretary of Agriculture shall buy feed for beef cattle at market prices and sell such feed to cattlemen at reduced prices whenever the price of milk paid producers is below 90 percent of the parity price. The price reduction (applied to the cost of acquisition) would be at least equal to the percentage by which producer milk prices fall short of 100 percent of the parity price. This program for beef producers is related to milk prices in order to provide the same benefits to cattlemen as would be provided milk producers under a similar bill, H.R. 17106. For example, if this program were effective today, the Commodity Credit Corporation would be buying corn at a price of about \$3.60 per bushel. Since the price received by producers for milk in November was 77 percent of parity, CCC would sell the corn for \$2.77 (77 percent of \$3.60). Other feeds would be purchased and sold at correspondingly reduced prices.

The bill is not specific in many potential problem areas and would be almost impossible to administer. It does not define "feed". Are hay and silage included? Or grains—all or some? Are commercially mixed feeds contemplated? Or, does the bill encompass all of these—grains, hay, concentrates, etc.?

Under the bill, feed could be purchased from anyone, including beef cattle producers who grow all or part of their own feed. Such producers presumably would sell their feed to CCC, either directly or indirectly, and buy it back at a much lower price.

Another serious administrative problem would be the determination of how much feed to sell each producer. Presumably, producers could buy only the quantities of feeds actually needed to feed their own cattle. Otherwise, they could buy feed at the reduced prices and sell excess quantities at higher market prices. There are nearly 1,800,000 farms with beef cattle and they are located in nearly every county and every State in the Union. It would be almost impossible to periodically determine how much feed each would be entitled to or to prevent abuses of the program.

In addition to these serious administrative problems, there are other substantive objections to the bill.

Since the program would make low-cost feed available to cattle producers, they would increase production at a time when beef supplies are already larger than ever before. Grain markets would also be seriously disrupted as cattlemen used more feed and market prices of feed would rise. It is conceivable that other bills would be introduced to provide a similar low-cost feed program for other livestock producers and that other livestock production would likewise increase pushing feed prices even higher. The net result would be an uneconomical diversion of scarce feeds and a serious imbalance in the production of different types of livestock.

If H.R. 17208 were enacted, practically all of the feed fed to beef cattle in the United States would be purchased and sold by the Government. This would completely disrupt traditional commercial feed markets and marketing channels.

There are so many uncertain variables inherent in H.R. 17208, that it is impossible to make any meaningful cost estimates, but they would indeed be unacceptably high. For example, if the program were limited to grains only, it is estimated that CCC's losses on purchases and sales of the grain would be almost \$1½ billion for the first year.

The Office of Management and Budget advises that enactment of this legislation would not be consistent with the objectives of the Administration's program.

Sincerely,

CLAYTON YEUTER,  
*Acting Secretary.*

Mr. FOLEY. The first witness scheduled this morning is Hon. Wright Patman, author of the bill. Although Congressman Patman cannot be here, his prepared statement in full will be placed in the record.  
 [The prepared statement of Hon. Wright Patman follows:]

STATEMENT OF HON. WRIGHT PATMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, I deeply appreciate this opportunity to testify in support of emergency legislation to assist U.S. cattlemen who are facing a crisis situation that is not of their own making. We have abundant evidence of the current livestock emergency and the following official U.S. Department of Agriculture statistics show the murderous cost-price squeeze that is choking the very life out of our domestic cattle industry:

CORN BELT CATTLE FEEDING

Selling price needed to recover expenses: \$45.27 per 100 pounds.  
 Selling price being paid for choice feeder steers: \$36.72 per 100 pounds.

TEXAS PANHANDLE CATTLE FEEDING

Selling price needed to recover expenses: \$40.51 per 100 pounds.  
 Selling price being paid for choice feeder steers: \$31.54 per 100 pounds.

CALIFORNIA CATTLE FEEDING

Selling price needed to recover expenses: \$42.28 per 100 pounds.  
 Selling price being paid for choice feeder steers: \$31.21 per 100 pounds.

Clearly, cattlemen are now actually *losing* large sums of money on their average sales. Needless to say, this situation cannot long endure—the inevitable result will be that thousands of small livestock producers will go bankrupt. And, of course, the long-term result will be that U.S. beef production will drop substantially causing widespread meat shortages and tremendous price increases. In the long run, therefore, it is in the interest of consumers to prevent the collapse of our domestic beef industry.

It seems to me that the Congress has a clear obligation to assist our cattlemen during this emergency. And this obligation is even greater because most of the cattlemen's problems today are the result of Federal policies. Consider, for example, that the Federal Government imposed price ceilings on meat at a time when there were no controls on production costs; has permitted massive grain exports causing the domestic price of feedgrains to soar; has allowed tight money, high interest rate policies to stifle livestock and other capital-intensive businesses; and has permitted the importation of huge quantities of subsidized foreign beef with the President going so far as to set aside our traditional quotas—quotas that were too high anyhow. Again, because government policies contributed to the current crisis, the government has a duty to ease the effects of the emergency.

As you gentlemen know, the agricultural policies of the Administration have helped grain producers while hurting livestock producers. In October, the price of wheat was at a level of 117% of parity; corn was at 126% of parity; and soybeans at 132% of parity. Milk, however, was down to about 71% of parity and beef prices had sunk almost out of sight. Do you know what beef prices are in terms of parity? They are an incredible 38% of parity! The farm cattle prices are about half what they were a year ago. In the same one-year period, production costs have skyrocketed. This cost-price pattern is a sure-fire formula for economic disaster and that has been its effect.

Again, the situation is desperate and we must act—we cannot afford to follow the Administration's discredited do-nothing policy. The bill which I have offered to assist cattlemen, H.R. 17208, is an effort to lower beef production costs by expanding the existing Emergency Livestock Feed Program to cover economic as well as natural disasters. The economic pressures on livestock producers are just as severe as a nationwide drought or flood would cause. In fact, the situation many cattlemen face today is worse than past natural disasters.

The major cost of producing finished beef is feed. My bill, H.R. 17208, would reduce feed costs by making the Emergency Livestock Feed Program applicable to economic disasters and authorizing the Department of Agriculture to purchase feedgrains for re-sale to cattlemen at a discount reflecting the difference between the prevailing milk parity price and 100% of parity. The reason for tying beef prices to milk was that the two products are related—when milk prices fall, many potential dairy replacement heifers are sold for meat thereby affecting beef prices.

In addition, I have introduced a similar bill to aid dairymen and it would simplify administration to have a uniform discount for feedgrain sales to dairymen and cattlemen. Since introducing the bill, I have learned that USDA maintains parity price schedules for slaughter and feeder calves even though there has never been a price support program for beef.

As I indicated earlier, the current price for slaughter and feeder calves is about 38% of parity. Since these parity figures are available, I ask that they be substituted for milk parity figures in my bill. Using the 38% parity price level, therefore, the current discount for feedgrain would be 62%—the difference between 38% and 100%. I also ask this Subcommittee to consider amendments to the bill to insure that it benefits small part-time producers as well as cattlemen who derived all of their income from beef production. The needs of these small producers are just as great as those of larger producers.

Mr. Chairman, I want to say once again that I do not advocate this program as the only solution to the current problem. I have also introduced legislation to ban beef imports and to control grain exports as well as measures to expand the purchase of beef for assistance to famine-stricken nations. The bill you have before you today, H.R. 17208, is simply another suggestion for saving our U.S. cattle industry and particularly small producers who will be the first to go under. The important thing is that we do something—that we not sit idly by while a great sector of American agriculture suffers because of circumstances beyond their control.

In conclusion, I know that the U.S. Department of Agriculture has numerous objections to my bill. My response is that all of the objections raised are minor and can be corrected. The real objection that USDA has is that it doesn't want to see anything done to assist cattlemen. My message to Dr. Butz and his associates at USDA is that I personally will not sit by while cattlemen suffer because of USDA actions in the past and USDA inaction today. I hope that the Members of this important Subcommittee will join in sending a similar message to our Department of Agriculture. My bill, H.R. 17208, is one way to help cattlemen through the winter. I hope you will give this proposal your sympathetic consideration.

Mr. Chairman, I have several written statements from East Texans which I would like to submit for the record. In addition, I would like to say that I appreciate the fact that both Representative E. L. Short, Chairman of the House Agriculture Committee of the Texas Legislature, is here today as well as Mr. Edmund Nichols, Assistant Commissioner of the Texas State Department of Agriculture.

Also joining me here today are Mr. Lynn Chapman of Sulphur Springs, Texas and Mr. Larry Gamblin of Como, Texas. Both of these gentlemen would like to testify briefly.

Finally, Mr. Chairman, I want to acknowledge and thank each and every member of this important Subcommittee:

Representative Thomas Foley of Washington, chairman.

Representative John Rarick of Louisiana.

Representative Walter Jones of North Carolina.

Representative B. F. Sisk of California.

Representative John Melcher of Montana.

Representative Bob Bergland of Minnesota.

Representative Frank Denholm of South Dakota.

Representative Spark Matsunaga of Hawaii.

Representative Jerry Litton of Missouri.

Representative Bill Gunter of Florida.

Representative Wiley Mayne of Iowa.

Representative John Zwach of Minnesota.

Representative Robert Price of Texas.

Representative Keith Sebelius of Kansas.

Representative Paul Findley of Illinois.

Representative Charles Thone of Nebraska.

Representative James Johnson of Colorado.

Representative Steven Symms of Idaho.

Mr. Chairman, I also have a petition with me signed by more than 2,500 East Texans in support of this and similar bills. While this is somewhat bulk to include in your hearing record, I would like to leave a copy of the petition with you for your inspection and consideration.

Thank you again, Mr. Chairman, for this opportunity to be heard.

[The following statements were submitted by Mr. Patman:]

STATEMENT OF QUENTIN MILLER, PRESIDENT, DELTA NATIONAL BANK,  
COOPER, TEX.

This Bank is engaged in financing Cattlemen on a large scale commensurate to our assets, further we have helped to develop the livestock industry from the cow-calf operation side since 1933 when the great cattle-kill took place in the deep days of the depression. I was personally in the cattle business then and I am still in it today and have been through the intravening years.

We all know that we have cattle cycles on a numerical basis anywhere from four to seven years. In 1973 we were approaching a buildup of cattle numbers that would have to be worked off by lower prices which we normally expect and have been able to cope with in the past. The worst of these was in the year 1952 and we got by without any massive government aid. I remember that during this period the government bought some extra beef for the school lunch program and possibly some beef to distribute under Public Law 480, relief to needy nations of the world. Anyway, we pulled out of that one in a couple of years. Production cost then were very reasonable.

We are now in the depth of a cattle crisis only second to the thirties. The fact that the United States government has done two things that has caused this crisis to develop to the depths that it has gone. First, the freezing of cattle prices during 1973 triggered off the beginning of this fall off in prices of this cycle because the government did not freeze beef on the hoof. The live price increased about 8¢ per lb. after the freeze to over .60¢ per lb. for choice steers basis Omaha, Neb. The consumer balked as did the processors and the retailers of the products. Beef dried up in the supply channels and built up a glut in the feed lots. The administration encouraged people to eat fish, chicken and everything except beef. Consumption fell like a ton of brick yet the freeze stayed on and the glut built up. The sales lost by action of the government magnified the cycle that was already due. In addition to this the sale of feed grains to foreign buyers was in excess of our ability to supply as a nation and still keep a reasonable supply available for the normal trade. At this same time many feedlot operators sold their stocks as they were going broke right and left for they had no cattle to feed in the lots and no use for the grain, moreover much of this went into foreign channels. Then the drought of 1974 in the corn belt as well as the milo producing areas experienced a devastating blow to production of the current grain crop. This pushed grain prices up by more than 50%. This again pushed cattle prices down from .50¢ per lb. for choice steers basis Omaha, Neb. to a current .38 to .39¢ range. All these problems have wiped out the lifetime earnings of many cowman.

The United States government is responsible for the cowman's woes in two places. First by freezing the price of beef and secondly by overselling the grain market to foreign governments. Therefore, it's nothing more than right for the government to correct its mistakes to save the grass roots of the cattle industry. In order to offset the problems created legislation should be enacted to: 1. freeze temporarily the imports of all beef into the United States. 2. purchase old cows to an amount not to exceed five billion dollars or, to a point of modest recovery whichever is greater. 3. subsidize the cost of grains to cattlemen and dairymen not below 30% of the market price for a period of eight months beginning January 1, 1975 or until prices of the products produced reached 90% of parity whichever is attained first.

I firmly believe that this reasonable pursuit is justifiable and that it will accrue in the end through taxes no cost to the government yet it will help save an industry that is being washed out by a cost of many times the proposal set forth as a remedy. The loss to this small country Bank's customers will exceed \$4,000,000.00. Our recent statement is included for your information.

STATEMENT OF C. R. (BILL) TURNER, CO-ORDINATOR FOR EAST TEXAS (40 COUNTY AREA), CONCERNED CITIZENS FOR LIVESTOCK INDUSTRY

Mr. Chairman and members of the committee, we appreciated very much the opportunity to appear before you on November 26, 1974 regarding H.R. 16249.

We again request prompt action on that Bill because of its vital immediate importance to the dairy and beef producers and longer range importance to all consumers and the general physical and economic well being of the country as a whole.

We also urge prompt action on H.R. 17106 to assist dairymen in procurement of feed during this winter to maintain their herds and economic viability, plus prevent these cattle from being dumped onto the already flooded beef cattle market. We believe this program can be administered very promptly and efficiently with some form of certificate through the regular feed channel outlets without direct government purchase of any feed. We also believe that because of the nature of the dairy industry, minimum controls would be required to prevent misuse or abuse of a feed support program for the dairy industry.

Even though we are vitally interested and threatened with bankruptcy in the beef cattle producing industry, we cannot fully endorse H.R. 17208. The variable conditions of producing and feeding in the beef industry would apparently be much more complex and might also be counter contributing in the longer range.

However, we do strongly endorse:

H.R. 17207 and H.R. 17443—Government procurement of meat and dairy products for aid to the world's needy.

H.R. 17303 and H.R. 17332—Restricting import of meat and dairy products.

We strongly urge action on these matters during this session of Congress to:

- A. Prevent bankruptcy to producers.
- B. Aid in the economy and maintenance of viability of many banks and other businesses who are greatly affected by the beef and dairy industry.
- C. Maintain adequate food producing capability in this country to feed our people and export to others to avoid becoming dependent for food like we have for oil with the obvious hazards as now being imposed by the Near East and Canada.

D. Treat a root cause of the economic slump at its source with minimum adverse impact now and healthy long range benefits for all.

E. Reduce the need for this segment of the food producing industry to organize and over correct for the gross injustices that now exist.

Gentlemen, we do appreciate the strong support of the beef and dairy product producers demonstrated by the members of your committee during our recent visit and solicit your continued support and the support of all members of Congress and the Executive Branch of Government.

Thank you very much.

Mr. FOLEY. I shall shift our usual order to call on Hon. E. L. Short, vice chairman, Agriculture and Livestock Committee, Texas House of Representatives, as our first witness.

Mr. Short, would you please come forward to the witness table, with your associates.

STATEMENT OF E. L. SHORT, VICE CHAIRMAN, AGRICULTURE AND LIVESTOCK COMMITTEE, TEXAS STATE HOUSE OF REPRESENTATIVES; ACCOMPANIED BY LATHAN BOOME, STATE REPRESENTATIVE; ELMER MARTIN, STATE REPRESENTATIVE; AND ED NICHOLS, ASSISTANT COMMISSIONER OF AGRICULTURE, STATE OF TEXAS

Mr. SHORT. Yes, we would like to introduce our people. This is Representative Boome and we also have Representative Martin from Col-

orado City, Tex. We have Mr. Ed Nichols, Assistant Commissioner of Agriculture, State of Texas, Austin, Tex.

We would like to also add, Congressman, that there are several Texans here to testify for or against the Patman bill, which I am sure they will be recognized later on for the benefit of the committee.

First off, we would like to deliver to you these reports from the members of the Texas Agriculture Committee and would make some brief statements concerning them.

Mr. FOLEY. Please be seated.

Mr. SHORT. I know you don't have a report there in front of you, Congressman, but we would like for a matter of record to state that we have approached this thing from one theory; that is, there is too great a number of cattle and there is too much beef in this Nation and probably the world.

Therefore, with that in mind we have adopted from our public hearings on the spot at Stephenville, Tex., and Nacogdoches, the concept that we would like to try to recommend at the Federal level to dispose of the surplus pounds of beef and also surplus numbers of beef cattle. We think that these will also help the dairy industry. I won't go into detail as to our proposals, but I do feel like that out of the six proposals, there is one specific one that we will be talking to with the White House staff this morning and certainly the committee can be a tremendous asset with our endeavor to get this point over, and also there are two of the six proposals that we think are direct emergency situations and when we speak with the U.S. Department of Agriculture, we will be delivering those about 1 p.m. this afternoon to them, and talking mainly about those.

We intend to deliver this report to each of the 49 other agricultural committees among the States. I believe if it is permissible, Mr. Chairman, we will call on Mr. Nichols with the Texas Agricultural Department to make some statement on behalf of Commissioner Wright and the Texas Agricultural Department.

#### STATEMENT OF ED NICHOLS

Mr. NICHOLS. Thank you, Representative Short and Mr. Chairman. We are pleased to be here and to acknowledge the efforts of our good friend, Congressman Wright Patman from Texas and this committee. We appreciate his concern and his efforts to get some relief for our people.

As you well know, the dairy and livestock producers of Texas and all States are in dire straits, and with a heavily depressed economy. We appreciate the efforts of this special Texas legislative committee on agricultural marketing, which as Representative Short indicated, held hearings all over Texas and which has developed, we believe, some fine recommendations which perhaps will supplement the efforts, if adopted into the program, that the committee is concerning of Congressman Wright Patman and others that are concerned.

One of the recommendations the committee has is to encourage voluntary restraint by other nations in the export of beef and dairy products to this country. Now our people are a proud and independent people and they believe that many things can be accomplished in a

gentlemanly fashion. They really ask for a gentleman's agreement with other nations to not oppress us more with their exports at this time.

I might add that we believe that the State Department of this country could do a great deal to help encourage restraint by other nations. Beyond that, we believe that perhaps we should have enacted into law some provision that would require that imports of beef and dairy products from other countries have to meet the same strict inspection and health standards as do our own domestic products. We believe that perhaps this would be as effective a way to stabilize the unfair competition, which we now feel we have from imports, as by some direct quota limitation, which this committee does not call for at this time. However, that too may become necessary.

The committee also recommends strongly that Government purchases of domestic beef be made for domestic programs. There are already measures before the Congress I know that would do this and also which would provide for purchases of U.S. beef for exports to needy nations. We believe that if we just buy beef for our own domestic needs, for schools and other Government programs, instead of buying foreign beef, then we would be well ahead of the game there.

We again appreciate the opportunity to appear here and to dramatize as best we can the seriousness of the condition in Texas and elsewhere where we have major livestock and dairy industries which are suffering and which need relief now.

Mr. SHORT. Congressman, if I may, I would call on Lathan Boome, who certainly is a very knowledgeable individual representing one of the largest areas of dairy industry in Texas. I think he will have some very interesting comments concerning the dairy industry.

#### STATEMENT OF LATHAM BOOME

Mr. BOOME. Mr. Congressman, my name is Lathan Boome. I am a State representative. I represent six counties in the Abruscus Valley of Texas. This is primarily an agricultural area with emphasis on dairying and cowpath operations along with cotton and grain so we have a very diverse agricultural area that I represent. I am also an attorney and try to make my living as an attorney during the off-season of the legislature. So I am pretty familiar with some of the problems that the dairy industry is having.

The dairymen in my area are normally family operations. They are small family-owned type of dairies. There are a large number of them and it is the basis of our economy. Many of these dairies were at one time family-owned farms, but when the family-owned farm became unprofitable, they switched to dairying and it has kept our part of the State going. Over the years the price differential between what their cost is and the profit margin, well, they are in a price squeeze like most of the people in the cattle industry, but they have reached the point where efficiency cannot help them.

At one time, by becoming more efficient they could maintain themselves and keep their head above water, but they practically have all reached that 100-percent efficiency level now and there is no way they can make it without some help in the feed cost area.

I took a look at some of the Patman bill and I think it is very commendable what he intends to do. I am sure when he gets here and testifies on it, he will show the committee that they do have a method of milk parity, which will be the basis for some little help from the Federal Government in the feed area.

We definitely need some help, Mr. Chairman. Many of the dairies in my area will surely face bankruptcy. I also happen to represent a bank as an attorney and am very familiar with their situation as far as banks calling in notes now and dairymen have reached the limit of their equity. They have nothing else to put up and renewing notes has become a very difficult thing for the banks. So it is a problem.

We are going to lose a large segment of our economy if we don't have help soon. Thank you.

Mr. FOLEY. Thank you very much.

Mr. SHORT. Mr. Congressman, may we have a word from Representative Martin.

#### STATEMENT OF ELMER MARTIN

Mr. MARTIN. Thank you, Mr. Short and Mr. Chairman. I am Elmer Martin, a representative from the 61st district of Texas and a member of the house agricultural committee. I have been with this committee at a number of hearings over the State of Texas and we have been hearing testimony from the farmer, the dairyman, and the cattleman. We do have a serious problem in the State of Texas.

Now I would like to reemphasize that we think this report will be helpful to this committee and by proposing these recommendations for immediate relief at the Federal level and elsewhere, it will help all of us. We have in this report a long-range recommendation at this level, Mr. Chairman.

Also I am a farmer. I am a livestock farmer, a cotton farmer, and I am familiar with agricultural problems in my district, in my State, and in the State of Texas. So again, if we can get something done at the present to alleviate this situation, we think it would help.

You know we would like to keep our young farmers on the farm. At the present it looks like it is impossible to do this under the situation we have existing today.

So again finally I just want to thank you. We appreciate having this opportunity to appear here today. Thank you very much.

Mr. FOLEY. Thank you very much, Representative Martin.

Mr. SHORT. Congressman, I have very little more to add and I suppose the other gentlemen don't have much more. I would like to leave one thought, and Mr. Martin just brought it to my attention when he talked about the young farmers. The average age of the farmer in Texas is 59 years old. I think the Congress and the Nation need to strive to correct this inequity concerning our young farmers. It is just nearly impossible for people to have a farm and stay on as a family farmer.

I would like to emphasize this report encompasses nothing concerning export-import controls, embargoes, and such. We personally believe that, if there were restrictions placed on grain, whereas some advocate that grain storage capacity should be filled in this Nation

in order to lower prices, we believe that this would add to the problem of the beef and dairy industry simply because we would be fattening more cattle and gaining more weight, more pounds, of which we are simply determined to stress upon you we have too much of now. We have completely too many pounds of beef, and this report is an insistence in a way to start eliminating some of the smaller animals; therefore, we take away greater numbers of animals.

We appreciate very much your time, and we hope that if we can be of service in Texas, we will be called upon to help. We will be on top of this thing and we know we can assist this committee further at some later date.

So we appreciate you folks very much for hearing us out.

Mr. FOLEY. Thank you very much, Mr. Short. We appreciate your testimony as well as those of Mr. Boome, Mr. Martin, and Mr. Nichols. I hope, Mr. Nichols, you will give my regards to the very distinguished Mr. Wright, who is a friend of mine.

Mr. NICHOLS. Surely.

Mr. FOLEY. For the information of those members who have joined us, we have just heard testimony from Mr. Short, the vice chairman of the Committee on Agriculture and Livestock of the Texas Legislature. He has been accompanied at the table by Representative Martin on his right and Representative Boome on his left. At the end of the table is Mr. Nichols, the assistant commissioner of agriculture of the State of Texas.

Mr. Zwach. do you have any questions?

Mr. ZWACH. The testimony is with reference to H.R. 17208?

Mr. FOLEY. Yes; to provide for the sale of feed grains at reduced rates to beef cattle feeders when milk rates fall below parity.

Mr. ZWACH. Mr. Chairman, I have been in a small way a cattle feeder for 50 years myself and I know the problems. We just sold a number of cattle that cost us 54 cents for 36 cents, so we know what is involved.

We had another bill with regard to supplementing the dairy feed bill. This relates to beef, you say?

Does Mr. Patman have a bill on each one of those subjects?

Mr. FOLEY. This is the only one to my knowledge. The other is not before this subcommittee at this time.

Mr. ZWACH. Do you think that it is practical to take this approach of selling feed at a lesser price to feeders when they are in trouble? There is no question but that we are in trouble.

Mr. SHORT. Yes. May I inject this? We don't know very much about the pending legislation before you. It wasn't the committee's intention to testify for or against Mr. Patman's bill. We had the support and went to some trouble to analyze and present some proposals to the committee on behalf of the dairy and beef industry of the Nation.

So I personally have no comment concerning Mr. Patman's bill. I haven't had an opportunity to explore the possibilities of it.

Mr. ZWACH. I see.

Mr. SHORT. But we do have a number of Texans here I understand who will appear later when the bill is placed before you and they are going to testify on it, but this is the Texas House Agricultural

Legislative Committee. We didn't intend to do anything concerning Mr. Patman's bill.

Mr. ZWACH. Yes.

Well I favor your objectives, but I have taken a little different approach. I say we are short of feeds, we are long on meat and poultry, and we ought to be using that to feed hungry mouths. And this type of program would incidentally help you and me out of much of our bankruptcy position, correct?

Mr. SHORT. Well we want you to know, Congressman, that Texans probably feel this way too because, as you realize, Texas has not killed any cattle. And we feel like it has been because of the Honorable John Wright, the commissioner of agriculture, and possibly some of the work that has been going on in Texas on behalf of the industry that has prevented the cattle kill in Texas. So we think you are right that some of this meat needs to be fed to the hungry people of the Nation and the world.

Mr. ZWACH. They are hungry now and we don't have the grain now, but we are lucky to have the meat and dairy products. I think sometimes that makes so much sense, that the bureaucrats can't quite grasp the virtues of this kind of a program.

Do any of the rest of the gentlemen accompanying Mr. Short have a comment?

Mr. BOOME. Yes, sir; I would like to comment on your comments. I agree that there is a surplus of beef and consumption will cure the problem if we could get increased consumption of American animals, of American beef. I feel also that we are going to have to look at import controls, but import controls of course the State Department and the Department of Agriculture need to work together on. They need to work together on commodities coming into this country and I think they should be helping each other in this area. But there is a surplus of beef, you are right, and we do need to consume it.

Now there is a need for immediate relief in the dairy industry particularly. These people are all on the verge and have reached the level of top efficiency. They can't make any more money by becoming more efficient because they are as efficient as they can be and most all of them are in debt. All their assets are pretty well tied up now. So we do need some help immediately. They are not as flexible as the cattle industry.

Mr. ZWACH. Wouldn't you think a more positive approach in the dairy field would be to raise the support price rather than try to supplement with a cheaper feed?

Mr. BOOME. This would help. They need money to buy that feed rather than the feed to be given. Yes, I think they would prefer to have the money to buy the feed. My people would prefer that I think.

Mr. SHORT. Congressman, generally I believe people don't understand the Federal Government just letting other nations have our feed at 3 percent interest when it is very hard to even get some feed to keep from going bankrupt throughout this Nation at any interest. In fact, we haven't got any relief at all, and I hope you are going to see fit to recommend something. But I don't think Americans anywhere recognize why the Federal Government would be able to loan grain to other areas of the world at 3-percent interest. It doesn't make good sense.

Mr. FOLEY. Don't you think there is some value in using that grain to feed people?

Mr. SHORT. Well I suppose that is right, to feed them, but are they feeding them?

The average citizen like myself, well, we don't know where that is going.

You folks, do you have the specifics on where it is going and if all of it is actually going for people?

Mr. FOLEY. We are referring specifically here to the 2 percent or 1 percent loan rates which are almost all for the support of human feeding programs.

Mr. SHORT. Oh, yes, sir.

Mr. FOLEY. The sales to the Soviet Union, for example, are commercial sales.

Mr. NICHOLS. Mr. Chairman?

Mr. ZWACH. Did you wish to comment?

Mr. NICHOLS. Yes. My name is Ed Nichols and I am Assistant Commissioner for the Department of Agriculture. I work for John Wright, who is a good friend of Congressman Foley's.

Commissioner Wright was active in the deliberations of this Texas Legislative Committee on Agriculture Marketing, as I mentioned a little earlier. And one of the recommendations of this committee, Congressman Foley, is that there be a substantial program to encourage the consumption of grass fed beef which would, as you say, place a priority for using our feed grains to feed people. Of course, we have no alternative with the dairy industry, but to provide feed for those cattle, but this committee has addressed the question you have concerning the grain supply.

Mr. FOLEY. Would the gentleman yield?

Mr. ZWACH. Surely.

Mr. FOLEY. I would like to raise one question about part of this recommendation which although not the principal reason for these hearings today, would exempt custom slaughtering operations from the meat inspection laws.

Do you suggest that there be no supervision at all over custom slaughtering?

Mr. SHORT. I didn't quite understand your question, Congressman.

Mr. FOLEY. In your recommendations you have a section—

Mr. SHORT. Oh, yes.

Mr. FOLEY. It is on page 4, and entitled, "Long Range Project Recommendation at the Federal Level." It asks for exemption from excessive regulations of the Interstate Meat Inspection Act, specifically mentioning custom slaughtering operations.

At the top of page 5, the committee recommends that immediate steps be taken to exempt custom slaughtering houses from Federal inspections, particularly for those customers who would not fall under the Meat Inspection Act.

Mr. SHORT. Yes, sir?

Mr. FOLEY. Do you mean then that they would be subject to neither the requirements of the Meat Inspection Act of 1967 nor to State inspection?

Mr. SHORT. Congressman, we all advocate wholesome meat for our citizens, but our State, and admittedly the State health section, says

that the State would not write regulations. They were handed the regulations from the Federal Government because this a Federal law.

Now we have testimony from people at A. & M. talking about how this law at the Federal level was not in the beginning intended for custom slaughtering houses.

This law has closed 400 plants, which is approximately one-third of the packer plants in Texas. The report sets out that it is costing something like a quarter of a million to build facilities for slaughtering at this time. This is another way we would have at getting at the problem of eliminating excess pounds of beef animals so that there could be more animals slaughtered.

There is over a 90-day waiting period in most places, Congressman in Texas, to get your animals slaughtered. If you take it there, get it butchered, and take it back home and no retail outlet, it is still a 90-day waiting period.

You see the custom slaughtering plants are under the same rigid guidelines as the retail slaughtering plants, therefore, we would like to see some relief given to just the custom slaughtering plants.

Mr. FOLEY. Do you think custom slaughtering plants can function without any opportunity to slaughter for commercial sale?

Mr. SHORT. The report sets out, Dr. Rich's office was contacted on several occasions for people to build these kinds of facilities, Congressman. It is thought they can be built for \$25,000 to \$30,000 to do this with health standards that meet all sort of sanitation standards, but it is impossible to build them under the specifications we are talking about and—

Mr. FOLEY. Are we both talking about a plant that would have no authority to do any slaughtering for commercial purposes?

Mr. SHORT. Yes.

Mr. FOLEY. It is then exclusively custom slaughtering for the family or household purchaser, in other words for the home?

Mr. SHORT. Yes. Strictly separated from the retail part of it.

Mr. ZWACH. We have a lot of them in Minnesota, Mr. Chairman, custom slaughtering places not retail.

Mr. SHORT. Texas felt so strongly about this unusual situation that in 1971 the Texas House adopted an amendment by about two-thirds majority to take all of the funding out of the house appropriation bill for a State meat inspection program.

Mr. FOLEY. The Federal Government then would take over this function exclusively?

Mr. SHORT. I contend the Federal Government would have done no more harm to our packing plants than the State of Texas has done because we already had 400 closed up out of something like 1,200 plants in only 4 years time.

Mr. FOLEY. Do you have any questions, Mr. Gunter?

Mr. SEBELIUS. Mr. Chairman, I would like to comment a little here. In my home county we lost all three that we had. Now Kansas still kept the Kansas law. We have the Kansas meat inspection.

Now we tried to loosen that up but didn't succeed in trying to get a larger Federal contribution so we could stay clear of Federal takeover. I have given some consideration to this and the thought was that if it was purely a custom slaughtering operation, that would be sub-

ject only to State regulation. And now what has happened is without those outlets, now we are not getting a lot of meat we would otherwise have gotten because it is not available so you don't avail yourselves of it.

If they all have to comply with the Federal regulations, then it makes it a fact you are actually channeling all the meat you are going to get to be union killed. Now that is one of the secondary reasons for the Wholesome Meat Act of 1967, to put all the basic slaughtering, except the few that still had enough money and enough rugged individualism to fight it out, but to put basically all of it under the large packing plants, which are unionized and which are federally inspected.

In my home county we don't have any more locker plants, so all the meat that is bought, you buy it from one of your chain stores, and it is cut up there and then all the other markups are channeled in. You could avoid this by having a home town industry.

You know we talk a lot about rural development in this committee but we do everything we can in Congress to do away with the small enterprises.

Now would you favor legislation that specifically exempted a strictly custom killing operation so it would be subject only to State law?

Mr. SHORT. Yes, sir, we feel like this will help us dispose of greater numbers of animals, which we have excess of, yes.

Mr. SEBELIUS. I know when I have meat in my freezer, I tend to use a lot more beef and pork than when I don't have it and have to go down to buy it individually each time that you need it. You don't eat as much.

Mr. SHORT. Congressman, you are exactly right and I know you are aware that our supermarkets are not under this Meat Inspection Act, whereas you take the chain store, it takes a half of a beef or several different steers, and takes it, you know, to his place of business, and he is able to cut this meat up and pack it right there in that store, and it doesn't fall under the Federal regulations or the State regulations. He is not inspected by anybody except maybe by the town health officer. And the sanitation in these facilities is desperately needed just as much as elsewhere they slaughter the animals.

But you see, we eliminate so much competition in this country. You see, this method is not available to us, and as you say, while we are probably not going to eat as much of it.

Mr. SEBELIUS. If you are in a small community and the individuals are availing themselves of this service, they are also part of this good inspection because they are not going to have the man kill a sick calf as far as they are concerned, and they also know their neighbors.

Mr. SHORT. Right.

Mr. SEBELIUS. And one other thing, Mr. Chairman, if you would indulge me on this subject, one of my constituents had a real good recipe and he made good hams and bacon, but now we have to ship the hogs to Omaha and have them slaughtered and then have them shipped back 300 miles. So as I say, he had good bacon and hams and he met all the State inspection laws, but he got wiped out because he couldn't put up the money for the new additional material that was involved to stay in business, so we lost another industry back home.

Mr. SHORT. Yes; and we could name example after example. I had neighbors who had done this for a living. They are out of business now,

but they used to permit me to come out and pick the animal up and then they would send it to the butcher and have it butchered and deliver it to me, but now they can't deliver it to my home for a price because it is my animal and I have to go get it because the packing plant is not allowed to let him pick that up because he is not in the retail business. So that is one of the key problems of the legislation as it is.

Mr. SEBELIUS. Just more instance of big brother Government taking care of you?

Mr. SHORT. It was also originally designed, as you say, as a union thing to let the big ones eat up the little ones, as most laws in Texas, and probably the Federal Government, is designed that way too.

Mr. SEBELIUS. Thank you.

Mr. FOLEY. As a cosponsor of this bill in 1967 whose interest in this program continues, I would like to say that the gentleman from Kansas is stating only his opinion as to the purpose of the legislation. It was not to unionize or to put people out of business. The fact of the matter is that there was objective evidence that many State systems were simply not up to accepted standards throughout the country for sanitation and health. There was not a single State plan in the country, including the most elaborate, which was felt by experts to be equal to the Federal inspection standards.

The fact that many plants went out of existence can be explained in several ways. It can be attributed to harsh, unrealistic, and unfair Federal regulations, or to the fact that those plants had long been substandard, both in terms of construction and operation, with the result that they either had to be reconstructed to meet adequate standards or for the public's own protection or closed. For me, the question is: Should someone be in the slaughtering business if he cannot meet the accepted standards in terms of health and sanitation.

Stainless steel cutting tables are more than just an aesthetic thing. They are desirable because of their ability to be easily cleaned and kept free from germ in order to avoid contamination. Moreover, since most people do not go into slaughtering plants, they rely on brand names or State and Federal inspection services to insure sanitation.

These rules are not mere technicalities, they are absolutely necessary; for without these restrictions, you would have a completely open door to all kinds of meats that are not inspected.

Although I do not want to turn this entire hearing into a justification of meat inspection, I did want to lay specifically to rest the assumption that it was designed to establish a monopoly within the slaughtering and packing industries or as a connivance with the unions to eliminate small businessmen who were not unionized.

Mr. SEBELIUS. I want to lay to rest too, and I will tell you how it worked. All the chains said we had to get more money for the State inspections but we had two union members who sat in here all the time to see that it didn't happen.

And I wasn't here when the bill passed, but I know from a directive I read out West that it told the inspectors that when you are making your report, emphasize the blood, manure, abscesses, and all of that. And they were directed from above to bring in those cattle reports to help pass that law, and—

Mr. FOLEY. You will find, if you check the record, Mr. Sebelius, that although the Amalgamated Meat Cutters and Butcher Workers

supported this act, many of the plants that were closed were in fact union-organized plants. To suggest that only large packing companies are unionized simply is not true.

If the gentleman would permit me, I do not feel we should pursue this matter at present.

Mr. SEBELIUS. No, I will lay it to rest right here.

Mr. FOLEY.

Mr. SEBELIUS. Well, I wasn't here.

Mr. ZWACH. Mr. Chairman, may I comment? I think since we all made a comment, I should make one. I feel strongly that centralized packing and centralized unions had and have far too much influence on the Meat Packing Act and more than they ought to have.

Mr. FOLEY. Are there any other statements for the good of the record? Mr. Gunter, do you want to make a statement?

Mr. GUNTER. No, Mr. Chairman.

Mr. FOLEY. I think that the other areas covered in this report raise some fundamental questions with respect to agricultural policy in general. I know the committee will be anxious to read this report in some detail since we have before us, not only measures that touch on almost every aspect of this report but others which would in fact, implement the recommendations of this report. Among these are bills to increase the inspection of foreign beef, and poultry products, bills which propose to limit dairy imports, and so on. Although we have too little time at our disposal before the close of this Congress, I am confident that these bills are going to be reintroduced early in the next session.

Mr. SHORT. Fine.

Mr. FOLEY. We are always delighted, to welcome distinguished State legislators here, especially those who deal in their State legislatures with the same problems which face this committee. I know it is difficult for any witness to come so far for a single hearing.

How many reports do we have available?

Mr. SHORT. We have several more we can leave with you.

Mr. FOLEY. If you could spare a few more, I would like to have enough to distribute to the entire subcommittee.

Mr. Gunter, did you have any questions?

Mr. GUNTER. No, Mr. Chairman.

Mr. FOLEY. If not, Mr. Short, Mr. Martin, Mr. Boone, and certainly Mr. Nichols, we appreciate your testimony here and we will certainly give very serious consideration to all of your recommendations.

At this time the Chair would like to call the next witness, Mr. Bennett Ensley, Director of Commodity Operations Division, ASCS, U.S. Department of Agriculture, Washington, D.C.

Mr. Ensley, we are very happy to welcome you this morning.

#### STATEMENT OF BENNETT ENSLEY, DIRECTOR OF COMMODITY OPERATIONS DIVISION, ASCS, U.S. DEPARTMENT OF AGRICULTURE

Mr. ENSLEY. Good morning, Mr. Chairman, and members of the committee. We appreciate this opportunity to discuss with this subcommittee our analysis of H.R. 17208. The major action contained in H.R. 17208 would be the establishment of a temporary program

whereby the Secretary of Agriculture would buy feed for beef cattle at market prices and sell such feed to cattlemen at a reduced rate if the parity price of milk falls below a specified level.

The establishment of such a program would require government purchases of feed at current market prices. The Department would then be required to sell the feed to beef cattle producers at reduced prices whenever the price of milk paid to producers is below 90 percent of the parity price. This program for beef producers is related to milk prices in order to provide the same benefits to cattlemen as would be provided milk producers under a similar bill (H.R. 17106).

The amount of the price reduction applied to the cost of acquisition would be at least equal to the percentage producer milk prices are below the parity price for milk. The price reduction, when required, would therefore be at least 10 percent below the government's cost of acquisition. At today's prices, this program would require Commodity Credit Corporation to purchase corn, for example, at about \$3.60 per bushel and sell it to beef cattle farmers for \$2.77 per bushel. This program which would be almost impossible to administer, would cause serious disruption in the grain and livestock markets and be extremely costly.

Administrative problems begin with the absence of a definition of feed and include the determination of eligibility for reduced prices and the quantities of feed to be sold to each eligible farmer. Beef producers use a wide range of feed including hay and other forage, regular grains, and high protein concentrates. Would CCC be required to purchase all possible grains as well as commercially mixed feed, or would it be limited to a particular form of feed, and how would this be decided? Also, under the bill, beef cattle producers who grow their own feed could presumably sell it to CCC and then buy it back directly or indirectly at a lower price, thereby gaining an advantage over producers who grow no feed.

Another serious administrative problem would be the determination of how much feed to sell each producer. Presumably, producers could buy only the quantities of feeds actually needed to feed their own cattle. Otherwise, they could buy feed at the reduced prices and sell excess quantities at higher, market prices. There are nearly 1,800,000 farmers having beef cattle on farms, and they are located in virtually every county and every State in the Union. It would be almost impossible to periodically determine how much feed each would be entitled to and prevent abuses of the program. A major consideration in determining the advisability of enacting H.R. 17208 would be its effect on grain supplies and prices, and on the production and prices of beef. CCC would be buying and selling practically all of the cattle feed produced thus disrupting the traditional commercial feed markets and marketing channels. The cost of producing beef would be relatively low and production would increase at a time when supplies are already at record high levels. The increasing beef production would be an added demand on already limited supplies of high cost feed and would result in very high market prices for feed, thereby further increasing the costs of producing other classes of livestock and livestock products for which there would be no such feed subsidy program. This would disrupt the usual balance in the production of

different classes of livestock, and very likely deplete the limited supply of feed grain prior to the 1975 harvest.

The cost of the proposed program to the Government is difficult to estimate because of the uncertainty about the types of feed and quantities required to be purchased.

Based on available data, if only grain were purchased, at the 1971-72 rate of annual use, the cost to CCC in the first year would be almost \$1.5 billion. If high protein concentrates, harvested roughage, and mill feed were also included, the estimated cost would be nearly \$3 billion. Added to these costs would be substantial administrative costs.

At a time when worldwide supplies of grains are seriously low, when a concerted effort is being made to reduce government expenditures, and when we are striving to attain the goal of a market-oriented agriculture, enactment of H.R. 17208 would be inadvisable and we strongly recommend against its enactment.

Mr. FOLEY. Thank you very much. Are there any questions?

Mr. SEBELIUS. I don't have any questions.

Mr. GUNTER. No questions.

Mr. FOLEY. Thank you very much. We appreciate your statement on behalf of the Department.

Mr. ENSLEY. Thank you, Mr. Chairman.

Mr. FOLEY. The next witness will be Mr. Lynn Chapman from Sulphur Springs, Tex.

#### STATEMENT OF LYNN CHAPMAN, SULPHUR SPRINGS, TEX.

Mr. CHAPMAN. Mr. Chairman, I would like to read the first part of my statement, and then short excerpts from the other statements I have.

Mr. FOLEY. Thank you. Your entire statement will be included in the record of this hearing, and the attachments will be placed either in the record or in the file.

Mr. CHAPMAN. Fine.

First, I would like to say in connection with the subject you all were discussing a little while ago on the inspection act, that if the imported beef met the same inspection that even our custom-slaughtered beef does, I think we would be a lot better off because as you know, in our area, custom slaughterers are ruuing into the spring now, 3 or 4 months, you see. The imported beef gets nothing like the inspection that even our custom slaughtering houses are required to have, and to me this is a definite inequity.

I would like to submit first the petitions here. There are 2,458 signatures in support of this bill, which were obtained in about 2½ days.

Mr. FOLEY. It will be received without objection for the file.

[The petitions are held in the subcommittee file.]

Mr. CHAPMAN. Mr. Chairman and members of the committee, we appreciate this opportunity to discuss with this subcommittee our problems and the urgent need for feed, for the preservation of our basic herds, which would be provided by H.R. 17208. We would have a large representation here but we cannot afford to feed our cattle, much less \$300 for individual trips to Washington.

I am M. Lynn Chapman, president of the Hopkins County Dairy & Cattlemen's Association. We now have over 500 members and have

been organized less than 4 weeks. We represent and have members from all segments of the people. Our interests are to protect the consumer as well as the producer because in the final analysis what is good for the farmer is good for the consumer and most of the people in Hopkins County understand this.

Gentlemen, these are perilous times for the American cattleman. If something is not done immediately, there will be more cattle starve to death in east and northeast Texas than anyone can possibly realize. The people that I have talked with refuse to give their cattle away for dog food prices, when steak is selling for over \$1.50 per pound. There is no way most of us can afford to feed our cattle properly this winter. It appears that most producers will hold their cattle and pray to God that they can survive with limited or no feed. All long-range weather predictions are for a wetter and colder than normal winter and this means dead cattle.

If our Government continues to do nothing and we have a severe winter, the oversupply will probably be partially solved by as many as 10 million starved cattle. This would be approximately an 8-percent loss and many people in our area feel that we will be very fortunate in east and northeast Texas if our death loss does not exceed 12 percent.

H.R. 17208 should have been in operation last month. It is of dire importance that this bill be properly amended and passed immediately. This bill should be related to the parity price for live calves and not milk. Weaning age calves are the primary product of most cattlemen. Therefore, the logical product to relate this bill to would be the parity price for live calves.

This bill should be revised to specify temporary emergency feed for the preservation of basic herds. We have had at least four drought emergency disaster feed programs in Hopkins County, Tex., in the past 25 years. These programs resulted from natural disasters, drought. The cattlemen of this Nation now face a much worse manmade disaster, which is primarily the result of actions by our Federal Government. Each time these programs are initiated, they were badly needed and served a very useful purpose for the preservation of basic herds.

The financial needs and basic position of the cattle producers in our area is much more severe now than during any of the drought emergency disaster feed program years and the basic cow herds are in much greater danger of deterioration and possible starvation.

This program should be limited to the basic feed needs of the basic herds and should be designed so that it could not be used and or abused by cattle traders, speculators, and feed lot operations.

The program would probably be more feasible and cheaper to operate by offering financial assistance for the purchase of feed from local feed stores in place of requiring the government to purchase feed and then selling it in competition with local feed stores. I have discussed this type of program with the manager of our local co-op and it is his opinion that this would be a very workable and satisfactory program. Excessive delinquent accounts, resulting from the producers severe cost price squeeze, have placed many feed stores in a very precarious position and the last thing they need is government competition. A copy of accounts receivable from our local co-op is attached, and it indicates the dire position of both the producers and feed stores.

This program should not be limited to the full time producers and there should be no requirement as to the amount or percent of agriculture income. Many of the producers in our area have full time 40-hour-per-week jobs and have a few beef cows for added income. This program should not be denied them for most of them are life-long producers. Also, land and cattle values should not be considered if a financial statement is required.

The following is the USDA Statistical Reporting Service, agricultural prices, parity prices for live calves.

Calves per hundredweight: June, \$61.80; August, \$64.30; September, \$65.20; October, \$65.70; November, \$66.20. As you can see, the parity price has been continually going up while the actual price is continually going down. In our area, the November price for slaughter calves was \$17.50 to \$22.50 per hundredweight. This places slaughter calves at approximately 30 percent of the parity price. The price for feeder calves was approximately \$12 to \$22 per hundredweight. This would place feeder calves at approximately 26 percent of the parity price.

The October parity price for milo was \$4.68 per hundredweight and \$2.74 per bushel for corn, which is \$4.89 per hundredweight. The November selling price in our area was \$6.75 for milo and \$6.90 for corn per hundredweight. This places milo at 144 percent of the parity price and corn at 141 percent of the parity price.

When milo, corn, and calves are related to parity prices this indicates that the present price for calves is less than 20 percent of the present price for corn and milo. This should indicate the immediate need for H.R. 17208 and obvious reason for relating feed to the parity price for calves.

I recently made the following statement to a USDA official, "For the past 2 years, all actions and policies of the USDA and Federal Government have resulted in detriment to the American cattlemen." After due consideration and discussion, this official admitted that basically he would have to agree with me.

Through all of 1972 and most of 1973, the USDA indicated a national and worldwide shortage of beef cattle and predicted that this shortage would continue and probably worsen for the next several years. All producers were encouraged to increase production and inventories. In March 1973, President Nixon clamped a price freeze on domestic beef, but not on imported beef. He also removed all controls on imported beef and encouraged the flooding of our American market with imported beef and with no controls or standards required. President Nixon, Mrs. Nixon, and many Federal officials discouraged beef in the family diet and encouraged other meat products and beef substitutes. President Ford and Mrs. Ford have continued this Nixon policy.

The beef freeze was finally removed in September 1973 and it immediately became apparent that the so-called beef shortage did not exist and had never existed, for anyone knows that there is no way that you can go from a critical beef shortage to depressed oversupply in 6 months.

Gentlemen, the continued detrimental actions of our Federal Government should be immediately reversed and Congress is the only hope for the President and USDA have indicated that they will continue

their do-nothing policy. I urge you to begin this reversal by the immediate approval and passage of H.R. 17208. When I say immediate, I mean passage by both the House and Senate during this session of Congress. We need feed now, not next year. A dead cow does not need feed.

That completes my testimony, Mr. Chairman. I have copies of about 15 or 16 additional statements that I would like to give very short excerpts from.

The next one is a copy of the testimony by my wife. She states:

Gentlemen, I am the wife of a cattleman and I am submitting my testimony and grafts from our personal records which I presented to the Texas State Representative E. L. Short and his subcommittee on October 29, 1974, at a hearing of the Texas House Subcommittee on Agricultural Market and Processing in Sulphur Springs, Tex.

I would like to point out the graphs, exhibit A, which indicates the severe price decrease in the feeder calves which we sell. Indications are now that the price has and will continue to decrease to the extent that November and December cannot be plotted below the margin on the extreme bottom of the page.

I can report to you that I talked to her last night. Our son had taken 10 calves to sale yesterday at about 15 cents per pound, and one cow at 13 cents per pound, so you can see what we are facing. You can see if you look at it for 1972, 1973, and 1974, which are up at the middle of the page there, this represents the average for the 3 years. As you can see, the last half of 1974 is below the average and the last third quarter of 1974 is also below the average, and the last quarter will be off the page.

Next I have a copy of testimony by Gary Jones, and it states:

I am Gary Jones, co-owner of the Sulphur Springs Livestock Commission Co., the largest cattle market in northwest Texas for the past 20 years. I am here today representing the business community of our area, and the Hopkins County Livestock Council.

As you can see by the first enclosure, this group represents all segments of the economy of our area. Enclosures: (1) Hopkins County Livestock Council; (2) Sulphur Springs Livestock Commission Co., Inc. report of sales; (3) feed companies; report of loss and accounts receivable; (4) lending institutions and banks; (5) disperse sales; and (6) automobile and truck sales.

Gentlemen, you know this administration has failed to act in any way to help the cattle industry. It seems that this vital segment of our economy will be the sacrificial lamb and will be destroyed. Action from this Congress is long overdue. Many of our dairymen and beef producers are bankrupt.

Next I have a copy of testimony by Gary Jones, and it states:

Down at the bottom is what I was talking about, below, about our small producers.

Ninety-eight percent of the cattle raisers in northeast Texas own less than 100 head, 68 percent have less than 25 head; therefore, a supplemental income is required for almost each family that is involved in beef producing so that that family can have the necessities of life.

Many of our people drawing social security raise a few head of cattle for extra money to supplement their social security. Can you imagine what a profitable situation they are in? Also, with this existing condition in the cattle industry, can you imagine what the retirement benefits will be for our cattlemen?

I won't read the next page. I had planned on it, but I would like to call your attention to it. I will just read one paragraph down here where he asks:

When will we learn that we cannot buy friendship? When will we wake up and stop foreign aid to military governed countries that require us to furnish

arms and ammunition before we can send food to their starving people? Are you gentlemen willing to forget politics and act? We all know by now this administration is going to do nothing for the "little man." It's up to you. Gentlemen, our people are to the point of refusing any more excuses. I am a director of the Texas Livestock Marketing Association, a member of the Competitive Livestock Market, and a member of the National Livestock Dealers Association, and what I have just said to you would be seconded by each of the associations.

Mr. FOLEY. Which excerpt are you reading from now?

Mr. CHAPMAN. Sir?

Mr. CHAPMAN. This was on the third page.

Mr. FOLEY. Whose statement was that?

Mr. CHAPMAN. Sir?

Mr. FOLEY. Who was making that statement?

Mr. CHAPMAN. Gary Jones, owner of one of our livestock companies.

Mr. FOLEY. Thank you.

Mr. CHAPMAN. Now, I would like to point out one thing here between the two sheets that come down here whereas the 1972, 1973, 1974 sales, as you know, the sales were down considerably; you see, I have inked in there the average sales price during 1972 was \$153.05 and in 1973 it was \$173.05 per unit, and in 1974 it was \$121.20. These figures were actually when this information was worked up for some other things about 2 months ago, and the figures now are running less than \$100 per unit, considerably less, enough that I will expect the 1974 average will be less than \$100 per unit.

The next statement I have here is by L.F. Bridges, president of our largest bank down there.

It reads:

Statement to the subcommittee of the House Agriculture Committee on livestock and grain.

I am presenting this statement as president of the Sulphur Springs State Bank, Sulphur Springs, Texas, and also as a cattle raiser in behalf of Congressman Patman's bill No. H.R. 17208.

This county has always raised beef cattle and since 1936 it has developed into the leading dairy county in Texas. This has been done with much work and expense. Our agricultural income for 1973 was \$60 million and it was almost entirely from dairying and beef cattle.

Under present conditions, over which we had no control or warning, our present economy will be practically wiped out. We are now having many dairy and beef dispersal sales and they are increasing weekly. Most of our operators cannot continue in business and lose money every month.

This will not only ruin our cattle industry, but also our general economy. There will be unemployment in all segments of our economy and these people will draw unemployment or relief. Would it not be more reasonable to keep these people producing rather than depending on a government handout?

The next statement is by Billy Fails, a producer, and I will read just one paragraph, where he states:

I'm in support of House bill H.R. 17208. This is, in my opinion, a way of preserving a man's mother cow herd. The product of this mother cow herd is, of course, what we call feeder and slaughter cattle and what is ultimately used to feed our Nation their beef.

The next statement, I think, is relatively short, so I would like to read it because it is very true. This is by G. W. Gray and he says:

Mr. Chairman and members of the committee, I wish to take this means to express my support of introduction and passage of H.R. 17208.

I am a practicing Veterinarian with a 95 percent large animal practice in Hopkins County, Texas. I have been in practice in this county for the past 27 years.

We have experienced the normal drought, disease, natural and manmade problems. Each time with these problems, we were able to make our own adjustment. The conditions here, of which you are well aware, do not respond to vaccine, altered rations, or a few more hours work per day.

I also have a small herd of registered beefmaster cattle. These are sold for beef at local auction, and the others as breeding bulls and replacement heifers. With the present feed cost versus the price paid for beef on the hoof (for slaughter or otherwise) there is no feasible means for me to continue this operation.

Good sound basic nutrition is essential to disease prevention and reproduction. Current cost-price figures are now making sound nutrition a thing of the past because we just can't afford the luxury. Since some of these nutritional changes are irreversible, in my opinion, action by you and this committee is needed now.

I might say that in talking to him this weekend, he said that he was already definitely beginning to see it show up that cattle were beginning to die and he was finding cattle actually where their only sickness was nutritional values were down and he thinks that we are going to have more than what I was predicting, the 12 percent in our area, actually, of dead cattle.

The next statement is by Tommy Washington. Mr. Short, I am sure you remember Tommy was with me last time when he was here with me in Washington.

Mr. SHORT. Yes.

Mr. CHAPMAN. At the bottom of the page he says:

As a small cattle producer, we work eight hours a day on a public job and then six hours on a farm to try to provide for our families. Some older producers on a small fixed income produce cattle to help to provide for their needs.

I believe the passing of this bill, H.R. 17208, would be greater help to such persons to retain their independent way of survival than to stand in line to buy food stamps.

The next statement is by Lowell Cable. This will be the last one I will read.

At the bottom of the page he states:

The cattle industry did not cause the fuel shortage. Cow ponies do not run on gasoline. Yet, all of a sudden we must balance our payments with the most available item we have at hand, feed products. And this is why we are here today.

Assuming that this was the correct thing to do, then everyone in America and throughout the world benefits, yet the cattle industry, another very important segment of the food producing fraternity, is being absolutely wrecked.

Point No. 2: the urgency in this matter of life and death of the cattle industry can best be illustrated by this example. If the aids for each one of your Committee members sitting in this room whispered in your ears that your un-insured home was on fire and all your life's work was being burned to the ground, would you—the Committee members—under such circumstances complete this hearing here today?

The cattle industry's house is on fire and it is being fanned by winds over which it has no control. And if this Committee would only realize how fast it is burning then you will hear not another word with regard to the necessity of what we ask but you would concern yourselves only with how quickly you can get help to our industry for the sole purpose of the survival of the cow herds in the United States. The first bucket of water for the control of this fire should be H.R. 17208 to assist with feed for our cow herds.

I have statements here from four more, which I will not read.

Mr. FOLEY. They will all be received for the files, and we appreciate your testimony. I know you have come a great distance to present the views of your organization as well as of others from whose statements you have read excerpts.

Are there any questions of Mr. Chapman?

Mr. MAYNE. Thank you, Mr. Chapman. That last statement that you read from was by Gary somebody?

Mr. CHAPMAN. No, the last statement was by Lowell Cable.

Mr. MAYNE. Well, I want to commend your good judgment in selecting that as the last to read, because if you had read that at first, we probably would have been obligated to cut off from reading all the rest in view of the contents of the statement saying that we should go on and act and stop having hearings, but should immediately proceed to act.

Mr. FOLEY. Mr. Zwach?

Mr. ZWACH. No questions.

Mr. FOLEY. Mr. Chapman, thank you for your contribution this morning.

[The statements referred to are retained in the subcommittee file.]  
The next witness is Mr. Larry Gamblin, of Como, Tex.

#### STATEMENT OF LARRY GAMBLIN, COMO, TEX.

Mr. GAMBLIN. Mr. Chairman and members of the committee, I am Larry Gamblin. I live at Route 1, Como, Tex., and I am a dairyman, and I also produce beef through cull calves and cows and I use beef bulls on my homestead herd and I sell beef cattle.

I have been up here to Washington three or four times since September 13th. I have been to Rosemont, Ill., once to appear before a hearing, and this is my third hearing in Washington. I have heard testimony presented on several different bills and several different things that have been presented before committees.

I am here supporting the bill that is before us to furnish aid for the cattle industry in the United States and beef cattle primarily is what this bill is directed for, but I speak as a dairyman also.

Mr. Chairman, I brought with me two statements from the large feed companies that are in our area that supply the feed to the dairymen and to the cattle raisers of our county. If you will look at this first one with me, please, it is Farmers Co-op and this is a large feed company and one of the largest ones in northeast Texas. They do over \$1,200,000 worth of credit business every month with a credit policy that this money is expended to customers to be paid back on the 20th of the following month. If you will go down through there and look at total accounts receivable, it is \$1,158,844.33; total accounts current is \$638,073.56; delinquent accounts 30-60 days is \$88,603.15; delinquent accounts 60-90 days is \$502,306.04; delinquent accounts over 90 days is \$379,807.58.

They state, "Of these delinquent accounts, we have turned 207 over to collection agencies in the amount of \$240,483.71."

When this statement was made on November 22, it says, "We removed another 115 patrons from our eligible charge list," but there are additional people now that didn't pay their bill by the 20th of the following month to maintain their credit rating.

They have people coming in there that have been doing business with that business for over 20 years, which have paid cash most of the time, and they have taken their cash discounts that have kept their credit policy up to where it is supposed to be.

You can see from this statement here what the dairymen and cattle industry is like.

Now, this other statement here is from the second largest feed company in our area. To sum it up briefly, Mr. Chairman, it says \$89,000 has already been written off just recently, and there is another \$210,000 that we deem as being uncollectable due to the present economic situation that the cattle industry is in.

Gentlemen, I am from Hopkins County in northeast Texas. It has the largest number of grade A dairies in that area and it ranges second in the number of beef cows in the State of Texas. We are primarily an agricultural-oriented livestock community. We have a small amount of industrial but nearly everyone in our county is involved in the livestock industry to some degree or another. We are faced with a situation that the people in our county are hard pressed just to stay in business. It is getting to where we can't get credit at the local lending institutes. They have gone with us as far as they can. There are a large number of us.

We have three banks. We have a production credit association. The banks feel that they are not going to loan money to buy feed with because of the decrease in the price of cattle over the past 12 months so that our equity isn't such in our business that it will warrant further extension of credit to us. A lot of people are being put on strictly a cash basis load by load to buy feed, and it seems that the way that we are headed in our county, you know, that it is going to have a disastrous effect on us because we are so much dependent on the livestock industry.

I am an FHA Committeeman in our county and I would like to touch on the status of the FHA borrowers and this is dairy borrowers. Now I don't know how many beef cow people we have financed there, but this information I have presented before Mr. Zwach last time I was up here and I would like to present it to all of you. We have 95 dairymen in our county who are financed by FHA and 55 of these borrowers have already had payments suspended for a length of time in terms from anywhere from \$500 to \$2,500 per dairyman.

The county supervisor has subordinated loans on cattle to area banks so that they can borrow money to purchase feed and this runs from \$1,000 to \$8,700 per dairyman.

When I was up here 2 weeks ago we had six disbursal sales, dairy disbursal sales in a 7-day period. Since then we had two more dairies sell out and both were FHA financed. One of them sold out at auction. The boy just got out of business.

But the way things are headed, Mr. Chairman, the livestock men, the beef men, and the dairymen in our county are faced with disaster and it has been estimated by some of the people that are in the financing institutes that if the situation continues like it has for another 2 or 3 months, that it looks like it could be 25 percent of the producers in our country will be forced out of business.

Now I made a statement earlier that I have been to Washington several times recently. I paid my own way to Washington the first time. I paid my own way to Rosemont, Ill., to testify before the USDA and since then my way has been paid up here by a group of people of Hopkins County that wanted someone to come up here and speak for them.

I am up here on behalf today of them speaking in support of this bill of Mr. Patman's to try to get some degree of aid that will help the livestock industry in Hopkins County. We need it very bad. I have just been out in the hall talking to Mr. Ensley, who just testified here earlier. I asked him the question point blank of what we are supposed to do? I heard his testimony where they feel like it is unwise to go with this 90 percent of parity on milk, but I am here asking you gentlemen, as I asked him, what are we supposed to do as a group of livestock people that are depending on our livestock to earn a living?

Thank you.

Mr. FOLEY. Thank you very much. Are there any questions?

Mr. MAYNE. Well, Mr. Chairman, I would just like to join you in thanking Mr. Gamblin for not only his fine presentation today but the other efforts that he has made on these previous occasions that he has told us about. It certainly is a very critical situation and this subcommittee appreciates your making us fully aware of the seriousness of the situation. Thank you.

Mr. FOLEY. Thank you very much.

If there are no further witnesses, the Chair wishes to express its appreciation to the members of this subcommittee who attended.

The subcommittee will stand adjourned and will meet again at the call of the Chair.

[Whereupon, at 11 :30 a.m., the subcommittee recessed subject to the call of the Chair.]



