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RESTORE FHA EMERGENCY LOAN PROGRAM

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HEARINGS

BEFORE THE

THE LIBRARY
KANSAS STATE UNIVERSITY

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

FIRST SESSION

ON

H.R. 1975, H.R. 2354, H.R. 2455, H.R. 2605,
H.R. 3342, H.R. 3479, H.R. 3797, H.R. 3856,
and S. 760

FEBRUARY 5 AND 6, 1973

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RESTORE FHA EMERGENCY LOAN PROGRAM

MONDAY, FEBRUARY 5, 1973

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to call, at 10 a.m., in room 1301 Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Stubblefield, de la Garza, Vigorito, Jones of North Carolina, Sisk, Alexander, Rarick, Jones of Tennessee, Melcher, Bergland, Denholm, Brown, Rose, Litton, Gunter, Teague, Wampler, Goodling, Zwach, Price, Sebelius, Mizell, Findley, Baker, Thone, Symms, Young, Johnson and Madigan.

Also present: Christine S. Gallagher, chief clerk; Fowler C. West and L. T. Easley, staff consultants; and John Rainbolt, assistant counsel.

The CHAIRMAN. The committee will be in order.

This morning, we consider the restoration of the emergency disaster loan program. Mr. Alexander has legislation pending before us which is cosponsored by a number of other members. I think we might proceed by asking Mr. Alexander to explain the legislation and then we will call on the Department.

(H.R. 1975, introduced by Mr. Alexander, the text of which follows, is identical to H.R. 2455 by Mr. Thornton, H.R. 2605 by Mr. Mills of Arkansas, H.R. 3342 by Mr. Alexander and 23 other Members, H.R. 3797 by Mr. Downing, and H.R. 3856 by Mr. Scherle, and is similar to H.R. 2354 by Mr. Maraziti, H.R. 3479 by Mr. Price of Texas, and S. 760.)

[H.R. 1975, 93d Cong., first sess.]

A BILL To amend the emergency loan program under the Consolidated Farm and Rural Development Act, and for other purposes

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

SECTION 1. Section 328(a) of the Consolidated Farm and Rural Development Act is repealed.

SEC. 2. Subsection (a) of section 321 of the Consolidated Farm and Rural Development Act is amended by striking out all of the language within the parentheses and inserting the following: "(including loans the Secretary is authorized to make or insure under subtitles A and B of this title or any other Act of Congress)".

SEC. 3. Subsection (b) of section 321 of the Consolidated Farm and Rural Development Act is amended by deleting said subsection in its entirety and substituting in lieu thereof:

"(b) The Secretary shall make loans in any such area designated by the Secretary in accordance with subsection (a) hereof and in any area designated as a major disaster by the President pursuant to the provisions of the Disaster

Relief Act of 1970, as amended, (1) to established farmers, ranchers, or oyster planters who are citizens of the United States and (2) to private domestic corporations or partnerships engaged primarily in farming, ranching, or oyster planting: *Provided*, That they have experience and resources necessary to assure a reasonable prospect for successful operation with the assistance of such loan, and are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time."

SEC. 4. Section 324 of the Consolidated Farm and Rural Development Act is amended by striking out "3 per centum" and inserting in lieu thereof "6 per centum".

SEC. 5. Section 328 of the Consolidated Farm and Rural Development Act is amended by striking out "\$100,000,000" and inserting "\$500,000,000".

SEC. 6. Section 321(a) of the Consolidated Farm and Rural Development Act is amended by striking the word "may" and inserting in lieu thereof the word "shall".

SEC. 7. Section 232 of Public Law 91-606 is repealed.

(The Department report on H.R. 1975 follows:

DEPARTMENT OF AGRICULTURE,
Washington, D.C., January 30, 1973.

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

DEAR MR. CHAIRMAN: This is in response to your letter of January 18, 1973, requesting our recommendations on H.R. 1975.

H.R. 1975 would eliminate forgiveness, set interest at not to exceed 6 percent and require that applicants be unable to obtain credit elsewhere at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community for similar purposes and period of time.

The Emergency loan program as authorized by H.R. 1975 would be a sound one which corrects many of the problems we are experiencing under current law. Its prompt enactment would allow resolution of these problems.

Enactment of H.R. 1975 would provide an interim solution whereby credit could be made available to applicants in existing areas which have been designated by the President or Secretary of Agriculture who are presently ineligible for assistance under existing administrative policies. The Administration will shortly transmit to the Congress a comprehensive Disaster Relief proposal which encompasses this as well as other Federal disaster relief programs. H.R. 1975 would provide a workable emergency loan program pending consideration and enactment by the Congress of the Administration's comprehensive Disaster Relief proposal.

We would anticipate that Emergency loans would be made totaling \$50 million during the remainder of Fiscal 1973 under the proposed bill. This would be in addition to the loans already made and the loans which will be made on the basis of valid applications already in our county offices.

We believe the average yearly loan volume over the next five years would be \$100 million, recognizing that in an unusual year, such as this one, the volume might reach somewhat higher levels depending upon the extent of the disaster.

We appreciate your interest and sincerely hope that legislation can be enacted that will permit assisting farmers in time of disaster by legislation that will not create a large annual drain on the budget.

The Office of Management and Budget advises that enactment of H.R. 1975 would be consistent with the Administration's objectives.

Attached is a section-by-section analysis of H.R. 1975.

Sincerely,

J. PHIL CAMPBELL, *Under Secretary.*

Enclosures.

SECTION-BY-SECTION ANALYSIS OF H.R. 1975, A BILL TO AMEND THE CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

Section 1. This section would repeal section 5 of Public Law 92-385 (section 328(a) of the Consolidated Farm and Rural Development Act) which specifies

the manner in which the Secretary may make loans based on disasters which occurred after June 30, 1971, and prior to July 1, 1973. Any loans made subsequent to enactment of this Act as a result of such disasters would be subject only to subtitle C of the Consolidated Farm and Rural Development Act.

Section 2. This section expands paragraph 321 to recognize that Operating loans made under subtitle B are now made as insured loans, not direct as formerly authorized.

Section 3. This section would require the Secretary of Agriculture to make, insure, or guarantee loans to eligible applicants in areas designated by him as natural disasters and in areas designated by the President as major disasters pursuant to the provisions of subtitle C of the Consolidated Farm and Rural Development Act.

Section 4. This section would authorize the Secretary of Agriculture to set an interest rate for loans made, insured, or guaranteed under subtitle C at not to exceed 6 percent per annum.

Section 5. This section changes section 328 of the Consolidated Farm and Rural Development Act to conform with section 309 (f) (1) of the Consolidated Farm and Rural Development Act. Section 328 of the Consolidated Farm and Rural Development Act authorizes insured emergency loans. Section 343 of the Consolidated Farm and Rural Development Act provides that the word "insure" includes "guarantee", which means to guarantee the payment of a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary which could include appropriate units of the Farm Credit system.

Section 6. Changes the word "may" to "shall", making it mandatory that the Secretary designate areas eligible for Emergency loans under certain conditions in which there is a general need for credit caused by a natural disaster.

Section 7. This section would repeal section 232 of the Disaster Relief Act of 1970 which will become effective on July 1, 1973, in the event no legislation to the contrary is enacted by Congress in the meantime. This section would relieve the Secretary of the requirement that he cancel a part or all of the principal amount of certain loans and charge interest at a rate determined by the Secretary of the Treasury after July 1, 1973. Loans would be made on the basis of the applicant's actual needs under subtitle C of the Consolidated Farm and Rural Development Act. Applicants would have to certify and the Secretary would have to determine that they are unable to obtain sufficient credit elsewhere.

STATEMENT OF HON. BILL ALEXANDER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. ALEXANDER. Mr. Chairman, I first want to thank you and my other colleagues on the Committee on Agriculture for joining me in recognition that the legislation which we consider today is of an emergency nature. I believe the speed with which the committee has agreed to act on this question of the Farmer's Home Administration emergency loan program is clear evidence of our concern for insuring that our farmers are able to continue their critically important work of producing food and fiber for this Nation.

There are a number of reasons which prompted me to take the step of introducing H.R. 1975 to require the Secretary of Agriculture to continue the emergency loan program and to make other needed amendments in subtitle C of the Consolidated Farm and Rural Development Act relating to this program.

In the congressional district which I represent, during November, an estimated \$80 million in agricultural crop losses resulted from flooding caused by heavy, unseasonable rains. These damages were suffered by farmers in 17 out of 21 counties in the First Congressional District. Farmers in other parts of Arkansas lost crops valued at approximately 10 more millions of dollars.

The interest generated among our colleagues by the proposal which I have made, clearly indicates that the losses to farmers from natural disasters during 1972 were also felt in many other States.

Article 1, section 1 of the United States Constitution reads:

All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of Senate and House of Representatives.

It is unmistakeable that the framers of the Constitution intended for the Congress to be the policy and law maker for the Nation. The emergency loan program of the Farmers Home Administration is a policy and law which the Congress enacted. It has not been rescinded, nullified or otherwise voided by the Congress. Yet, the Secretary of Agriculture—without consultation with or directions from the Congress—has attempted to terminate this program.

This action can only be an attempt by the executive branch of the Federal Government to arrogate to itself the rights and responsibilities which are assigned by the Constitution to the Congress of the United States.

These are the basic facts which prompted me to introduce H.R. 1975. There is a critical need among the farmers of the Nation for the kind of credit which the emergency loan program is designed to insure if they are to be able to continue farming. There is a serious challenge to the congressional right to legislate.

In the first instance, the emergency loan program must be continued if this Nation is to continue to have an adequate, reliable supply of agricultural food and fiber. In the second instance, the Congress must take up the challenge and successfully meet it through legislation such as I have proposed if it is to maintain and regain its proper position as the legislature among the three branches of the Federal Government.

I believe that the witnesses we will hear during the consideration of this legislative proposal will confirm and support my argument that a permanent emergency loan program is an essential element in the national agricultural policy which the United States needs.

Now, I would like to go directly to a section-by-section analysis of my proposal. The bill would:

Section 1. This section would repeal Section 5 of Public Law 92-385 (Small Business Administration, disaster loans) Section 328 (a) of the Consolidated Farm and Rural Development Act) which specifies the manner in which the Secretary may make loans based on disasters which occurred after June 30, 1971, and prior to July 1, 1973. Any loans made subsequent to enactment of this Act as a result of such disasters would be subject only to Subtitle C—Emergency Loans of the Consolidated Farm and Rural Development Act. The net effect of this provision to repeal the \$5,000 "forgiveness" clause and the 1 per cent interest provision established by the "Hurricane Agnes" legislation.

Section 2. This section changes Section 328 (a) of the Consolidated Farm and Rural Development Act to conform with Section 317 of the Consolidated Farm and Rural Development Act. This would clarify the law, which provides that all loans made by the Farmers Home Administration be insured or guaranteed.

Section 3. This section would require the Secretary of Agriculture to make, insure, or guarantee loans to eligible applicants in areas designated by him as natural disasters and in areas designated by the President as major disasters pursuant to the Disaster Relief Act of 1970. This allows the Secretary to make loans in Presidentially declared disaster areas without the Secretary's having to make a similar declaration. This would continue authority which the Secretary has to make these loans without such declaration by him.

Section 4. This section would authorize the Secretary of Agriculture to set an interest rate for loans made, insured, or guaranteed under Subtitle C—Emergency Loans of the Consolidated Farm and Rural Development Act at not to exceed 6 per cent per annum. This interest rate is more realistic than the present maximum.

Section 5. This section changes Section 328 of the Consolidated Farm and Rural Development Act to conform with Section 309 (f) (1) of the Consolidated Farm and Rural Development Act. Section 328 of the Consolidated Farm and Rural Development Act authorizes insured emergency loans. Section 343 of the Consolidated Farm and Rural Development Act provides that the word “insure” includes “guarantee”, which means to guarantee the payment of a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary which would include appropriate units of the Farm Credit System.

Section 6. The deletion of the word “may” and the insertion in lieu thereof the word “shall” makes clear the intent of the Congress that the Secretary make disaster area declarations for areas which meet the specifications set out in Subtitle C, Sec 321 (a) of the Consolidated Farm and Rural Development Act.

Section 7. This section would repeal section 232 of the Disaster Relief Act of 1970 which will become effective on July 1, 1973, in the event no legislation to the contrary is enacted by Congress in the meantime. This section would relieve the Secretary of the requirement that he cancel a part or all of the principal amount of certain loans and charge interest at a rate determined by the Secretary of the Treasury after July 1, 1973. Loans would be made on the basis of the applicant's actual needs under Subtitle C of the Consolidated Farm and Rural Development Act. Applicants would have to certify and the Secretary would have to determine that they are unable to obtain sufficient credit elsewhere. This would cause the Emergency Loan Program to revert to the permanent emergency loan program legislation.

The CHAIRMAN. The Chair will recognize Mr. Campbell, the Under Secretary of Agriculture, whom we all know and whom we are all glad to have back with us.

You are getting to be a regular visitor. We will invite you back up here immediately after the recess, in the next 2 weeks. We are glad to have you here this morning, and we will be glad to hear your comments on the proposed legislation.

STATEMENT OF HON. J. PHIL CAMPBELL, UNDER SECRETARY OF AGRICULTURE, ACCOMPANIED BY JOHN A. KNEBEL, GENERAL COUNSEL; AND DARRELL DUNN, DEPUTY ADMINISTRATOR, FARMERS HOME ADMINISTRATION

Mr. CAMPBELL. Mr. Chairman. I have with me our General Counsel, Jack Knebel, and also the Associate Administrator of the Farmers Home Administration, Mr. Dunn.

We are very pleased that Congressman Alexander and his colleagues have introduced this bill, and we are happy to appear in support of the bill, H.R. 1975.

In brief, H.R. 1975 would provide a workable emergency loan program. It would eliminate the “loan forgiveness” feature of Public Law 92-385, set interest rates at a level not to exceed 6 percent, and would require that successful applicants be unable to obtain credit elsewhere at reasonable rates and terms.

The changes embodied in H.R. 1975 would correct a condition that led to the necessity for the administration to establish a cutoff date for Farmers Home Administration emergency loans. As you know, Public Law 92-385, which is known as the Agnes-Rapid City Act, made it

mandatory that up to \$5,000 of each emergency loan be forgiven to cover actual loss, with a 1-percent interest rate on the balance of the loan. These very attractive features were extended by law to all emergencies declared between July 1, 1971, and July 1, 1973. By mid-December 1972, the Farmers Home Administration assessed the number of applications flowing in and estimated that the cost of this program would reach nearly \$800 million in fiscal year 1973. More than 400 additional counties awaited designation as disaster areas; and those, the USDA estimated, could run the cost to \$1 billion or more.

It was obvious to all prudent observers that the taxpayers could not bear this magnitude of cost in order to help those whose degree of need and lack of ability to pay actually required "forgiveness" and 1-percent loans.

The decision to declare a cutoff on these loans was further mandated by the necessity to curtail Government-wide spending to \$250 billion in fiscal year 1973 in order to: (1) Stay within the debt ceiling; (2) stop the inflationary spiral in costs; and (3) avoid an increase in Federal taxes.

We believe that the enactment of H.R. 1975 would provide an interim solution to the problem. It eliminates the forgiveness feature, provides that the applicant establish that he is unable to obtain satisfactory credit elsewhere, and offers a reasonable interest rate. Those terms would make it possible to restore emergency loan authorities and provide credit to those who are otherwise unable to stay in business. We estimate that during the rest of this fiscal year, the Farmers Home Administration would use the provisions of H.R. 1975 to lend about \$50 million. This would be in addition to the loans already made and the loans which will be made on the basis of valid applications which are processed prior to the effective date of this legislation. Looking farther ahead, we estimate that the yearly loan volume would average around \$100 million, keeping in mind that under unusual circumstances, such as this year, the volume might be somewhat higher.

The administration will shortly transmit to the Congress a comprehensive disaster relief proposal which would encompass Farmers Home emergency loans as well as other Federal disaster relief programs. Pending the possible adoption of that proposal, H.R. 1975 would, in our judgment, provide a workable emergency loan program.

If I may, I would like to direct the committee's attention to the fact that we have made emergency loans to farmers and ranchers since 1949. These loans were to help farmers survive natural disasters and to be able to carry on their farming and ranching operations, which is in the national interest.

Between 1949 and the end of fiscal year 1972, more than a half million loans to farmers and ranchers have been made.

Until 1969, all emergency loans were made to applicants who were unable to get credit elsewhere, except for the unusual circumstance surrounding Hurricane Betsy in 1965. The Disaster Relief Act of 1969 (Public Law 91-79) authorized emergency loans to disaster victims who could get credit elsewhere, but they had to pay a higher interest rate. The Disaster Relief Act of 1970 (Public Law 91-606) removed the requirement that the applicant had to be unable to obtain credit elsewhere.

Through the years, emergency loans did not have a "forgiveness feature"—except for victims of Hurricane Betsy in 1965—until the Disaster Relief Acts of 1969 and 1970. These two acts authorized "forgiveness" in major disaster areas.

That history brings us to Public Law 92-385, signed on August 16, 1972. That act provided the 1-percent interest rate and the \$5,000 "forgiveness" to all emergency disaster loans for disasters occurring between January 1, 1971, and July 1, 1973.

You are familiar with Tropical Storm Agnes and its rampage through the Eastern United States in June 1972. On top of that, 1972 brought us some of the most unfavorable growing and harvesting weather in recent memory. These conditions were widespread, and when added to the very attractive loan features of forgiveness and low interest, helped create the unprecedented increase in requests for emergency loans. On November 15 last year, 879 counties had been designated as disaster areas; of these, 555 were designated as disaster counties by the Secretary of Agriculture and 324 by the President. We also had a backlog of 481 counties waiting for designation, plus indications that another 300 counties wanted to be added.

The emergency loans that we actually made in the first 6 months of fiscal year 1973, were more than double any previous similar loaning period. As you are aware, we had budgeted \$135 million for fiscal year 1973. We were facing the prospect of making \$1 billion or more in loans. We estimate that the \$5,000 "forgiveness" feature would cause as much as 70 percent to 75 percent of the amount of the loans to be forgiven. Also, the balance of the loans after such cancellation would carry only a 1-percent interest, far below the cost of loan funds to the Government.

You can grasp the overwhelming nature of this fiscal problem. From 1949 through fiscal year 1972, we had lent \$1.6 billion in emergency loans. At the rate we were going in December, the figure could have reached \$1 billion in fiscal year 1973—more than 80 percent of the total loaned in the previous 23 years.

During the history of the emergency loan program, borrowers have repaid 94 percent of all maturities. The cost to taxpayers has been nominal and the assistance to farmers and ranchers has been tremendous. With that kind of a record to show Congress and the public, the last thing we needed was to come before this body this year for a 1973 farm program burdened with a \$1 billion emergency loan program, a large part of which would be forgiven. This would be at a time when the public is very much concerned with the size of the Federal budget, with rising inflation costs, and with the level of taxation.

Again, we commend H.R. 1975 to you for favorable action.

The CHAIRMAN. Thank you so much, Mr. Campbell. I am delighted to see us again working together here and heading toward something that can have your support.

Mr. Teague?

Mr. TEAGUE. I have no questions.

The CHAIRMAN. Mr. Sisk?

Mr. SISK. Mr. Chairman, I would simply like to commend the Department for their actions in this case, and of course, commend my colleague, Mr. Alexander, and others for doing what I think is a rea-

sonable approach in this situation. Certainly, as the chairman has indicated, it seems much more pleasant for us to go down the same road rather than being in the situation we were in last week.

I want to thank you.

The CHAIRMAN. Thank you.

Mr. Alexander?

Mr. ALEXANDER. Thank you, Mr. Chairman.

May I clear up one or two things that have developed during the discussions of this bill? I talked with Mr. Dunn last week, I believe, about the manner in which the Farmers Home disaster loans are administered. There appears to be some difficulty within the Farmers Home Administration at the present time, most of which is caused by the lack of personnel in Farmers Home offices throughout the country, to do the various and sundry jobs that the Congress has assigned to them. Time is of the essence when a disaster occurs. Certainly in the present situation, inasmuch as a disaster has occurred, placing a lot of people in a position of not knowing whether or not they can farm this year, would it not be appropriate, Mr. Secretary, to consider a new technique for administering these disaster loans, assuming this legislation passes and is enacted into law throughout the country? I have in mind as a possibility establishing, let's say for the purposes of discussion, an emergency loan board in each of the counties on which there would be representation by the Farmers Home Administration, the president of the local Production Credit Association, and the president of a local bank that has the predominant amount of farm credit in that particular county or region. Would this be of assistance in administering a program of this type?

Mr. CAMPBELL. Well, we are very happy to look at any suggestions for improvements in operations, and we would certainly be happy to take a look at what you have suggested and see if it can give us some system which would be a better system than the one we have been using. Now, you are correct in that the Farmers Home offices have been burdened because they have taken on additional duties which they did not have, say, 20 or 30 years ago, particularly in the housing field, and also water and sewer grants. But we would be very happy to take a look at your suggestion and see if it could be worked into the system and make the system work better.

Mr. ALEXANDER. May I ask Mr. Dunn his reaction? We talked about this a little bit last week and the week before.

Mr. DUNN. Congressman, I think it is a real good suggestion. We have discussed it with some of the technicians on our staff since you mentioned it to me. I do not think that we have explored it far enough. I do think that it would be in keeping with the policy we presently have of seeking closer working relationships with banks and PCA's to take some of the burden of the work off of our county officers.

I would like to say to you that I think that we would like to explore this further.

Mr. ALEXANDER. All right, sir.

Mr. Chairman, if I have enough time, I would like to ask one other question. How is my time running here?

The CHAIRMAN. You have 2 more minutes.

Mr. ALEXANDER. Let's discuss a situation similar to some which have occurred in Arkansas on a number of occasions. A farmer has been in

business for a number of years, say 10 years. Over the past couple of years, he has accumulated a little debt. We can attribute this to the high cost of machinery, the high cost of fertilizer, materials, labor, and all of the other components that are an integral part of agricultural production. Then last year, because, primarily, of the unseasonable weather conditions, he had a crop failure. This, together with the other debts, places him in a position of not being able to obtain credit from the conventional lender with which he has done business for a number of years. And for the sake of discussion, let's assume that the total amount of his debt is \$25,000. His lender wants to extend him credit again, but he just can't justify it based upon either the production credit or on total assets and profit picture.

Do you envision that under this program that we are enacting, Farmers Home Administration, with or without this emergency loan board, could go in and consolidate that \$25,000 debt and amortize it over a period of years at whatever interest is agreed upon and awarded by the Secretary, in order that that farmer might go to his lender, who would then have the stamp of guarantee by the U.S. Government on that debt so he could get furnished again for this year and next year and so forth?

Mr. CAMPBELL. We can consolidate some of his loans, but in such an instance, normally the best procedure for the farmer would be to rework his mortgage and we can work with him on that and give him a new mortgage loan if he were unable to get credit elsewhere. Of course, the credit elsewhere, you know, does apply, but if he could get credit elsewhere, normally in these cases, the farmer goes back and reworks his mortgage loan and reworks his mortgage indebted necessary in order to spread out that time.

Now, in the actual emergency itself, the procedure which has been used in the past which has been found to be successful is to make the emergency loan, whatever it might be, and know full well that the farmer can't recoup in 1 year enough profit to pay for the previous year's loss and then work with him over a period of years. Experience has shown that it takes 3 to 5 years for the farmer to get back on his feet and get back into normal credit sources. The whole object is to tie the fellow over until he can get back into his regular credit channels rather than being a permanent customer of the Federal Government. The Farmers Home Administration history shows that they do stay with these people, but we cannot go beyond the security which they can put up in most cases. That is a rule that I think everybody agrees with.

The CHAIRMAN. Your time is up.

Mr. ALEXANDER. My time is up. I will question you after we have been around the room.

The CHAIRMAN. I hope it will not be necessary for every member to feel that he has to ask questions in order to set a good example. But those who feel they must ask a question may do so.

Mr. Goodling?

Mr. GOODLING. I will not take my 5 minutes, but I want to point out again that Public Law 935 was passed by an emotional House of Representatives. As I recall, it was on a late Friday night, and we did not give it the proper consideration. I am just as guilty as everybody else because I submitted a statement on the bill. This bill that we are

considering this morning does appear to be an honest attempt to correct an unfortunate situation and I am ready to support it.

Thank you.

The CHAIRMAN. Thank you.

Mr. BERGLAND?

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

Mr. Secretary, under the terms of the emergency loan program, what kind of security do you require of the prospective borrower?

Mr. CAMPBELL. The security, if he goes back to rework his mortgage, as I have just said, would be his land and his real estate. On the other hand, if it is not that type and it is a short term, his security would be his machinery, livestock, anything of that nature, his crop itself which is to be planted and harvested.

Mr. BERGLAND. Do you have any minimum requirements, Mr. Secretary? I am thinking, for example, of the instance where a family may have all its chattels and real estate tied up elsewhere, with a bank or insurance company, and they cannot give a first mortgage without having the other creditors release it. Under those conditions, what kinds of things do you require?

Mr. DUNN. We will make a loan with just a lien on the crop. We will, at the same time, ask his other creditors to stand by with their security requirements.

Mr. BERGLAND. How do you administer the credit-elsewhere provision?

Mr. CAMPBELL. Well, you go through a procedure at the local county office and the county supervisor makes his own investigation as to what the farmer has told him and as to whether he can or can't get credit elsewhere.

Mr. BERGLAND. Excuse me, Mr. Secretary, I could get credit from my normal conventional credit suppliers, but not at 6 percent?

Mr. CAMPBELL. No; you would be forced to go to your normal suppliers if you could get credit elsewhere. It is not credit elsewhere at a specific interest rate but credit elsewhere regardless.

Mr. BERGLAND. So you would require a statement from the conventional credit sources that they are unable to finance the loans?

Mr. CAMPBELL. Yes; if the county supervisor thought he might be able to get credit elsewhere based on a review of the application.

Mr. BERGLAND. I see.

I am sure, Mr. Secretary and Mr. Dunn, that you are aware of the very awkward situation that exists in many parts of the Midwest, specifically in the six counties in my district that were declared eligible for emergency credit.

Mr. ZWACH. Mr. Chairman, I cannot hear. I would like to hear Mr. Bergland.

Mr. BERGLAND. I was asking the Secretary about a situation that has arisen in parts of our State, John.

Back in October, I think it was, several counties in western Minnesota were designated eligible for credit assistance under the Secretary's proclamation. In that same general region, counties were declared eligible for assistance under a Presidential proclamation. On December 27, counties that were eligible under the Secretary's proclamation were forced to terminate the loan without advance warning

and without notice. In the presidential areas—and these counties, you know, joined in the Secretary's declaration—they had until the 15th of January. I know from conversations with many of the county supervisors of Farmers Home that they had told the farmers not to submit an application in December; they had yet to harvest what little chop was in the field. It was still out there because of the backward harvest situation. Some of the supervisors had advised their farmers not to come in because they had long lines of people and it was physically impossible to service these applications, so in good faith, the supervisors urged these farmers to come back in January and February. Dates and schedules were established, in fact. As it turns out, about a third of the eligible people in those areas had their loans processed or on file at the time the cutoff came on December 27. Two-thirds of the producers in the territory are unable to obtain these credit provisions, and as you can imagine, there is all kinds of criticism and uneasiness in that region.

What can be done to alleviate this condition that I deem to be very unfair?

Mr. CAMPBELL. The General Counsel, Jack Knebel, would like to answer that.

Mr. KNEBEL. Mr. Bergland, as you know, this legislation has a repealer for that provision of Public Law 92-385 which contains the forgiveness and also has a repealer for that part of Public Law 91-606 which contains the basic forgiveness which is amended and set aside by Public Law 92-385. Accordingly, as of the effective date of the enactment of this piece of legislation, the Department would be forced to make loans without any forgiveness and an interest rate of up to 6 percent. We would have no authority to make any forgiveness beyond the date of the effectiveness of the statute.

Mr. BERGLAND. Are there any plans in the Department to reinstate the program, assuming—if, for example, this legislation does not pass, then where are we at?

Mr. KNEBEL. Sir, if this legislation does not pass, the Secretary has previously announced and has testified to the effect that we will be making operating loans to the extent that we can.

Mr. BERGLAND. Do you have legal authority to set aside the forgiveness feature under the present law?

Mr. KNEBEL. The present law, sir, says that those loans that we do make we shall forgive up to the first \$5,000. So if we do make loans now, if they meet the other test of credit and ability to repay, by statute, there must be a forgiveness.

Mr. BERGLAND. If this legislation is passed, then, we will find about a third of the farmers in that territory enjoying a \$5,000 forgiveness feature because they had gotten their application in before December 27 and two-thirds of the producers in that same county would not receive this discount.

Mr. KNEBEL. I suppose that is the practical effect of it, yes sir.

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

Thank you, Mr. Secretary.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. Thank you, Mr. Chairman.

I would like to follow up, Mr. Secretary, some of the things that

Mr. Bergland brought up. He and I represent the same area that had the worst situation in a century. I cannot quite understand exactly how this piece of legislation would help these people. In what ways will this help more than the present law, where they can already get loans from FHA at around 5 percent, as I understood it, and now we are going to make this loan at 6 percent, a minimum. Where does this help?

For instance, does it provide that regardless of financial situation, a man will get a loan under this legislation, even though he has been practically sunk by no crop at all? Will it compel FHA to give him a sustenance loan to start him up? Will it do more than the present law does not do?

Mr. CAMPBELL. Well, it does not change that particular feature of the present law, Congressman, because under the present law, your question would apply just as it would apply under the proposed legislation; the FHA office, if he cannot get credit elsewhere, under the law, would be authorized to make him a loan.

Mr. ZWACH. Now, under the present law, they can turn down an FHA loan to this type of an operator. Under this legislation, will they be assured of a loan or will the same right to turn down the loan prevail?

Mr. CAMPBELL. Well, he would have to meet all of the——

Mr. ZWACH. The same requirement?

Mr. CAMPBELL (continuing). The requirements because he must, as I said, be unable to get credit elsewhere plus his ability to repay and these features have always been in and we would anticipate that under this law, we would be back in business, just as we always have been, without the forgiveness feature.

Mr. ZWACH. Could you not do everything that this bill does without this legislation?

Mr. CAMPBELL. Under the proposed legislation, we could, except the forgiveness. Now, under our regular operating loans, of course, there is a \$50,000 limitation, under the regular operating loan program. But under the proposed legislation, it would do away with the forgiveness feature, do away with the 1 percent. Otherwise, the features would be substantially the same.

Mr. ZWACH. This certainly is still not clear to me, but when the Secretary was up here at a hearing earlier, he said to me and to Congressman Bergland that the Department was reassessing that direct cutoff of December 27 without any notice, that left a good number of those people that were diligent and hadn't turned in their crop, he said they were reassessing that.

Mr. CAMPBELL. Congressman, let me explain it to you this way: There is more involved than just those in your counties that are under that condition. We have about 480 additional counties wishing to be declared. We have taken no action on those, because they immediately would all be eligible for the \$5,000 forgiveness and the 1 percent also, so it is much broader than just your situation and your particular territory. It goes beyond that to the waiting list of counties that still have not been declared. So it isn't confined to your area alone, this particular problem.

Mr. ZWACH. Well, it does not apply to Presidential disaster, because they were given a reasonable time, December 27 to January 15, to file

their applications. Now, these people, part of the Minnesota counties that were under the Secretarial declaration, were cut off right now, without any chance. So we have a situation where some of them had gotten in their applications and cleared, some of them have not. Now, we were promised an effort to try to get some equity in this—either all of those who had picked up an application would have a right to file it, or something was going to be done. Now it is getting into February. It is time something was done to clarify that. We had the assurance that this was being developed.

Mr. CAMPBELL. Well, I do not think that we have any plans to re-open the program, if that is what you are saying, Congressman.

Mr. ZWACH. Even in a limited way for those who had picked up application forms?

Mr. CAMPBELL. At this time, no, we do not have. That is your question, I take it.

Mr. ZWACH. That is basically the question.

Mr. CAMPBELL. At the present time, we do not have any plans on re-opening that.

Mr. ZWACH. And this will not do anything for those people, either, will it?

Mr. CAMPBELL. No, it will not with regard to the \$5,000 foregiveness and 1 percent. But it will immediately, if this bill is passed, make them eligible for emergency loans. The only change will be that they will not have the \$5,000 foregiveness and the 1 percent interest rate.

Mr. ZWACH. Well, now, a lot of these people are now in the FHA office asking for loans. They are as eligible for loans under the present law as they are under this, as I understand.

Mr. CAMPBELL. Except that under the regular operating loan law, you have a limit of \$50,000 and you cannot loan to partnerships, and many farmers are in partnership with their sons or their brothers, and you cannot loan to corporations. Many farmers have incorporated. So there are other items as well.

Mr. ZWACH. And under the present law, they also will get a lower interest rate than they will under this law, 5 percent?

Mr. CAMPBELL. That is because of the cost of money.

The CHAIRMAN. Your time has expired.

Mr. Denholm?

Mr. DENHOLM. I will follow the same line of questioning, because my district borders on the districts of Congressman Bergland and Congressman Zwach. I am left in doubt as to the proposal before the committee. Although I ordinarily concur with my colleague from Arkansas, I must question the merit of his proposal as it does not relate to any sense of equity consistent with the act of the Congress and signed by the President of the United States in the original enactment of the emergency provisions of the law last summer. The Congress enacted Public Law 92-385 by an overwhelming vote and then the President signed it and it was referred to you people in the Department to administer. You administered it in different ways at different times. Mr. Joyner of your Department attended a large meeting of producers in my district in August of 1972 and he made an excellent explanation to the people as to exactly what the law was about and informed them that they would have until June 30, 1973, to make application for assistance and to prove computed losses, if any.

Many of the producers, prudent and provident men, went home and took care of their harvest. They did what they could to save themselves—they did what they could to protect their property in the interest of their Government. Those producers are the victims of the cut-off. The people that rushed in and made an application under an expedient administrative rule that provided if a loss did not exceed \$5,000, the transaction was a one-shot deal and the files were closed to reduce the administrative tasks and those participants received their money—\$4,200, \$4,800—and went home. Now, the honest, prudent, provident taxpayer that was concerned about handouts did not rush in and he got caught under another rule imposed by the FHA that resulted in a criteria for evaluation of profit loss similar to the concept of cross compliance of the old Federal crop insurance program. The Department found the paragraph of cross compliance criteria in the old regulations of the FHA manual. I do not remember the citation of it. As that rule was applied the claimants were told to complete harvest and as they did time was to be against them. Some then subsequently returned to the local FHA offices and were asked to cooperate in scheduled appointments after January 1, 1973.

I am left in doubt as to my position on the bill proposed by my good friend and colleague from Arkansas. I cannot agree with the repealer provision.

Now, I am concerned about this, Mr. Secretary. What really bothers the people at home is the inequity of administration of a public law. Must we, the Congress, sustain inequity and unfair and unjust procedure? Or do we really have the will to uphold the emergency loan provision of the law and provide for the proper execution thereof. Had FHA spent all the money and come to the Congress for supplemental appropriations and failed—you could have saved face and the producers would have said, well, you complied with the provisions of the law, although you administered it as a handout program—and I assure you it was never so intended by the Congress. I am not admonishing you, sir. But you had the authority to ask for co-signatures on every check. You did not do it. In fact, the personnel of your office urged producers to submit the loan applications under \$5,000, then you treated those applications as a one-shot deal under the “forgiveness” provision and gave the money and closed the file. You did that as a matter of fact on all the loss applications until after November 7, 1972.

Mr. Dunn, why did you administer the emergency loan program as a “give away” when you had custodial control?

Mr. DUNN. The funds that were released for the loan would be for an authorized loan purpose and were supposed to be put in a custodial account.

Mr. DENHOLM. Well, for what other reason would you make this kind of a loan? That is what the law provided and it was an emergency loan for a loan purpose. A producer may qualify for a \$10,000 loan at 1 percent and at the time it became due, \$5,000 would be forgiven. The old law had that provision in it. There was nothing new about the principle of administration—was there?

Mr. DUNN. Nothing new.

Mr. DENHOLM. Now what can you say to the American people—you have now asked the Congress to endorse a change in public policy of

existing law when you are only half way through the administration of the program.

Mr. CAMPBELL. We are endorsing the legislation that has been proposed by members of this committee because we think the credibility of American agriculture, farmers, the Secretary and Congress itself are going to be at stake if we do not call a halt to the demand for over a billion dollars. This has come into being in 1 year's time as compared to all the previous history of this loan program which hardly came up to that amount of money, or just barely exceeded it.

Mr. DENHOLM. What do you say to farmers that claim it is too bad if you have to make a billion dollar loan to the farmers of America and 75 percent of it is forgiven at a time when you gave away their wheat on a \$750 million credit loan to the Communists?

Mr. CAMPBELL. I will tell you exactly what I would say to them. I would say the net income of the farmers is more valuable and the passage of the 1973 agriculture act is much more valuable than getting a \$5,000 forgiveness feature and a 1-percent interest rate. It is much more important for them to go ahead with a situation like they had last year, when they made \$19 billion net income, the best year they ever had. If we do not get a 1973 act, it might possibly be because of such things and your colleagues not getting a vote in the House.

Mr. DENHOLM. Mr. Campbell, will you tell me what your act is for 1973 and thereafter?

The CHAIRMAN. The Member's time has expired.

Mr. Sebelius?

Mr. SEBELIUS. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Litton?

Mr. LITTON. I have no questions.

The CHAIRMAN. Mr. Thone?

Mr. THONE. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Johnson?

Mr. JOHNSON. No questions, Mr. Chairman.

The CHAIRMAN. That completes everybody except the Chairman who was here at 10 o'clock.

I just wanted to ask one or two questions of Mr. Campbell.

I think this matter of pending applications has been pretty well discussed and pretty well covered, but I would like to say for the record that it seems to me that those whom you specifically told to go away and wait should be given some consideration and the Department should now, in all fairness, deal with those people under the existing law without regard to what we are going to pass now, and I hope we do pass the bill now. But there were some that your offices told to go home and wait until the harvest was complete to find out just what their losses were. I think those people ought to have consideration.

Now, you mentioned that the administration will shortly transmit to Congress a comprehensive disaster relief proposal which would encompass Farmers Home Emergency Loans as well as other Federal disaster relief programs.

Do you propose to send that to—well, let's say to Mr. Patman's Committee, Mr. Perkins' Committee, something of that kind, and include this farm legislation in it?

Mr. CAMPBELL. Well, Mr. Chairman, I could not tell you which committee it will go to, but I will say this, that there are many differ-

ent programs that we have, Small Business Administration and others, that got us into the situation where we are today, because there was not a coordinated, overall law. When the Small Business Administration, as I understand it and I have been told, did have in their's the forgiveness feature upon declaration of the Administrator of the Small Business Administration, the friends of the farmers said, all right, if that is going to be done for businessmen, it should be done for farmers, too. What I am suggesting, Mr. Chairman, is that it seems there should be an overall law in order not to get into that trap again, which is what happened in the past session of Congress.

The CHAIRMAN. Do you think agriculture will get a fair shake under that proposal?

Mr. CAMPBELL. Well, Congress has a chance to look it over and see—

The CHAIRMAN. Congress does not have much chance if an agriculture bill is brought in by some other committee. Congress does not have much chance to deal with it. It seems to me that you are proposing—I understand what you want to do is get them all alike and they should be—to send in separate litigation and keep it all alike?

Mr. CAMPBELL. Well, I do not know that the decision has actually been made yet on the pursuance of this, although it is under consideration. We do expect something to be sent up.

The CHAIRMAN. I just want to warn that you are going to cut farmers out of any consideration if you put them in a big bill as a tail to a big dog. We just will not get much consideration.

Mr. CAMPBELL. I appreciate your concern.

The CHAIRMAN. That is true regardless of whoever is on the committee. I am not making any charges of any individual committee. That would be true anywhere. I do not think we would give it much consideration, probably, if some fellow came in here with a claim that originated from a printing job or from flying an airplane, as some other committee would. I think that is the whole purpose of having these separate committees.

Mr. CAMPBELL. I appreciate the chairman's concern in this area.

The CHAIRMAN. Now, on page 4, you have described the two types of situations that we have now, but is there any reason for having both a Presidential declaration and a secretarial declaration? Why should it not be done by one or the other?

Mr. CAMPBELL. The past history has been that the Presidential declaration resulted from a major disaster such as a tornado, hurricane, or earthquake, which totally disrupt transportation and communications, tear down buildings, and stops the people from actually going to their work each morning to perform their duties, as compared to a drought in one county and one State or a hailstorm in one county and one State. This has been the past reason for the difference in the two. The Presidential one is of a much broader scope which totally disrupts the community. It does cause some awkwardness, I must admit, Mr. Chairman, the fact that we do have two. It does create an awkwardness.

The CHAIRMAN. As far as the loans to the individuals are concerned, that individual is in the same sort of shape regardless of who declared the emergency.

Mr. CAMPBELL. Yes.

The CHAIRMAN. It does not make any difference to John Smith over here as a farmer whether the President declares an emergency or the Secretary of Agriculture declares an emergency. If his crop is destroyed, he has the same situation?

Mr. CAMPBELL. This is correct.

The CHAIRMAN. I would hope that we could correct that one.

Mr. PRICE. Mr. Chairman? For the record, I would like to have you or someone else pursue this matter a little further so that we can have a clarification.

The CHAIRMAN. I am going to recognize you directly and you can pursue it.

For those who have come in late, the Chair is going to recognize all of you who want to ask questions.

Mr. ALEXANDER. Mr. Chairman, may I say something on the question of Presidential or secretarial declarations?

The CHAIRMAN. Yes.

Mr. ALEXANDER. The bill clears that up and makes it unnecessary for the Secretary to make a declaration if the President has already done so.

The CHAIRMAN. I do not see any need of having two kinds but that is not in issue here.

Now, do any of the latecomers have questions or comments?

I will recognize Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman.

Mr. Secretary, I would like to pursue the question that the chairman asked. I have run into this a number of times. When we had a drought in our area last year, a disaster area was declared by the President and it was an entirely different matter than the emergency declared by the Secretary. In other words, a Presidential disaster covers a broader, almost a national type of emergency, such as a hurricane. We found, by running up against it numerous times, that a Presidential disaster was hard to come by. If the situation was not something devastating, such as a hurricane, it either could not qualify, or the Secretary either could not or would not declare a disaster area for situations such as a drought or a blizzard similar to one we had when we had to send helicopters in to pick up people. I think this ought to be clarified.

Can the Secretary of Agriculture, if there is a large drought area, an area devastated by a tornado, or a blizzard, which is very common to a number of areas, declare an emergency without the President having to do so according to this bill? I would like to have this clarified.

Mr. ALEXANDER. If the gentleman would yield, it is my understanding and was my intent when the bill was drafted that the answer to your question be yes, that the Secretary has the authority to declare, that the Secretary also has authority to act upon a Presidential declaration without, himself, making a declaration.

Is that the way you understand it, Jack?

Mr. CAMPBELL. Yes; that is our understanding as to the bill. To cite the past history, you did have this 15-month drought in Texas and there was a considerable amount of pressure to have the President declare it a national disaster area. As you remember, this would

have triggered Workmens Compensation to \$70 million and there was really not that much harm amongst the laboring people out there in industry. It would have triggered a number of other things—Small Business Administration forgiveness—had the President so done. The President did not declare it, although the pressure was very great, but the Secretary did declare that as a disaster area at that time.

Mr. PRICE. But it is your understanding that according to the provisions of this bill, the Secretary does have the authority to declare an emergency without the prior approval of the President?

Mr. CAMPBELL. Yes.

Mr. PRICE. Second, Mr. Campbell, I have introduced legislation, H.R. 3479, which provides for loans for farmers and ranchers at an interest rate of 3 percent. I have seen, and many of you have, too, areas that have had critical drought condition which lasted for 3 or 4 years. Farmers and ranchers in these areas had to sell all their animals and only managed to keep going with the aid of a Government guaranteed loan at a 3-percent interest rate.

It was not a grant, it was paid back. As you pointed out, almost 94 percent of the people given guaranteed loans have repaid their loans. If we deal with Mr. Alexander's bill, I am going to offer an amendment to it providing that the 3 percent interest rate be considered on a guarantee basis under the credit law.

What is your feeling on this?

Mr. CAMPBELL. The experience we have had is that farmers participated in the Emergency Loan program when the interest rate on the loan was established at the cost of money to the Treasury, which was prior to the Agnes legislation. We were at an interest rate which was the same as in the bill sponsored, and under discussion here today. It is the feeling of the administration that farmers are adequately taken care of at a rate comparable to the cost of money borrowed by the Treasurer and there was no slacking off in the participation.

Mr. PRICE. When people are wiped out due to natural causes, what is the Government for if not to help them? I feel that a guaranteed loan at 3 percent interest, with a payback capability—not a grant, not a giveaway, is really more practical than what we are talking about.

Mr. ALEXANDER. Would the gentleman yield to that point?

Mr. PRICE. Yes.

Mr. ALEXANDER. I would like to offer for your consideration the criterion that was mentioned a minute ago by the Secretary when he referred to the ability to repay as an additional consideration for your concern. It would appear to me that the qualification for the loan and the ability to receive a loan is far more important than the amount of interest involved, although I do agree that the amount of interest does add to the cost of the operation and it need be given consideration.

Mr. PRICE. I have other questions but my time is up.

The CHAIRMAN. Mr. Melcher?

Mr. MELCHER. Thank you, Mr. Chairman.

To pursue this just a little bit further, Mr. Secretary, would the Department oppose the bill if the 3 percent stipulation were inserted as for the extreme emergency—not for all loans, but for extreme emergency?

Mr. CAMPBELL. Yes, we do not feel as though the interest should be subsidized. We feel as though it should be cost to the Treasury. We would oppose a 3-percent rate.

Mr. MELCHER. I am putting this in an extreme emergency condition, but your answer would still be that you would still want it at cost to the Treasury of up to 6 percent?

Mr. CAMPBELL. Yes. The ability to repay is the main point in making the loan, because very frankly, I must tell the members of the committee that every loan that is brought in is not approved. Very often farmers come in—not real often, but occasionally—farmers come in who have no ability to repay, and so the loan is not granted.

Mr. MELCHER. What is the cost of interest to the Treasury?

Mr. DUNN. Five and a quarter percent.

Mr. MELCHER. You would want, then, $5\frac{1}{4}$ percent.

Mr. CAMPBELL. Whatever the going rate is.

Mr. MELCHER. You are not adding on to some formula to add on to the $5\frac{1}{4}$?

Mr. CAMPBELL. No.

Mr. DUNN. The Treasury gives us a rate monthly.

Mr. PRICE. Would the gentleman yield?

Mr. MELCHER. I will be glad to yield.

Mr. PRICE. The conditions to which I am referring occur when one is wiped out by a natural disaster, thus losing his payback capability.

Mr. CAMPBELL. The tornado does not affect the availability. He could be wiped out and have paid off the mortgage on his farm, and he would have something to borrow on. If they have bad times, they go to the Farm Credit Administration, Federal Land Bank, PCA—that type of thing. We take care of the people who cannot get help elsewhere. But they have to have repayment ability.

Mr. MELCHER. Mr. Secretary, when Secretary Butz was here a few weeks ago, he talked about cutting personnel. Is it contemplated to cut personnel in Farmers Home Administration?

Mr. CAMPBELL. The ceiling for the Farmers Home is reduced in the next budget.

Mr. MELCHER. How much is it reduced?

Mr. CAMPBELL. By about 700.

Mr. MELCHER. Then your answer is you contemplate cutting 700 FHA people off of Government service in the next fiscal year?

Mr. CAMPBELL. That is correct. I must point out to you, though, that they increased their employment by that much or more some 2 or 3 years ago. They had an escalation in personnel, and they will be back at probably what they were 4 years ago. I am just pulling these figures out. I can supply them for the record so you may have them.

Mr. MELCHER. I think it could supply them to you, Mr. Secretary. Two or three years ago, the appropriation bill did carry direction to increase the personnel in the Farmers Home Administration by 1,000. About 12 months ago, when I checked, about 926 of that number had been added to FHA. Now, tell me, what does that have to do with cutting 700 at this time?

Mr. CAMPBELL. Well, the workload is not anticipated to be quite as heavy in the housing area. What ran the workload up on the FHA

offices in a good many States—not in every State—was the increased workload with regard to the housing loans.

Mr. MELCHER. Where are those 700 supposed to come from? Any of them from Montana?

Mr. CAMPBELL. I do not know how they will be allocated across the board.

Mr. MELCHER. Could your adviser answer that for us?

Mr. DUNN. The cutback that we will meet will be at the close of the 1974 fiscal year, June 30. I do not know what it will be for your State. We have about 1,700 county offices, and that is where our people are primarily.

Mr. MELCHER. We have a big State with about 40 or 45 offices in 56 counties. After Texas and Alaska and California, we are the largest State in area. I find it hard to relate a broadening of Farmers Home Administration with a substantial cut in personnel, because my experience in Montana is that we do not have sufficient personnel at present.

Mr. CAMPBELL. We will be very happy to look at every State very closely and allocate the cuts according to the workload. That certainly should be done in that manner.

Mr. MELCHER. Thank you very much, Mr. Secretary.

The CHAIRMAN. Are there other questions of Mr. Campbell?

Mr. Young?

Mr. YOUNG. Mr. Secretary, I would just like to ask this for clarification. About 3 weeks ago, in our area in South Carolina, we had on ice storm that collapsed many of the poultry operations, broilers and layers. These buildings fell completely in, destroying the flocks, and these people have called and asked about the possibility of these emergency loans. Would these people be covered under this act that has been proposed in the House?

Mr. CAMPBELL. Yes, they would.

The CHAIRMAN. Thank you, Mr. Young.

Mr. Stubblefield?

Mr. STUBBLEFIELD. Mr. Secretary, just to pursue for a minute the chairman's question. In December, floods had come in my State, and I called the State FHA office, and a few days later, I called the Washington office, and they both reiterated to me, wait until the harvesttime is up and see what the damage is. I think there is a sort of morality at stake here. Now these people have come to the point where they have gotten in what they are going to get in on soybeans. This is a one-shot deal.

The other day, Secretary Butz made a statement while sitting where you are, that they are the people that got shafted. My question to you is, do you agree with them?

Mr. CAMPBELL. Well, I am certain that any farmer that is in that position would feel as though—he would feel disappointed.

Mr. STUBBLEFIELD. Well, the Secretary said he was. I just want to know if you concur with him?

Mr. CAMPBELL. Well, sure. We do not like to be in the position that we are in, but we feel as though it is the position we have to take under the total picture.

Mr. STUBBLEFIELD. Would you say to me, then, as Mr. Weinberger said to you, this is the way it is going to be and you have to—

Mr. CAMPBELL. I have not had any conversations with Mr. Weinberger.

Mr. STUBBLEFIELD. Well, somebody did.

The CHAIRMAN. Any further questions?

Mr. SISK. Mr. Chairman, I would like to ask one question of the Secretary regarding a point raised by Mr. Melcher.

Mr. Secretary, is this 700 cut in the fiscal 1974 budget what you are calling for?

Mr. CAMPBELL. This is correct, yes.

Mr. SISK. Is that predicated on the reduction of these county offices that you discussed previously?

Mr. CAMPBELL. No, it is predicated on the total workload within the Department of Agriculture agency by agency. It is anticipated that the workload will be somewhat lighter because of—

Mr. SISK. I understood you to say that these 700 will come out of the Farmers Home Administration?

Mr. CAMPBELL. This is correct, but we have some other agencies that are going to have an increase in personnel in the Department.

Mr. SISK. Well, here is the problem that causes me real concern. Along with other cuts and programs that are actually now under moratorium, of course, there is 502, which is rural housing. You say you are predicating this cut on the lack of need of these people because of a lessening of the load in housing. Well, the lessening of the load in housing, at least in my area, is only going to be lessened to the extent that the Department or the Government itself cuts them, because the demand is there. The paper load today is running 5 or 6 months behind because of lack of help in the connection with the self-help housing program.

Mr. CAMPBELL. A lot of our county offices have found themselves in this position.

Mr. SISK. I am just amazed that we are talking about any cut. I have frankly been seeking and we have called about trying to get personnel, because I honestly think that we are holding out false hope to a lot of these people when we do not have the people actually shuffling paper.

Now, I want to commend the Farmers Home Administration people in my area. I think they are doing an outstanding job, but they are doing it under difficult circumstances, due to lack of personnel. I only want to raise this, hoping that the Department gives this some serious consideration.

Mr. CAMPBELL. We will certainly look at our total personnel needs in giving our consideration.

Mr. SISK. I will be glad to yield.

The CHAIRMAN. If the gentleman is speaking about elimination of county offices, I have seen the State map of the State of Texas, where they propose to eliminate county offices. It eliminates some 50-odd offices in our State. Possibly some of them could be combined, but in my judgment, it is a very poorly thought out map. It is worse than the legislature did with redistricting for Congress. I did not think anybody could surpass that sort of a job. But it seems to take no consideration of the type of farming that goes on in the various counties. It combines a goat county with a cotton county for instance.

When all things are available, it seems to me the Department could

save a great deal of trouble by consulting with local people about those consolidations and trying to get their ideas. I agree with the gentleman from California, the Farmers Home Administration particularly has been understaffed rather than overstaffed. It does a banking business and I do not know of a county in my State where they have the same kind of facilities to do banking that any small country bank has. The smallest country bank is better equipped to do business than the Farmers Home is in bigger counties. Yet the Farmers Home is trying to do a banking business far in excess of that small country bank. It seems to me they need to be at least as well equipped or else they are going to run into trouble and we are going to lose a lot of money, as I see it. I would hope that before they publish these maps around, they would give some consideration to the local needs.

Thank you.

Mr. SISK. Mr. Chairman, I do not want to prolong this, but I raised this question and I hope, and I mean it seriously, that the Department will look at these cuts carefully. I am not opposed to a reduction in the size of any department if we can do it and meet any hopes that I think are held out by the administration and by the Congress as to quality. But unfortunately, as I said, there are programs today and as I understand it, Mr. Chairman, the Rural Development Act and other things, where we are actually adding additional burdens. You may not remember, but we talked about this 2 years ago when we enacted that new law. Are you going to put personnel there to do the job? If not, then in fact, we are holding out a false hope, because people are never going to receive the services.

That is the only question I am raising.

Mr. CAMPBELL. I appreciate the concern here. We are deeply concerned about the overwork we have had in some of our county FHA offices. We know that some of them have had considerable overload and overwork, but we also feel as though we can restructure all of this work and still get it done. The actual history shows that they have been able to handle and loan the money allotted to them. I mean they have done a magnificent job under very trying circumstances of actually getting the money out.

Mr. SISK. I agree with that.

Mr. CAMPBELL. There has been no money withheld because of the heavy workload. They have actually loaned the money that was allocated to them.

Mr. SISK. That is all, Mr. Chairman.

The CHAIRMAN. Are there those who have not had an opportunity to question the witness who want to ask questions? I have several who want to ask questions again, but are there any of those who have not had an opportunity?

[No response.]

The CHAIRMAN. If not, I will recognize Mr. Stubblefield.

Mr. STUBBLEFIELD. On Mr. Sisk's question and your answer, do you know how the supervisor does his job? They say, I know you people work all day, but could you come over here about 8:30 or 9 o'clock tonight and work with us? I know my supervisor down there had to do that for years. Mr. Sisk and a lot of the rest of us, Mr. Smith here, want to get these fellows some help. That is how the job gets done, by burning the midnight oil, and we do not think it is fair.

The CHAIRMAN. Mr. Alexander?

Mr. ALEXANDER. Mr. Chairman, thank you very much.

Mr. Secretary, like the other members of this committee, I am concerned with the capacity of the Farmers Home Administration to perform the task that will be charged to it under this legislation. I want to talk with you and your associates further about establishing an emergency loan committee in each county affected in order to get the work done. Relative to that, I would like for you to submit to this committee the present regulations for determining approval of Farmers Home Administration loans. That should specifically include your specification of ability to repay. I request this in order that we might examine this criteria and determine the course the committee should take, as well as the specifications for declaration of disaster by the Secretary of Agriculture. Would you do that, please?

Mr. CAMPBELL. I would be very happy to furnish this to the committee.

Mr. ALEXANDER. One further thing, Mr. Secretary, since we have you here. I would also like to get an explanation from you of the manner in which the insured and guaranteed loan section of the Consolidated Farm and Rural Development Act will come into play with this legislation. There seemed to be some confusion by some of us on how that would be administered.

Mr. DUNN. Our Office of General Counsel tells us that the "insured" or "guaranteed" may be interpreted as being the same, which is clarified in this act.

Mr. ALEXANDER. Assuming it is the same, how would it be administered?

Mr. DUNN. Well, under the insured program what we actually do is make a direct loan. Then we sell that note in the market. Under a guaranteed loan, we would expect that the bank, PCA, the other creditor, would make the loan under regulations that could be guaranteed by us.

Mr. ALEXANDER. Well, could you submit a copy of those regulations, sir?

Mr. DUNN. We are presently working on the regulations for a guaranteed loan.

Mr. ALEXANDER. What we would like is a copy of your draft in order that we might delve into that particular subject. I think it is important for this committee to look into what might be done in that regard in order that we might amplify on the intent of Congress.

And may I just say one other thing, Mr. Secretary? When you refer to the cost to the U.S. Treasury in reflecting upon the philosophy of this legislation, as Mr. Price pointed out a moment ago, there are many, many farmers who have been wiped out—so to speak—whose ability to pay may not be calculable on the basis of mortgage indebtedness or a financial statement. In fact, a lot of people in the farming business do not even own real estate property. They own personal property, and other things, that they use as collateral.

I was invited by the National Council of Mayors a couple of years ago to New York City to look at some of their problems they have up there. I was particularly interested in the Bedford-Stuyvesant district, which is sort of the port of entry for southern Negroes who are displaced by agriculture, and for other reasons.

I remember in particular, a family from Georgia—a man in his late 40's or 50's, with seven or eight children, in a home that was poorly heated, poorly lighted. Outside of the home, the sewage ran over into the streets. The children played out in the streets. I asked him about his income and he had a little veterans' pension, he had welfare, and so forth.

I asked him what did he do in Georgia?

He said he had had a small farm there but he was not able to make it. So with his veterans' pension, and with his welfare benefits, he moved to the big city to live.

Now, do you take into consideration people like this person from Georgia in calculating the cost to the U.S. Treasury of administering a program of this type? I know in my own particular region—I come from Mississippi County, which is not far from the city of Memphis—there are 62,000 people in that county. It was recently estimated that 12,000 of those people are illiterate. Ninety percent of the 12,000 are black. Of that group, most of the young blacks between the ages of, say, 18 and 25 that are unemployed, normally move to Memphis. Memphis has become recently one of our large cities in this country that is experiencing a lot of racial unrest and a lot of tension. The cost to those people there is tremendous because of this in-migration of young, black, uneducated, unemployed people.

Do you consider these things in administering a program of this type?

Mr. CAMPBELL. No. I must admit that these are not considered. The sole consideration is whether or not that operator has a viable unit, and whether or not he has the ability to repay. Those situations you have described, unfortunately, could not be cured—in my opinion—by the operations of the Farmers Home Administration program, because those people substantially—that you refer to as having moved—did so because we now harvest cotton by machines instead of by hand. We no longer chop peanuts out in the field and then bring a combine in to shell the peanuts; it is all done mechanically. The mechanization of agriculture and the enlargement of the units in order to be able to pay for those units is the reason the people left the land—not because of the Farmers Home Administration.

Mr. ALEXANDER. My time has expired.

The CHAIRMAN. For the second or third time.

Mr. ALEXANDER. For the second or third time?

The CHAIRMAN. Mr. Denholm?

Mr. DENHOLM. We went through this line of reasoning last year, Mr. Under Secretary, at the time we updated the statutes on the farm credit system. Relying again upon the language of the capable and competent chairman of this committee—and I agree with him—the farm credit system is a business system of credit to farm people and farm-oriented businesses, as distinguished from the FHA, which is not a business-oriented system of public administration to be administered on philosophy that you are testifying to this morning. The FHA is a social program, if I understand it correctly, as distinguished from the farm credit system which is a business credit system for express purposes defined by law. The responses that you have given to our colleague from Arkansas indicate that you are talking about the

farm credit system as opposed to the FHA, which is a social program for the benefit of rural people. FHA programs include housing, water, sewers and disaster loans—if you please—and other matters that are considered to be emergency help to people that cannot obtain help elsewhere, including the farm credit system.

Mr. CAMPBELL. That is the manner in which Farmers Home has operated but they have never made loans when they thought the person did not have the ability to repay.

Mr. DENHOLM. Quite the contrary, sir. I am a former auctioneer and I know something about FHA loans of the past. I have seen FHA loans for 25 years to applicants over 60 years of age and houses built where the applicant clearly demonstrated no valid intent of payment at maturity of the loan.

Mr. CAMPBELL. That must have been a bad judgment. I must tell you that is not how it operated out there in fact.

Mr. DENHOLM. I do not want to be misunderstood, because I esteem Mr. Smith and his associates in the excellent administration of the FHA program. But the fact is that you now have a law on the books that the Congress passed and the President signed that you arbitrarily will not administer. Now you are asking for an amendment to eliminate the emergency benefit of existing legislation that is in progress. The present law will not expire until June 30, 1973. When the Secretary was here—as Mr. Stubblefield indicated, it was not Mr. Weinberger or somebody else that terminated the emergency loan program, the Secretary testified that he personally—Secretary Earl Butz—personally “blew the whistle” on this program and that he alone stopped it. And he said it bothered him—I talked to him personally about permitting producers reasonable notice of termination. He indicated in his testimony that he knew that a tenant delinquent in rent payments cannot be evicted without notice. But yet the policy decision of your Department has the effect of evicting people this spring from their farms without reasonable notice. In fact, in some instances, your people told them to come back and many of them had appointments to return to the local FHA offices after December 27, 1972.

Now, what are you going to do about that, Mr. Under Secretary?

Mr. CAMPBELL. I will state once again that our hope is that this legislation is passed in order for us to immediately get back in business making emergency loans as we did prior to the Agnes situation, and that the only change in this from the current situation would be the \$5,000 forgiveness and the 1-percent interest.

Your farmers are not the only ones that are in this position. We have almost 500 counties waiting to be declared. They would be in the same position that your farmers are in.

Mr. DENHOLM. The trouble, if I might again say, under that inequitable policy decision is that you have placed neighbor against neighbor, farmer against farmer. Some of the producers who needed emergency assistance the most have been denied the opportunity to prove their respective losses without just cause or reason. The policy decision imposes a harsh and unreasonable penalty upon honesty, integrity, and prudent American farmers that have valid losses caused by natural disaster beyond their control. You must realize that policy

decision is wrong—but you argue that it was right and now you ask that we confirm your decision.

Mr. CAMPBELL. I did not say we were happy with the situation.

Mr. DENHOLM. Secretary Butz indicated that he was willing to review the policy decision. Has the Department changed its position on this matter?

Mr. CAMPBELL. The Department has not changed the position of the cutoff.

Mr. DENHOLM. What is the Department planning to do under the present law? Are you prepared to process the applications that were in the pipeline at the time of termination?

Mr. CAMPBELL. We will process all of the loans that were actually in being at that time.

Mr. DENHOLM. Will you state again for the record how you intend to administer the existing law?

Mr. KNEBEL. Mr. Denholm, until this measure, if it is to become law, becomes law, we will continue to process those applications which had been received in the FHA office prior to December 27. I would warn you that if you pass this law and if it is signed into being before those are processed, we would have no authority at that point, once the law is signed, to have any forgiveness whatsoever, because in this statute, this proposed measure, you repeal all forgiveness.

Mr. DENHOLM. How do you as counsel reconcile the idea of giving people in urban areas under Presidential declarations notice of a termination date in advance and not providing the same time for notice to farm people under the same existing circumstances?

Mr. KNEBEL. Sir, if we do not disburse those loans prior to the time this is signed, they are going to have exactly the same treatment; namely, no notice. This clears it up.

The CHAIRMAN. That is 10 minutes.

The chairman is going to make a statement here. We have gone around and everybody has had an opportunity to talk and we are talking now and we are not going to get to hear Mr. Carpenter if we continue to proceed forever thrashing the same grain here. Mr. Carpenter is our next witness and I think he is entitled to be heard.

Now, I know that Mr. Campbell has been answering the questions that have been put to him, but, Mr. Campbell, most of us, including the Chair and other members of this committee, simply want to make speeches and really do not want to ask many questions and you do not have to comment on everything we say. You can just answer the question and we will move along here.

Mr. CAMPBELL. Mr. Chairman, I will do everything I can to restrain myself.

The CHAIRMAN. Now, those who want to ask questions or comment, I do not want to cut you off. But I hope we can get to Mr. Carpenter.

Mr. BERGLAND. I have just one, if I may, Mr. Chairman.

Mr. Secretary, would you object to a grandfather clause that would allow the continuation of the program as written to those counties with a program that was started and summarily cut off on December 27?

Mr. CAMPBELL. We would object to that. We do not feel they are in any different position from other counties now awaiting declaration. The farmers are still in that position.

Mr. BERGLAND. Thank you very much.

The CHAIRMAN. Mr. Young?

Mr. YOUNG. Mr. Secretary, I would like to ask this question, and it has to do with personnel. You and I are very familiar with the PCA's in Georgia and North Carolina and South Carolina and Florida. They have cut back on the number of offices that served the people. Has this hurt their financing in this area?

Mr. CAMPBELL. Congressman, I happen to live in an area where we combined three offices. You are familiar with where I live, since you cross the line from South Carolina. We combined Athens, Ga., Gainesville, and Marietta, Ga. If that farmer wants credit, he rides over there. I did. It did not stop me from going to PCA. It hasn't hurt anything.

The CHAIRMAN. Mr. Price?

Mr. PRICE. Mr. Secretary and Mr. Alexander, in your explanation of section 7, you say that applicants will have to be certified and that the Secretary will have to determine whether or not they are able to obtain sufficient credit elsewhere.

Do you mean that the Secretary will have to do this or will that be determined at the FHA local level?

Mr. ALEXANDER. I would, I think, my intent would be that the Secretary would issue regulations. That would empower the supervisor of the local FHA to make that determination. However, I would hasten to add that that statement is not conclusive, inasmuch as I propose to get into the possibilities of an emergency loan committee when that subject is reached by this committee.

Mr. PRICE. What would be your interpretation, Mr. Secretary?

Mr. CAMPBELL. The General Counsel, I am certain, would tell us that most all powers reside in the Secretary and that he delegates his powers down and this would be one that he would delegate.

Mr. PRICE. All right, Mr. Secretary.

You say in your testimony that these loans will help farmers survive natural disasters. However, this bill states that those receiving loans have to be reasonable prospects—they must have experience and available resources. Now, back to my 3-percent question. I know many people who have loaned their ranches up to the maximum level of the Federal Land Bank Loan. Should a natural disaster befall them, they would have no equity. I feel that if an experienced farmer or rancher is wiped out that the Federal Government should make a loan with a 3-percent interest rate available to him.

Mr. CAMPBELL. We respect the Congressman's opinion.

The CHAIRMAN. You do not have to comment, Mr. Campbell.

Does anybody else want to ask any questions?

[No response.]

The CHAIRMAN. If that completes the questioning, I do want to ask the Secretary, when he refers to the fact that there are other branches of the Department of Agriculture, other than Farmers Home, where employment would be increased, what are some of these?

Mr. CAMPBELL. The one most glaring example and practically the only example, is Meat and Poultry Inspection, Mr. Chairman, where we have to have these inspectors in the plants and where the States have dropped out and we have had to take on additional States.

The CHAIRMAN. Are you going to be able to operate food stamps with the present force?

Mr. CAMPBELL. Yes sir.

The CHAIRMAN. Thank you.

If there are no further questions, we are very much obliged to you.

Mr. Carpenter, we will be delighted to hear from you and we will have time to hear from you and to have some questions.

**STATEMENT OF L. C. (CLELL) CARPENTER, VICE PRESIDENT,
MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO.**

Mr. CARPENTER. Thank you very much, Mr. Chairman, for my having the opportunity to make a short presentation.

May I say in the beginning that I am delighted to hear Secretary Campbell show some glimmer of interest in farmers. The farmers, of course, are going to be watching him very carefully.

My name is L. C. (Clell) Carpenter, vice president of Midcontinent Farmers Association with headquarters in Columbia, Mo.

We appear here today in support of H.R. 1975, the purpose of which is to restore the emergency loan program—with some modifications—as formerly administered by the Farmers Home Administration. One of the changes raising the interest rate is not to our liking, but perhaps it is inevitable. I would like to comment on that a little later.

Mr. Chairman, I would like to quote a statement of position of the National Farm Coalition. This is a viable organization of 28 general farm organizations and commodity groups. My boss, President Fred Heinkel, serves as chairman of this group. The statement is:

We are shocked at the recent Department of Agriculture announcement, prompted we are told by an order from administration budget officials, that funds for emergency loans to farmers in disaster areas are no longer available.

This program continues to be much needed this year due to the unusually adverse weather which has delayed harvest of corn, milo and soybeans. Soybean yields have been cut, many acres have been abandoned and prices discounted due to low quality. Much corn remains in the field. And the final outcome is in question.

In some areas of the country prolonged ice and sleet has caused power outages of up to a week. This has been especially hard on dairy farmers who depend on electric milkers. They have lost milk production, and some are confronted with permanent damage to their cows.

Those farmers who have suffered heavy loss of crop income must have credit to pay their bills and purchase seed and fertilizers to plant again in 1973. Dairy-men must buy additional feed and supplies to continue. The emergency loan program, administered through Farmers Home Administration, is an effective way to provide financial assistance to these unfortunate farmers where regular credit is unavailable.

Surely the Federal Government which is readily provides emergency assistance to people all over the world can supply capital to lend to its own farmers who have suffered serious losses due to extremely bad weather conditions.

That is from the Farm Coalition. This information was sent to a special assistant to the President on January 2, 1973, and I believe you received a copy.

Mr. Chairman, with your permission, I would like to make a few rather brief remarks regarding the restoration of the Farmers Home Administration emergency loans. I have talked recently to a number of farmers who are depending upon the restoration of this loan program. If nothing is done, it is doubtful they will be able to continue

in the farming business in 1973. Within the last few days, I have also talked with a number of "country bankers." They tell me that there is no way they can meet the demand for emergency loans from farmers in their area. This is caused by two vital factors:

1. We in the Midwest have encountered the most adverse harvesting conditions during the fall and winter that we have ever had. Many crops are still in the field and may or may not be harvested. These same adverse weather conditions have required livestock producers to use much more feed than in ordinary years, thereby incurring much higher operating costs. They have utilized funds that normally would be used for planting this years' crops.

2. These bankers tell me that it appears the present administration is no longer interested in the welfare of farmers. With all the impoundment of funds that has been announced, plus the virtual elimination of the production management program, farmers' loan repayment ability will be greatly reduced. If there is another adverse crop year, chaos will exist.

To be specific, at the time of the cutbacks of emergency funds, 15 counties in southwest Missouri which had just experienced a devastating ice storm in mid-December, had requested, or were in the process of requesting, designation as emergency areas. Another disaster area in the State is the seven to 10 counties known as southeast Missouri. They were in the process of making application for disaster designation due to their total inability to harvest much of their cotton and soybean crops.

How many dollars would be needed to meet these needs is open speculation. Even with a good crop and harvest year in fiscal 1971 and 1972, over \$5 million was loaned to farmers in Missouri through the emergency loan program. If this program were available today, this amount would be a mere drop in the bucket to meet the needs of the agricultural emergency conditions that prevail.

Mr. Chairman and members of the committee, it has been my privilege to serve as State Director of FHA in Missouri several years ago. Emergency loans were a vital part of our overall program at that time. I have personally made loans to individual farmers who could not get credit elsewhere and who would not be farming today had that assistance not been available to them. They have paid this money back with interest. One of the gratifying experiences that I encounter today is attending meetings and visiting with many of these people whom I had either personally assisted in making the loan, or had approved, as chief administrator, the loan that enabled them to become respectable and economically sound farmers in their communities today.

We urge this committee take the same prompt action on this legislation as you did on the chairman's bill to restore REAP. Let us be on our way to determine whether we have a one-man determination of priorities or whether this be the function of the U.S. Congress. We believe, without equivocation, that this rightfully is the responsibility of the Congress.

Thank you very much for the privilege of appearing, Mr. Chairman.

The CHAIRMAN. Thank you very much for being here, Mr. Carpenter. We appreciate your statement. We always appreciate your attendance.

Mr. CARPENTER. Thank you very much.

The CHAIRMAN. Are there any questions of Mr. Carpenter?

Mr. PRICE. I have one, Mr. Chairman.

The CHAIRMAN. Mr. Price.

Mr. PRICE. I am glad to welcome you here today. I feel that your testimony is quite slanted, and unrighteously so, against the administration. You say the administration has only showed a glimmer of interest in farmers. I think they have shown quite an interest in farmers. You may note that the farmer's income in every area that you can mention is higher than it has been in the last 20 years. I do not think that shows lack of interest in farmers.

You say that the bankers tell you that it appears to them that the present administration is no longer interested in the welfare of farmers. I say to these bankers, either their advice is political or their judgment is faulty. Why don't they take some of their money which they are using to buy bonds at 8 percent thereby feathering their own nests, and use this money to help the farmer?

Mr. CARPENTER. Mr. Price, I cannot answer that in detail, except I have talked to some bankers who told me those statements. I do not know what prompted their statements. I assume what prompted their statements to me is they are having requests. Right now, there is no place for the farmers who is not so-called well heeled to go to get funds except to go to his bank to see if it is available. So they are having some demand.

Mr. PRICE. Sure, they are having some demand. I have had some business similar to this and shifted it over to FHA. Any bad loan we had, we shifted over to FHA. That is what the bankers are doing because they do not want to take the responsibility.

How do you feel about a possible 3-percent loan? Do you think that would be justified under extreme emergency conditions?

Mr. CARPENTER. Yes, Mr. Price, I commend you for your proposal on the 3-percent loan. Because these people are in disaster and I know how some people qualify on this. Not everybody is going to qualify for a loan. Those people who do qualify will indeed be qualified for a loan. I realize there are some problems in that, but the 3 percent would be better. If we have to go to 5 $\frac{3}{4}$, that is better than having no opportunity at all.

Mr. PRICE. The way those loans function is a man goes in and he says, I want a loan, if he qualifies for it, they say they will loan it at 6 percent. I do not know any bankers who will loan you money at 6 percent—it is nearer 7 or 8. But anyway, the Government will guarantee that if this man defaults on his 3-percent loan, then they will have to step in and pay it. Correct?

Mr. CARPENTER. Right.

Mr. PRICE. So what we are talking about is a subsidization of that 3 percent to borrow that money. Similar to a SBA-guaranteed loan. I do not see any reason why we cannot afford this type of program. Do you?

Mr. CARPENTER. I agree with you entirely, Congressman, that the money should be loaned and should be loaned at 3 percent.

Now, FHA has never been an agency that should ever assume the real status of a banker. Their job is to help people who cannot be adequately served by banks. So it is no real crime if not all of this money is completely paid back.

Mr. PRICE. That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Price.

Mr. Alexander?

Mr. ALEXANDER. One question, Mr. Chairman.

First, Mr. Carpenter, thank you very much for your statement and for your support of this legislation. It looks like one of the key issues in this bill is the one Mr. Price has raised about the interest rate. I personally am not wedded to any interest rate, but I am more concerned with the extension of credit and the liberalization of the availability of that credit. Would it not be better, Mr. Carpenter, to charge a higher rate—let's assume that that rate is a figure which amounts to the cost of the money to the Government—and to liberalize the availability of the credit in order to spread that credit among a greater number of people? Would it not be better to liberalize the credit than to focus primarily on a lower interest rate?

Mr. CARPENTER. Yes, sir; you are entirely right, Mr. Alexander. The availability of credit is the one with which we are primarily concerned. Now, I would hope that the interest would be reasonable.

I had a little experience. My banker tells me he tells a customer once in a while who asks what the interest rate is, he said, most people do not ask what the interest rate is, they ask how long and how much a month.

Mr. ALEXANDER. They are taking orders?

Mr. CARPENTER. Yes, sir.

Mr. ALEXANDER. Thank you very much.

The CHAIRMAN. Any further questions of Mr. Carpenter?

[No response.]

The CHAIRMAN. If not, we appreciate your appearance, Mr. Carpenter.

That completes the list of witnesses for today. We have a long list of witnesses for tomorrow. I want to thank those of the members who were here and who stayed. I know that we have too often asked questions only to run away immediately afterward. To those who have been here, the Chair appreciates your staying.

We will meet tomorrow at 10.

(Whereupon at 11:45 p.m., the committee recessed to reconvene at 10 a.m., Tuesday, February 6, 1973.)

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RESTORE FHA EMERGENCY LOAN PROGRAM

TUESDAY, FEBRUARY 6, 1973

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301 Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, Stubblefield, Foley, de la Garza, Vigorito, Jones of North Carolina, Sisk, Alexander, Rarick, Jones of Tennessee, Melcher, Mathis, Bergland, Denholm, Brown, Rose, Litton, Gunter, Teague, Wampler, Goodling, Mathias, Zwach, Price, Sebelius, Mizell, Thone, Symms, Young, Johnson, and Madigan.

Also present: Christine S. Gallagher, chief clerk; Fowler C. West and L. T. Easley, staff consultants; and John Rainbolt, assistant counsel.

The CHAIRMAN. The committee will please be in order. We have this morning some 10 witnesses. I think it is important that they all be given an opportunity to make their statements. They will all be given an opportunity to make their statement without interruption. We will ask each witness to stay here after he has made his statement. When they have all completed their statement, we will ask them all to come up to the table and the members can question them en bloc. In that way, we find we save a great deal of time. It is the only way we are going to be able to move this thing through.

Now, Mr. Teague and I, and I think maybe some other members, are going to have to leave here in a few minutes and go over to the Rules Committee. We will be back as soon as we can, I do not know exactly when, but they are having a hearing on the REAP bill that we reported out last week.

Well now, I believe our Congressman Breaux of Louisiana is here with us ready to go.

We will be delighted to hear from you, Mr. Breaux.

STATEMENT OF HON. JOHN BREAU, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. BREAU. Thank you, Mr. Chairman, members of the committee. It is a pleasure to have an opportunity to appear before you on behalf of the bill which we are considering today.

Mr. Chairman, members of the committee, the long history of agriculture inevitably includes times of hardship caused through disasters which are not the fault of man. Almost every year we hear of, or ex-

perience personally the proverbial "acts of God" which strike with such devastation, causing untold hardship on our rural population.

The district I represent—the Seventh Congressional District of Louisiana—has had its share of such disasters— from Hurricanes Betsy and Hilda in the mid-1960s, to Hurricane Edith in 1971. But these are not the only types of agricultural disaster which have visited farmers in southwest Louisiana.

During every crop year for the past 10 seasons, there have been problems caused by weather conditions which included excessive rainfall, periods of drought, early freezing conditions in the fall, and cold, wet weather in the spring. All such conditions contributed to a high incidence of crop failure or severe loss.

An example of the extent to which our farmers in Louisiana have suffered is reflected in statistics from the crop years of 1966 and 1972. During 1966, a total of more than \$27.2 million was allocated in emergency loans from hurricane and other weather damage to Louisiana crops. Last year, the total outlay was \$18.7 million, due again to hurricane damage and excessive rains and wind. Fifty-three of the 64 parishes in Louisiana were designated for disaster aid in 1966, and 42 parishes in 1972, received the same designation.

Without a Federal disaster aid program, it is doubtful if many of these farmers could have recovered sufficiently to continue their farming efforts.

However, we recognize the burden much of this has become to the taxpayers in the United States, due to two provisions in disaster aid legislation; (1) the "forgiveness" clause which allowed farmers to virtually keep the first \$5,000 of disaster aid they received, and (2) low-interest rates which guaranteed almost no return to the lending authority.

Such provisions have caused the cost of the disaster loan program to skyrocket and become a drain on the Federal pocketbook, with little or no return being gained.

It is my belief that farmers in America do not desire to be a drain on Federal coffers. They want to uphold their own portion of the economy through fiscal responsibility and a continuing opportunity to become progressively financially stable. Yet, in times of disaster, they do need help.

Their plight can be likened to that of urban areas struck by death-dealing hurricanes, floods, and earthquakes. At times like these, people need help. They are caught in circumstances which render them helpless or, at best, able only to take advantage of the most liberal assistance programs.

Therefore, the bill before this committee—H.R. 1975—is a reasonable resolution which assures sufficient aid to farmers in times of disaster, and still maintains a measure of fiscal responsibility, both for the farmer and his Government. By repealing the forgiveness clause and allowing interest rates at 6 percent or less, this bill provides financial aid while still retaining provisions which would return to the lending authority reasonable interest on the money loaned.

It also provides that farmers able to gain assistance through conventional means would take advantage of such opportunities, while those unable to do so would still have a chance at financial recovery.

This is reasonable legislation, consistent both with sound Government and current administration policy.

I heartily recommend that it be approved by the House Committee on Agriculture and the Congress as a whole.

The CHAIRMAN. Mr. Breaux, we are delighted to hear from you. While we are certainly not going to insist that Members of Congress spend their mornings with us, we are delighted to have you and we ask, if you care to come back and participate in questioning, I think it will be about 11:30 that we can probably take care of the situation, although I cannot guarantee how the time will run. We will be glad to have you come, but we do not want to insist that a member of Congress must be here. We will be glad to have you back with us but you just do the best you can.

I understand that Congressman Rarick, your compatriot from Louisiana, wanted to make a statement or insert a statement in the record from the Commissioner of Agriculture of Louisiana.

Mr. RARICK. Thank you, Mr. Chairman. I have a telegram from the Honorable Dave L. Pearce, Louisiana Commissioner of Agriculture in support of the emergency loan program. I ask unanimous consent of the committee that the telegram follow Congressman Breaux's testimony.

The CHAIRMAN. Without objection, it will be included in the record. (The above referred to telegram follows:)

LOUISIANA DEPARTMENT OF AGRICULTURE,
Baton Rouge, La., February 5, 1973.

Congressman JOHN R. RARICK,
House Office Building,
Washington, D.C.

We are very much concerned with the Executive order cutting out emergency funds for agriculture. Had it not been for the emergency funds, Louisiana agriculture would have been destroyed or crippled to such an extent it would have taken years to overcome. Please urge the Congress to continue the program because we are more subject here on the coast to hazards of nature than many parts of our country.

DAVE L. PEARCE, *Commissioner.*

The CHAIRMAN. Our next witness is Congress Bizz Johnson. We will be delighted to hear from you Mr. Johnson.

STATEMENT OF HON. HAROLD T. (BIZZ) JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. JOHNSON. Mr. Chairman, I am here today to testify in support of getting the Farmers Home Administration emergency loan program operating.

H.R. 1975 would make several significant modifications in the way which the program has been operating. The \$5,000 "forgiveness" clause and the 1 percent interest provision established by the "Hurricane Agnes" legislation would be repealed. The Secretary of Agriculture would be authorized to set an interest rate not less than 6 percent per annum for loans made, insured, or guaranteed. By a change in the language, the Congress makes clear its intention that the Secretary of Agriculture make disaster declarations for those areas meeting the specified criteria. Applicants would have to certify and the Secretary would

have to determine that they are unable to obtain sufficient credit elsewhere. The Secretary's authority to make loans in presidentially declared disaster areas would be continued.

The important thing, Mr. Chairman, is for the Congress to get this program underway again. It is a program that has unquestionable and proven value, and has enjoyed wide support.

Farmers aren't looking for a handout, they simply want a program that will give them a chance to get their farms back into operation and recover from natural disasters. They want some money to help them get another crop into the ground and get back on their feet financially. It takes time to recover from a disaster, Mr. Chairman, and I trust the committee will keep this in mind when considering disaster loan legislation. The time a farmer has to pay off his loan may be more important in some cases than "forgiveness" clauses or a percent of interest this way or that, especially in light of the boom or bust business climate of American agriculture.

It seems highly ironic to me that the Nixon administration has terminated the emergency loan program of the FHA because it has become too costly. The \$5,000 "forgiveness" concept and one percent interest rate for these loans was, after all proposed by President Nixon himself in a message to the Congress just last summer. These two provisions were considered by the Public Works Committee, of which I am a member, and enacted into law at the recommendation of President Nixon. At that time, of course, we were in the midst of a presidential election, and there were electoral votes to be won. The beneficiaries of this disaster relief concept were the large, highly populated States. Now that the election is over, the Nixon administration has become much more concerned with the costs of the program than with assistance farmers in disaster areas need.

If the administration is really so concerned about these costs, why has it made no efforts to curtail loans being made by the Small Business Administration under the very same conditions—\$5,000 forgiveness and one percent interest rate—that are criticized in the FHA program? Why should one sector of the economy, small businessmen, merit better treatment than another, farmers, when they have suffered losses from a disaster? Frankly, I do not believe either should be deprived of assistance in the wake of a disaster and this was decreed by Congress just a few short months ago.

In conclusion, Mr. Chairman, I simply want to reaffirm my support of the committee's efforts to get the FHA emergency loan program going again. I cannot support H.R. 1975, however, unless it is amended to reestablish the program as it existed before the Nixon administration's action to terminate it in December.

Thank you.

The CHAIRMAN. Thank you Congressman Johnson.

Our third witness was Congressman Joseph J. Maraziti. He has been caught in traffic or floods or some natural disaster for which he may need a loan, but he has three witnesses, three constituents who are here and who, I think, we would like to hear from now. You know the Congressman is on his way. We do have a statement from Congressman Maraziti. Without objection it will be inserted in the record at this point. If the Congressman gets here, he can make any further statement he wishes.

(The complete statement of Congressman Maraziti follows:)

STATEMENT OF HON. JOSEPH J. MARAZITI, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NEW JERSEY

Thank you Mr. Chairman. It is indeed a special privilege to appear before your distinguished committee today to testify on behalf of the immediate restoration of the Farmers Home Administration emergency loan program.

My statement will be brief, as I have asked three individuals from my district, Mr. R. Kenneth Totten, Mr. John Snook and Mr. Norman Schnetzer, to be present today to provide your committee with first-hand information on the plight caused by the abrupt termination of this program. I personally met and talked with about 100 farmers from the various counties in my District. These men represent over 600 such New Jersey farmers who had not filed applications simply because they were told by FHMA in December to file later. Thus, in this dilemma these farmers, who are equally deserving, are being denied the loan privilege that the others received. This is hardly fair treatment.

I recognize the economic reasons for the termination of the \$5,000 "forgiveness clause", however, I cannot agree that the interest rate on loans made under this program should be set at a maximum of 6 percent. It must be remembered that the purpose of this legislation is for disaster relief as it aids those who have been victims of unfortunate calamities.

By repealing the \$5,000 "forgiveness clause" my bill as well as others being considered here today is in accord with the policy of the Office of Management and Budget. However, since this legislation is directed toward solving the serious problems of those affected by natural disasters, I urge you to consider the 1 percent interest rate in my bill and even more importantly, the underlying reason for which I have inserted it. That is, disaster relief.

I would now like to introduce Mr. Norman Schnetzer who will begin his testimony.

The CHAIRMAN. I'll call next the first of three New Jersey witnesses, Mr. Norman J. Schnetzer.

We will be glad to hear from you, Mr. Schnetzer.

STATEMENT OF NORMAN J. SCHNETZER, SECRETARY, WARREN
COUNTY BOARD OF AGRICULTURE, ASBURY, N.J.

Mr. SCHNETZER. I am Norman J. Schnetzer, a dairy farmer in Asbury, Warren County, N.J. I have a dairy herd of 70 to 80 milk cows. In addition, I raise 100 to 120 head of young stock and beef. I farm about 600 acres, of which I own 300 acres with my wife, father, and mother. I have been farming in Asbury since 1950, with the exception of 2 years 1951-53, when I was drafted into the service of my country.

I am vice president of the Warren County Board of Agriculture, the official organization of agriculture in my county. I am also chairman of the Warren County Soil Conservation District, the organization charged with the wise use of our natural resources.

The following testimony is in support of the bill H.R. 2354 by Congressman Maraziti, or for the reinstatement of the law (which permitted the emergency loans) that was canceled December 27, 1972.

The farmers of Warren County were first made aware of disaster area designation and the emergency loans in a letter from our county agricultural agent on September 28, 1972. The farmers were advised to contact the Farmers Home Administration office, 107 Mansfield St., Belvidere, N.J. When a farmer contacted the office, he was told to harvest all of his crops so he could determine the exact amount of his

loss. He was also told that he had until June 30, 1973, to file; it was said there was no hurry to file. The farmer was also told that any extra expense that he had incurred in the line of remaining in farming would be paid, or the loan could be applied against the rising feed costs.

After this initial contact with the office, the farmer—especially the dairy farmer—went out and started to purchase feed for the winter. At this time, which was October, the full impact of the past growing season was starting to be felt.

The last report of the 1972 season of the New Jersey Weekly Digest, dated October 25, 1972, stated that at Belvidere, N.J.—the official weather station for Warren County—the rainfall was 6.90 inches above normal since March 1, 1972. The real problem was that Warren County was 412 growing degree days lower than normal.

At the time of corn and soybean harvest, the farmer found the crops had not matured sufficiently and were not losing moisture fast enough. Field losses were beginning to mount. I lost my entire soybean crop. The harvesting equipment was doing a poor job because of weather and crop conditions. Warren County had its earliest snow in my memory. The dairy farmer noticed the rising cost of hay, and (consequently, purchased feed and protein supplement which had also started to increase in price. The price the dairy farmer received for his product started a decline in November, from the October price—which is continuing to go down—while the consumer is being charged more.

Many farmers were still unable to harvest their corn and soybeans because November and December were wetter than normal. The soil is now in a condition that does not support modern machinery.

Many feed companies supplied feed on the strength of the disaster loan these farmers were to receive. On December 27, the disaster loans were canceled. Now the real problem begins to present itself. Some farmers have received their loans; and other farmers—neighbors in some cases—were waiting for their loans to be approved. Other farmers, like myself, had appointments in January 1973. Still other farmers had corn and beans to harvest, and were following the FHA orders to complete their harvest before applying for the loans.

Hard feelings are running high in the county between farmers because of the unjust way the loans were canceled. My big worry at present is, if I participate in any other feed grain program this year and comply about July 2, 1973, the President will cancel the payment to keep the budget down. I now know what the hippies mean by saying you cannot trust the establishment.

It is my humble opinion that any program that gives money to the farmer—for example, disaster loans, feed grain, wheat, reap, cotton, wool, milk support, sugar act, et cetera—is really only guaranteeing the consumer an adequate supply of food and fiber at the lowest cost in the world, of around 16 percent of his disposable income. The disaster loan is really money that is spent in the same way the defense budget is spent—for the protection of the people of the United States.

If we had had a normal year last year, across the country weather-wise, I am sure I would not be here today. Consequently, the price of food would not have jumped and “screwed up” phase II for the President. There is no computer that can predict Mother Nature, but there

is a small group of people who are willing to meet her on her own terms. When the season for planting comes, the farmer forgets last season's difficulties and works long hours to replenish the food supply for the country. All he really asks is for a fair shake.

I ask, in closing, to reinstate the disaster loan forthwith so that the farmers can plan for this coming season—and not plan to sell out. Should more farmers quit, the consumer will then really pay the price, and no phase III or IV is going to help.

Thank you, gentlemen, for hearing me.

The CHAIRMAN. We thank you very much. I think that was an excellent statement.

Mr. SCHNETZER. I have just one more thing, but I will not read it. It is the latest release from our New Jersey Department of Agriculture that explains the crop production in the State of New Jersey, with an accompanying paper.

The CHAIRMAN. Thank you very much.

The Chair is right now going to turn the chair over to my colleague from South Dakota, Congressman Denholm, who will preside temporarily here. The chairman is going over to the Rules Committee in a few moments, and the vice chairman, Mr. Stubblefield, was going to preside. But he shortly has to go and handle something else.

Mr. DENHOLM (presiding). Thank you, Mr. Chairman.

The next witness will be Mr. R. Kenneth Totten, a dairy farmer from Hunterdon County, N.J.

Mr. Totten, we are pleased to have you here today, and you may proceed.

STATEMENT OF R. KENNETH TOTTON, CROPS AND DAIRY FARMER, HUNTERDON COUNTY, N.J.

Mr. TOTTON. Thank you, Mr. Chairman. I am Robert Kenneth Totten, a dairy farmer in Hunterdon County, N.J., one of the few remaining garden spots in the Garden State. My farm consists of 140 acres that I own, and a smaller 35-acre farm next door that I rent. We feed and milk 50 Holstein cows and raise all our replacements. In addition to our milkers, we have 40 younger animals ranging in age from calves to bred heifers.

My father, now 84 years young, purchased the farm in 1920. His foresight and efforts in cooperation with the Soil Conservation Service, and the help of the Agricultural Adjustment Act of the 1930's, resulted in the farm being one of the first to be completely terraced and farmed on the contour. I arrived on the scene in 1929, and have been a part of the farm until 1957, when I purchased the stock and machinery, and Dad handed over the job of managing the operation. In 1968, my wife and I arranged to buy the rest of the farm.

We appreciate being allowed to testify on behalf of farmers in Hunterdon County, regarding the need for help in the form of disaster loans.

This season was the worse one we've ever experienced. The long wet spring, capped by Hurricane Agnes on June 23, ruined much of our hay crop. Many farmers cut hay only to have a week of rain ruin it. Many others found it impossible to harvest first cutting hay until

it was time to mow the second cutting. It was too wet to get onto the fields. This, of course, resulted in severe loss in both feed value and yields of hay, our most important crop.

The wet spring, in addition to damaging hay, delayed and—in some cases—prevented farmers from planting corn. Many fields of corn were so waterlogged that the crop made very poor growth. A very dry summer put severe stress on our crops. Root systems were shallow as a result of the saturated soil earlier in the season. The dry spell burned up many of these shallow rooted plants so our corn and other crop yields suffered.

Many farmers in Hunterdon plant soybeans as a protein feed supplement for our milk cows and as a cash crop. Hurricane Agnes of June 23, preceded by a very wet period, saturated our soils so soybean planting was late. Some fields of soybeans as well as corn and hay that were planted earlier were drowned out. At harvest time the later plantings were late maturing and were again caught by rain. When the ground finally froze and we could enter the fields to harvest them (January 8) the crop was lost. We got yields of 3 to 4 bushels per acre where usually we get 25 to 30 bushels.

Corn and hay are our major crops. These feed the dairy cows and other livestock that are the basis of much of our agriculture. We are short of acres planted and we are short on yields on those acres we were able to harvest. This means we must find cash to buy feed to carry us through until next harvest season.

This year's losses on top of last year's wet season finds many of us with 2 poor years back to back. Financially we are in real trouble. The pressures on the small supplies of feed available have resulted in very high feed costs. (See the attached table of costs at the end of this report). Hay jumped from \$45 per ton in June to \$95 per ton now. Normally top quality hay would bring between \$30–\$40 per ton.

Many of us feel we could carry on if we could get a little help. The FHA emergency loans, that were granted to other farmers in the State whose crops were harvested and who could determine accurately their losses, held forth considerable help for us. The abrupt cancellation of these loans that we understood would be available through June 30, 1973 on top of the cancellation of the REAP program, hurts.

Soil fertility is reduced. Leaching out of nutrients and washing of some fields will require additional cash outlays. The REAP program with its emphasis on conservation could play a major role in helping to restore this lost fertility. The Nation gets its moneys' worth through this program because farmers match Federal dollars at the rate of two or even three to one.

In my own operation, corn and silage, grain and hay are my major needs. I prepared 16 acres to be planted to alfalfa in August of 1971. On August 27, 1971 storm Dora brought 3½ inches of rain thereby causing severe washing of these fields on my hillside farm. To repair this I had to engage a commercial contractor at a cash outlay of nearly \$500. I then planted the alfalfa. Because of the late planting, it was not able to winter-over the season, and so I replanted it at a second time that spring. On June 23 hurricane Agnes came and washed out the entire stand again. I made a third planting in August which finally took hold. Each planting represented a cash outlay of \$50 per acre for seed, fertilizer, lime, and weed control spray.

Our total 50 acres of corn was used for silage for the winter season leaving none for grain. I was forced to buy 55 tons of high-moisture corn to carry us through to our 1973 crop, at a cash outlay of \$2,200. (\$40 per ton). I know of neighbors who purchased feed supplies, who planned on FHA assistance loans to pay for them. They were cut off by the deadline. They now have bills they cannot pay.

We most respectfully urge that some kind of assistance be made available to help farmers in our area over this very trying time. Without such help farmers will be forced to quit farming. The consequences for Hunterdon would be a loss of \$20 million business. More devastating than this it could mean the loss of much needed self-supporting open space in the most populous State in the country.

Gentlemen, your agriculture and mine is worth saving.

I would like to thank you very much for listening to me.

Mr. DENHOLM. Thank you very much, Mr. Totten. We appreciate your statement for the record. If you will please wait for the questioning later, we will proceed to the next witness.

Mr. SISK. Mr. Chairman, I note that there is a statement from a Mr. Kuster attached to this statement.

Do you want that made a part of the record?

Mr. TOTTEN. Yes, if you would, please.

Mr. SISK. I would ask that it be made a part of the record.

Mr. DENHOLM. Without objection, it is so ordered.

(The above referred to statement follows:)

STATEMENT OF ERNEST KUSTER, JR., FLEMINGTON, N.J.

Gentlemen, I am Ernest Kuster, Jr. of RD Flemington, New Jersey. Our family has been in the dairy business since the late 1920's. My father delivered milk from our farm in Brooklyn, New York. In 1931 my parents moved to the Flemington, New Jersey area and farmed as renters until 1939 when they bought the home farm. Money was tight and we lived in a chicken house for 2 years until we could afford to build a house to move into. I grew up on the farm.

In 1952 I joined the U.S. Air Force and received an Honorable Discharge in 1956.

After military service I worked in industry for some 6 years, then I went back to farming on my own and in partnership with my brother.

The year before last (1971) was a very bad year due to high crop losses from Storm Doria. But this past year was the topper! On the 244 acre dairy farm my brother and I operate as partners we had hay ready to bale. Hurricane Agnes made it so wet we could not harvest this hay before it rotted in the field even though our farm is one of the better drained in the area.

We had to chop the hay to leave it on the ground so that the second crop of hay could grow. It was poor too. This happened to about 25% of our hayland. It should have been the best hay we had. Corn and soybeans grew very poorly because of an excessively wet Spring and a dry period later. Luckily we had hay left over from the previous year. We did not sell this surplus as we usually do because of the wet weather so we have enough hay. Our corn crop is about $\frac{1}{3}$ short. We did not get our third silo full. The quality of the hay is fair but the corn is poor as are the other crops, such as soybeans, barley, wheat, and forage sorghum. We were not able to sell any grain, in fact, we purchased two loads of soybeans to improve our dairy feed. Even with this we have had to reduce the value of the feed due to the high cost of supplements. This results in lower milk production and less income. We are one of the fortunate few because we have enough hay. Most farmers don't and may have to sell out.

On my own I crop-farm about 350 acres and had to replant 30 acres of corn that I had previously planted April 28th. It was so wet, that it actually rotted in the ground. After replanting I could not spray the field for weeds a second time and the weeds took over the crop.

On June 8th I planted 60 acres of soybeans and it rained that night and kept on raining. On June 23rd when Hurricane Agnes came it flooded all but one well-drained field. About 30% of the beans drowned.

Normally I plant about 50 acres of grain sorghum but it got too late. In fact I rented a tractor and hired a salesman so I could plant the beans on time.

My corn and soybean yield was far worse than I had imagined. The crop will barely repay the 1971 crop loan and the installment I must pay on my machinery. This means that I get nothing for my labor and my investment. I must borrow money for the coming crop year or else another insignificant farm goes out of business. There will be an insignificant loss of corn, beans, hay, milk, etc. and an insignificant increase in the price of milk, meat, eggs, flour, bread, leather, butter, cheese, etc.

Gentlemen, each insignificant farm lost results in an insignificant price increase and an insignificant decrease in this country's strength. Unfortunately the total of these insignificant losses and gains have a way of becoming highly significant.

APPENDIX

FEED PRICES PAID BY
HUNTERDON COUNTY FARMERS
PER TON IN BULK

	DAIRY MILK MAKER 16¢	POULTRY LAYER 16¢	DAIRY SUPPLEMENT 40¢	HOG SUPPLEMENT	ALFALFA HAY
12-7-72					
1- 8-73	\$107.60	\$113.20	\$213.80	\$222.80	\$95.00
1- 2-73	106.20	112.20	211.40	217.40	
12-11-72	98.20	96.40	160.60	180.00	
11-27-72	95.00	91.20	143.80	166.00	
11-13-72	92.80	88.40	141.80	164.40	
10-30-72	91.20	87.20	135.60	156.80	
10- 2-72	86.80	87.20	130.00	152.60	
9-11-72	83.20	85.20	128.60	148.80	
8-14-72	80.40	82.80	126.80	146.20	
7-31-72	79.40	82.20	126.80	146.20	45.00

HUNTERDON COUNTY, N.J.

Forty-two farmers had appointments with the Farmers Home Administration for January and February 1973, but they did not submit their applications before the revised deadline because a large number of these were not done harvesting their crops due to the adverse weather conditions;

Twelve farmers inquired after the revised deadline of December 27, 1972 (after their crops had been harvested).

Forty-six estimated number of farmers who would have applied—these, too, wanted to harvest all their crops in order to properly certify as to their true loss before applying for Emergency assistance.

One hundred estimated number of farmers yet to be financially aided.

The statement which each Emergency Loan applicant must sign reads:

"I hereby certify that the Emergency Loan for which I am applying is needed for the continuation of my farming operation and/or to repair, restore or replace damaged, destroyed or lost property. I further certify under penalties provided by law, including any civil and criminal fraud penalties, that the information shown herein is true, correct and complete to the best of my knowledge and belief."

Mr. DENHOLM. Our next witness is Mr. Snook, president of the Sussex County Co-op Milk Producers Association.

Mr. Snook, we welcome you. We are pleased to have you present your testimony at this time.

**STATEMENT OF JOHN C. SNOOK, JR., PRESIDENT, SUSSEX COUNTY
CO-OP MILK PRODUCERS ASSOCIATION, NEWTON, N.J.**

Mr. SNOOK. Thank you, Mr. Chairman.

Mr. Chairman, my name is John C. Snook, Jr. I am a dairy farmer in Lafayette Township, Sussex County, N.J. I am president of the Sussex County Co-operative Milk Producers Association, and appear here today both as a representative of our dairy cooperative and as a concerned individual.

My testimony is in support of Representative Maraziti's bill H.R. 2354, a piece of legislation which I feel is most vital and necessary. In view of the cancellation of the emergency disaster loan program of the Farmers Home Administration by Presidential order on December 27, 1972, H.R. 2354 presents an alternative to help keep agriculture viable in New Jersey and other areas similarly affected.

In August, New Jersey was declared an agricultural disaster area by U.S. Secretary of Agriculture Earl L. Butz. Tropical storm Agnes and other unseasonal weather disrupted the growing and harvest seasons.

Official estimates by the local FHA office were that 40 percent of the hay and corn crops in Sussex County were lost, either in volume or quality. As a result of these crop losses, many farmers have been forced to purchase hay and corn at exorbitant prices, or to feed additional rations of mixed feed and special nutrient additives.

To give some examples of how my costs have sharply risen, mixed feed which cost me \$78 per ton in June now costs \$106, up 36 percent. Hay costs approximately twice as much this winter as last winter.

Feed costs are the major expense item of the dairy farmer in our area. To experience such steep increases in feed costs without corresponding increases in income gravely hurts the farmer's economic well-being. The 2 years previous to 1972 had been breakeven years for the average dairy farmer in New Jersey, so when we are faced with fiscal losses such as were incurred this year, the financial capability and psychological impetus to continue are diminished. A local auctioneer reported last week that he has 52 farm sales scheduled this spring in northern New Jersey and northeastern Pennsylvania. That is very high.

With the declaration of New Jersey as an agricultural disaster area, the loan program of the FHA gave those farmers who had experienced

substantial crop losses the opportunity to remain financially sound through this difficult period.

Some farmers applied for the FHA emergency loans. However, the December 27 Presidential order caught many other farmers who had not yet made application. A major reason for so many unprocessed applications was the directive by local FHA offices to wait until all crops had been harvested before applying. Also, some FHA offices were unable to cope with the deluge of applications and advised non-priority applicants to wait until after January 1, 1973. Some local FHA boards had waiting lists of 2 and 3 weeks at the time when the Presidential order arbitrarily halted the emergency loan program.

Another arbitrary feature of the December 27 Presidential order is that it discriminates harshly between disaster areas decreed by the President and Secretary of Agriculture. New Jersey and other Secretarial disaster areas were cut off immediately on December 27, while in Presidential areas, the FHA could approve loan applications until January 15, 1973. Orange County, N.Y., directly to the northeast of Sussex County, was a Presidential disaster area, and an artificial State boundary allowed Orange County farmers to apply for needed help.

The New Jersey Department of Agriculture has taken a survey which shows that there are approximately 600 farmers of all sorts throughout New Jersey whose owners would have participated in the emergency loan program if it were not curtailed on December 27.

We of the dairy industry need Representative Maraziti's bill, H.R. 2354, to assist us in meeting spring expenses following a winter when we built up little or no financial reserve. Having met terribly inflated costs throughout the winter with no price adjustment for our product, many farmers will be forced to further indebt themselves at a time when we have serious doubt about our future as farmers. The 1-percent interest rate proposed in H.R. 2354 provides inexpensive money to work with so we can continue farming. With no possibility of reviving the emergency loan program to its status prior to December 27, 1972, I feel that the Maraziti bill proposes the next best alternative; one that will help keep American farmers in business throughout many parts of the country.

The Nixon administration proposes to withdraw the Federal Government from agriculture with which I agree. However, the Government withdrawal from agriculture should be planned and orderly, not overnight and unexpected.

In conclusion, I want to thank Representative Joseph J. Maraziti for initiating this bill and for giving the Sussex County Co-operative Milk Producers Association the privilege of testifying on its behalf.

Mr. DENHOLM. Thank you very much, Mr. Snook.

Mr. ZWACH. Mr. Chairman, a point of information.

This bill that they refer to is different from Representative Alexander's bill? This bill provides for 1 percent emergency interest rate? Is that correct?

Mr. DENHOLM. We have a copy of the bill if you wish to see it.

Mr. YOUNG. I have a copy of it. It does.

Mr. ZWACH. It provides for 1 percent?

Mr. YOUNG. Yes.

Mr. DENHOLM. I think we will go ahead with testimony and take that matter up later.

The next witness is Mr. McEwen of New York.

We are very pleased to have testimony from you today. You may move the microphone closer to you and proceed when you are ready.

STATEMENT OF HON. ROBERT C. McEWEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. McEWEN. Thank you, Mr. Chairman and gentlemen of the committee. I appreciate this opportunity to testify before you. May I say my own Appropriations Committee, as you know, is holding hearings right now and I am looking forward to Mr. Ash, the Director of the Office of Management and Budget, returning today because I have some questions I would like to direct to him.

As you know, I have cosponsored a bill identical to that of the gentleman from Arkansas, Mr. Alexander.

May I say to you gentlemen, I understand you are aware of some question as to whether or not that bill does provide for the inclusion of counties not heretofore designated, either by Presidential designation, or Secretarial designation. I am confident you will work that out. I certainly hope you do for the sake of those counties that were not included in either a Presidential or a Secretarial designation.

Let me say why my personal concern and experience with that. The area that I am privileged to represent in northern New York is comprised of seven rather large counties. One was designated by Presidential proclamation, which I do not have to say to you gentlemen, meant, with the announcement of December 27, they had still until January 15 to file for an emergency loan, with forgiveness of the first \$5,000. Three other counties were designated by Secretary Butz, and their applications were terminated the day of the announcement. Three others, including my home county of some 2,700 square miles and probably a couple of thousand dairy farms, flanked on each side, east and west, by designated counties and bordered on the other two sides by the Adirondack Mountains and Canada but with neighboring counties designated, they did not receive designation, as was the case of two other counties in my district. So of the seven counties, one is designated by the President, three by the Secretary, and three got nothing at all. I think that if we could go back to that old saying about the road to the nether regions is paved with good intentions, this program certainly is one that was paved with good intentions, but sure led us, if I may say so, into one hell of a mess.

I have had letters from scores and scores of farmers in my district, mostly from the 8,000 dairymen who had a continual spring, summer, and fall of rain, who either could not get their crop planted or, if they did, it got flooded out and did not grow, or if they survived those two perils, they found they had a crop they could not harvest because the fields were full of water. I would share with you the comment of one of these farmers on his skepticism of the original program. He said this:

I was very skeptical of the original program from the start. Knowing the financial state of the country. I could not see how such a handout could come about without the farmers having to pay for it in the end. The basic flaws in the program were mismanagement and misuse. The administration and Congress set up a program and then attempted unsuccessfully to finance it.

Another wrote and said, on the credibility of this thing, where it had been announced this was available, he said:

I did not hear about this program until December 26. The next day, on December 27, I was told they no longer accepted applications and I was too late.

The inequities, Mr. Chairman and gentlemen, and I am sure you have heard it from many neighbors—one receives a \$5,000—let's call it a grant; that is what it is, a loan with forgiveness. One receives it and one does not.

One farmer wrote to me and said:

In many cases a neighbor was approved and his next door neighbor who has the same losses was not. Why discriminate so? Either nobody or everybody should be given a grant.

I heard the prior witness say that there was a problem on the handling of all of these applications by FHA offices. Let me share with you what one of my farmer constituents wrote on that. He said:

I went to the FHA office the first part of December to sign up and was told to come back when there was not such a crowd. I could not possibly sit in the office all day like the bigger farmers with lots of help. Can you explain to me how some get while other in desperate need do not?

Another farmer wrote to me and he said:

I would like to know who decided that 5 months was long enough to receive time for a disaster in the nature of this past summer. In the first place, it takes two and a half years to replace a dairy cow and a heifer calf or approximately \$700 on the auction block. Many fields will take at least a year to put back in shape after ditches were dug in the hay fields by tractors and machinery that were fighting the elements to save what little they could have hay crops for the winter.

On that, let me add, Mr. Chairman and gentlemen, that at least in one case I know of, the agricultural extension agent in this particular county advised dairymen to hold off on filing their applications. And I am told that he did this on advice from higher up in the Department that this program was to run until June and that it would be well to be sure that they fully assessed and appraised the extent of their loss. And then when they had determined fully what their loss was, to apply.

Need I point out to you that this gentleman was quite upset because quite a few farmers were quite upset. I think at one point, he thought he might have, like the old Lincoln story, the honor which he would just as soon not have, he would as leave walk, or get tarred and feathered and sent out on a rail. But this was the advice he handed out.

Another farmer wrote to me and said:

Thousands of dollars of damage have been done to farm machinery that wouldn't be fully realized for a year, perhaps a year and a half. Farm machinery such as bailers that were towed by two or more tractors through mud were twisted and will have to be replaced in half the normal life expectancy.

Gentlemen, I could go on with these quotes. I am sure you have heard them and will hear them from others. But I think this emergency loan program or, as my farmers tend to call it, the disaster loan program, was the most disastrous disaster that has ever fallen upon a constituency that I have represented in now about 20 years of service in the New York Senate and the Congress of the United States. First, we held out a promise that we did not deliver. I think possibly, we promised too much.

I hope that this committee looks into the machinery of the Farmers Home Administration, for whom I have great respect, but I question whether they were geared in these little local county offices where, as this one farmer wrote, they were lined up waiting all day to get their applications filed. I do not think they had the machinery to handle the volume of applications.

Gentlemen, I think two things, two great injustices have been done here. One is to our farmers where we have not done equity, where one neighbor received \$5,000 and it was forgiven, and the next door neighbor received nothing. This has done a great deal to make for bad feelings, for jealousies and resentments right within the community.

Then I think a second great disservice was done to Government. And I am speaking now to the matter of credibility. We have heard a lot about it in a lot of areas. I think the confidence of people in the credibility of their Government has been badly shaken, for they were told this program was available and then, traumatically, it was cut off without any opportunity for any correction of the injustice.

I support Mr. Alexander's bill, which I join in cosponsoring. There is one approach that hopefully can be taken, that can be carried through the Congress, approved by the Executive, and expedited, because gentlemen, I am convinced that in my area, and I am sure it is true in many other districts in this country, we have farmers that are not going to get their herds through to grass next spring unless they do have some help.

Now, as I understand the existing loan program, it is a short-term loan. This is fine if you are a cash-crop farmer and you can get a crop in and sell that crop and get the money out. But my dairymen have suffered severe losses that they cannot recoup in 1 or 2 or 3 years. That is why they need a program as a last resort to turn to where they can borrow and at the terms you are considering in this bill, as I understand it not over 6 percent, in the money market, but not over 6 percent, and given a long period of time to pay it off.

Our area imports grain also from the West and we are feeling very much, gentlemen, the cost in the feed grains that we are buying. I hope that is something that this committee may also look into. I talked to a dairyman just yesterday who told me that soybean meal he was paying \$97 a ton for, 1 year ago, is now \$250 a ton. And to understand the magnitude of the disaster that has befallen the dairy industry in Northeast United States, I suggest that you have to consider Agnes and the rains that came all spring, summer, and fall in addition to the Agnes storm, the crops that were not planted or if they were, did not grow or, if they did both of those, could not be harvested because it was too wet, and the increased cost of the feed grains that the farmers are facing. So I cannot commend too highly for you anything for your consideration over and above the consideration of this bill immediately to provide for a last resort relief to these farmers if they cannot borrow anywhere else, that they can get long-term borrowing to get them out of the disaster they have been in.

Mr. Chairman and gentlemen, I thank you for this opportunity to come before this committee and I commend you for your prompt consideration of this legislation.

Mr. DENHOLM. Thank you very much for being with us this morning. We are pleased to have our distinguished colleague from the

State of New York come to testify in behalf of the farmers of that area. We appreciate your comments very much and we hope that you may remain for some questioning later.

Thank you.

The next witness is Dr. Weldon V. Barton, assistant director of the legislative services for the National Farmers Union.

Mr. Barton, I am pleased to have you appear and you may proceed with your testimony at this time.

STATEMENT OF DR. WELDON V. BARTON, ASSISTANT DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION, WASHINGTON, D.C., ACCOMPANIED BY ROY PUTZIER, HANSON COUNTY, ALEXANDRIA, S. DAK.

Mr. BARTON. Thank you, Mr. Chairman. I am accompanied this morning, Mr. Denholm, by Mr. Roy Putzier from your State of South Dakota. He is a cattle farmer in the State. He has a short statement, not a written statement, but he would like to describe the situation he has faced with the Farmers Home Administration and present a list of several thousand petitions that have been drawn up and signed by persons in South Dakota calling for a restatement of this disaster loan program and other programs that have been terminated by the administration.

I would like, if I could, to proceed in this way. I will give a statement for the National Farmers Union and then Mr. Putzier will present his statement and describe his individual situation.

Mr. DENHOLM. Is there objection?

[No response.]

Mr. DENHOLM. No objection. You may proceed.

Mr. BARTON. Before I do that, Mr. Chairman, I would like to indicate that we have this week in Washington some 100 farmers in addition to Mr. Putzier from your State of South Dakota and from Ohio. A number of them are in the room this morning, perhaps 30 or 40. Some of them are in the Senate hearing this morning. They will be making Hill visits. On the top of their list is support of S. 2107, the bill that this committee reported last week to reinstate the REAP program. They will be talking to some 250 primarily urban Congressmen and urging them to support this legislation when it comes up later this week, perhaps tomorrow. Also, they will be talking more generally about the farm legislation that is up for renewal this year.

Getting to my statement now, there are two related but separable issues to which I want to address myself this morning: (1) the abrupt termination of disaster loans by the administration on December 27, 1972; and (2) the new legislation that is necessary to extend emergency loan authority in the USDA beyond June 30, 1973.

THE DECEMBER 27 TERMINATION

Farmers Union was informed by the Farmers Home Administration (FHA) that, as of January 24, 1973, some 15,900 emergency loans had been approved during fiscal year 1973. In addition, there were approximately as of this date 30,000 approved emergency loans being

held in FHA's Finance Office pending an increased apportionment of funds from the OMB.

We were informed that, on January 15, 1973, an apportionment of \$350 million was made to cover this backlog of approved loans and applications that were received prior to the cutoff dates proclaimed by the administration.

Certainly we think all approved loans should be funded. But beyond this, we raise the question of equity for at least two other classes of people affected by the cutoff.

(1) Those who had sustained losses due to disasters in designated areas, and who had been given verbal assurance by local FHA offices that their applications for loans would be honored if made prior to the expiration date of the legislation on July 1, 1973;

(2) Those who had sustained losses due to disasters in designated areas, and who—secure in the knowledge that the legislation would not expire until July 1, 1973—had not yet approached the FHA regarding a loan application.

We think that equity, if nothing else, requires that applications for loans by these people be duly received and processed. Last Thursday, Agriculture Secretary Earl Butz told the Senate Agriculture Committee that, in the case of the federally assisted rural housing loan program, USDA would honor loan applications involving home builders who had begun construction on the basis of a verbal commitment that federally assisted loans would be available.

We think that such a commitment must be honored in the case of housing loans. But on the same basis, verbal understandings between farmers and FHA that disaster loans would be available must also be honored.

Similarly, we think that a statutory commitment was made to those victims of disaster in rural areas who had not yet approached the FHA for a loan, and a statutory commitment should be good regardless of whether a verbal commitment was made to reassure farmers.

On January 19, four Minnesota farmers and the Minnesota Farmers Union filed a suit in U.S. District Court to invalidate termination of the emergency loan program, and to force the USDA to accept applications for emergency loans until July 1, 1973. I have some indication in my statement of the plight of those four farmers. I will skip that in the interest of time. Mr. Putzier is going to talk to his situation, which is quite similar to the ones that are affected in this Minnesota suit.

This committee and the Congress should insist that the administration accept applications for loans through July 1, or at least until such time as Congress amends the law which authorizes such loans. There is more at stake here than equity among and to farmers and rural people; there is the broader question of whether the Executive can ignore Congress and make law by Executive fiat. Congress, we think, must repel this usurpation of legislative power by the White House.

Reversal of the December 27 action of the White House concerning the present disaster loan program must, we think, take precedence over enactment of a new emergency loan program for application after July 1 or for that matter to fill in the gap between now and July 1

if there is a gap, or if a gap remains. Otherwise, how are we to have confidence that the White House will honor that legislation either—that is, the legislation that is passed later?

Now, with respect to the new emergency loan legislation that is before the committee, Farmers Union supports legislation which in general would move back to the type of emergency loans made by Farmers Home Administration prior to the forgiveness features of the 1969, 1970, and 1972 acts.

However, when this is done, we must retain a loan program that can effectively help farmers out of a bona fide emergency. At least two provisions must be in the bill to make the bill effective in this regard: (1) the legislation should retain a ceiling on the interest rate on loans of not more than 3 percent per year; and (2) the Secretary should be required to defer repayment of the principal on the loan during the first 3 years of the term of the loan, if requested by the borrower.

The first of these recommendations—the 3 percent interest ceiling—will, I understand, be automatically reinstated in section 234 of Public Law 91-606 is repealed. The 3 percent ceiling is essential if all forgiveness features are canceled, and if the loan program is to be truly effective to alleviate emergencies whereby farmers lose a crop due to a flood, extreme drought, et cetera. If the interest rate was pushed up to 6 percent and all forgiveness dropped—as H.R. 1975 and certain other bills pending before this committee would provide, there would be essentially no reason to call the result “emergency” loans. It would become essentially identical to the operating loan program of FHA, with interest at the cost of Treasury borrowing. The interest rate on operating loans is $5\frac{7}{8}$ percent now. It is below the 6 percent. We simply can't see why this should deviate substantially from the operating loan program. Why not just expand the funding beyond the \$350 million of the operating loan program for the time being until some better legislation can be enacted?

With respect to the second recommendation—requiring the Secretary to defer repayment at the request of the borrower, there is a weaker provision in the Consolidated Farmers Home Administration Act to the effect that the “Secretary may” defer repayment. However, in the case of a bona fide emergency in which a farmer loses his crop or a major part of it, there should be no question that he should be allowed to defer repayment to the principal until he makes a crop out of which he can do so—provided that he meets the interest payments. The Secretary should have no discretion to decide otherwise.

Unless these two provisions are written into the legislation to extend FHA emergency loans beyond June 30, 1973, we see no reason to enact such legislation at this time. We would, Mr. Chairman, have to oppose any legislation that does not include this 3 percent ceiling and this 3-year mandatory repayment schedule in the loan.

That concludes my statement. Now Mr. Roy Putzier of South Dakota will speak to his problem.

(The unread portion of Mr. Barton's statement follows:)

I would like to summarize the plight of the four Minnesota farmers very briefly.

Martin Berends of Montevideo said he will lose \$16 to \$20 thousand. He has no crop insurance and no money as he approaches the planting season. He does not know how he will meet the rent on his farm. Burnard Podratz of Hoffman

was told by an FmHA official that "you have a sure thing." He will lose over \$7 thousand which makes up about half of his income. He has a daughter in college. His comment: "I'm almost at the end of my rope." Wendell Maus of Maynard will lose some \$10 thousand. He has some cattle which he doesn't want to sell but will be forced to. He said, "If I had to depend on my crop, I don't know how I could get started this year." Orrin Haugen of Clarkfield stands to lose some \$7 thousand. With his farm on contract for deed and taxes coming due, he says, "I just don't know what I'm going to do. I may not be able to continue in farming."

Mr. DENHOLM. Thank you, Dr. Barton.

We will be pleased to hear from you, Mr. Putzier.

STATEMENT OF ROY PUTZIER, HANSON COUNTY, ALEXANDRIA, S. DAK.

Mr. PUTZIER. Thank you, Mr. Chairman. I am very sorry that Congressman Poage had to leave, but I am very happy that he appointed Congressman Denholm to chair the meeting, he being from my State.

We left South Dakota about 7 o'clock Saturday morning. We did not stop until we got to Washington, D.C., which is a fairly long ride. But at home, we have a situation. I live in Hanson County, a small county, comparatively. It has approximately 450 farmers and when this emergency loan came out, we did hold a meeting in Hanson County and about 100 farmers attended that meeting. The Farmers Home Administration people were there to explain it. I think they told us in good faith that we had until June 30 to apply. They recommended to many of us not to apply before January, because we would see how our farm crops turned out. Personally, I harvested my corn in December with about 37 percent moisture. We did dry it. It was quite an expense, but there was no other way to keep it.

My oats, my barley, over its last 10-year average, I had just about half of what I normally raise. I had 40 acres that we fought most of the spring and summer. We finally planted it July 3. We put it to sorghum, because there is nothing else that makes a crop. That did not make a crop, either. We never even harvested it.

But under situations like this, on my farm, it is about a \$6,000 or \$7,000 loss in income that I normally would have with the same expense that I have always had. When I talked to the FHA people, I have two personal friends on the board there in Mitchell which is in Hanson County and they advised me to wait until January. I took their advice, and I think you folks know what happened to me as far as the emergency loan fund. We have a lot of young farmers in our county that they advised the same way. They do business with the Farmers Home Administration. They need the money desperately, but they are also left out. I do not know, some of them are going to try to operate, some of them are going to sell out. I hate to see a situation which causes any of our farm people to sell, because it hurts us all the way around, taxwise, businesswise, and I think that we should reinstate the programs so that all the people get treated the same as the ones that filed their applications in November and December.

Also, we have petitions here signed by several thousand people. I would like to leave this with the committee to do as you see fit. I will read the heading on these petitions. It says:

We, the undersigned, respectfully urge the Congress of the United States to act promptly to reinstate these vital rural programs recently ended or cut back by the President: The 2-percent REA loan program, rural environmental assistance program (REAP), Water Bank, the FHA Emergency Loan Program, commodity credit corporation grain reseal and facility loan operation, and Farmers Home Administration housing loans.

With that, I would like to leave these here for the committee.

Also, on January 13, we had a meeting in Huron, S. Dak. Our complete congressional delegation was there; our Governor was there. We had it in a high school that could seat about 1,500. We had such an overflow that we estimated between 2,500 and 3,000 people there that were very interested. I think we had representation from every county in South Dakota, although they did have to drive a long way to get there. They were all in favor of this, as Mr. Denholm could testify.

With that, I would like to thank you for letting me testify here before the committee.

Mr. DENHOLM. Thank you very much for submitting valuable information and testimony for the record. The petitions will be received for the file.

(Petitions referred to may be found in files of the committee.)

Mr. DENHOLM. I hope that all of the witnesses can remain for questioning by members of the committee upon completion of the testimony by all witnesses.

Our next witness is Charles R. Frazier, director of the Washington staff of the National Farmers Organization.

Mr. Frazier.

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

Mr. FRAZIER. Thank you, Mr. Chairman. The board of directors of the National Farmers Organization recently concluded that unbearable discrimination between producers was created by the USDA announcements of December 27, 1972, curtailing the availability of emergency loans to some producers in areas affected by natural disasters. It is now rather widely understood that a large number of applicants, otherwise quite eligible for loans in areas designated by the Secretary of Agriculture or the President, had been encouraged to withhold application until they had finished harvesting 1972 crops and were in position to prepare accurate financial statements. Thus, we find that some producers were accommodated under the emergency loan program and some who are in equally difficult positions, are not able to obtain loans.

In a number of good farming areas, extremely wet weather prohibited harvesting what had promised to be excellent 1972 crops. Some of these producers are literally in a disastrous credit position. Their ability to settle bills accumulated through the 1972 season and finance 1973 farming operations will depend on availability of emergency credit such as is contemplated by this legislation.

H.R. 1975 and similar bills would eliminate the forgiveness feature enacted largely as relief for those suffering extreme losses in Hurri-

cane Agnes and the Rapid City flood—the interest rate could be as high as 6 percent on new loans, and eligibility is restricted to those who cannot otherwise obtain credit at reasonable rates and terms.

If it is agreed that the law currently in effect does in fact preclude the Secretary from establishing reasonable guidelines controlling the use of the forgiveness feature, and if it must be accepted that emergency loans of this nature may be denied a number of producers otherwise eligible under the law, then our first goal must be to reinstate the principles of the emergency loan program that has served so well in disaster areas for a number of years.

It is recommended that these provisions be included in any legislation of this nature:

Availability of the program must be assured in areas hit by natural disasters that would otherwise force capable owners and operators of individual producing units out of farming;

Maximum interest rates should be 3 percent;

Direct loans from FHA should be available if required to supplement funds that might be forthcoming under the “guaranteed” or “insured” loan arrangement; and

Provision should be made for repayment over a period of 3 years with extension where continuing disastrous conditions prevent orderly repayment.

It should be noted that a number of agricultural leaders invited producers to a meeting at Morris, Minn., on January 13, 1973, to discuss this disaster loan program and the cutoff action of the USDA. There were at least 4,500 producers who were sufficiently concerned to attend this meeting. When asked whether they were willing to drop the forgiveness feature in order to continue the program with a repayment schedule of 3 to 5 years and interest rates appropriate to a disaster condition, affirmative response was nearly unanimous.

Farmers and ranchers are accustomed to difficulty. They do not seek handouts. However, when a disaster strikes, some of them who are already carrying a substantial debt load on land, livestock, and equipment are able to recover only if emergency assistance can be available at reasonable cost.

The committee is urged to act on the bills before you. I thank you for this opportunity to express our views.

If I might just add a word, Mr. Chairman, we consider it most important to carefully consider the values and the methods that were employed for a number of years in this emergency program. It served well in many areas throughout the United States in the experience of those of us who have observed and worked with them, and we are confident it can be established. Thank you, sir.

Mr. DENHOLM. Thank you, Mr. Frazier. Can you remain for questioning upon completion of all the testimony by witnesses present?

Mr. FRAZIER. Yes.

Mr. DENHOLM. The next witness is from the State of Minnesota, and may I call upon our distinguished colleague, Mr. Bergland, to introduce the next witness, please.

Mr. BERGLAND. Thank you very much, Mr. Chairman. I am delighted that we have with us today two witnesses from Minnesota: Kermit

Stahn, from Morris, Minn., who is president of an ad hoc committee called Farmers United for Survival in Emergencies. He is accompanied by a member of that group, Vince Ritter, from Chokio, Minn. This committee was started by several thousand farmers in the 14-county region in Minnesota, has been partially sustained financially by bankers and businessmen in this area, and is designed to point out the inequities that have arisen in administration of this disaster loan program, to the attention of the public and to authorities in charge.

At this time, I am delighted to introduce Mr. Kermit Stahn.

Mr. ZWACH. Mr. Chairman?

Mr. Chairman, I would like to supplement a little bit what Congressman Bergland has stated. Until January 23, these members were my constituents. They have now been transferred by the legislature to Congressman Bergland's area. But they are very representative of this western Minnesota area, and I want you to know that I have a number of counties that are exactly in the same situation as are these men, and what they relate will fit very, very well into about eight counties in my congressional district.

Mr. DENHOLM. Thank you, Mr. Zwach.

Mr. Stahn, we welcome you here and we will be pleased to receive your testimony at this time.

The State of Minnesota is well represented by the two distinguished gentlemen that have introduced you. They are effective members of this committee—you may proceed, Mr. Stahn.

STATEMENT OF KERMIT STAHN, PRESIDENT, FARMERS UNITED FOR SURVIVAL IN AN EMERGENCY (FUSE), MORRIS, MINN., ACCOMPANIED BY VINCE RITTER, CHOKIO, MINN.

Mr. STAHN. Thank you. We realize that.

I have here some samples of grain that are being passed around, raised under the disaster conditions in 1972, and also some grain raised in 1971 for your comparison.

I am Kermit Stahn a farmer, from Stevens County, in west central Minnesota.

I am here to testify not only as a family farmer, but also as a spokesman for FUSE.

As a spokesman for FUSE—Farmers United for Survival in Emergencies, a group representing farmers from 15 counties in western Minnesota—I am grateful for this opportunity to appear before your committee today on behalf of thousands of Minnesota farmers who desperately need your help.

We ask your help in restoring disaster emergency assistance that was pledged to us by the Government, through the formal actions of the Congress, the Secretary of Agriculture and President that enacted the Disaster Relief Act of 1972.

We need your help, because the President and the executive branch of the Federal Government has, by arbitrary and unfair administrative action, broken faith with the Congress and with American farmers by terminating the lawfully authorized agricultural disaster loan program 6 months ahead of the legal deadline.

Thousands of farmers in Minnesota alone were foreclosed their rightful opportunity to apply for these emergency loans when the deadline of June 30, 1973, set by law was moved, without warning, to an immediate cutoff on December 27, 1972. Counties that had disaster designation by the President did have 2 weeks warning, but the deadline shift to January 15, 1973, still totally violated the intent of Congress.

FUSE is asking only that the Congress require the President and the Secretary of Agriculture to respect and reimplement the Disaster Act of 1972.

We are not asking for special treatment—only for what the law provided. The aid that has already been granted to those other disaster victims who did apply in time before the "Agriculture Pearl Harbor of 1972."

Rural reaction to the sudden termination of the agricultural disaster aid program by President Nixon and Secretary Earl Butz has been one of disbelief and outrage. The FUSE organization was born of this reaction.

We do not have an exact count of the number of Minnesota farmers who were cheated out of their chance for economic survival when Federal help was suddenly snatched away.

But it is a matter of public record, in scores of Minnesota newspapers, that more than 5,000 persons, bankers, farmers and businessmen, attended the spontaneously called protest and counteraction rally held in Morris, Minn., on January 13.

We do have estimates that the agricultural loss due to disastrous weather experience in the 15 west central Minnesota counties, the same counties most adversely affected by the Federal aid cutoff, exceeds \$20 million. This was the area where nearly 1 million acres of prime farmland was flooded by heavy rains during May, and again in June, July and August—the critical months for field crops production in this northern State.

Without the promised Federal aid, hundreds if not thousands of the family farmers in these Minnesota counties will be forced off their land. The crop losses they suffered in 1972 wiped out the investment and credit for many. They need capital and credit to prepare for the 1973 cropping season. The Emergency Loans Assistance Act is the only hope for many of these farmers.

If these farmers are denied help, not merely the rural communities will suffer the negative economic consequences. Their loss will have an impact on the entire State of Minnesota. The 15 counties in west central Minnesota produce, in a normal year, nearly 30 percent of Minnesota's total cash farm income from field crops. And that loss is relative to the Nation's economy, because Minnesota is the Nation's sixth ranking State in gross farm income.

As I stated before, FUSE asks no special privileges or advantages. All we want is the restoration of the benefits authorized by the Congress in 1972.

All we ask is the restoration of the disaster loans with the same forgiveness feature and the 1-percent interest rate that was accorded under the law to those farmers who were fortunate enough to have

applied before the arbitrary cutoff. And we do insist that the full forgiveness feature be put back into any reinstated program.

The present situation is an intolerable injustice, pitting neighbor against neighbor and threatening to further erode a farm population that is vital to the Nation's food consumers.

Your committee and its influence in the Congress is at this time, our best hope—and the best hope for rural America—to rectify this serious mistake in the administration's intentions to trim Federal spending.

Our disaster started in the fall of 1971. With 13½ inches of rain in less than 2 weeks, about the middle of October I was forced to let my help go (a local high school student) both because of the bleak outlook as to chances of getting our crops harvested or if you will, no income, and also because of his inability to cope with machinery under these adverse conditions.

I was forced to keep one of our four girls out of school whenever we had a chance to work. Her job was to sit on a running tractor all day and into the night and act as a retriever whenever a machine would break through the frost. My wife, as always, was doing the grain hauling and unloading into the bins. We did manage to get 98 percent of our crop out, with the help of two custom operators, but we didn't get any plowing done. And we came up with a loss of about \$6,000.

The spring of 1972 was as you know wet and cold. The little amount of small grain that was planted was planted at the time we were usually cultivating corn for the first time. We finished planting beans when we should have been finished cultivating them the first time. Now continuous rains stopped us from cultivating and in my case, 120 acres never were cultivated. Another 120 acres that we cultivated in the mud turned out worse than the 120 acres we didn't cultivate. Again, I was forced to let my man or student go.

Now as our small, summer harvest went on and was completed, by the way, I did not harvest any oats at all. I put our four girls ages 17, 16, 12, and 11 on the tractors and they plowed in turns. They seemed to rise to the challenge and did as good as some men I have had. I then went out to do custom work. Our fall was again above normal rains. I took beans out at 24 percent moisture (14 percent is normal). Loss in harvesting at high moisture runs high, but not as high as no harvest at all. I dried them later in the winter. We were lucky this fall in that it froze enough to carry the machinery. I again put our girls to work and also hired some help for 5 days. We worked around the clock, 24 hours a day. Now with a rather lean harvest completed, I again went out to do custom work. I did manage to bring in enough money to pay all my hired help. So in true facts we as a family farmed 1,254 acres alone at a loss of over \$29,000.

With the promise of the disaster loan, in the fall I spread \$7,100 of fertilizer and could see a release of enough operating capital to start our oldest girl in college. Now with cancellation of the loans, I am faced with the problem of paying for the fertilizer before I get my spring supply. The few bushels of grain I did harvest did not grow and must be replaced with good seed. Insecticides, herbicides, or spray must be on the farm before the spring work starts. I don't know what to think about our girl's college plans.

You now say to me, "But farm prices are up, you can stand alone." True, they are the highest in my career, but my expenses have doubled in the last 3 years, my operating costs for 1973 are projected at over \$58,000 and now what about the farmers that had no crops at all or the ones that have a few bushels and cannot sell or deliver?

Gentlemen, we need these loans and we need them now. I can operate without it, but many cannot and our community will suffer for many, many years to come.

The law of equal opportunity and access to programs and facilities without regard to race, color, creed, sex, or national origin does not seem to apply here. In other words we are being discriminated against.

Now personally, in my humble opinion, the way the emergency program was passed, a school kid could have done a better job. No guidelines other than a 10-percent loss overall or 20 percent in a major crop. This is too low.

And what happened to the \$2,500 forgiveness from other years? Why was this raised to \$5,000? I would bet only for the election. Why not leave it \$2,500 and complete the program rather than \$5,000 and go half the way or less. Also when you have a disaster enough to be declared so you can't make it up in only 1 year. Therefore, a bit higher interest for more than 1 year would be far better and this in all probability would eliminate the ones who really don't need it, because of the governmental strings. Also, we were declared a disaster area through crop loss. Why can livestock qualify for these moneys? If you supply money for the feed we couldn't raise, why supply the animal too?

And now on behalf of FUSE and thousands of Minnesota farmers I thank this committee for the opportunity to plead for your urgent consideration of congressional action to fully reinstate the emergency loan provisions of the Disaster Assistance Act of 1972.

Mr. DENHOLM. Thank you very much, Mr. Stahn.

That completes the list of the witnesses present today. Now, if each of you will please gather around the witness table we will open the panel for inquiries from the members of the committee.

The Chairman will recognize the distinguished gentleman from Minnesota, Mr. Zwach.

Mr. ZWACH. Thank you, Mr. Chairman.

I am very happy to have you gentlemen repeat what some of us in Congress have been saying over and over and over again. I think generally, we feel it was a very, very unjust and unfair act. We have tried to make this impression felt everywhere that we possible could and I think we have to try to salvage what we can of this program.

I would like to say this to the dairymen from New Jersey. I would hope that you would not repeat statements like hay and corn we have to purchase at exorbitant prices. Now, corn in my congressional district, great corn country, went \$1.23 a bushel, cost of production plus maybe a cent or two. It is very, very close. So we hope our good dairy friends, whom we hope also raise silage and hay, and our family operations, so they also do not just supply their feed, we would hope that they do not try to play against their prices.

Now, corn is at 67 percent of parity. In dairy prices, milk is at 76 percent of parity. I want to point out that I hope we do not attack

the great Midwest, the basket of feed, and especially corn, which is still very low. You do not have to buy it at tremendously exorbitant prices unless in between the producer and you there are some things that take place that will bring their corn up to a tremendous price.

This was the worst disaster in a century in Minnesota; in western Minnesota, since the ground was plowed. I think that our speaker has well presented that and we will continue to try to do everything we can to get fairness of treatment into that area. As for now, I think that is perhaps all I have to say to you.

Mr. TOTTEN. Might I make a statement, please?

Mr. ZWACH. Surely.

Mr. TOTTEN. Your very fine Midwestern corn cost us \$1.89 a bushel at our local feed mill in Hunterdon County, New Jersey. So we—

Mr. ZWACH. But the average price in the Sixth Congressional District, last week—I keep weekly counts of it—was \$1.21 to \$1.23 and we cannot get boxcars to move it. That might be part of the problem.

Mr. TOTTEN. That is true.

Mr. ZWACH. I appreciate your comment and I know you are not attacking the feed grain producers in your statement.

I would like to say another thing about soybeans. Really, I think you need to take a careful look. This is going to come up soon in our dairy committee. I notice that the processor of soybeans now is making \$1.24 a bushel, where a year ago, it was around 78 cents a bushel for just the process. That is quite a few dollars a ton on soybeans right there. I think as producers, we want to look at that area rather than just complain about the high price of soybean meal. It is true that soybeans are just about at parity now. They are just about in the area where they really are at a good price—they are 93 percent of parity on soybeans. But there is this other problem of process or charges that are ten times as high as they were a year ago. The cost for processing a bushel of beans—I think we need to look into this.

Thank you, Mr. Chairman.

Mr. DENHOLM. Thank you. Those are valuable comments.

Now, for the benefit of the witnesses and in the interest of time—we try to limit each member of the committee on the first round of inquiry to 5 minutes that everyone will have an opportunity to ask questions.

Mr. Stubblefield?

Mr. STUBBLEFIELD. Thank you, Mr. Chairman.

Mr. Chairman, I would just like to observe that most of the witnesses have referred to the Farmers Home Administration personnel. I know that you gentlemen do not think that your local offices or your local supervisors are responsible for misleading you, that this was handed down from the top.

We do not know who handed it down. We have never been able to question the Executive Department as to who it was, but some of them have suggested that it might have been that scientific farmer, "Cap" Weinberger, who is Chairman of the Bureau of the Budget, or someone else in the Bureau of the Budget who is qualified to be a farmer. But I am sure that you agree that your local supervisors in the county or the offices themselves are not responsible for this misleading information that was given to you.

You know, we have insisted for years that the Farmers Home Administration be given additional personnel in order to function and I know that former director, Jim Smith, has tried to impress upon the Administration the need for additional personnel. But it seems that recently, they have announced that they are even going to cut it shorter, I believe by 700 jobs.

These fellows have done a great job in my opinion. They have been willing to meet with us after hours to talk about water districts and sewer districts. We say, well, we will be busy during the day, can you come over tonight about 8 or 9 o'clock and spend about 3 or 4 hours with us. Well, these fellows have really extended themselves in order to try to accommodate all of the rural areas and their problems. So I just want to make that statement in behalf of the local personnel of the Farmers Home Administration.

I would also like to ask Mr. McEwen—did he leave?

Well, I am not a sponsor of a bill, but I wanted to ask him whether he would be amenable to inserting a maturity date in his bill. I do not think his bill had any reference to a maturity date which you gentlemen have referred to. I think it is very necessary that some reference should be made in his bill to the extended maturity date. I do not suppose any commercial bank is going to make a loan for over 12 months. They do not down in my State. When you replace dairy stock, you have to have more than 12 months leeway to operate.

Mr. BARTON. Congressman Denholm, could I respond? I am Weldon Barton, Farmers Union.

As far as the Farmers Union is concerned, we did not intend in any sense, Congressman Stubblefield, to castigate the local personnel of the Farmers Home Administration. We recognize that generally speaking, they do a good job, the best job they can. The only problem here is that these were the personnel speaking for the Department of Agriculture and the Administration, the only people that farmers had contact with. They are the farmer's contact with the Administration. And indeed, you could say that all the FHA people were doing was relaying to the farmers that this was the law, the statutory commitment, and that it was going to be available to July 1 of 1973. But unfortunately, they are in a sense caught in the middle of this. Nevertheless, they are the people in Administration that farmers had contact with and got these verbal assurances from.

Mr. STUBBLEFIELD. I appreciate the jest statement. I just want to clear it up that these fellows are, at least the largest percentage of them that you will find today, want to be helpful.

Mr. Chairman, that is all I have.

Mr. DENHOLM. Thank you very much, Mr. Stubblefield.

The Chair, if there is no objection, will state for the record that I discovered this morning on reading the Federal Register that there is an Executive order that was published dated January 17, 1973, and giving the Department of Agriculture the authority to invade the personal income tax return of every American farmer. At least two major farm organizations are represented here this morning and some of you may be interested in the publication of such an Executive order.

The Chair will now recognize Mr. Sebelius.

Mr. SEBELIUS. Thank you, Mr. Chairman. I appreciate the statements made here this morning. I think we all believe a person should be somebody of their word. The Government, in this instance, is not keeping its word and it has backed up. Frankly, I do not favor the \$5,000 forgiveness provision, I do not think many of my farmers do. I do not favor the 1 percent 40-year loan or otherwise. I do not think my farmers do. But they do want to be treated fairly.

I will not get into a lot of discussion on it because in my 57 counties there is perpetual disaster, whether declared by the Secretary or the President. We take it if there is too much water this year, that is going to be a blessing next year and we do not complain too much. But I think the Government should keep its word and I appreciate your complaints on that subject and I appreciate your taking the time to come here and give us the benefit of your feelings and thoughts here this morning.

Thank you.

Mr. DENHOLM. Thank you, Mr. Sebelius.

The Chair will now recognize the distinguished gentleman from North Carolina, Mr. Jones.

Mr. JONES of North Carolina. Thank you, Mr. Chairman.

I wish to say I appreciate your coming here this morning and I would like to make a few remarks. I think we need to realize that we are dealing with an emergency situation, which we all do. We are also dealing with an administration which, looking at their side of it, feels that this unusual situation which did develop in recent months and otherwise brought an unprecedented amount of applications which carried the amount of money involved far beyond the comprehension or thinking of anybody at the time this bill was introduced in 1972. Here this morning, there has been mentioned once or twice, and this concerns me a great deal, the fact that we have the two different designations, one by the Secretary of Agriculture which provides limited benefits in theory; the other the Presidential declaration which provides unlimited benefits, also in theory. What is going to happen to this legislation today, whether we get it through the Congress and whether the President will accept it, remains to be seen. It is a foregone conclusion substantiated by recent actions that somewhere down the line, the executive has decided that they have the power to tell the Congress what to do and not do and to disagree with it or agree with it in the areas of withholding funds. So much for the comments about the emergency situation.

All of you are aware that this Congress is charged this year with writing a new farm bill or renewing the present one, whichever the case may be. Looking ahead and trying to come up with something which might serve its purpose during these periods of emergency in order to be fair to all farmers, I am wondering what your response would be if an approach was made to these emergency loans similarly to that of SBA doing their emergency loans—to wit, processing and working through local banks? It has been stated here this morning that perhaps banks have a limit of time on their loan participation. But all of you know they do handle more and more, as time goes on, SBA loans on a 90-percent guarantee. Would anybody care to make any response to that?

Mr. FRAZIER. I would respond only this way. Last week there was a meeting of the executive committee of the Independent Bankers Association. They reminded me of their general success of increasing deposits and thus placing these country banks in a pretty good position in a year when farm income is good. They also cited the customary reverse in a year when agricultural income falls and local businessmen suffer similar consequences. So far my part, I believe I would not challenge or question the suggestion you offer, but I think it important that FHA also have authority and funds available, perhaps under the old revolving fund arrangement that they used for years, so that direct loans also may be made available if needed in a community or a county where private funds might dry up or might be very slow, you know, in coming on the loans when the men need them quickly.

Mr. JONES of North Carolina. Well, if I follow our answer correctly, you think, perhaps, that maybe combining the two approaches might have some merit?

Mr. FRAZIER. I see no reason why they should not both be made available.

Mr. BARTON. Congressman Jones, I would respond very briefly. Farmers Union would agree that there is merit in the insured loan approach, of running through the private banks, and also maintaining something of a direct loan from the Farmers Home Administration.

In addition, we think that the key to this is whether you keep a federally assisted loan—that is, whether the Government, however it is done, reduces the interest rate. If you are going to throw out all of the forgiveness feature—we recognize the problem with the forgiveness over the long run—let's keep a reduced interest loan, down to 3 percent.

If you have a farmer faced with an emergency, he can pay a lower interest rate and spread this over a period of time so that he can recover from his losses.

Mr. JONES of North Carolina. Mr. Chairman, this is the first time I have spoken in this committee in a week and I have been advised that my time is up.

Thank you very much.

Mr. DENHOLM. Thank you very much, Mr. Jones.

I recognize Mr. Symms.

Mr. SYMMS. Thank you Mr. Chairman. I appreciate the testimony of the gentlemen. I have no questions.

Mr. DENHOLM. Mr. Bergland?

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

Gentlemen, the bills before us generally change the program rather sharply in raising the interest rates, termination of the forgiveness features, and I think that you and others who have preceded you this week have pointed out a problem that must be remedied. But it can't be remedied by the vehicle we are considering.

Mr. Chairman, I would like to inform the members of the committee that my colleague and friend from Minnesota, Mr. Zwach, and I intend to offer an amendment to these bills at the proper time that will provide for a grandfather clause so that any county that had been designated as eligible for FHA assistance and terminated by action of the Secretary would be reinstated so all farmers in the county would

all be treated alike. I think that if we can afford to start a program, we certainly must be able to afford to finish it. It is a matter of credibility and ethics that is at stake in this matter.

I would like to ask Mr. Stahn a question. You say you sustained a loss of over \$29,000 on your farm and I know that your place is a well-run and a very efficient unit. How long will it take you to recover that \$29,000 loss? Can you recover that loss in 1 year's time?

Mr. STAHN. Oh, definitely not, in 1 year. Combined with the \$6,000 we lost in 1971 due to the rain starting in the end of October, about the second week in October—regain it? We never will. To get back to the place that we would have been if we would have had a crop this year, I suspect it is going to take 7 or 8 years.

Mr. BERGLAND. Seven or 8 years to recover from this loss?

Mr. STAHN. Yes, and then I will be starting at the point where I would have been if I would have got a crop in 1972. In other words, I have wiped 7 years of work out.

Mr. BERGLAND. You are reinforcing the argument advanced by some that we must extend the repayment period?

Mr. STAHN. Yes.

Mr. BERGLAND. That you cannot repay a disaster loan in the first year and repay all other expenses and all other deferred accounts due in the same crop year?

Mr. STAHN. With the prices we were getting in 1971, a lot of people will never recover. I am 37, 38 years old. I will make it. But the average age in our county is 48.8, in the State of Minnesota is 48.2. I do not think these people—of course, at that age they probably are farming a little bit less acres or in the family farming a little bit. I do not think—in the 50-year age bracket, they probably are going to stick it out the best they can and hope they can write it off with their Social Security retirement. They are not even going to regain their loss.

Mr. BERGLAND. Could you give this committee an educated guess as to how many farmers in your organization would have applied for credit but did not do so because they were advised by the county officials of Farmers Home to wait with their application until there was more time for consideration and how many may have been approved? What are we talking about in terms of numbers? Were most of them processed and approved?

Mr. STAHN. I can give you an exact count for Stevens and Grant Counties, which have an FHA office together. When the first cutoff came on December 27, it said the postmark will be as of the 27th. There were 418 applicants approved. When they changed the cutoff to apply to any applications in the office shall be finished and processed and honored, there were 539. In these two counties, we had signup—now, they took appointments, because the staff of FHA is just too small and inadequate to handle this amount of applications. They are just overwhelmed. They had another 640 to go in these two counties.

Now, out of this 539—and you will have to recognize here that the first people to apply for these loans were the people that had the smaller losses, the people that got into their land earlier in the spring, the highland, and the harvest was completed first, so they got in and got their applications filed. These people, less than half of our total, their loan runs an average of \$5,100, and a lot of people did not want any of

the FHA strings attached. They just walked in, took the \$5,000, and walked back out again. Of the 15 counties in the FUSE group, this would only be an educated guess, but I would guess that about 85 percent of the total farmers would qualify for the loans.

Mr. BERGLAND. And maybe a third actually got their application in under the deadline?

Mr. STAHN. Yes. That is about right.

Mr. BERGLAND. Thank you very much, gentlemen.

Thank you, Mr. Chairman.

Mr. DENHOLM. Thank you, Mr. Bergland.

The Chair will now recognize the distinguished gentleman from South Carolina, Mr. Young.

Mr. YOUNG. Thank you very much, Mr. Chairman. I appreciate those kind remarks.

I would like to ask Dr. Weldon Barton if I may. In the event we could not get this 3-percent loan, would your organization be content to have a 6-percent loan?

Mr. BARTON. Congressman, the answer to that is "No" at this point. As I emphasized in my statement, if we are going to totally throw out the forgiveness provision, if we are going to go up to 6 percent, which is above the rate charged now on regular operating loans of the Farmers Home Administration, then let us, for the time being, concentrate on bringing equity to those people who were deprived of loans by the cutoff on December 27. Otherwise, we should wait and, in the meantime, try to push some more money into the operating loan program.

In talking with the people in the operating loan program of FHA, they tell me there now is a terrific run on that program. They have exhausted their funds for some of the Southern States that now are getting ready for the new crop year. If we cannot get a reasonable compromise here on going forward with this program, then we ought to just hold off and try to increase the funds for those States through the operating loan program until we can do something better about a long-range emergency loan program.

Mr. YOUNG. I would just like to say to the other witnesses, I only have 5 minutes and several questions. So, Dr. Barton, let me ask you another question. You talk about the 3 years in your statement. As a practical matter, the man who went in to the Farmers Home Administration and said, "I simply can't pay this," do you think the Farmers Home Administration would help him over a period of 3 years rather than have it mandatory?

Mr. BARTON. I am not sure. I must say there have to be doubts about this. I think we have to recognize that the Farmers Home Administration over the last several years has moved toward tighter loans, higher interest rates, tightening up on loans generally for borrowers. In addition to that, we have the general problem of discretion of the Secretary and of the administration to carry out or not to carry out programs, which has come about with these impoundments and terminations of programs. So I frankly think that we need a little stronger language there. We need mandatory language.

We are talking about a loan where the farmer must indicate that he can't get credit elsewhere and that he is faced with a bona fide emer-

gency. Under those conditions, if a smaller farmer loses a crop and he is not allowed a period of 2 to 3 years to come back and make another crop before he has to pay it off, he has to go out of business.

Mr. YOUNG. Dr. Barton, are you a college professor? You can just answer that yes or no.

Mr. BARTON. No; I am not.

Mr. YOUNG. I would like to ask Kermit this. Have you sold your beans for 1971, your 1972 beans?

Mr. STAHN. I sold for approximately half of what I thought I was going to get in July of 1970.

Mr. YOUNG. On futures?

Mr. STAHN. No; I sold them period. They were sold through a contract. I sold them for \$3.04. I then again sold, about 2 weeks ago, I was down to about 400 bushels, I sold that at \$4.16. This helped considerably.

Mr. YOUNG. I am a farmer, too, and I sold all of mine at the \$3.57 price and I wish I had been smart enough to hold mine, too.

I would like to ask Mr. Frazier one question. Is the NFO backing the 1975 bill of Mr. Alexander?

Mr. FRAZIER. Not specifically. I undertook to emphasize in my testimony that we appreciate the effort and the intent and we are sure that we need some action on the part of your committee, but as a matter of principle, I would like to urge you to go for 3-percent loans and some reasonable period for repayment, we will say 3 years, for example.

Mr. YOUNG. But if we had a choice to get a bill through right away at 6 percent or a choice to, over a long period of time, maybe or maybe not get through with a Presidential veto at 3 percent, would you go for the H.R. 1975?

Mr. FRAZIER. Well, to say it my way, we would certainly be less than enthusiastic for a 6-percent bill. We do not feel that we could have that much confidence in what the people down there at the Department would do with it, sir. Our recent experience forces us to come to this conclusion.

Mr. YOUNG. I have no further questions, Mr. Chairman.

Mr. DENHOLM. Thank you, Mr. Young.

The Chair will now recognize the gentleman from California, Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman.

As a new Member from California, I want to say that this testimony has been very enlightening. It gives me an opportunity to understand something about conditions that we do not suffer from in California quite so much.

I have no further questions.

Mr. DENHOLM. Thank you, Mr. Brown.

The Chair will now recognize Mr. Johnson from Colorado.

Mr. JOHNSON. Thank you, Mr. Chairman.

It is not quite clear to me just exactly what you gentlemen are saying with respect to the forgiveness feature. If I can paraphrase what I hear you saying, we all recognize that it was a bad program, but because some people got \$5,000, everybody should get five? Is that what some of you are saying?

Mr. STAHN. I would like to respond to that. We had a meeting of the FUSE board in St. Paul just before we got on the plane and we

came up with this: Being the program has started, you cannot lessen the \$5,000 half way through the now present program.

Mr. JOHNSON. We cannot take away the \$5,000 that has already been given, that is right.

Mr. STAHN. You have two choices. You are either going to have to continue the program and finish it out at \$5,000 the way it was originally started, or gentlemen, you have to recall the whole damn program. And don't tell me you can't.

Mr. JOHNSON. You do not think we can ever correct a mistake in the middle of the problem, that we have to go through with it?

Mr. STAHN. You cannot treat two farmers, both qualified, side-by-side, in two different ways. You cannot do this. This is going to tear our community apart. In fact, it is. I have a neighbor half a mile from me that got the \$5,000. We are in a local social club out there, card parties; every time the disaster loan program is brought up, he gets up and walks out. He cannot take it. He feels guilty for getting it. Down the road about 5 miles, there is a bunch of them that have kind of split their party up and go separate ways.

Mr. JOHNSON. Mr. Stahn, do you think that is a worthwhile program? Do you think we ought to keep a \$5,000 forgiveness?

Mr. STAHN. For future programs.

Mr. JOHNSON. What I want to know is are you guys demanding that we keep the \$5,000 in because you are demanding that you get something? What do you really want?

Mr. STAHN. We want the present program the way it was enacted reinstated in its entirety to June 30, of 1973. From then on it is another ball game.

Mr. JOHNSON. Do you realize what that is going to cost?

Mr. STAHN. What does it cost us? We are the bottom of the economy of the United States. We are the backbone of the country. Somebody has to foot the bill.

Mr. JOHNSON. I agree that you are the backbone of the country. But I also believe when you start talking about \$5,000 forgiveness, why not give it to lawyers or Congressmen or cobblers or anybody else? People have tough times. I am in favor of your loan program, but when you start talking about a forgiveness program, a grant, it seems to me you are not talking about the sort of thing I understand.

Mr. STAHN. I would say to that, we did not author this bill.

Mr. JOHNSON. I was not here, either. I did not author it. I would not have voted for it. Now we have something to live with.

Mr. STAHN. I would say that the people who declared these counties a disaster area were not capable of declaring it because they did not know what the hell they were doing. They did not know how many farmers were out there. They did not know the extent of their disaster and I think it is about time that somebody up here realized what is going on out in the rural areas.

Mr. JOHNSON. I am trying to find out about this, but it seems to me you want to go ahead and compound the error. You say it is a mistake, I think it is a mistake, but you want to go ahead and compound it. Does that really make sense to you?

Mr. STAHN. I think it was a bad program. I think the one in 1971 was better.

Mr. JOHNSON. What about the rest of you?

Mr. TOTTEN. I agree with him 100 percent.

Mr. SNOOK. For me from Sussex County, I think we are faced with problems some other areas in the United States are not faced with. In one instance, we are farming in an area that has the highest land value, highest tax value, even with the benefit of our Farmland Assessment Act. When we have a problem in New Jersey, a farm problem such as the one we have just lived through—I am speaking for myself when I say this. As the chairman pointed out, they invaded our privacy by asking us information from our income tax form. But by golly, the conditions that we have been operating under, I will let anybody look at my income tax.

Now, to get back to the question that you are trying to press us on, if the \$5,000 was set up, perhaps it was a mistake, it was too much. This is my personal feeling. Why not cut it back to the 1971 act, the \$2,500 forgiveness?

Mr. JOHNSON. How about you, Dr. Barton.

Mr. DENHOLM. Excuse me, Mr. Johnson, but your time has expired. I have permitted the answers for the record.

Mr. JOHNSON. Excuse me.

Mr. DENHOLM. Thank you. We will try to return to you after others of the committee had an opportunity to inquire of the witnesses.

May I now recognize Mr. Rose.

Mr. ROSE. Thank you, Mr. Chairman.

Gentlemen, I hear you very clearly. I am sorry that my colleague has maybe a little problem in hearing what you are saying. I hear you very clearly and I think you have done a wonderful job this morning of representing your areas and organization. I for one heard what you had to say and will support measures that will move you in that direction.

I do not want to keep you here much longer, but I want to share with you a little bit of wisdom that I got over the telephone the other day from one of my rural philosophers in my district. He called me up and he said, "Congressman," he said, "I have decided how to make farming work down here." He said, "I am going to start growing jet airplanes, because when you have a crop failure growing jet airplanes, you do not have the same kind of trouble we have got now getting disaster relief."

Now, you might pass that along. I hope we can raise the priorities in this country to look after the American farmer. I am new at this. I am a freshman. But I appreciate what you have said here today and I am going to keep listening to you.

Mr. BARTON. Congressman Rose, since you have mentioned crop failures and jet aircraft, could I respond very briefly to that?

Mr. ROSE. Yes.

Mr. BARTON. I just happen to have brought with me some of the instances of crop failures in weapons systems that Senator Proxmire put into the Congressional Record last August 3, 1972. He lists some 45 major weapons systems that had at that time cost overruns of \$36.5 billion. He talks about the Safeguard ABM overrun of \$2.1 billion; the B-1 bomber, \$2.2 billion; C5-A aircraft, \$1.8 billion; F-111 aircraft, \$4.9 billion; and so on.

The Under Secretary was before the committee yesterday and he said that this program, if it was allowed to run and allowed equity to farmers wherever they are located and whether or not they happened to get in by December 27, could run up to \$800 million or \$1 billion by the end of this fiscal year. Now, we all recognize the problems with the program, but if we are going to allow these kinds of crop failures to be bailed out in the jet aircraft field, maybe we can allow a slippage from time to time in the farm programs as well.

Mr. ROSE. Thank you.

Mr. DENHOLM. Thank you very much, Mr. Rose.

Mr. SNOOK. Mr. Chairman, could I make one more statement? It is just a short one.

Mr. DENHOLM. Yes; go ahead.

Mr. SNOOK. I wanted to clarify a statement Mr. Zwach made toward the dairy farmers in New Jersey. I am sure he understands the fact that we want to work with all farmers, that we want to see all farmers make a reasonable profit. But there is one little instance here I would like to leave with you.

You have all heard tell of black strap molasses. Now, black strap molasses on January 30, 1972, was 16 cents a gallon. On January 1, 1973, it is 30 cents a gallon. That is today's price.

Now, gentlemen, black strap molasses is a byproduct. What I feel is that perhaps from the grain farmer to the broker, everybody is getting on the bandwagon, maybe perhaps on this \$5,000 write off, I do not know. But I just want to leave you that little message to clarify the position of Mr. Zwach.

Mr. ZWACH. I appreciate that very much.

Mr. DENHOLM. Thank you very much. Our distinguished chairman is back with us and he has been busy on another matter before the Rules Committee.

Will the distinguished gentleman permit me to ask if the chairman may have questions.

The CHAIRMAN. No questions.

Mr. DENHOLM. The Chair will recognize the gentleman from Illinois, Mr. Madigan.

Mr. MADIGAN. I would like to ask Professor Barton what the figures were you used when you were quoting Senator Proxmire on the cost overrun on the B-1 aircraft?

Mr. BARTON. Let me say first that I indicated in response to Congressman Young's question that I was not a college professor? I answered no to that question.

Now, you said what is my source or what is his source?

Mr. MADIGAN. No; what is the figure that you use?

Mr. BARTON. I used the figure—he pointed out that for 45 major weapons systems, the cost overrun, as the report came from the General Accounting Office to him and was submitted in the August 3, 1972, Congressional Record, was a total of \$36.5 billion.

Mr. MADIGAN. I asked you specifically about the B-1 aircraft.

Mr. BARTON. The B-1 bomber, \$2.2 billion.

Mr. MADIGAN. You might be interested in knowing that the total amount of money that has been appropriated by the Federal Government for the development of that aircraft is \$650 million, that there

is not any cost overrun at all, and that the aircraft does not yet exist. So that figure could hardly be correct.

I call that to your attention only to encourage you when you are testifying before the committee to not put into the committee record things that you have read in a newspaper, because that figure is not correct. I would not begin to challenge any of the others, but that one is something I happen to know about since it is very closely linked to the economy of my district. Just as the members of this committee are not inclined or not disposed, I am sure, to take at face value everything that they read or hear, I would encourage you to be equally discriminatory in the things that you quote to the committee.

I have no other questions.

Mr. DENHOLM. Thank you, Mr. Madigan. Mr. Zwach is seeking recognition—will you yield to Mr. Zwach for time that you have remaining Mr. Madigan?

Mr. MADIGAN. Yes, I will be happy to.

Mr. DENHOLM. Mr. Zwach. That is the only way that I can recognize you at this time.

Mr. ZWACH. Mr. Chairman, I think something should be made clear for the record and I want to get this in. I as much as any one was responsible for including producers under this law. But this was not a producers' law and I want the record to show that there were thousands of Hurricane Agnes people along rivers and Rapid City, S. Dak., people that were not farmers that collected under this Bill. The President himself set it at \$5,000 for Hurricane Agnes and for Rapid City. I felt what was good for people that were hurt by Hurricane Agnes and the Rapid City floods also should apply to our people, who did not only suffer for 1 day and have a loss, but suffered for a year or more to add up to this loss.

So this is not a farmer's give away. Most of this money wen to other types of people—bankers, everybody living along the business places, along the rivers. I think this is basic.

Now, second, I admit that it was very poorly written. I begged the FHA when we first passed it to make very strict regulations on how people are going to apply. Then to come out to say that if you have a 10 percent loss in your production, in your crop—well, I have farmed all my life and I have never had 2 years where my crop did not vary 10 percent. So it should have been 20 or 25 percent and then given it to the fellows that honest-to-God need it and not given it to the fellows that really did not need it. That is the thing that is wrong here.

If it is reinstated, they could tighten up these problems, give them to the people that need to stay in agriculture. That was the purpose in the first place. But it was given to lots of other Americans except producers, only they had to suffer through a year to wait to see how heavy their loss was. They did not have a porch torn away in one night like somebody on the Susquehanna River, for instance, did. They suffered through a year and a year and a half. But their loss was the same. To cut them off on December 27 discriminated against the producers who had to wait to assess their loss.

I want that in the record so that it is known that this was not just a farmer's so-called giveaway.

Mr. DENHOLM. Thank you, Mr. Zwach.

Now, that completes the first round of inquiry by the members that were present. Mr. Wampler was called away on another matter and he has returned—

Mr. BARTON. Congressman Denholm, in fairness to Senator Proxmire, could I have just a second to respond to Congressman Madigan's comment and clear up this figure that I have cited?

Mr. DENHOLM. Is there objection?

[No response.]

Mr. DENHOLM. It is so ordered and you may proceed.

Mr. BARTON. I mentioned the \$2.1 billion cost overrun on the B-1. It is actually the planning estimate, the original planning estimate for the B-1 was \$8.9 billion and the current estimate is now \$11.1 billion. So I am sure it is correct, as Congressman Madigan pointed out, that perhaps only \$600 million has been spent. The difference between the original planning estimate, at least according to Senator Proxmire's figures, and the current estimate has now run up about that by \$2.1 billion. So I did want to make that technical correction for the record.

Mr. DENHOLM. Very well.

Now, the Chair will first recognize Mr. Wampler, who has not had an opportunity to inquire of the witnesses.

Mr. WAMPLER. I thank the charman. I have no statement to make other than this one observation and maybe it is not altogether germane to our hearings this morning. But since a large, significant number of our witnesses are dairy producers, it has already been announced that beginning on next Thursday, there will be hearings before the Dairy and Poultry Subcommittee on an 85 percent of parity bill. We are concerned about the future of the dairy farmer and this bill relates, of course, to the existence of a lot of dairy farmers.

I appreciate each of you gentlemen coming here this morning. I enjoyed hearing your testimony and certainly it will have great bearing on me as we deliberate in the committee on trying to come up with an answer and try to alleviate an inequitable situation. I think the Government should be responsive in trying to meet the needs of the people and certainly we on this committee are primarily concerned with agriculture and those who produce the food and fiber of this nation. We appreciate you gentlemen coming here and taking the time to give us the benefit of your testimony.

I will be glad to yield to the gentleman from Illinois if he desires to make a statement.

Mr. MADIGAN. I do not want to belabor this, but you equated a \$5,000 forgiveness feature in a loan program and my interpretation of what you said was that because we have done this for some people, we should do this for all people. We can rationalize that by looking at the amount of money that we have thrown away on these things that we should do it for others as well. The fact of the matter is we have not thrown that money away. This Congress will decide whether or not that money will be spent. And it is not fair for you to try to impress upon the Congress that it would be fair for us to give away more \$5,000 checks on the basis of something that we have not done by suggesting that we have done it. That is the point I am trying to make.

Mr. BARTON. I was not using this to indicate that we should do it in other areas, Congressman, but simply to point out that there is precedent for it. To keep this short let me add that the administration did have options in this regard. The administration could have, for example, declared a 1½-month moratorium on these loans to give the Congress an opportunity to get back in town, to get back in session, and then make suggestions in the meantime for changing the program so that Congress could have dealt with it. This would have maintained the basic authority of Congress over this program, rather than the administration taking unilateral action to terminate it without any opportunity for the Congress to respond. So I think there were options open to the administration to keep from making this decision that was made.

Thank you, Mr. Chairman.

Mr. DENHOLM. Permit me to interrupt just long enough to announce that there will be an executive session of this committee this afternoon at 2 p.m. in this room. I regret that some members have left before I made that announcement but I am hopeful that each of them will be appropriately notified of the executive session of the committee at 2 p.m., today.

Congress has convened at 12 o'clock and the chairman has been called to the floor now to make a statement there in behalf of the late President Lyndon Johnson. I will stay as long as there are further questions. Let's see if we can go around the table again here one more time.

Mr. Stubblefield?

Mr. STUBBLEFIELD. I would just like to add my appreciation to these gentlemen for coming here to testify.

Gentlemen, thank you very much.

Mr. DENHOLM. Mr. Zwach, Mr. Wampler? Is there anything further to come before the committee at this time?

[No response.]

Mr. STAHN. I would like to say one other thing to impress upon you gentlemen that all of these moneys are not giveaways. These are emergency loans with a forgiveness feature so the total amount of the cost of this program is not given away. Some of it is coming back.

Mr. JOHNSON. May I respond?

Mr. DENHOLM. Yes.

Mr. JOHNSON. I do not think you understood what I was saying. I said I am in favor of farm credit, I am in favor of these emergency loan programs. But it seems to me that you discredit these kinds of programs when you ask for the forgiveness features and in the case of the \$5,000, that amounts, according to the testimony we received yesterday, to approximately 70 percent of the total amount that is loaned. So if you are going to give a billion dollars worth of loans away, \$700 million of it will be forgiven. That is the testimony we got the other day. And it seems to me that that discredits these things.

I did not know if you are really asking for the \$5,000 or if you are up here saying, we want the \$5,000, but we will settle for the 3 percent. The \$5,000 does seem inconsistent to me, the forgiveness features. I am all in favor of your credit requirements, but the \$5,000 forgiveness, I simply can't go with you on that. I was just trying to find out how

many of you really honest to God believe you should have it. I guess most of you do.

Mr. STAHN. I am a representative of FUSE, and they say, being it was started, it ought to be completed for this year; either that or throw the whole damn program out and call it all back. This is unfair. It is just unheard of in any circles. You do not even cheat at card games at home and get by with it and this is what it is. It is cheating in the middle of the game.

Mr. DENHOLM. Mr. Frazier is asking for recognition. Do you have something further for the record?

Mr. FRAZIER. Just quickly. I did not get a chance to respond to Mr. Johnson's question a moment ago.

I confess, I hardly know the complete and solid answer on what to do about the \$5,000 feature from here, but since it is still a matter of law until midsummer. I do suggest that the administration might very properly be expected to reinstate the program and establish such guidelines as they think are appropriate in order to establish some equity among these growers who are, after all, found to be in almost exactly the same condition up and down the roads in these hard-hit areas.

Mr. DENHOLM. I think that is true. There is a law on the books, it is statutory law—enacted by the Congress, signed by the President. It is in effect today as much so as it was on and prior to the 26th day of December 1972. The money appropriated has not been spent. The committee is conducting hearings to determine what the alternative should be, what can be done in lieu of the moratorium that was invoked on December 27. As Mr. Rose said we have heard you. We understand the problem. The issue that bothers us most and which bothered the Secretary of Agriculture when he appeared before our committee was the inequities of the present policy to terminate a program and to do so without notice.

Mr. TOTTEN. My name is Ken Totten from Hunterdon County, N.J. I just want to state very briefly that if I enter into a contract to sell my beans in July, I have to either deliver the beans or buy the contract. When I enter into a contract to sell to a dairy plant, I enter into a contract to sell my milk there. I cannot sell 10 pounds there and 100 pounds somewhere else.

I do not agree with the \$5,000 giveaway at all, but I do feel when a law is passed, if I have to live up to my contract, I think other people should have to live up to their contract.

Mr. DENHOLM. That is the problem before the committee.

It is very difficult for us. If the administration had administered the program as written into law and signed by the President and exhausted all of the appropriations to fund the program in executing an act of Congress—the issue of supplemental appropriations based on accumulated experiences would be the resolve of the Congress. It is my judgment the administration should have done exactly that and permitted the Congress to provide the solution.

I thank each of you again for coming here today and we appreciate your statements and prepared testimony of record.

The committee is adjourned.

(Whereupon at 12:10 p.m. the committee adjourned.)

(The following statements and letter were also submitted to the committee:)

STATEMENT OF HON. JOHN PAUL HAMMERSCHMIDT, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ARKANSAS

Mr. Chairman, as cosponsor of H.R. 3342 along with my distinguished colleague, Mr. Alexander from Arkansas, I strongly urge the Committee to favorably report legislation which would restore the Farmers Home Administration Emergency Loan Program.

I concur with the goal of the Administration in holding down the level of Federal spending in an effort to reverse the trend in the rising deficit and contain our economy's inflationary spiral. However, I have strong reservations about the abrupt termination of numerous programs which pose undue hardships on the agricultural sector of our national economy.

The Emergency Loan Program was one such program which was halted without an alternative proposal. H.R. 1975 offers a compromise which retains a reasonable method of loan assistance for disaster relief and removes the costly portions of the program terminated.

H.R. 1975 removes the "forgiveness" clause and thereby, in the long-term view, places the emergency loan system on a self-funding basis. The bill also places the program on a realistic level, in line with current government lending practices, by establishing interest at 6% maximum and requiring that applicants be unable to acquire credit from private enterprise sources at reasonable rates and terms.

Also consistent with the trend in current government financing, loans would be insured and not on a direct basis as currently provided for in the Emergency Loan provisions. The proposed program would still provide significant assistance to rural America in the event of disaster, but I cannot see how it would contribute appreciably to either the rising deficit or pose an inflationary stimulus.

H.R. 1975 is a step in the direction of fiscal responsibility. It is sound legislation incorporating reasonable monetary policy, strong regulations against abuse, and extension of federal aid in cases of need which cannot be met from the private sector of the economy.

This legislation will greatly benefit the federal government's interest in safeguarding taxpayers in vital agricultural production areas when natural disaster strikes and there are no other resources for relief to restore economic health.

STATEMENT OF HON. RAY THORNTON, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF ARKANSAS

Last year some 5,000 to 6,000 Arkansas farmers suffered an estimated \$93 million in crop losses due to rain, hail and drouths, and about 1,000 of them are in deparate need of emergency loans to carry on their operations.

In my own District, torrents of rain tore out crops in Dallas, Desha and Hempstead counties; summer drouths burned out pastures in Grant County; disastrous fall floods washed out crops in Ouachita County; and crops in Lincoln County were devastated by the triple tragedy of hailstorms in the spring, drouth in the summer and heavy rains in the fall of 1972.

In light of the President's concern with tightening the federal government's purse strings, practical Arkansas farmers can understand why the Administration feels it must withdraw some of the commitments made to them in the Hurricane Agnes and Consolidated Farm and Rural Development legislation.

But they can't—and should not be expected—to watch helplessly as their farms fall to ruin for want of a source of loans at reasonable interest rates to get them back on their feet.

H.R. 2455 would help farmers meet this catastrophe by amending the Consolidated Farm and Rural Development Act to provide them with a workable emergency loan program.

It would guarantee farmers in Presidentially declared disaster areas—and/or areas similarly designated by the Secretary of Agriculture—loans at interest rates not to exceed 6 per cent.

And, at the same time, it would repeal the "forgiveness clause" and the 1-per cent loan provision which make the Hurricane Agnes legislation vulnerable to the Administration's anti-inflation campaign.

H.R. 2455 is a sound bill and a fair bill. I urge its favorable consideration by this committee.

STATEMENT OF PATRICK B. HEALY, SECRETARY, NATIONAL MILK PRODUCERS
FEDERATION

Mr. Chairman, my name is Patrick B. Healy. I am Secretary of the National Milk Producers Federation.

The National Milk Producers Federation is the oldest national farm commodity organization and represents dairy marketing cooperatives and their member dairy farmers. The views of the National Milk Producers Federation represent the only nationwide expression of dairy farmers and their cooperative marketing associations.

The Federation membership consists of virtually every dairy cooperative association doing business throughout the 50 States of the Union. It has represented dairy farmers for more than 50 years.

On behalf of the dairy cooperatives and their dairy farmer members across the country, Mr. Chairman, I want to express appreciation to you and your Committee for scheduling these hearings. We are hopeful that through these efforts it will be possible to restore the Emergency Loan Program of the Farmers Home Administration, H.R. 1975 which is now before the Committee will accomplish this goal and has the complete support of the National Milk Producers Federation.

Maintaining adequate levels of production of food items to meet the increasing demand of American consumers and our export markets means that we must maintain the productive capacity of our farms and keep our farm operators in business.

The Emergency Loan Program of the Farmers Home Administration is a necessary link in the structure of Federal programs that have provided the incentive for American agriculture to meet the growing demand for high quality, low-cost food. The American housewife today spends a smaller portion of her family's income for cheaper, more abundant food supplies than ever before. This results directly from the operation of programs based in the total agricultural system of laws, and moves to alter or tear down this agricultural complex can only result in penalizing the consumer who is the ultimate beneficiary of these programs.

Great public concern is being expressed over the level of food costs, and dairymen are facing a severe "cost-price squeeze." In view of these facts, any measure reducing or hindering production of a vital food item such as milk must be viewed with alarm. Dairy producers, faced with high investment costs, rising feed prices, and stringent environmental pollution control regulations, at both the Federal and state level, will leave agriculture or seek other, less demanding ways to earn a reasonable return on their investment unless some incentive remains to continue to produce for the ever-growing demand for high quality, low-cost food.

Over the years, the Emergency Loan Program has played a key role in keeping farm operators in business and permitting them to recover from setbacks due to natural disasters. Farming is a high risk business. Weather, disease, insect damage and a variety of other factors can reduce or wipe out the expected income from a farmer's crops and livestock. Some of these risks can be insured against. Most cannot. Even in those cases where insurance is available, it is expensive and offers only minimal coverage.

Once a producer loses a crop or suffers a devastating livestock loss, he is faced with the "wait till next year" situation. In the meantime, the costs of operation go on—often at higher levels simply because of the repairs that have to be made to land and facilities following a storm, or the cost of producing livestock that have to be replaced.

In these instances, the availability of credit becomes the key factor for most farm operators. Few, if any, farmers today can afford to maintain the cash reserves necessary to assist them in recovering from a major disaster.

When disaster strikes, it is seldom confined to one or two farms in an area. Local agencies that normally provide farmers' needs are simply unable or unwilling to meet these expanded demands in too many cases. This, Mr. Chairman, is why the Emergency Loan Program plays such an important role in the total agricultural picture. Without this assistance, there is little question that many successful farmers would not be in business today. It has provided the needed aid at times when farmers were faced with few reasonable alternatives.

There may be those who question the need for this program. Some point to the crop losses, privations and hardships suffered by farmers and their families during the 19th Century and the first 30 years of this century. They will say that a farmer could make it then if he suffered such a setback, why not now?

The stories of the hard times on the farm are generally told by those who were able to survive them. Hundreds of thousands did not. Aside from that, however, there has been a tremendous basic change in the organization of agriculture. This change has made it impossible to revert to that earlier day.

Today, the farmer buys almost all of the production items used on his farm. Yesterday's farmer used horses and mules as power units. He often raised them himself and raised his own fuel. Equipment costs were minimal. Very little seed, feed, fertilizers or similar inputs were purchased.

It was, in fact, often little more than subsistence agriculture. The production revolution that has taken place within agriculture over the last forty to fifty years has been one of the marvels of the 20th Century. But it has brought about basic changes in agriculture and developed a whole new complex of problems for today's farmer. Because of the high operating costs, the high investment, and his necessary reliance on off-farm sources for production inputs, he can no longer "ride out" one or two or more "bad years."

It is to meet the needs created by the "bad year" whether the cause is flood, drought or other disaster that the Emergency Loan Program is so important.

The drastic cutback in Farmers Home Administration emergency loan assistance is going to have a very severe impact on many dairymen and other farmers. Farmers over wide areas of the country experienced tremendous losses of crops and property during the last year. I know that previous witnesses have outlined the harvest problems encountered throughout the Midwest. A great amount of corn, soybeans and grain sorghum remains in the field or cannot be properly conditioned for market due to weather problems and other factors beyond the control of the producer.

Hurricane Agnes dealt a great blow to the dairy industry of the Northeast last summer. Feed and forage crops throughout the region were heavily damaged. Farmers experienced erosion problems and other losses in connection with that storm. As a result, feed stocks in this area are abnormally low and feed prices have climbed to record high levels.

The curtailment of FHA emergency loan assistance will place an additional burden on already hard pressed farm operators. We recognize that the Secretary of Agriculture has suggested that eligible farmers can still obtain needed credit assistance through the farm operating loan program of FHA. We are concerned, however, that the loan funds available through this program will be insufficient to meet the needs of those operators who would normally utilize the program in addition to those who must seek this aid because of losses they have suffered.

It is for these reasons that we strongly support the continuation of the Emergency Loan Program. It has served farmers well in the past. As long as farming continues to be faced with high level risks, there will continue to be a great need for it.

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., February 6, 1973.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: On December 27, 1972, the Secretary of Agriculture announced that emergency loans to farmers and rural homeowners had been virtually terminated by administrative decisions as of that date. It was stated that this action was taken to bring under control rapidly expanding and unacceptable expenditures under the Agnes-Rapid City Act of 1972 (P. L. 92-385), specifically the \$5,000 "forgiveness" and one percent interest features of that legislation.

Although fully realizing the need to bring these expenditures under control, Farm Bureau believes that there exist serious situations which justify extension of emergency loans to farmers suffering serious economic losses due to natural disasters. This view was expressed in a telegram from Mr. William J. Kuhfuss, President of the American Farm Bureau Federation, to Secretary of Agriculture Earl L. Butz, dated January 8, 1973, as follows:

"Farm Bureau recognizes the need to reduce excessive government expenditures. Farmers and ranchers realize that the cost-price squeeze results primarily from inflation-feeding deficit spending. We reiterate our insistence that spending cuts be 'across the board.'

"Curtailement of the special emergency loan program of the Farmers Home Administration leaves some farmers and ranchers with urgent credit needs resulting from losses due to natural disasters. Such losses, at the same time, seriously jeopardize their ability to qualify for credit from customary commercial sources and the regular operating loans of the Farmers Home Administration.

"Every effort should be made to provide credit to deserving farmers and ranchers who have no other source of credit. We recommend that present programs be restructured to meet legitimate emergency needs in clearly identifiable hardship cases."

The Committee has under consideration H.R. 1795 by Mr. Alexander of Arkansas and identical bills introduced or sponsored by nearly 30 Members of Congress.

These bills would repeal the \$5,000 "forgiveness" clause and the one percent interest provisions of the Agnes-Rapid City Act.

The proposed legislation would reinstate the emergency loan program available over past years through the Farmers Home Administration with modifications granting authority to the Secretary of Agriculture to establish the interest rate at "not to exceed six percent per annum."

The American Farm Bureau Federation recommends enactment of legislation embodying the principles of H.R. 1795. We recommend, however, that it be established clearly in the language of the bill or in the Committee Report that the Secretary of Agriculture cannot at any time require a rate of interest in excess of the cost of money to the federal government as established periodically by the Secretary of the Treasury.

It would be appreciated if you will make this letter a part of the hearing record relative to this legislation.

Sincerely,

CLIFFORD G. MCINTIRE,
Legislative Director.

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George D. Webster
 April 1, 1880