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PERMIT SALE OF STORED EXCESS WHEAT  
AND  
PROVIDE EQUITY IN 1973 FEED GRAIN PROGRAM

GOVERNMENT  
Storage

MENTS

13 1973

HEARING

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

FIRST SESSION

ON

H.R. 4310, H.R. 6381, H.R. 6757, and  
similar bills

MAY 3, 1973

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## SALE OF STORED EXCESS WHEAT AND EQUITY IN 1973 FEED GRAIN PROGRAM

THURSDAY, MAY 3, 1973

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

The subcommittee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, the Honorable Thomas S. Foley (chairman) presiding.

Present: Representatives Foley (presiding), Sisk, Rarick, Matsunaga, Litton, Gunter, Mayne, Zwach, Sebelius, Findley, Thone and Symms.

Also present: John Rainbolt, assistant counsel; Steve Allen, staff consultant; and Martha Hannah, subcommittee clerk.

Mr. FOLEY. The Subcommittee on Livestock and Grains will come to order. We have before us for consideration H.R. 4310 by Mr. Thone, to allow sale of stored excess wheat without penalty and a similar bill H.R. 6381 by Mr. Sebelius and Mr. Johnson of Colorado. Also we have H.R. 6791 by Mr. Mayne, to provide equity in the 1973 feed grain set-aside program by increasing the payment rate for participants in plan B; and similar bills H.R. 6757 by Mr. Zwach; H.R. 6563 by Mr. Gross, H.R. 7034 by Mr. Roy, H.R. 7039 by Mr. Thone, H.R. 7191 by Mr. Nelsen, H.R. 7372 by Mr. Culver, H.R. 7436 by Mr. Smith, and S. 1572.

[H.R. 4310 and the departmental report follow:]

[H.R. 4310, 93d Cong., 1st sess.]

### A BILL To amend the Agricultural Act of 1970

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 407 of the Agricultural Act of 1970 be amended to read as follows:

"Sec. 407. The amount of any wheat stored by a producer under section 379c(b) of the Agricultural Adjustment Act of 1938, as amended, prior to the 1971 crop of wheat may be reduced without penalty of any kind after amendment of this section to read as herein provided."

DEPARTMENT OF AGRICULTURE,  
Washington, D.C., May 2, 1973.

Hon. W. R. POAGE,  
Chairman, Committee on Agriculture,  
House of Representatives

DEAR MR. CHAIRMAN: This is in reply to your request of February 26 for a report on H.R. 4310, a bill "To amend the Agricultural Act of 1970" to authorize producers to reduce the amount of wheat stored under Section 379c(b) of the Agricultural Adjustment Act of 1938, as amended, prior to the 1971 crop, without penalty of any kind.



The Department has no objection to the adoption of this legislation but recommends the addition of the enclosed amendment.

The stored wheat which would be released by the provisions of this bill is wheat which was produced under the excess wheat option of the Agricultural Adjustment Act of 1938, as amended. This provision provided that any producer who elected to plant excess wheat and declared his intention to do so could harvest an acreage of wheat in excess of the farm wheat allotment by not more than 50 percent and still be eligible for certificates. Producers electing the excess wheat option were required to comply with program provisions, but they were not eligible for diversion payments, substitution or loans on excess production. The excess production was required to be withheld from the market by farm storage secured by an indemnity bond, warehouse storage secured by warehouse receipt or delivery of the excess production to the Secretary. Stored excess wheat could be released in a subsequent year by underplanting or underproduction.

The present demand-supply situation is highly favorable for the release of this grain into market channels. Record exports are in prospect and carryover next July 1 is expected to drop to around 440 million bushels, the lowest since 1967. Export demand has been exceedingly strong since last summer because of poor crops in Russia and Australia resulting in smaller world supplies. Moreover, recent development in Asia and elsewhere indicate that supplies will continue to be tight another year and export demand will remain strong through 1973-74.

Some producers who have had their grain in storage for a relatively short period of time may profit from the release of this grain without penalty. Many others, however, will realize no profit and some may even find that the cost of storage and maintenance of quality will more than offset the returns from the sale of their grain.

Producers with excess wheat stored under bond will no longer be able to receive a windfall by releasing this grain at this time. Few producers have been able to reduce their excess by under production, as the law provides, because of better than average production in the past two years. Most farmers have held their excess wheat as an insurance against a possible crop failure. Mounting costs, however, will soon erode any remaining equity producers may have in their grain.

Producers have historically supported the restrictions imposed under the program and have abided by the laws governing marketing quotas and allotments. There could be some inequity between producers who had already delivered their penalty wheat to the Secretary or who have remained within their allotments and those who overplanted. Therefore, in order to provide an equality of treatment, to all producers, the enclosed new language is offered.

The quantity of wheat currently in storage under bond is relatively small amounting to only 10 million bushels on January 1, 1973. This represents less than one percent of last year's crop of 1,545 million bushels. Since most of it was produced in the Central Plains, it is nearly all Hard Red Winter wheat.

The Government would not incur any cost by the enactment of this legislation.

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

Sincerely,

J. PHIL CAMPBELL,  
*Under Secretary.*

Enclosure.

#### A BILL TO AUTHORIZE RELEASE OF 1965-1970 STORED EXCESS WHEAT

Section 407 of the Agricultural Act of 1970 is amended by adding at the end thereof the following: "Notwithstanding the foregoing, the Secretary may authorize release of wheat stored by a producer under Section 379c(b) of the Agricultural Adjustment Act of 1938, as amended, prior to the 1971 crop, whenever he determines such release will not significantly affect market prices for wheat. As a condition of release, the Secretary may require a refund of such portion of the value of certificates received in the crop year the excess wheat was produced as he deems appropriate considering the period of time the excess wheat has been in storage and the need to provide fair and equitable treatment among all wheat program participants."



[H.R. 6381 and the departmental report follow:]

[H.R. 6381, 93d Cong., 1st sess.]

A BILL To authorize release of 1965-1970 stored excess wheat

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That section 407 of the Agricultural Act of 1970 is amended by adding at the end thereof the following: "Notwithstanding the foregoing, the Secretary may authorize release of wheat stored by a producer under section 379e(b) of the Agricultural Adjustment Act of 1938, as amended, prior to the 1971 crop, whenever he determines such release will not significantly affect market prices for wheat. As a condition of release, the Secretary may require a refund of such portion of the value of certificates received in the crop year the excess wheat was produced as he deems appropriate considering the period of time the excess wheat has been in storage and the need to provide fair and equitable treatment among all wheat program participants."

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., May 2, 1973.

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

DEAR MR. CHAIRMAN: This is in reply to your recent request for a report on H.R. 6381, a bill to amend the Agricultural Act of 1970 "To authorize release of 1965-1970 stored excess wheat."

The Department has no objection to the adoption of this legislation.

The stored wheat which would be released by the provisions of this bill is wheat which was produced under the excess wheat option of the Agricultural Adjustment Act of 1938, as amended. This provision provided that any producer who elected to plant excess wheat and declared his intention to do so could harvest an acreage of wheat in excess of the farm wheat allotment by not more than 50 percent and still be eligible for certificates. Producers electing the excess wheat option were required to comply with program provisions, but they were not eligible for diversion payments, substitution or loans on excess production. The excess production was required to be withheld from the market by farm storage secured by an indemnity bond, warehouse storage secured by warehouse receipt or delivery of the excess production to the Secretary. Stored excess wheat could be released in a subsequent year by underplanting or underproduction.

The present demand-supply situation is highly favorable for the release of this grain into market channels. Record exports are in prospect and carryover next July 1 is expected to drop to around 440 million bushels, the lowest since 1967. Export demand has been exceedingly strong since last summer because of poor crops in Russia and Australia resulting in smaller world supplies. Moreover, recent developments in Asia and elsewhere indicate that supplies will continue to be tight another year and export demand will remain strong through 1973-74.

The quantity of wheat currently in storage under bond is relatively small amounting to only 10 million bushels on January 1, 1973. This represents less than one percent of last year's crop of 1,545 million bushels. Since most of it was produced in the Central Plains, it is nearly all Hard Red Winter Wheat.

Some producers who have had their grain in storage for a relatively short period of time may profit from the release of this grain without penalty. Many others, however, will realize no profit and some may even find that the cost of storage and maintenance of quality will more than offset the returns from the sale of their grain.

Producers have historically supported the restrictions imposed under the program and have abided by the laws governing marketing quotas and allotments. There could be some inequity between producers who had already delivered their penalty wheat to the Secretary or who have remained within their allotments and those who overplanted. Therefore, in order to provide an equality of treatment to all producers, some form of penalty as provided in this bill would be appropriate.

The Government would not incur any cost by the enactment of this legislation.



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

J. PHIL CAMPBELL,  
*Under Secretary.*

(H.R. 6791 and the departmental report follow:)

[H.R. 6791, 93d Cong., 1st sess.]

A BILL To provide equity in the 1973 feed grain set-aside program by increasing the payment rate for participants in plan B

*Be it enacted by the Senate and House Representatives of the United States of America in Congress assembled,* That section 105 of the Agricultural Act of 1949, as amended, is further amended to add a new sentence at the end of paragraph (b) (1) to read as follows: "Notwithstanding any other provision of law, the rate of payment for the 1973 crop for producers on farms where the operator has filed an agreement to participate in the feed grain program for 1973 under plan B as announced by the Secretary shall be comparable to the rate of payment for producers on farms where the operator has filed an agreement to participate under plan A as announced by the Secretary, but such rate of payment shall not be less than 25 cents per bushel for corn. The rate of payment on other feed grains shall be such as the Secretary determines fair and reasonable in relation to the rate at which payments are made available for corn."

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., May 2, 1973.

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

DEAR MR. CHAIRMAN: This is in reply to your request of April 13 for a report on H.R. 6791, a bill "To provide equity in the 1973 feed grain set-aside program by increasing the payment rate for participants in Plan B". Also included in this reply are responses to S. 1572, a bill "Relating to payments to producers for participation in the 1973 feed grain program", and H.R. 6757, a bill "To provide equity in the feed grain set-aside program by allowing participants in Plan B to switch to Plan A".

The Department opposes enactment of these bills.

USDA believes that farmers did select the alternative which would best fit their farming practices and produce the greatest return for their land, labor, capital and management resources. When this program was announced on January 31, projected domestic and export demand indicated that a 6.0 billion bushel corn crop and 1.5 billion bushel soybean crop was needed. Expected demand has not diminished and the need for achieving the projected targets has increased due to greater current year utilization of feed grains, resulting in lower beginning stocks for 1973-74.

The March 1 Planting Intentions Report indicated that farmers planned to plant 53.8 million acres of soybeans, which was about the USDA target. However, corn planted acres of 71.6 million acres, as indicated from the Intentions Report, is not sufficient to maintain an adequate carryover of corn stocks, in view of current heavy utilization and continued heavy use expected for the remainder of the year.

When markets are growing and profitable prices prevail, it is in the long-run interest of farmers as well as the general public and our world customers to bring more land into production by decreasing set aside. In this context, the set aside was reduced from 25 to 10 percent on Plan A of the feed grain program.

This is the first time that the Department has offered a full-compliance and less than full-compliance option to producers. These options provided producers maximum flexibility in planning their operations. Participants in the zero plan were not given the opportunity of shifting their enrollment as they indicated their willingness to partially comply by not increasing their corn acreage for 1973. Producers who signed up for zero set aside can farm all their land and produce for market needs. Allowing them to switch to the 10 percent set-aside plan would have reduced planted acreage on these farms when increased production is needed.



The Government has not changed its commitment as to the amount of the payments to be made to farmers as agreed to at signup. Program payments to participants were not affected by the March 26 feed grain program revision. Grazing and haying on the remaining 10 percent set aside remained optional with the same dollar-per-acre deduction as before.

Provisions of H.R. 6791 provide for an increased payment rate from 15 to a minimum of 25 cents per bushel for participants in Plan B. This increase in the minimum payment would result in an increased 1974 fiscal year program cost of approximately 89 million dollars.

S. 1572 provides that participants in Plan B will also receive a guarantee of \$1.35 per bushel or 70 percent of the parity price of corn as of the beginning of the marketing year, whichever is the greater. The price estimates based on the remarks made on the Senate floor, assume that 70 percent of parity on October 1, 1973, will be around \$1.54. If the reduction in set aside from 25 to 10 percent results in increased plantings and the five-month average price should be \$1.20, as indicated by those remarks, a payment of 34 cents would have to be made to the Plan B participants. Since they would have received the announced 15 cents a bushel payment shortly after July 1, they would receive an additional payment of 19 cents a bushel after the prices in the first five months of the marketing year have been determined. If the price estimates above are correct, the final payment to the Plan B participants would result in an increased 1974 fiscal year program cost of approximately 168 million dollars.

H.R. 6757, in permitting program participants to switch from Plan B to Plan A, would have the effect of increasing cost in the 1974 fiscal year by approximately 150 million dollars. In addition, allowing participants to switch plans would result in 2.2 million acres of increased set aside, and would consequently reduce planted acreage. Thus, the increased set aside from these farms would partially offset the actual increase in expected planted acreage as a result of the last program change.

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

Sincerely,

J. PHIL CAMPBELL,  
*Under Secretary.*

Mr. FOLEY. The first witness this morning will be Dr. Carroll G. Brunthaver, Assistant Secretary of Agriculture.

Mr. Brunthaver, will you come forward?

For the record, accompanying Dr. Brunthaver is Mr. Frick and also Mr. Coffman of the General Counsel's Office.

**STATEMENT OF DR. CARROLL G. BRUNTHAVER, ASSISTANT SECRETARY OF AGRICULTURE, ACCOMPANIED BY CLAUDE T. COFFMAN, OFFICE OF GENERAL COUNSEL; AND KENNETH E. FRICK, ADMINISTRATOR, ASCS, U.S. DEPARTMENT OF AGRICULTURE**

Dr. BRUNTHAVER. I will comment first on the stored wheat bill.

We appreciate this opportunity to comment on H.R. 4310 and H.R. 6381 which relate to the disposal of wheat stored under section 379c(b) of the Agricultural Adjustment Act of 1938, as amended, prior to the 1971 crop.

These bills are directed to the release of wheat produced and stored on the 1965 through 1970 crops under provisions of the excess wheat option of the 1938 act, as amended.

There are just under 10 million bushels of this excess wheat stored on farms or in warehouses as of January 1, 1973.

Provisions of H.R. 4310 would release this wheat without penalty of any kind. H.R. 6381 provides that the Secretary, as a condition of release, may require a refund of a portion of the value of certificates received in the crop year the excess wheat was produced.



The Department prefers H.R. 6381 because its intent and purpose is to provide fair and equitable treatment among all wheat program participants.

The excess wheat option provided that any producer who elected to plant excess wheat and declared his intention to do so could harvest an acreage of wheat in excess of the farm wheat allotment by not more than 50 percent and still be eligible for certificates.

Producers electing the excess wheat option were required to comply with program provisions, but they were not eligible for diversion payments, substitution or loans on excess production.

The excess production was required to be withheld from the market by farm storage secured by an indemnity bond, warehouse storage secured by warehouse receipt or delivery of the excess production to the Secretary. Stored excess wheat could be released in a subsequent year by underplanting or underproduction.

Few producers have been able to reduce their excess by underproduction, as the law provides, because of better than average production in the past 2 years. Most farmers have held their excess wheat as an insurance against a possible crop failure. Mounting costs, however, will soon erode any remaining equity producers may have in their grain.

Some producers who have had their grain in storage for a relatively short period of time may profit from the release of this grain without penalty. Many others, however, will realize no profit and some may even find that the cost of storage and maintenance of quality will more than offset the returns from the sale of their grain.

Producers have historically supported the restrictions imposed under the program and have abided by the laws governing marketing quotas and allotments. There could be some inequity between producers who had already delivered their penalty wheat to the Secretary or who have remained within their allotments and those who overplanted.

Therefore, in order to provide an equity of treatment to all producers, we support H.R. 6381.

Mr. Chairman, I can proceed with the comments on the A and B plans or we can have questions whenever you would like to have them.

Mr. FOLEY. That is fine. Please proceed.

Dr. BRUNTHAVER. Mr. Chairman, we appreciate this opportunity to comment H.R. 6791, which would increase the payment rate for participants in plan B of the 1973 feed grain program and which, in its proposal, also would reflect an additional payment schedule contained in S. 1572 which is before the committee.

My remarks will be directed also to related bills which propose a 21-day signup period to permit program participants to switch cropland set-aside agreements entered into during the February 5-March 16 signup period. These bills include H.R. 6563, H.R. 6757, H.R. 7034, H.R. 7039, and H.R. 7191.

The Department opposes these bills. It is our opinion that H.R. 6791 and S. 1572, rather than to create equity, will create inequities. They would result in costly Treasury outlays.

The Department also opposes the other group of bills which allow B participants to switch to A. They also would result in higher Treasury outlays. We would end up with less production of feed grains



which is so badly needed. In all fairness, the program would have to be reopened for the nonparticipants as they could also claim that the changed options were not available to them at the time of the original signup period.

The adoption of any of these bills would be detrimental to the farmers' accepted market-oriented policy of producing for demand and market income, and not for Government subsidy.

The present program stands fully on its merits, and is completely justified by participation results, with the enrollment of 1,852,274 farms setting a new record.

The intent of the program is to encourage and provide for the production of crops that are in demand on domestic and foreign markets. The program was designed to afford farmers that provisional selection which would best fit their farming practices, and produce the greatest return for their land, labor, capital, and management resources. And this is what they have done.

As a framework of reference, I point out that this is a voluntary program based upon (1) full compliance with an announced cropland set-aside percentage—referred to as plan A, and (2) for the first time, participation offered with no acreage set-aside requirement, but with program benefits provided—referred to as plan B.

When the feed grain program was initially announced, it was stated that the basic, full compliance program for 1973 required that there be set aside an acreage of cropland equivalent to 30 percent of the feed grain base and devoted to soil-conserving uses. This was later revised to 25 percent and then to 10 percent.

This requirement applied to producers who wished to comply fully with the terms and conditions of the program and receive payments in accordance with the standards set forth in section 105(b) of the Agricultural Act of 1949, as amended by the Agricultural Act of 1970.

These producers will qualify for a preliminary payment of 32 cents per bushel on corn as soon as practicable after July 1. An additional payment at a later date, to the extent that it is required, is provided for by statute to make up the difference between the average market price during the first 5 months of the marketing year and the higher of \$1.35 per bushel or 70 percent of parity as of October 1973. The preliminary payment rate is 30 cents per bushel for grain sorghum and 26 cents per bushel for barley.

At the time of the program announcement, farmers whose operations were geared for full utilization of their acreage were given an opportunity to participate at a level which would not comply with provisions of the basic program—but which would allow them to become eligible for loans and reduced payments.

Under this alternative, producers who elected not to comply fully with the terms and conditions of the program could qualify for a payment of 15 cents per bushel for corn on one-half the feed grain base on the yield established for the farm, even though no acreage was required to be set aside from production.

The only requirement for producers selecting this program is that the 1973 feed grain acreage not exceed the 1972 acreage, and that the farm's conserving base, if any, be maintained.

Our county ASCS office personnel were instructed to fully inform farmers enrolling in the feed grain program of all provisions—spe-



cifically the fact that those farmers who voluntarily elected not to comply fully, but wished to participate to the extent of restricting their production of feed grains so that it did not exceed their 1972 acreage, would be ineligible for the payment guarantee provided under full compliance in the program.

To make certain that farmers participating in the program were made aware of these program provisions, county ASCS offices also were instructed at the outset of the signup period to issue a printed statement of complete program information to each feed grain farmer through the mail, in person, or both.

The statement clearly indicated that farmers electing less than full compliance would be ineligible for the payment guarantee.

When the program was announced with a 25 percent set-aside, it was made very clear that program intent was to attract out of production about 16.5 million feed grain acres—to achieve larger corn and soybean crops. It was believed that this would result in the right balance of corn and soybean acreage to satisfy foreseeable domestic and export markets in the 1973-74 marketing year.

Projected domestic and export demand indicated that a 6 billion bushel corn crop and a 1.5 billion bushel soybean crop was needed.

The March 1 Planting Intentions Report indicated that farmers planned to plant 53.8 million acres of soybeans—about on target. However, the indicated 71.6 million acres to be planted to corn was far from sufficient to maintain an adequate carryover of corn stocks. There has been a heavy disappearance in the first quarter of this marketing year. Domestic utilization was at a high rate. At the same time, export figures had to be revised upward because of strong demand in world markets.

Reviewing the March Planting Intentions Report, and after careful study of the supply-demand situation, the feed grain program was changed to achieve the desired results with the least cost and minimum interference with farmers' operations.

Farmers who had agreed to set aside 25 percent of their feed grain base were automatically required to set aside only 10 percent. This resulted in only about 9 million acres of feed grain set-aside, as compared to 37.5 million acres in 1972.

The market exists for more corn and soybeans—the program encourages farmers to produce for that market. Furthermore, when the need for increased feed grain acreage was announced, the available source of those additional acres was obvious. They would need to come from participating farms that were planning to take feed grain acres out of production—the plan A farms.

No change was necessitated or made for farmers who had agreed to produce under plan B—no cropland had been set aside under that alternative.

The program change announced on March 26 affords more corn production without doing it at the expense of other crops in demand, without adding to Government costs and without additional program complications.

It would be inadvisable, also, to remove all restrictions on the acreage of corn planted on these farms because the program as announced was designed to achieve a balance of production for needed commodities.



At the same time, allowing producers signed up for less than full compliance to change their election would reduce planted acreage an estimated 2.2 million acres at a time when an increased, but balanced, production is needed. In addition, a switch from plan B to plan A would have the effect of increasing program costs in fiscal year 1974 by approximately \$150 million.

With reference to H.R. 6791 and S. 1572, which relate to increased payments for plan B producers not under full compliance in the program, the costs would be prohibitive and create a definite inequity for those plan A farmers who conscientiously decided to enter the program with full compliance.

Under provisions of S. 1572, for each cent that the corn market price would drop below \$1.39, Government costs would increase \$8.9 million.

Under provisions of H.R. 6791, the immediate fixed increased cost would be \$89 million—just on the 25 cent preliminary payment and not dependent on any relationship to market price.

In addition to the \$89 million cost for the 25 cent guarantee, there also would be an increased cost to the Treasury of \$8.9 million for each cent that the market price for corn would drop below \$1.29—assuming that 70 percent of parity would be \$1.54, based on an estimated \$2.20 parity figure as of October 1973.

In all these bills, Mr. Chairman, I think we are skating on some very thin ice that could plunge the agricultural sector into some cold and harsh criticism by both farm and nonfarm people.

The program, providing for plan A and the alternative plan B, was designed to get needed production and the right "mix" of corn and soybeans. By needed adjustment in plan A set-aside, and considering intentions of plan B producers to fully utilize acreage, production goals were established.

I would point out also, Mr. Chairman, that program payments to participants will not be affected by this action. Grazing and haying on the remaining 10 percent set-aside remain optional with the same dollar-per-acre deduction as before.

I hope these remarks have been helpful to the committee and I shall be pleased to respond to any questions.

Mr. FOLEY. Thank you very much, Dr. Brunthaver.

Dr. Brunthaver has another commitment, so I am going to take questions from the committee at this time on his testimony and ask the committee members to restrict their questions to testimony touching on the sale of excess wheat. After these questions are finished, then questions on the feed grain proposals will follow.

Any questions of Dr. Brunthaver on his testimony relating to H.R. 4310 or H.R. 6381?

[No response.]

Mr. FOLEY. No questions?

Mr. Thone?

Mr. THONE. Very briefly.

Carroll, who came up with this partial penalties authority regarding the sale of this excess wheat?

The reason I ask that is that your Department initially drafted the bill that I introduced.

Mr. Frick, do you remember our discussion about this?



Mr. FRICK. Yes, this was drafted to be helpful for introduction and as more people looked into it from the point of view of being fair to those that had already had to pay something, it was felt that it should have this consideration that the Secretary be able to look at what penalties should be.

The Department should have time to look at it to see whether there should be any penalties. That is why that was in.

Dr. BRUNTHAVER. Mr. Thone, I do not think we feel strongly about this, although there is some question of fairness—

Mr. THONE. I guess that is what I am getting to, Mr. Brunthaver. Would you continue?

Dr. BRUNTHAVER. Again, I think there is some question of fairness to those farmers who went ahead and reduced their production so that they could market the excess, or to those farmers who may have gone ahead and delivered it to the Commodity Credit Corporation. If we just open it up now without any kind of penalty at all, there may be some inequity created.

Mr. THONE. I see. But you do indicate again that you do not feel too strongly on this point?

Dr. BRUNTHAVER. That is correct.

Mr. THONE. OK. Well, I do not know that I feel strongly the other way. I just kind of wanted to clear the air on it.

Thank you, Mr. Chairman.

Mr. RARICK [presiding]. Are there any other questions?

Mr. MATSUNAGA. Mr. Chairman, would it be in order to ask a question about how it would affect the consumer market?

Mr. RARICK. The Chair recognizes Mr. Matsunaga.

Dr. BRUNTHAVER. I think it is a good question.

Mr. MATSUNAGA. Mr. Secretary, you heard the question, then?

Dr. BRUNTHAVER. Yes.

Mr. MATSUNAGA. How would the proposal affect the consumer market, if adopted?

Dr. BRUNTHAVER. Well, we are talking about 10 million bushels of wheat. That is not much, I guess, when you consider a crop of 1,750 million. But it is an additional amount of wheat that would be made available to the marketplace. For that reason, we are anxious to free it up and to get it available for usage.

Mr. MATSUNAGA. So it would bring the price of wheat down?

Dr. BRUNTHAVER. It would tend to. Ten million is not going to do very much, but it would certainly have that tendency.

Mr. MATSUNAGA. One of the biggest complaints we have been receiving up on the Hill from the flour users and the bakers is that the price of flour has skyrocketed because of the sale of wheat abroad. How much effect will the release of this wheat have in releasing that tension?

Dr. BRUNTHAVER. Very, very little. The total carryout of wheat will be about 415 million bushels, and a 10 million bushel additional increment here, I am afraid, would have very little price effect. It may have a cent or so. That would be strictly a guess.

Mr. MATSUNAGA. No further questions.

Mr. RARICK. Mr. Brunthaver, last February 22d, you talked to the 1973 National Agricultural Outlook Conference here in Washington on the subject of grain production in our country in relation to international and foreign affairs. Do you recall your speech?



Dr. BRUNTHAVER. Yes; roughly, I do.

Mr. RARICK. Have your views or the goals of the Department in any way changed since the giving of that speech?

Dr. BRUNTHAVER. I do not think so. I would have to review the statement that I made to make sure.

Do you have specific reference to a statement?

Mr. RARICK. Yes; I have your speech here. For the purpose of time, I ask unanimous consent of the members of the committee that it be inserted at this point in the record following your testimony. It has to do with the international outlook as far as the market and sales.

Is there objection?

Mr. SEBELIUS. Reserving the right to object, Mr. Chairman, would you say in the file rather than in the record?

Mr. RARICK. I would like to place it in the record.

Mr. SEBELIUS. You mean you want it printed with the record?

Mr. RARICK. Yes, it is a very brief statement.

Mr. SEBELIUS. How many pages?

Mr. RARICK. Eighteen pages, double spaced.

Mr. SEBELIUS. I do not think it is pertinent. We are not talking about the wheat sales. In the files would be fine, but the expense involved is going to be considerable.

Mr. RARICK. There is a reason for discussion in that matter. Rather than ask the Secretary questions, concerning the needs of the international community which I think the speech has a direct bearing on the production of our farmers and perhaps even the future food prices in the United States. It is a pertinent matter, yes. Because of my concern for expenses on a much larger scale I feel this small additional cost is justified.

Mr. SEBELIUS. Well, if the cost does not bother the chairman, I will withdraw my objection.

Mr. FINDLEY. Mr. Chairman.

Mr. RARICK. Yes.

Mr. FINDLEY. Would the chairman mind revising his request, first of all, to permit the text to be placed in the record, but secondly, to let Mr. Brunthaver make any comments at the close of that insertion so he can relate it to current events?

Mr. RARICK. Certainly, as to that I have already asked the Secretary. Suppose I do it this way, then.

Mr. Secretary, I am sure your office has copies of your speech that can be readily made available to you. Would you be kind enough to forward us a copy from your office, along with any additional comments or revisions or changes that you feel necessary?

Dr. BRUNTHAVER. Certainly. I will be glad to.

Mr. RARICK. Without objection, so ordered.

[The speech referred to above follows:]

#### FOREIGN TRADE, POLICY, AND DEVELOPMENTS

(Talk by Carroll G. Brunthaver, Assistant Secretary of Agriculture, International Affairs and Commodity Programs, at the 1973 National Agricultural Outlook Conference, Washington, D.C.)

As a conference theme, the future structure of American agriculture is certainly a worthy one. I am glad to see that subject considered in such depth by this distinguished annual gathering.



One fact that has come home most sharply to all of us this year is that our agricultural future cannot be appraised within a strictly domestic context. We must attack the question: What is happening in other countries, and what does this mean to the future of our own agriculture?

U.S. wheat exports in this marketing year are equivalent to three-fourths of the 1972 crop. Soybean exports exceed one-half of last year's crop. Feed grain exports will total over a billion bushels.

With overseas customers making up those proportions of our commodity markets, it is obvious that we have to take careful account of developments in other countries. The way other people live, and want to live, becomes basic to our production and marketing strategy—almost as essential to planning as are trends in our own country.

It is apparent that the growth in world demand is more than just a demand for food. It's a change in the nature and quality of that demand. You might call it the protein principle—the idea that as incomes rise people will demand more and better quality proteins.

It is still a fact that some five-sixths of the world's population cannot yet afford poultry, meat, or dairy products. Their grains and vegetable proteins must go directly into human consumption. But things are changing—and there is ample evidence of what happens when a people *can* afford the beginnings of an animal protein diet.

May I take a few moments to detail food and agriculture developments in a few key countries—developments that affect American agriculture, present and future. Then I would like to talk about some of the things we are doing—and will do—to assure growth in U.S. agricultural trade.

#### THE SOVIET UNION

Again, in the Soviet Union this year, winter crop conditions seem to be far from ideal. Last fall's winter grain plantings in the USSR are estimated at 67 million acres—which is 20 percent or 17 million acres below the acreage planned. This shortfall was due to summer drought followed by too much rain and some other problems.

Moreover, much of this smaller planting seems to be vulnerable to winterkill due to the fact that snow cover is unusually light in key areas. No winterkill has yet been reported by the Soviets, but the next few weeks should tell the story. Normally winterkill in the USSR seems to be about 10 to 15 percent; last year's winterkill was 30 percent which was the beginning of the Soviets' grain problem last year.

This spring, the Soviets will need to plant enough spring grains to make up the shortfall in winter grain plantings and the possible winterkill. This is not an impossible task, but it will be difficult. And spring weather will be an important factor. Last spring, the USSR planted 200 million acres, but the crop was cut short by drought. Drought, not winterkill, caused most of the USSR's grain reduction in 1972.

The USSR's 1972 grain crop is estimated at 122 million tons on a usable basis, including wheat, rye, barley, oats, and corn, which compares with 140 million tons in 1971. The Soviet grain goal for 1973, on a comparable basis, is about 150 million tons. Total domestic requirements are projected at about the same level. Moreover, even if the production goal should be attained, the USSR would probably need to import some grain anyway to permit normal exports or some stock buildup. We believe it will take better than average weather to attain the Soviet goals.

We believe it is significant that, despite their grain production problems, the Soviets have chosen to try to maintain their livestock base. Year-end hog numbers were down 7 percent—a small drop compared with a decline 6 times that large following the poor crop in 1963. Sheep and goat numbers were up more than 1 percent. We believe this means the Soviets are still very serious about attaining their livestock goals in the 1975 plan.

#### PEOPLE'S REPUBLIC OF CHINA

The People's Republic of China like India, is a country of such size and population growth, that even small per capita changes assume enormous magnitude when multiplied by well over 700 million people. The potential of the Chinese



market has tantalized Westerners ever since the days of Marco Polo—a potential that has never been fully realized. But again, there is a mighty stirring, as the Chinese move to establish more normal trade relations with the West. The question arises: What does this mean to American agriculture and trade?

Mainland China is itself an agricultural nation, historically more likely to export farm products than to import them. Still, the Chinese have for several years been customers for Canadian and Australian wheat, and this year they have turned West for substantial quantities—including purchases from the United States of about 22 million bushels. The Chinese in most years have imported about 150 million bushels of wheat.

In addition to American wheat, the People's Republic of China has bought at least 24 million bushels of corn from this country. It has also taken about 22 million pounds of soybean oil and a similar amount of linseed oil.

Finally, it appears that about 500,000 bales of U.S. cotton have been sold to the People's Republic of China. Part of this may be attributed to increased consumption, but a production deficit appears to be the main factor. China's 1972-73 cotton crop may be a million bales or more below last year's production of about 7½ million bales.

U.S. agricultural sales to the People's Republic of China in the year ending June 30 are likely to exceed \$175 million.

#### INDIA

There has been great hope for the Green Revolution in India, and there can be no doubt that improved grain varieties have made a tremendous contribution to food supplies in the past few years. This year, however, has brought the realization that India's ancient and chronic food problem has not been completely solved.

After 5 years of favorable monsoons and steadily rising food production, India this year was hit once again by the drought that periodically strikes its agriculture. The result was India's smallest grain crop since 1968—representing an estimated decline of 7 million tons from a 1971 crop of 91.2 million metric tons. For the average Indian, this could mean significant decline in per capita food supplies.

India's rising grain production in the 1968-71 period not only made possible a reduction in imports, it increased per capita supplies of grains even in the face of rising population. In order to maintain satisfactory consumption levels, India will need to import grain in 1972-73. In fact, purchases have already been made for an estimated 1.5 to 2 million tons.

#### JAPAN

Much of the emphasis on our agriculture's foreign markets this year has been on the new ones—the Soviet Union and the People's Republic of China. It is important to remember, however, that Western Europe and Japan are still our two big markets. We have done well in both of them this year.

It is in Japan, however, where our market footing is more sure. We are well on our way to obtaining a \$2 billion market for U.S. farm products in Japan. This year we will sell the Japanese nearly 10 million metric tons of grains plus 3 million tons of soybeans.

Japan is an island with a modern industrialized economy that must import about one-quarter of its food needs. More than half of these imports come from the United States. The welfare of the American farmer and that of the Japanese consumer are inextricably bound together.

Per capita meat consumption in Japan has doubled in the past decade but is still low by Western standards. Meat consumption per capita is expected to double again in the coming decade. Milk consumption will also rise but by a lesser amount. Per capita egg consumption is now high and cannot be expected to increase much more.

These expected increases, however, all spell opportunity for American agriculture, particularly for the producers of those commodities needed for livestock feed. We hope to double our feed grain exports to Japan during the 1970's. We expect our soybean sales to grow at an annual rate of 7 percent. The growth in wheat exports will be slower but we expect to continue to hold our 50 percent share of the market.



## REPUBLIC OF CHINA

Nowhere has the impact of foreign incomes on demand for U.S. grains and soybeans been more dramatic than on the Republic of China. Not many years ago, the 15 million people on Taiwan were a PL-480 market for U.S. grains. Today Taiwan is one of our leading cash customers for both grains and soybeans. We see even greater potential in the future.

Taiwan will import more than 2.5 million metric tons of grains and oilseeds in 1972/73. Next year we expect Taiwan to import nearly 3 million tons. Three-fourths of these exports are from the United States.

Taiwan's demand for imported grains and soybeans has mushroomed during the past several years. There are several reasons for this growth. The most important one is the rapid rise in per capita incomes which in turn is associated with industrialization and the trend toward urbanization.

Industrial production on Taiwan has been expanding at a rapid rate. This has been creating more jobs which have generated more income. Consequently, the people have more money to spend on consumer goods, including food. The higher incomes have increased the demand for more wheat foods, more vegetable oil and more animal proteins—more eggs, poultry meat and pork.

Not only has the industrialization and urbanization caused an increase in overall demand for more expensive foods, they have also had an impact on production technologies on Taiwan farms—especially in livestock production. Taiwan farmers no longer feed their pigs only sweet potatoes. Sweet potato production requires too much labor. It is more economical to take a part time job in industry and buy mixed feeds to feed the pigs. The mixed feed is, of course, comprised of imported grains and soybeans—much of which is from the United States.

Thus far the demand for feeds in Taiwan has been mostly related to the hog industry. Per capita consumption of pork on Taiwan is high by Asian standards. It is about 60 pounds per capita. It has increased 50 percent during the past decade and is triple the per capita level in Japan.

The increase in the feed demand for hog production on Taiwan is being further spurred by a joint venture opened last year between a local Taiwan company and an American company. This operation is producing pork on a large feedlot basis and is creating further demand for imported feedstuffs.

Taiwan's future in livestock production may not be restricted to hogs. The island has large acreages of productive grasslands that may provide the basis for a modern beef industry. These possibilities are now under study by the government as well as private interests. The explosion in feed demand on Taiwan may just be beginning.

## KOREA

The economic situation in South Korea is in many respects similar to that on Taiwan. The people are ambitious and achievement-oriented. They are driving hard toward industrialization which in turn is leading to higher per capita incomes and more urbanization.

The industrialization process, the trend toward urbanization and the rise in per capita incomes are again creating a strong demand for U.S. farm products. Wheat foods are becoming more important in Korean diets. The people are eating more eggs and poultry meat. Pork and beef industries are being started.

This year, South Korea will import nearly 3 million tons of grains—wheat, rice, barley and corn. Most of these imports will be from the United States. The first crushing plant for soybeans opened in Korea about a year ago. At least three American firms have feed operations in Korea. A modern grain silo is being built at the port of Incheon.

All systems in Korea are on "go." In the longer-term, we see even a greater potential in Korea than on Taiwan—the main factor being the many more potential consumers—over 30 million already.

If there is a common thread that runs through the foregoing discussion of developments in key countries, it is this: Population expansion, technological advancement, and income growth are resulting in a definite rise in demand around the world—and in some countries this increase is spectacular. Associated is a rise in expectations resulting in part from developments in communications, transportation, and tourism. The result is that in most countries there is a definite rise in per capita consumption of the foods that we identify with rising incomes.



Trends in per capita consumption of red meat in the past decade are virtually a mirror of income growth. Between 1961 and 1971, all of the East European countries expanded consumption of red meat, and the Soviet Union increased its per capita use from 63 pounds to 89 pounds.

Every country in Western Europe expanded its per capita consumption except for Denmark and the United Kingdom, which remained about constant. Italy, Portugal and Spain each increased per person consumption on the order of 50 percent, starting at relatively low levels. Greece jumped its use of red meat from 45 pounds to 87 pounds per person.

Japan's per capita consumption increased by 2½ times in the ten years. Taiwan's people upped their average use of red meat by almost one-half. In the Middle-East, Israel stood out as a gainer, increasing its per capita meat consumption by about half.

With a continued rise in incomes in those countries—and with the opportunity for a takeoff in production technology in some of them—the opportunity for expanded sales of U.S. feedstuffs would seem to be extremely promising. Some of the European countries, for example, might well find that “American style” feeding systems could do much to expand their meat production, to the benefit of their consumers and our grain and soybean producers.

All of this seems to indicate a bright future for agricultural exports—especially of those commodities where we have a sizeable natural advantage. It assumes, however, that we do the things necessary to continue expanding markets and producing for those markets.

Others have spoken at this Outlook Conference of the growth of farm exports this year to another record high. I might add that in just four years our commercial sales for dollars have doubled!

Growth like this requires a commitment on our part to produce for market needs and to provide the kind and qualities of products required. In the Agricultural Act of 1970, Congress and the Administration agreed that farmers should have additional freedom to produce for the market, and that the farm programs should work in such a way as to encourage, not discourage, the marketing of U.S. commodities overseas. This policy has worked well.

Because of the flexibility available to us in the present act, we have been able in recent months to make a number of adjustments in programs and in the handling of stocks. These changes have helped to move additional grains to market during a period of high demand. They have helped to expand expected plantings of grains and soybeans in 1973.

\*We announced that price support loans on grains will not be extended beyond current maturity dates. This has the effect of increasing market supplies by some 330 million bushels of wheat and over a billion bushels of feed grains.

\*We have taken action to move government-owned stocks of grains into the market. Under this policy, the Commodity Credit Corporation has sold 278 million bushels of wheat and 200 million bushels of feed grains.

\*We have announced farm programs for 1973 designed to bring about increased acreages of grains and soybeans. The required set-aside for wheat was eliminated in order to bring an additional 7.5 million acres into production. The feed grain set-aside was limited to 25 percent, with no additional set-aside required, which will increase planted acreage by 11.6 million acres.<sup>1</sup> The cotton set-aside requirement was eliminated, freeing about 2 million additional acres for any crops that producers want to plant.

\*Finally, the Department announced that livestock forage can be grazed or harvested from acreage set aside under the wheat and feed grain programs this year. This will further add to the livestock feed supply, helping producers to meet the oncoming demands for livestock products.

As a result of these changes in the 1973 programs for cotton, wheat and feed grains, it is anticipated that there will be nearly 40 million fewer acres set-aside than the 61½ million acres set aside in the 1972 programs. It is estimated that this will result in an additional 225 million bushels of wheat and 20.6 million tons of corn. In addition, changes in the feed grain and wheat programs will assist in expanding the soybean crop by some 7 million acres or an estimated 237 million bushels.

This implies a continued policy favoring farm policies geared to the satisfaction of human needs and desires—in other words to a market agriculture. This

<sup>1</sup> Since this speech was delivered, the maximum feed grain set-aside requirement for 1973 has been reduced from 25 to 10 percent. The anticipated effect on planted acreage is an increase of about 5 million acres.



policy—of utilizing the market rather than Government as the primary guide to production decisions—will be up for renewal in this calendar year.

To summarize the Administration's views on farm legislation, we favor extension of the Agricultural Act of 1970, with some variations.

We favor retention of the mechanism for setting aside a part of agriculture's excess capacity as the supply-demand situation in agriculture dictates. We favor a continuation of the principle of farmer freedom—that is, the freedom for a producer to adjust his operation as he determines to be to his best advantage. We favor a continuation of the loan mechanism whereby loans provide an emergency floor under prices and a credit tool for farmers.

We favor changes that would phase down supplemental income payments, especially at a time when farmers have been able to increase their income from the market place. Other recommendations call for changes in the base and allotment structure: We recognize that the wheat, feed grain and cotton bases and allotments established over a decade ago are increasingly out of date, and we favor a transition to a cropland base for individual farms.

#### THE BALANCE OF TRADE PROBLEM

Let me emphasize that the decision for an export-oriented agriculture has already been made. It is already being implemented, and has been for some time.

The machine is rolling, and we are not going to throw it into reverse. One reason is that this policy satisfies human needs and desires in many countries. Secondly, our farmers are benefitting from this trade expansion and have already made many of their expansion investments. Thirdly, our yields and our productive capacity are still growing. The final reason we are not going to reverse it is our balance of trade.

We do have a balance of trade problem, and it's serious.

Ten years ago the United States had a balance of trade surplus running from \$5 to \$7 billion a year. In 1971 this nation had the first trade balance deficit of this century, and in 1972 we ran into the red by a startling \$6.4 billion.

The reason is that the competitive situation in the world market has changed dramatically. Usually in the past, the United States, even with higher wages, had such a lead in the industrial and scientific revolutions that it could produce and distribute more goods than anybody else.

But now many countries have mastered the arts of the computer age, and are maintaining high levels of productivity with lower labor costs.

The result has been two devaluations of the dollar in the last year and a half.

#### AGRICULTURE'S ROLE IN BALANCING TRADE

As we face the problem of correcting our balance of trade, agriculture stands out as one of the top export industries in the American economy, and one of the primary areas where our trade earning can be increased.

*Agriculture can earn more export dollars, and here's why:*

*Commercial markets for farm products are growing fast around the world. More people with more money are trying to improve their standards of living—and eating—today than at any previous time in history.*

*American farmers are the most productive and efficient in the world. With the technology and management skills of the American farmer, yields per acre have risen dramatically. Output per man-hour has tripled since 1950, rising some 6 percent per farmer per year (compared with 2.6 percent in our off-farm industries). Farmers have twice as much investment per farm worker as off-farm industries, indicating the high level of capitalization and technology in the industry.*

*We have spent more than a hundred years building an agricultural support system for education, research and extension that has given us the best-educated and most highly skilled corps of farm managers in the world. We are now in position to make full use of this groundwork to build our agricultural potential.*

*We have the world's best agricultural infrastructure. We have the farm supply industries to provide new machinery, seeds, chemicals and other inputs; and the marketing and transportation systems to get the farm products to market after they are produced.*

*America's farmers have a comparative advantage in producing grains and oilseeds—the hottest items in the world's growing agricultural trade. World feed*



grain trade has been growing 9 percent a year for the past 3 years. World oil-seed trade has been jumping 8 to 10 percent a year since 1960. The United States is already the world's leading producer of these items, and in most recent years we have also held millions of acres out of crops under government programs.

It would make pitiful economics for the world to invest huge sums of development capital bringing raw land into soybean production in Brazil, for example, when the United States was spending large sums of public money to hold soybean acres out of production here.

*We have already made major adjustments in American agriculture to enable it to meet the growing demand for farm products around the world.*

We have enacted a market-oriented farm law, the Agricultural Act of 1970, under which we have taken several major steps to adjust our agriculture to the market. We have freed farmers from the historical straight-jacket of allotments and bases. Farmers have used their management freedom to change the cropping patterns on millions of acres across the country. They have shifted these cropping patterns to meet market demand for particular farm products and to cut their production costs. American agriculture is even stronger and more competitive today as a result.

U.S. farmers have also made major investments in equipment and land in response to the strong world food demand reflected in high world market prices.

To foster straightforward competition we have also suspended our export subsidies on wheat and tobacco, and cut back drastically on barter agreements. We have opposed international commodity agreements aimed at market-sharing and price-fixing.

This year we are freeing an additional 40 million acres of cropland—which were retired under government set-aside programs last year—to produce crops needed in the world market.

All of these investments and commitments have been made with the hope that U.S. agriculture will now get the opportunity to make its full contribution to our economy and to solving the nation's balance of trade problem.

*U.S. Agriculture is already one of the major contributors to the U.S. balance of trade.* This year our exports of farm products will total some \$11 billion. To put that in perspective, let's note that it is about the same total as our exports of all industrial machinery last year. It is more than three times our total chemical exports, and four times the total of our consumer goods exports.

Let's note also that last year we imported \$3.7 billion worth of fuel and lubricants, \$7.9 billion worth of automobiles and parts, and \$8.6 billion worth of consumer goods. Our farmers more than offset all our imports on TV sets, cameras, lace handkerchiefs and so forth.

Obviously, agriculture is already playing an important part in keeping this nation solvent, and making it possible to buy the items we want from overseas. The decision for a market-oriented U.S. agriculture is already paying off—for the nation and for our farmers.

We believe that American agriculture can do even more in the future, however—if we can compete freely for markets.

Trade barriers are one of the keys, however, to effective use of the world's resources.

Our trading partners around the world have a number of trade barriers that are keeping U.S. products from competing effectively. Other trade barriers have the effect of forcing exports from their countries into the U.S. market.

In Western Europe, for example, the Common Agricultural Policy has frustrated our efforts to increase our farm exports.

The Common Market countries are particularly important to the United States for several reasons. First the EC is a large market—people with high incomes and tremendous spending power. Secondly, the EC is private-trade oriented; we can count more heavily on their business than we can a centrally-planned economy where one government decision could suddenly cut off a market. Finally, the EC is important because it now runs a trade surplus with the United States.

In addition to agricultural barriers, the EC restricts much of the goods Japan would like to export to it—which is one reason why so much of the Japanese output pressures the U.S. market.

Japan, in its turn, unduly protects itself against a whole range of American industrial and agricultural goods by tariffs and other means. These have been reduced over the years, and we hope they can be reduced further in the future.



We are seeking multi-lateral negotiations as a means of achieving progress toward our goal. First, we are preparing for talks, beginning next month, aimed at protecting the trading rights of our agriculture in relation to the enlarged EC. Second, we are preparing for general negotiations toward world-wide liberalization of trade—negotiations that we hope can get under way this fall.

With or without trade negotiations, however, we must balance our trade if the American economy is to remain viable. We know that we have a big comparative advantage in agriculture which could go a long way toward solving the balance of trade problem. We have made the basic investments and commitments to permit this agriculture to expand and contribute.

Having taken these steps we must increasingly put pressure on barriers which prevent one of our most efficient industries from assisting in the balance of payments improvement which is really in the interest of our trading partners too.

We would prefer to solve the balance of trade problem through trade liberalization. If each country lowered its trade barriers so that good and services could flow freely, then the principle of comparative advantage would work to even out trade balances.

However, if we cannot solve the trade balance problem through trade liberalization then we may have to take more direct action.

Mr. RARICK. Are there any other questions on the testimony the Secretary gave?

[No response.]

Mr. RARICK. In that case, then, Mr. Secretary, I believe you have another engagement—

Mr. SEBELIUS. Well, Mr. Chairman, we have another bill.

Mr. RARICK. Do you have any questions on that aspect of his testimony?

Mr. MAYNE. Thank you, Mr. Chairman.

Mr. Secretary, you have computed the cost of my bill, H.R. 6791, on page 6 of your testimony, as \$89 million. But then in the following paragraph, I think your testimony is open to the inference that there would be additional cost. Now, the fact is, is it not, that that additional cost would not be connected at all with 6791, but with other bills that I am not proposing?

Dr. BRUNTHAVER. Sir, the staff, and I am sorry, I have not looked into it in any detail, the staff indicates the cost of H.R. 6791 would be \$89 million, plus \$8.9 million for each 1 cent that the market price in the 5 months drops below \$1.29.

Mr. MAYNE. Would you please look at my bill and tell me how it could possibly be subject to the latter part of your interpretation?

Mr. FRICK. Mr. Congressman, that is tied to the parity figure for October that is estimated at \$1.54, and that if prices drop below \$1.29 after the 25 cents is paid, why, it would have to be made up according to that figure.

Mr. MAYNE. Mr. Administrator and Mr. Secretary, if I may have your attention, please, has either of you read the bill which I introduced on April 10, H.R. 6791, on which the Secretary has just testified?

Mr. FRICK. I just looked through it, sir.

Mr. MAYNE. Well, it consists of one and about one-fourth pages and I would respectfully suggest it is not properly subject to the interpretation that it would cost more than the additional 10 cents per bushel.

Do you have the bill before you?

Dr. BRUNTHAVER. Yes, sir, we have the bill.

Mr. MAYNE. Does it say anything about parity in there? Is there anything in it other than a simple statement that the payments shall be increased by 10 cents a bushel, from 15 cents to 25 cents a bushel?



Mr. COFFMAN. Congressman, I am not sure we are looking at the same bill.

Mr. MAYNE. Well, the Secretary has just testified about H.R. 6791.

Mr. COFFMAN. That is right.

Mr. MAYNE. That is my bill that was introduced on April 10. It was printed and I assume the Department has copies of it. Does it say anything about parity?

Mr. COFFMAN. I am reading from a bill which you seem to have identified, but the bill we have says the payment under plan B would be comparable to the rate of payment under plan A. Now, maybe we are not looking at the same print. Does yours say 10 cents to 25 cents?

Mr. MAYNE. Yes, it says such rate of payment shall be not less than 25 cents per bushel for corn. That is an increase from 15 cents per bushel to 25 cents.

Mr. COFFMAN. But that says it is not less than 25 cents. In the earlier part of the bill it says it shall be comparable to the rate of payment under plan A.

Now, as you know, the rate of payment under plan A is tied to parity. Therefore, if you make a rate for plan B comparable to that, I do not see how you escape going up with the plan A rate. That would be above 25 cents.

Mr. MAYNE. Well, would you be agreeable to an amendment to the bill which would limit the payment to an additional 10 cents, raising it, in simple language, from 15 cents a bushel to option B to 25 cents, so there would be no question about any additional charges and there would be a simple \$89 million in cost?

Dr. BRUNTHAVER. No, sir, we would not be in favor of such a bill.

Mr. MAYNE. But you would agree that it would be substantially less expensive than the other provisions which have been suggested?

Dr. BRUNTHAVER. It would be less expensive depending on the market price, yes.

Mr. MAYNE. Now, Mr. Secretary, I believe it is a fair inference from your testimony—you are contending that nothing has been changed in the agreement with the participants who signed up for the set-aside B, or zero set-aside, option. Now, I would like to explore with you whether that is really a fair interpretation. By changing option A, as you have done, by sweetening it very substantially, you have brought 13 million more acres into production, have you not?

Dr. BRUNTHAVER. That is correct.

Mr. MAYNE. Now, that is 13 million more acres to compete with those participants who elected the zero set-aside, is it not?

Dr. BRUNTHAVER. All right, yes, that is right.

Mr. MAYNE. And those men and women planned their production when they agreed to go into the zero set-aside, anticipating that there would be a larger set-aside because of the appeal of the option A, which would persuade some people to go into it on those terms.

Dr. BRUNTHAVER. Well, except that when we announced the program, it was clearly the intent of the Department to get the type of participation which would give us roughly 74 million acres of corn and 54 million acres of soybeans. Now, maybe farmers on their own felt that the program would not accomplish this and they would anticipate a higher corn price or something, but I think in fairness, the program was designed to do this. As it turns out, the farmers did not



sign up for B as much as we thought they would and the production was short of what we had anticipated. I am not sure that the farmers felt at signup time that we would have a shortfall in acreage.

Mr. MAYNE. Well, it seems very evident to me that this additional 13 million acres that you have attracted by sweetening this option A is going to go into soybean and corn production that is going to compete directly with this fellow who elected the B option, and if he had known that he was going to have to face this additional competition, he would have been much more likely to go into plan A himself, rather than into plan B. Do you not think that is a fair statement?

Dr. BRUNTHAVER. I can see your point of view, sir. In fairness, I think that the farmers that signed up for B thought at the time that there was a good chance that this program would result in a corn acreage of about 74 million. As it turns out, we will not get 74 million acres planted. We probably will have less than that.

Mr. MAYNE. Well, a number of farmers in my district told me that at the time the terms were proposed in the sign up which ended March 16, they tried to figure out how much less they would get an acre under the zero set aside than they would under the option A. And of course, that was a calculation that they considered in determining whether it was worth it to them to go into the A and have a set-aside or have the additional production. And they computed that they were going to get about \$35 an acre less in Government payments if they took B rather than A. And they felt that under those circumstances, they were willing to make that sacrifice and to take the smaller payment in order to have the additional production. They cooperated with their Government in the drive for increased corn production.

But now, after the end of signup on March 16, 10 days later on March 26, when you changed the rules of the game and gave these additional benefits to option A, they figure that the difference is now not \$35 an acre but \$90 an acre. And I have tried to bring this back into some kind of balance with this additional 10-cent payment in my bill, H.R. 6791, which would readjust the equilibrium so that the difference between them would be about the same as it was when the signup was originally in progress.

Do you have any comment on that?

Dr. BRUNTHAVER. Yes sir. We recognize what you are trying to do here. I am not personally going to represent the fact that the action we have taken is fair to all producers. We were caught in a situation with a provision of law that says that you must make a payment to any feed grain farmer that walks in the ASCS office and signs up for the program. That payment specifically shall be 70 percent of parity minus the average price received by farmers in the first 5 months of the marketing year. If, based on the demand that we saw for corn, if we would have conducted a straightforward program and set the set-aside percentage at 5 or 10 percent, every farmer in the United States would have come in and signed up for this windfall situation. This would have increased the cost of the program considerably and there is some doubt, even with a 10 percent across-the-board set-aside on all farms, whether or not we would have gotten the acreage that we needed. Therefore, we decided that we would have a full compliance program and a partial compliance—a partial compliance trying to get farmers to take a partial payment and still not set aside any land.



Now, this partial compliance of 15 cents really represents a windfall provision or windfall payment to those farmers who simply sign up to maintain the same corn acreage that they had last year. They have no set-aside at all. They just come in and fill out a form for a 15-cent payment.

Now, it is true that had they known everything, they could have gotten a larger windfall by waiting or signing up for the A and then the A is reduced. But in fairness, I do not think farmers are discriminated against. They have an extremely good deal in plan B. It is true they have a better one in A, but we cannot change it, because to change it and open up the program to allow people to change from B over to A, it means that they have to set aside 10 percent of their land instead of zero. It would mean that the noncomplier would come in and set aside 10 percent. That would mean too much set-aside. It would also increase the cost of the Government payment tremendously. So this is the situation that we are caught in.

Your bill would increase the payment to the "B" plan, so it is just a matter, I guess, of Treasury cost and which way we will go.

Mr. RARICK. The gentleman's time has expired.

I recognize Mr. Sisk from California.

Mr. SISK. Thank you, Mr. Chairman.

Mr. Secretary, in connection with your testimony, do I understand that the statements here relate to all bills. The reason I raise this is because Mr. Smith of Iowa has just yesterday introduced a bill, 7436, which is listed before us. Have you folks had a chance to look at that particular bill?

The reason I ask is that because, though it is similar, it does have a little different approach to this subject.

Mr. Brunthaver, are you aware of the Smith bill?

Dr. BRUNTHAVER. No, sir, I am not aware of 7436 and we have not included that in our statement.

Mr. SISK. Let me just ask you—again, it is actually just a very brief approach. As I understand it, we are trying to seek equity in connection with changes in conditions and regulations and set-aside and so on. Just to read this last—

Notwithstanding any other provision of law, during a 7 day period following reasonable notification to all potential participants and within 20 days following the date of enactment of this Act, the Secretary of Agriculture shall make available to all producers of corn, grain sorghums and barley, the opportunity to participate in the feed grain program for 1973 under any option the Secretary has made available to any other such producer which was not available during the signup period ending March 16, 1973.

Dr. BRUNTHAVER. Yes sir.

Mr. SISK. All I am doing is trying to give you the opportunity to comment on it. I am not trying to put you on the spot.

Dr. BRUNTHAVER. Let me comment on that. That, again, would be complete fairness to the farmer, to be sure. It would encourage many of the B participants to switch to A. This would mean that the B plan, instead of setting aside zero—

Mr. SISK. Right.

Dr. BRUNTHAVER [continuing]. Would set aside 10 percent of his land.

Mr. SISK. Exactly.



Dr. BRUNTHAVER. It would mean the noncomplying, the 16.9 million acres of noncompliance, these would now come in with the now sweetened A program and instead of setting aside zero, they would set aside 10 percent. This in itself makes it unacceptable, because we are very much concerned about getting corn and soybeans in such amounts. To revise the program to provide additional set-aside would be unacceptable.

Mr. SISK. Are you saying, Carroll, that in your opinion, that would substantially reduce acreage?

Dr. BRUNTHAVER. Planted acreage, that is right, because instead of setting aside zero for the B and the noncomplier, these men would come into the program and set aside 10 percent.

Mr. SISK. We are assuming that that is possibly what they will do because of the sweetened deal in connection with it. I am not an expert in this area. I am just trying to approach this thing from a fairness standpoint in view of the fact that ground rules have changed. I am not critical of the Department, other than that I feel that to the extent that we change ground rules, then, darn it, we ought to give to the farmer some chance to reconsider. In other words, if in fact it is necessary for us to reconsider—that is, the Government—then should not the farmer in turn be given a right to make some change? I am just thinking strictly of equity.

Actually, how much additional money is this going to cost the Government?

Dr. BRUNTHAVER. Well, we estimate on Mr. Mayne's bill, \$89 million plus.

Mr. SISK. I understand, but I realize on this other bill it would be pure guesswork. I am just curious.

Dr. BRUNTHAVER. On the other bill, our estimate would be about \$356 million, because you would have an additional cost of the B going into the A, and also the additional cost of the noncomplier coming into the program.

Mr. SISK. But actually, basically, your principal concern is that it would tend to reduce planted acres? That would be your objection?

Dr. BRUNTHAVER. That is our main concern about that.

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

Mr. RARICK. Mr. Zwach?

Mr. ZWACH. Thank you, Mr. Chairman.

Mr. Secretary, had the original provision been for a 10 percent set-aside under A instead of a 25—first it was 30 and then changed to 25—how many of those people that chose B do you feel perhaps would have chosen A?

Dr. BRUNTHAVER. Probably quite a few of them, if not most of them.

Mr. ZWACH. Not all of them?

Dr. BRUNTHAVER. I do not know.

Mr. ZWACH. Now, my bill does what we have referred to. It is very simple. It just says that they shall have that choice, to choose A. I do not think all of them would choose it. The reports that I get from my district, agricultural reports, indicate that certainly some of them would have chosen that had they had the facts as they now are before us. Some of them under other circumstances, perhaps, would have stayed in B. I think in fairness, they ought to have that opportunity.



You say it would reduce 2.2 million acres if all of them switched. Now, of course, all of them are not going to switch. You do not anticipate all of them are going to switch?

Dr. BRUNTHAVER. I would not think so. It is awfully late in the game.

Mr. MAYNE. Would the gentleman yield just briefly?

Mr. ZWACH. Yes.

Mr. MAYNE. It is too late for a lot of them to switch because they have already planted their corn?

Dr. BRUNTHAVER. Yes, that is right.

Mr. MAYNE. Thank you.

Mr. ZWACH. Then you say this legislation of mine would cost \$150 million. That would be if all of them switch.

Dr. BRUNTHAVER. Right.

Mr. ZWACH. Now, if there is anything that Government ought to do, it ought to keep faith with the people, should it not?

Dr. BRUNTHAVER. That is right.

Mr. ZWACH. Those that chose B, and I think it is only 18 percent of the participators, roughly—did not 82 percent sign up under A?

Dr. BRUNTHAVER. We have a total base of 130 million acres, and of that, 21.8 million acres of base was signed up under the B. That would be, 10 percent would be 13—almost 20 percent.

Mr. ZWACH. I saw figures, 82 percent under A, and it is in that area, fairly close.

You stated that you were fooled a little bit, you expected more of them to choose B.

Dr. BRUNTHAVER. Yes, sir.

Mr. ZWACH. Well, you know our producers are much, much more concerned. The thing that has driven millions of them off the land has been low prices. That is what has driven the people off our land. They think that this tends toward low prices. And I do not blame them for choosing A. We chose it on our farm. My sons chose it. All of my brothers chose it. They are afraid of low prices.

Now, in order to counteract this and sort of see that the roof does not cave in, do you anticipate a higher loan rate on corn for the coming year? Have you announced the corn loan rate?

Dr. BRUNTHAVER. Yes sir. The corn loan rate is announced.

Mr. ZWACH. Is it going to be raised?

Dr. BRUNTHAVER. No sir.

Mr. ZWACH. Is it up?

Dr. BRUNTHAVER. No sir.

Mr. ZWACH. It is not up?

Dr. BRUNTHAVER. No sir, it will be the same.

Mr. ZWACH. So you see, the fear is that we are going to suck them into the vortex of low prices sooner or later; they fear sooner. So I do not blame them for choosing A.

I think you ought to be aware of the real feeling with regard to producers. They are scared of low prices.

Is my time up?

Mr. RARICK. Yes.

Mr. Matsunaga?

Mr. MATSUNAGA. Thank you, Mr. Chairman.



The original intent of the set-aside was to cope with the surplus feed grains stored, was it not?

Dr. BRUNTHAVER. That is correct.

Mr. MATSUNAGA. Would the bills before us tend to further restrict the production of feed grains by setting aside an additional 10 percent of available lands?

Dr. BRUNTHAVER. Sir, some of them would. Now, H.R. 6791 and S. 1572 would not change. It would just make a higher payment to the B participants, as I understand it. But I think in fairness, the others would encourage additional set-aside at a time when we cannot tolerate that.

Mr. MATSUNAGA. And you say in your testimony that this is a time when we have a shortage of grain, is that correct?

Dr. BRUNTHAVER. We do not have a shortage. We are concerned that we will not get the acreage that we need planted and a shortage may develop. It depends entirely on weather and crop conditions. Our current estimate of feed grain carryout is still 900 million bushels of corn. We have adequate supplies of feed grains. We are concerned about the coming year, if this weather does not improve.

Mr. MATSUNAGA. So that these bills, if enacted into law, may militate against your projected returns?

Dr. BRUNTHAVER. With the exception of H.R. 6791 and S. 1572.

Mr. MATSUNAGA. No further questions.

Mr. RARICK. The gentleman from Kansas?

Mr. SEBELIUS. Thank you, Mr. Chairman.

Just for my own mind, just to see if I am right, I understand basically the reason you are objecting to the bills in their present form is, one, of course, the cost; two, the extra amount would upset the balance you have now projected for corn and feed grains?

Dr. BRUNTHAVER. That is right, Mr. Sebelius.

Mr. SEBELIUS. That is all I have.

Mr. RARICK. Mr. Findley?

Mr. FINDLEY. Mr. Secretary, you now have, I assume, a fairly good estimate of the total payments that will be made under the feed grains program for this year?

Dr. BRUNTHAVER. Yes, sir.

Mr. FINDLEY. What is that figure?

Dr. BRUNTHAVER. I think the latest estimate is a little over \$1.1 billion.

Mr. FINDLEY. And that represents what percent of the value of the crop?

Dr. BRUNTHAVER. Sir, I do not know. I will have to furnish that for the record.

Mr. FINDLEY. Would it be 15 percent? Would it be as much as 15 percent, do you think?

Dr. BRUNTHAVER. Well, let us take just corn. The corn payment is approximately \$900 million and if we get a 6-billion bushel corn crop at \$1.25, then it would be 6—\$8 billion—it would be one-eighth, 12½ percent.

Mr. FINDLEY. Twelve and a half percent. What percentage of the payments to be made under feed grains can be described as payments for resource adjustment?



Dr. BRUNTHAVER. Well, this year, very little of them, because if we did not have the provision of law that required a 70-percent parity payment, we probably would have no set-aside at all. So the entire payment—at least three-fourths of it, I guess, in fairness—about three-fourths of it would be income supplement as opposed to production adjustment.

Mr. FINDLEY. So approximately 25 percent represents resource adjustment. Can you give us or place in the record the same information for wheat and for cotton? As I understand it, the payments for those commodities are entirely income supplement this year, because no resource adjustment is required. I would presume that the payments represent a substantially larger percentage of value of the crop in each case. Is that a fair presumption? Can you, from your knowledge, give an estimate of what that percentage would be for wheat and for cotton?

Dr. BRUNTHAVER. For cotton, of course, 100 percent of the payment is income supplement this year, since there is no cotton set-aside. In wheat, there is about, I think, 6 million acres set-aside. So the income supplement—I would like to figure that out. We will do that for the record.

[The above referred to information follows:]

For the 1973 wheat program, roughly 85 percent of the estimated total payments could be considered as income supplements.

Mr. FINDLEY. But on the question of what percentage of crop value is represented by Government payments, the percentage for wheat would be much more than the 12½ percent for feed grains, would it not?

Dr. BRUNTHAVER. Yes; that is correct, because the payments here are about \$900 million and the value of the crop 1.75 billion bushels times, say, \$2 to the farmer. That would be about \$900 million out of \$3.5 billion, so less than a third.

Mr. FINDLEY. And for cotton, it would be closer to 50 percent, would it not?

Dr. BRUNTHAVER. The payments in cotton would be about \$700 million.

Mr. FINDLEY. So about 50 percent. The point I am trying to make—

Mr. SISK. If the gentleman would yield, it would be substantially above 50 percent.

Mr. FINDLEY. What would that be, then? I do not want to leave any misinformation in the record, what would it be 45?

Dr. BRUNTHAVER. Well, from a 1973 crop of 12 to 13 million bales, and if you have an average price of \$150 a bale, I guess we are talking about \$2 billion, actually a little over \$2.2 billion in total gross income. With the \$700 million in payments, it is about a third of the total income.

Mr. FINDLEY. About a third? About the same as wheat, in other words?

Dr. BRUNTHAVER. If you compare it as a percentage of the total gross income, cotton payments would be nearly a third and wheat payments about a fifth. As a percentage of crop value, cotton payments



would be about 40 percent and wheat payments nearly a third—or possibly closer to a fourth.

Mr. FINDLEY. Mr. Chairman, the point I am trying to make is—substantial though the outlay for feed grains is, it is still rather modest compared to the outlay for wheat and cotton.

That is all, Mr. Chairman.

Mr. RARICK. Mr. Symms?

Mr. SYMMS. No questions.

Mr. RARICK. Mr. Secretary, I can only add that I hope the Department remains in a viable status as far as estimates of acreages, because in many areas around the country, unless our farmers can plow from the back of a speedboat, past acreage experiences cannot be counted. An elderly farmer in Louisiana complaining to me about the flooding said they opened the Bonne-Carre Spillway and they got flooded all over again. Then they opened the Morganza Spillway and got flooded with all that water. Now he said he'd been reading the papers lately and noticed that up in Washington, they are talking about opening the Watergate. He said he was flooded enough. We don't need any more.

Thank you very much for your testimony.

Mr. MAYNE. May I have permission to make a further statement, Mr. Chairman?

Mr. RARICK. Any objection?

[No response.]

Mr. RARICK. Without objection, proceed.

Mr. MAYNE. Mr. Secretary, I do want this statement to be in the record while you are here, so you will have an opportunity to answer it if you wish. It does seem to me that the program as announced by the Department this year did give the farmers a very clear choice between the 25 percent set-aside and the so-called zero set-aside with a much smaller payment. Many farmers did then reject the 25 percent option because under the circumstances that then existed, they did not feel they wanted to cut production that much with the kind of payment that would be offered under option A. Then on March 26, 10 days after that signup had been completed, the ASCS changed the rules and announced that those in the 25 percent would only have to set aside 10 percent while they continued to receive the same larger payment. I still contend that that was grossly unfair to the ones who had selected the B option. It was changing the rules after the game had started and violates every concept of American fairplay.

Now, you are giving a much better deal to the one group by changing the deal after the contract has been entered into. It seems very clear to me that what the ASCS is now doing does grossly discriminate against those in the zero set-aside, and it is my opinion that if the Department continues to block legislation to restore some balance between the two options, it is, in effect, destroying the credibility of the feed grain program. I do not know of anything in my experience in the Congress that has made farmers madder, nor with better reason, and I very strongly feel as they do, that if our farmers cannot rely on what the Government tells them in negotiating a business deal, and that is what this signup amounts to, if they cannot rely on their Government's word, they cannot be expected to cooperate in Government programs in the future.



Thank you, Mr. Secretary. If you have any comment on that, I will be glad to hear it.

Dr. BRUNTHAVER. No, sir, I have no comment on that.

Mr. RARICK. Thank you very much, Mr. Secretary. We appreciate your appearance this morning.

Our next witness is one of our colleagues, a gentleman who has been waiting for a considerable period of time. We are very happy at this time to hear the statement of the Honorable Neal Smith of Iowa in behalf of his bill, H.R. 7436.

#### STATEMENT OF HON. NEAL SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. SMITH. Thank you, Mr. Chairman, members of the committee, first, I want to agree with others who have concluded that some feed grain producers in 1973 are being discriminated against in not having been given the opportunity to participate under one of the options now made available to certain producers.

Prior to the signup deadline on March 16, farmers were offered two options. The A option was to set aside 25 percent of their feed grains base and receive a payment of 32 cents per bushel on the yield established for one-half of that base. Under the B option, they could receive 15 cents per bushel on one-half the base, provided they do not exceed the acreage planted in 1972. On March 26, after the signup deadline, it was announced that those who had signed for the A option would be given the opportunity to plant up to 60 percent of their set-aside acres to corn, soybeans, or certain other crops, and still be paid for having set aside those acres. I want to digress just a second at this point to say that my experience with farmers has been that when it is all said and done, they divide the number of idle acres into the number of dollars they are going to receive. They want to know how much they will receive for those idle acres? Then the other question is, What can I do with what is left? This change in benefits announced March 26 radically changed the amount per idle acre that would be received. This option was not only not made available to those who had signed for the B option but also, as Mr. Brunthaver said in his statement, it was not made available to farmers who did not sign for either option. In regard to these figures, my understanding from the Department is that 50 percent signed for A, 11 percent for B, and 38 percent did not sign for either one.

There are producers whose land is the most highly productive, carries the highest value, the highest mortgage, and pays the highest rate of property taxes—in many instances \$15 per acre—who simply could not secure reimbursement to the extent necessary in order to permit them to participate under either the A or the B option offered prior to March 16. Some of these producers could afford to participate under the option offered March 26 to certain producers. Whether they want to participate or not, I think all producers are entitled to an opportunity to do so on whatever basis is offered to any other producer and that it was the clear intention of the Congress that the same options be made available to all producers. It is my personal opinion that not many of those who did not sign will come in anyway. They only have 16 million acres of corn production. A lot of them are small acreages.



They do not want to divide a field to take 3 or 4 acres out or something like that. But nevertheless, they are entitled to some opportunity. Just as Mr. Mayne said, what is an opportunity for the one ought to be an opportunity for the others, too.

The other bills you have before the committee are designed to eliminate the discrimination against the 11 percent who signed for the B option, but those bills do not eliminate the discrimination against the 38 percent who found neither the original A nor B option to be satisfactory for their particular farm. This means that my bill eliminates the discrimination for almost five times as many farmers as would be the case under the other bills before the committee. While the vast majority of the 38 percent who did not sign for either program probably would not sign for the new option either, they are being discriminated against as long as they have not been given the opportunity to make that decision. I think that while we are trying to correct the situation, we should give an equal opportunity to all feed grain producers and that anything less than that would, in effect, be putting the stamp of approval of the Congress on discrimination against some producers in the administration of the program.

Since the beginning of the feed grains program in 1961, I have proposed that diversions or set-asides be on the basis of nutrients. For example, a farmer might be given the option of diverting twice as many acres from feed grains for the same payment if he wants to use the diverted acres for forage. Or, the producer might be given half as much payment if he chooses to divert from grains to forage rather than from grains to nothing. For many reasons that are not important in the discussion today, I felt this would be a useful tool and provide some needed flexibility in agriculture as a whole. This committee has opposed that proposal. But now, the Department is in effect permitting the cropping of diverted acres without any reference to total nutrients. It should be obvious that the action by the Department was not only discriminatory but also contrary to the intention of the Congress. However, the fact is that they have made this option available whether it was within the intent of Congress or not, and some farmers now have already planted their crops and relied on the option being available. Therefore, all we can do at this time is to provide the greatest amount of equity possible under all the circumstances. In simple terms the bill I am proposing would provide the most equal opportunity possible under the circumstances to all feed grain producers and to eliminate as much discrimination as is possible at this late date. I strongly urge that the provisions of H.R. 7436 be approved by this committee.

Thank you.

Mr. RARICK. Thank you very much, Mr. Smith. Under our usual procedure, we ask all the other Members of the Congress to testify and then have the questions en bloc, but we understand that you are absent from your committee.

Mr. SMITH. It is all right. There is nothing any more important than this if I can be of any help.

Mr. ZWACH. Mr. Chairman, point of information. Do we have this bill before us?

Mr. RARICK. Yes, it is the last bill in the stack.

Mr. Mayne?



Mr. MAYNE. Mr. Chairman, I would just like to thank Congressman Smith for his fine statement.

Mr. SMITH. Thank you very much.

Mr. RARICK. Mr. Sisk.

Mr. SISK. Let me ask you this, Neal. You heard that I asked the Secretary to make some comment on my bill. I recognize that apparently, they had not had an opportunity to see it. Do you agree with this figure of \$356 million? How did they get that figure? Was that one pulled out of the—

Mr. SMITH. I just ran this through my head as they were saying that. Apparently they have assumed that the 11 percent who signed up for the B option would switch to A because it was sweetened up. Then they have taken the acreage involved in the 11 percent and compared the acreage with those who did not sign for B and put the two together.

The 38 percent who did not sign up only had 16 million acres total, anyway. They are entitled, anyway, to the opportunity, even though most would not do it.

Mr. SISK. My own position I think was very well expressed by our colleague from Iowa, Mr. Mayne, in his statement. This gets down to equity and fairness to people and to keep the faith with the American farmers. I think this is a very unfortunate situation.

Mr. SMITH. I thoroughly agree. This has done terrible damage in the farm belt with the credibility of the Government and faith in farm programs being administered fairly. It really has. I agree completely with what Mr. Mayne stated about that.

Mr. SISK. That is all.

Mr. RARICK. Mr. Zwach?

Mr. ZWACH. No questions.

Mr. RARICK. Mr. Matsunaga?

Mr. MATSUNAGA. Thank you, Mr. Chairman.

What puzzles me, Mr. Smith, is that while the estimates of the total production would not create any excess, we are proposing a program which would call for additional set-aside of land. Is there not a contradiction here that you see?

Mr. SMITH. I am not quite sure I understand the question.

Mr. MATSUNAGA. Well, you heard the Secretary earlier?

Mr. SMITH. Yes.

Mr. MATSUNAGA. He was saying that by moving from plan B to A—

Mr. SMITH. It would encourage additional set-aside, that is right.

Mr. MATSUNAGA. Right. And that the estimate of future production would be that we will not have any surplus of production.

Mr. SMITH. Well, it would affect the total bushels, but I want to remind you that what we are really talking about is how much carryover are we going to have left at the end of the year? We are going to have a carryover under either approach, because we have an estimated 900 million bushel carryover and that is no small amount to start with. That is not scraping the bottom of the barrel. We were down to 600 bushels just 2 years ago. So I do not think it is all that crucial. We are not going to have such shortage of feed grains that we need worry about the few acres involved, as I see it.

Mr. MATSUNAGA. Would your proposal encourage or discourage production?



Mr. SMITH. It would result in an idling of some additional acres. The amount would not be great. However, at the same time, we do know that whenever farmers idle a certain number of acres, they also turn their available resources, especially those in the lower income areas, into the acres they produce, so they will put on some more fertilizer and probably produce more per acre with what they have left. So it is not all that great.

As a matter of fact, I think and a lot of farmers think that if all they are going to idle is 10 percent, they might just as well forget about it.

Mr. MATSUNAGA. No further questions.

Mr. RARICK. Mr. Sebelius?

Mr. SEBELIUS. No questions.

Mr. RARICK. Mr. Litton?

Mr. LITTON. No questions.

Mr. RARICK. Mr. Symms?

Mr. SYMMS. No questions.

Mr. RARICK. We thank you very much.

Our next witness is our colleague and ranking minority member of the subcommittee, Hon. Wiley Mayne.

Mr. MAYNE. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, the three witnesses who are scheduled to testify after my testimony are farmer constituents of mine from the Sixth Congressional District of Iowa and I would like to ask unanimous consent of my colleagues to permit them to testify out of order before I give my testimony.

Mr. RARICK. Any objection?

[No response.]

Mr. RARICK. Hearing none, it is so ordered.

Mr. MAYNE. It is my great pleasure to introduce to the committee the first of these witnesses, Mr. Larry Siefken, a farmer from Palmer, Iowa.

Would you come forward, Mr. Siefken, and testify, please?

#### STATEMENT OF LARRY SIEFKEN, FARMER, PALMER, IOWA

Mr. SIEFKEN. Mr. Chairman and members of the committee, I am Larry Siefken, a farmer from Palmer, Iowa, located in Pocahontas County. This is primarily a cash grain area, heavy in soybean production, located in north-central Iowa. My father and I have separate operations, but together work a total of 880 acres. This is planted to soybeans and corn—about half and half. I have been farming for 14 years and have participated in production adjustment programs for most of those years.

I am here today to urge your support of my Congressman's bill, H.R. 6791, to restore equity to the payments under the two options of the 1973 feed grain program. This action is essential if farmer respect for and confidence in the officials administering these programs are to be regained. I would like to add right here that I personally feel there is going to be a real need for a farm program in the years ahead. I, along with many other farmers, as indicated by the high participation in the 25-percent program, believe that we can again drown ourselves in surpluses of corn and soybeans. I make this statement know-



ing full well how great the need and demand for production is right now. If world weather permits this to happen, we will need all of the cooperation and understanding possible between farmers and Washington.

Now, then, 60 percent of Pocahontas County farmers signed the plan "B" agreement. Is it any wonder that feeling ran high in my area following the March 26 announcement? Plan "B" farmers were disturbed and hostile. They circulated and collected more than 1,000 signatures seeking to have the situation corrected. A well-attended meeting was held at which feelings were vented. Plan "B" participants felt like class B farmers. Resentment flowed freely. Another such meeting was held at Spencer in Clay County. Farmers do not get that mad without good reason.

During the course of these meetings it was revealed that the decision to revise the program was made without consultation with State ASC committees. At least our State committee was never consulted. It came as a surprise to those men just as it did to farmers. This was a high-handed action by a few officials in the Department taken without regard to the reaction it would stir in the country, or so it appeared. Regardless of efforts by the Department to "explain it away," there is an inequality resulting from the revision that cannot be swept under the rug. Farmers are individuals. They have feelings, too. They do not like to be "taken in" any better than anyone else.

Plan "B" participants agreed to the terms of that option in good faith. They did so after carefully weighing all of the many factors involved. Farming is a business that requires a "sharp pencil" as all of you well know. Farmers were using that pencil during the forepart of the sign-up period. This was during that slack time in ASC offices when USDA people were wondering why farmers were not rushing to sign. They had an important decision to make. Much of that decision was made on the basis of what others in the county and State appeared to be doing. Part of the decision was based on expected competition from acres freed from last year's set-aside. Yet another part of the decision was made on the basis of USDA optimism about demand for increased soybean production. It was no secret that the word was passed down the ASC pipeline that the 0 percent set-asides was the attractive option and that farmers should study it carefully. This business of decisionmaking is getting to be a sophisticated process, even for farmers. They work hard at it.

I am reminded of the child who has carefully and tediously constructed a pyramid with building blocks only to have the town bully lower it with one well-aimed kick even before the child has had a chance to appraise his accomplishment. This illustrates what happened to the plan "B" farmer after he had made his carefully arrived at decision.

He is not buying the argument by ASCS officials that nothing is being taken from him. He is intelligent enough to perceive that unexpected acreage has been brought into competition with his own production and that all of his meticulous calculation has gone for naught. It does affect the agreement he has signed and has a bearing on his income.

It is evident that the Department is unwilling to correct the inequity. The key to restoring equality to the 1973 feed grain program



and farmer confidence in the administration of future farm programs rests with this committee. Farmers need to be reassured. They do not want to come in at noon after having planted soybeans all morning only to find that the USDA really wanted them to plant corn.

There is a principle involved here that demands close examination. We are not puppets. This is not Russia. A choice once offered should remain just that. We have had enough of the sly manner in which the revision was made. Farmers will not be used in this way without serious damage being done to understanding and cooperation so necessary between farmers and those charged with the responsibility of directing Federal farm programs.

I thank you for your time and urge your serious consideration of Congressman Mayne's proposal to right a grievous mistake. It is really the only practical way to do it.

Mr. RARICK. Thank you very much, Mr. Siefken.

We will now hear from Mr. Ahrenholtz.

If you will step aside, Mr. Siefken, we will question all of the witnesses at one time.

Mr. Ahrenholtz, does your testimony differ substantially from that of Mr. Siefken?

#### STATEMENT OF HOWARD AHRENHOLTZ, FARMER, MANILLA, IOWA

Mr. AHRENHOLTZ. It is primarily the same.

Mr. RARICK. I was wondering, do you want to deliver it orally, or would you just as soon place it in the record of the hearings?

Mr. AHRENHOLTZ. I could make some comments and place my speech in the record. Is that all right?

Mr. RARICK. We will place your testimony, your prepared statement in the record, and will be glad to hear your comments.

Mr. AHRENHOLTZ. One of the things I feel, as I said in my prepared statement, is that these farmers have been had. We feel that when we make a decision, we stick by it and we feel that the Department should do the same. We feel that on this one item, is this production really necessary? We are at a place right now that we are from 100 to 110 days before we can move a bushel of grain on our farm now. No elevator will accept it. Still they say, we need more production. So we question some of these things.

Again, I do not feel that we should—that the Department should be able to push a button and say, this is which way the farmer should turn. You see, he did not respond in this fashion and this is why the program was changed, because the farmer did not respond. The farmer is making his own decisions, as he should. We feel all decisions should be based on integrity and this is what a farmer does. He weighs everything out. But instead, he was caught in the middle.

One of the sad points of the whole thing is we are 14 months too late. Any successful farmer of today has his plans made for his next year's production, but the Department takes this 12 to 14 months and manipulates it, and we feel this is wrong.

I think we are very fortunate to have a man like Congressman Mayne to stand up for the farmer and see what the farmer actually is thinking and how he feels.



That is all I have, thank you.

[The complete statement of Mr. Ahrenholtz follows:]

STATEMENT OF HOWARD AHRENHOLTZ, MANILLA, IOWA

Honorable Chairman and members of the Committee. My name is Howard Ahrenholtz, Manilla, Iowa. I am a farmer operating a livestock and grain farm in Crawford County. I have three sons in partnership with me in a 1,200 acre operation producing corn, soybeans, cattle and hogs. Part of our land is signed into Plan "A" of the feed grain program and the balance is in Plan "B".

Farmers in my area feel like they have been had. Neither group are satisfied with the feed grain program since the change of March 26. "A" participants have serious reservations as to whether all of the increased production is really needed. They question whether transportation and other handling facilities are geared up to handle the kind of production the Department indicates we need. They doubt if satisfactory prices are in the cards if production goals are reached. They have the feeling that Washington pushes the buttons and expects farmers to respond in robot-like fashion to any change in any season.

The Plan "B" farmers are maddest of all. Before signing the Plan "B" agreement they were aware of the February 16 release by the USDA, given wide publicity, revealing the critical soybean shortage. Kenneth Frick, ASCS Administrator, was quoted as saying that farmers should take a look at profit potential in increased soybean acreage. Of course, the "B" option was made to order for farmers in a position to increase soybean plantings even though there were features in Option "A" that made it mighty attractive in comparison.

There was nothing wrong in what was offered at that point from an equality standpoint although there was some dismay that perhaps too many acres were being freed up for production. Farmers did have a choice and they made that choice on the basis of matching what was the better option, in their opinion, to their individual operation. 88% of farms in Iowa were signed into the program representing over 95% of base acres. This is well above the national average of 54% and 87.5%, respectively. In my own county, a heavy livestock county because of the generally rolling terrain, 85% signed the "A" option and 15% the "B" option. The "A" option, of course, was a natural for the livestock farmer. In spite of being heavy in livestock, we do have a number of farmers that specialize in soybean production. These are the people that had the rug pulled out from under them by the change in the program.

A farmer is a businessman. He based his decision on choosing either option on the basis of facts available. As far as he is concerned, a deal is a deal, period. He had no reason to suspect that the program would be changed after the sign-up period ended or, for that matter, after it started. It had never been done before.

Self-righteous statements by the ASCS people that "we are living up to our agreement", "we are not taking anything away from the 'B' participant", "we are giving him all we agreed to in the contract", are hogwash. Payment-wise, these statements are true but, make no mistake about it, changing Option "A", freeing up more acres for production than the "B" participant *had reason to believe he would have to compete with* was a dirty trick no matter how anyone tries to whitewash it. Farmers resent this doublecross and will not soon forget it.

Under the change, the USDA hoped for 3 million acres more corn but didn't restrict the "A" participants to using the additional freed up acres for corn production or any other crop *except soybeans*. Yet, "B" participants were left to operate under the rigid restriction of "no more feed grain acreage than last year".

The Department didn't even make that concession. This is a typical demonstration of the kind of arrogance shown by the Department—unwilling to make any concession to bring equity into the program once again. Probably fearful that this would indicate a mistake in the first place.

If it was necessary to make such a drastic change they should have opened the whole program and given us another shot at it. Or, at least, a reopening for the "B" signers should have been in order. It's too late for that now. With the cropping season on top of us we have only one way to go. That is to approve Congressman Mayne's bill, H.R. 6791, which will equalize payments under the two options. This will satisfy farmers in Plan "B" and can be handled administratively with no sweat.



If the path for new farm legislation is being made rocky by this effort to restore equity to the feed grain program. I would point out that the late revision and the effect it has had on farmer attitude toward program administration has already made that path rough.

A change in the program may have been necessary. However, the cornerstone of any change must be equality. We don't have it now. We are not likely to get it from the Department. That's why I am appealing to the members of this committee for help. It isn't just money. If it were, I wouldn't realize enough to pay for my trip here and the time I'm losing at this critical time in our farming operation. It's a matter of principle, of regaining farmer trust and confidence in farm programs, so vitally necessary to our entire economy and to our people. We need your favorable action on this bill.

Thank you.

Mr. RARICK. Thank you. If you will remain, we will have the questioning later.

At this time, we have Clarence Miller.

Mr. Miller, do you desire to deliver your testimony, your statement?

**STATEMENT OF CLARENCE MILLER, FARMER,  
THOMPSON, IOWA**

Mr. MILLER. Thank you, Mr. Chairman, and subcommittee. I believe you have a statement of my testimony in your hands and I do not deem it necessary to read the entire statement.

Mr. MAYNE. Mr. Chairman, I do not plan to take the time to read my entire statement. I think it is important that the committee hear Mr. Miller's views fully. I think perhaps you were trying to accommodate me and I would just as soon that we did have an opportunity to hear the written testimony as well as your comments, if no one has any objection.

[No response.]

Mr. RARICK. We still have several other witnesses who are present. Is there any objection?

[No response.]

Mr. RARICK. If not, Mr. Miller, you may proceed with your statement.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, I am Clarence Miller, a dairy and grain farmer from Thompson, Iowa, in Winnebago County. I operate 680 acres in this north-central Iowa cash grain area, growing corn and soybeans. My farm has a 306-acre corn base with an established yield of 111 bushels.

Winnebago County has historically led the State in the percentage of farms signed up in the feed grain program. When word finally got through to our farmers on about March 30 of the March 26 feed grain program revision, traffic on Winnebago County roads picked up considerably. Farmers began chasing up and down country roads bidding outrageous rental prices for at least one additional tract of land that was enrolled in plan A. The purpose, of course, was to provide a basis for reconstituting the plan A land along with the farmer's plan B land into a single unit, making the entire reconstituted unit eligible for the full compliance, plan A option. Weird deals are being made in the county to take advantage of the much more desirable plan A.

Now, if the USDA was fearful of reopening the program because they would lose the handle they had on production, the reconstitution



privilege, if used extensively, will have at least some of the same effect and production goals will still be a matter of guesstimate.

I am, as you may have guessed, a plan B participant. I and my neighbors participating in the B option were at first dismayed and then positively angered to think that such a completely unfair change with such far-reaching impact would be made after the signup was ended. It was simply incredible. The very people, many of them the smaller operators, better able to handle full production on their smaller units, who took the bait on expanded soybean demand and actually helped the USDA meet the soybean acreage goal of 54 million acres now found themselves hooked. They are forced to stay in the B option straitjacket unless they now opt out of the program altogether.

My first reaction to the change after I had cooled a bit was to see if the signup could be reopened. I contacted Congressman Mayne's office many times urging that this be done. I am satisfied that he exhausted every effort, including a very strong representation to Secretary Butz in this regard. Time has run out on this approach. Crops are going into the ground in many areas right at this moment. The only sensible solution now is to support Mr. Mayne's bill, H.R. 6791, which will equalize payments under the two options. What this will cost in dollars is chickenfeed when weighed against a restoration of farmers' confidence in a fairly administered program.

It is ironic that those of us who took USDA forecasts at face-value, forecasts that optimistically pointed to expanded export demand, lower carryover stocks and a worldwide protein shortage, are the ones who were left short-changed. What in the beginning was a clear choice turned out to be no choice at all. I, for one, was confident that the USDA forecasts were correct and entered the program accordingly. Now, however, I am wondering if that confidence was misplaced. Opening up more acres to production, as the revision did, certainly makes my choice look less attractive even when the difference in payment is not taken into account.

Tinkering with the program as late as March 26 is bad business. There, finally, comes a time when farmers' plans need to be finalized. Late revisions not only upset his plans but have a domino effect back along the farm production supply line to the chemical, fuel, fertilizer and seed industries, to say nothing of the critical shortage of equipment and, especially, of repair parts.

These are confusing times for the Nation's farmers. Many seriously question whether the country is really equipped to handle a 6 billion bushel corn crop. In my own county we will not be able to move corn we had sold for February delivery until May or June, possibly later. It will take a miracle to clean up current stocks before the 1973 crop is harvested but that is an entirely different problem than the one we are considering here.

The most serious aspect in the farm program change, in spite of the lateness of it and all that can be said in that regard, is what it has done to farmer's confidence in the fair administration of the program. The inequity in the change itself has all but destroyed farmers' trust. Even those in plan A are uneasy, knowing that they could make the wrong choice next time. In any event, it is a great injustice to the farmer role in enlightened decisionmaking to force such changes upon him as though he is just a programmed machine.



The mistrust by farmers of those charged with the administration of farm programs is the most serious thing at stake here. This committee can take the first step in correcting that situation by supporting unanimously H.R. 6791. I urge your favorable action on it.

I would like to thank you for this time.

Mr. RARICK. Thank you very much, Mr. Miller.

Now, if Mr. Siefken would return to the witness table, and join Mr. Ahrenholtz for questions.

Mr. MAYNE. Mr. Chairman, I just want to take the opportunity to thank these gentlemen for their fine testimony. They have made an outstanding contribution to this subcommittee's understanding of the problem and have really told us how it really is. We appreciate it very much.

Mr. RARICK. Any questions?

Mr. SISK. I would like to commend these gentlemen who have been willing to come before us for what time we could make available to them.

Mr. FOLEY [presiding]. Gentlemen, thank you very much for your appearance here today. Your testimony has added to the information the committee will require in the consideration of this legislation. We appreciate it.

Thank you.

Mr. MAYNE. Mr. Chairman, may my written testimony be set forth at this point in the record?

Mr. FOLEY. Yes, indeed. Without objection, the testimony of Mr. Mayne will be included in the record at this point.

[The complete testimony of Mr. Mayne and also the statement of Mr. Sebelius follow:]

STATEMENT OF HON. WILEY MAYNE, A REPRESENTATIVE IN CONGRESS FROM THE  
STATE OF IOWA

Mr. Chairman, I welcome this opportunity to testify before the Livestock and Grains Subcommittee today on behalf of my bill, H.R. 6791, which provides equity in the 1973 feed grain program by increasing the payment rate for those participants in plan B.

As the members of this Subcommittee are aware, the sign-up period in the 1973 feed grain program was from February 5 through March 16th. At the conclusion of the sign-up period 81% of the feed grain program participants nationwide and 56% of the participants in my district had chosen plan A, whereby they were required to set aside 25% of their feed grain base and were free to plant the remainder of their cropland as they wished. Their feed grain payment was based on a payment rate of 32¢/bushel. 19% of the feed grain participants nationwide and 44% of the participants in my district had chosen plan B, whereby they were required to set aside 0% of their feed grain base, but were not allowed to plant any more corn than they did last year. Plan B participants' feed grain payments were based on a payment rate of 15¢/bushel. Then, on March 26th, the USDA announced that they were reducing the set-aside requirement for plan A from 25% to 10%, while leaving the total payment the same. You will note from the participation percentages that this revision affected my district more severely than the nation as a whole. This is not unusual since the 6th Congressional district in Iowa is one of the great soybean and corn producing areas of the world. However, regardless of how it affected my district or the nation as a whole, the revision was intrinsically wrong, and demands correction by any standard of fair play. Farmers who participate in production adjustment programs are entitled to even-handed administration of those programs.

I will review in detail both options offered to farmers during the designated sign-up period. Either option required certain degrees of performance and offered certain benefits. Farmers were free to choose either of the options or they could choose not to participate in the program at all.



The full compliance option or Plan "A" required the following performance: (1) a set-aside equal to 25% of base acreage; and (2) maintaining the conserving base. Benefits for these performance requirements were as follows:

1. Payment of 32¢/bushel for corn based on the usual payment formula with payments for other feed grains scaled relative to feed value when compared with corn.
2. Freedom to plant remaining acreage to any crop.
3. Guarantee of 70% of parity price per bushel for corn computed on the basis of the usual formula.
4. Privilege of haying and grazing set-aside acreage by agreeing to a 30% reduction in feed grain payment when figured on a per set-aside acre basis.
5. Privilege of placing eligible crops under loan.

The less than full compliance option, or Plan "B", required the following performance: (1) no set-aside acreage; and (2) feed grain acreage limited to 1972 planted acreage; and (3) maintaining the conserving base. Benefits for these performance requirements were as follows:

1. Payment of 15¢ per bushel for corn based on the usual formula described previously.
2. Privilege of placing eligible crops under loan.

(It should be noted that the guarantee of 70% parity price per bushel for corn based on the national average price for corn during the first five months of the marketing year did not apply to Plan "B".)

Thus two clear choices were offered to farmers. Upon deciding to participate in the program, each then made a determination as to how either one plan or the other best fit his particular operation, and subsequently formalized this by signing a written business agreement with his government.

Statements originating in the USDA before the end of the sign-up period encouraged farmers to elect the zero percent option. Talk of a critical world-wide protein shortage encouraged farmers to respond to the Department's urging them to increase soybean acreage by 15% over 1972. 44% of farmers participating signed Plan "B" in the district I represent as a result. At the conclusion of the sign-up period, thanks to the Plan "B" participants, the Department was very near its goal of 54 million acres of soybeans as reported in the March 15 Planting Intentions Survey, 53.8 million acres to be exact. A very convincing argument can be made that those farmers who cooperated with the Department by selecting the zero set-aside or "B" option are now being very unfairly penalized. My bill is aimed at correcting this situation.

The March 26 revision in the program was not the first made in this year's program. You will recall that the 1973 program was first announced on December 11, 1972, and then changed by a January 31 announcement by the Department. This move was calculated to free more acres for crops to meet a rapidly changing supply-demand situation.

I had no argument with that change, which very effectively utilizes the flexible features of the 1970 Act. However, this change was made before the sign-up period began. Although it caused farmers some inconvenience in that farmers had to adjust planting intentions, it came early enough to gain acceptance among farmers without great difficulty. Note, too, that farmers were, at this time, still free to choose between the two options offered.

However well-intentioned and whatever compelling reasons may have dictated it, the March 26 revision was a horse of a different color. It hit the plan "B" participants with devastating impact. I have never known farmers in my district to become so angry over Departmental action nor for better reason. If the reason for the revision was logical the manner in which production goals were adjusted was not. While the performance requirements for plan "A" were reduced with no decrease in total payment, there was no corresponding increase in benefits for plan "B".

The key point to be kept in mind in this: the January 31 revision was intended to attract more soybean acreage. The 1972-73 and 1973-74 Soybeans and Products Situation and Outlook Report dated February 2, released by USDA before the sign-up period began, was meant and used to give farmers a boost in the direction of Plan "B". 19% of the nation's farmers enrolled in the program as the Department wished, and then discovered 10 days later that they had been misled in doing so, as Plan "A" participants received a windfall in the March 26th revision while Plan "B" payments were not increased proportionately. It goes without saying that had option "B" participants known that the program was going to be revised in this manner, they certainly would have chosen option "A"



in the beginning. It is grossly unfair for the Department to change the rules of the game in the middle of the game by substantially improving the benefits of one option and not the other. This discrimination should be corrected by giving those in option "B" sufficient additional compensation to bring into balance with option "A".

H.R. 6791 will accomplish this by increasing the Option "B" payment rate from 15¢ to 25¢/bushel. Under my bill the benefits of option "B" will again approach those of option "A", as was the case before March 26, reinstating a sense of equity to this year's feed grain program.

I think it is important to note here, that S. 1572, which passed the Senate recently, fails to provide equity between the two options in that option "B" participants receive no benefits from this bill unless and until the price of corn falls to an unsatisfactory level. This, in fact, leads to another inequity in the program as it would be the option "A" participants who would be responsible for increasing the size of the corn crop and causing the lower prices since option "B" participants are limited to planting no more acreage to corn than they planted last year. S. 1572 would actually, in the final result, cost the government more money without having achieved the goal of providing equity to all producers.

I am aware that other congressmen have introduced bills which would re-open the sign-up period and permit plan "B" participants to switch to plan "A". Such attempts to once again provide equity in the 1973 feed grain program are impractical because many of the nation's farmers are already planting their crops. It is simply too late for this method to provide any realistic relief to plan "B" participants. The paperwork which would be required to re-open the sign-up would be monumental and prohibitive. Furthermore, it would endanger the proper "mix" between corn, soybeans, and set-aside which the Department feels it has achieved. My bill would bring the two options back into balance very simply by adding the additional compensatory payment to the option "B" participants' feed grain payment to be sent out early in July.

Farmers have responded magnificently in past years to production goals established by the Congress and by the Department. They have done all that was asked of them and more. Their efficiency and productivity is unparalleled. They can only continue this record performance if they have confidence in the Department's integrity and credibility in production planning. The March 26 revision has shaken that confidence badly. Plan "B" participants are entitled to non-discriminatory treatment. Unless balance is restored to the program through this bill, there is a real likelihood that farmers will harbor a distrust and resentment of farm program administration for years to come.

I have done my best to persuade the Department to correct by immediate administrative action what was obviously a very bad mistake. These efforts have been unavailing. I have therefore introduced H.R. 6791 and now urge my colleagues to support it. Its passage will assure that all farmers participating in the feed grain program are treated equally and fairly without upsetting current planting intentions.

Again, I wish to impress upon this Subcommittee the fact that H.R. 6791 will not only restore equity to the 1973 feed grain program, but also is the most realistic and more easily administered of all the proposals to be considered here today.

Mr. Chairman, I thank you for the opportunity to appear before the Subcommittee today on behalf of H.R. 6791 and sincerely urge the Subcommittee's support for it.

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STATEMENT OF HON. KEITH G. SEBELIUS, A REPRESENTATIVE IN CONGRESS FROM  
THE STATE OF KANSAS

Mr. Chairman, I appreciate this opportunity to comment on H.R. 6381 and related legislation to release stored excess wheat.

Unprecedented market factors have led to the sale or release of government owned wheat stocks. It appears that the time is right to release 1965-70 stored excess wheat and clean up our storage bins prior to the 1973 harvest.

In releasing this 9.996 million bushels, I think it is imperative to provide for an orderly release at the individual producer's option in a manner that will not adversely affect market prices.



Some producers planted wheat under the excess option of the 1965 Farm Act as a type of insurance for crop loss in current or subsequent years. If underproduction occurred in the year of planting, or future years, the wheat produced on the acreage in excess of the allotment could be released without penalty. Another method for releasing without penalty was underplanting the allotment in a succeeding year by prior agreement with the ASCS county committee.

If this excess is released under provisions other than existing law, it seems that there should be some condition to protect the producer who followed the supply management principles of existing law and did not plant in excess. Any such condition should be minimal and should reflect the substantial expenses of individual producers for storage and for maintaining the wheat's quality and condition.

The planting freedom and flexibility of the Agricultural Act of 1970 have encouraged producers to plant additional acreage rather than underplanting. In spite of this fact and the fact that we have been blessed with a series of bumper crops, over 2 million bushels of the stored excess wheat were marketed under the existing release formula in 1972.

I am hopeful that it will be possible to expedite consideration of this proposal to effect the orderly release of the stored excess wheat at the producer's option in a manner that will provide fair and equitable treatment among all wheat program participants.

I believe that H.R. 6381 would accomplish these objectives as well as help satisfy consumer demand for food at a reasonable price.

Mr. FOLEY. Also without objection, a letter from the American Farm Bureau Federation with respect to H.R. 4310 and 6381 will be included in the record at the appropriate point, immediately preceding the testimony.

[The above referred to letter follows:]

AMERICAN FARM BUREAU FEDERATION,  
Washington, D.C., May 2, 1973.

HON. THOMAS S. FOLEY,  
Chairman, Subcommittee on Livestock and Grains, Committee on Agriculture,  
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Committee on Agriculture has under consideration legislation relating to stored excess wheat produced prior to the 1971 crop. The bills are H.R. 4310, introduced by Mr. Thone of Nebraska on February 8 and H.R. 6381 by Mr. Sebellius of Kansas for himself and Mr. Johnson of Colorado on March 29. Both bills would amend Section 407 of the Agricultural Act of 1970.

The wheat involved was produced outside the provisions of the wheat program and stored by producers under Section 379c(b) of the Agricultural Adjustment Act of 1938, as amended. It is our understanding that nearly 10 million bushels of excess wheat from the 1965 through 1970 crops remain in storage. This wheat is under federal government seal with storage and quality maintained at the producer-owner's expense.

These bills would permit growers to sell this wheat. This would remove the federal government's cost of oversight, allow the owners to recover current market values, and release storage facilities. H.R. 4310 would make no further requirement of the owners of this excess wheat while H.R. 6381 would empower the Secretary of Agriculture to determine conditions of release.

The American Farm Bureau supports the objective of these bills. Since the wheat in question was produced outside the program and stored to avoid penalty, we believe that it would be reasonable to require partial payment of the penalty as a condition for its release. A comparatively low current supply of wheat and relatively high demand make this an opportune time to authorize the Secretary of Agriculture to permit release of sealed wheat in an orderly manner under such conditions, related to Section 379c(b) of the Act of 1938, as the Committee determines to be equitable.

We should appreciate your making this letter a part of the hearing record with regard to this legislation.

Sincerely yours,

CLIFFORD G. MCINTIRE,  
Legislative Director.



Mr. FOLEY. Our next witness is Mr. Carl Schwensen, executive assistant of the National Association of Wheat Growers, Washington, D.C.

Mr. Schwensen, we are happy to hear you today.

**STATEMENT OF CARL SCHWENSEN, EXECUTIVE ASSISTANT, NATIONAL ASSOCIATION OF WHEAT GROWERS, WASHINGTON, D.C.**

Mr. SCHWENSEN. Thank you, Mr. Chairman.

I would like to testify today in behalf of the association in favor of legislation to release stored excess wheat. At our national convention in January, in Seattle, Wash., the current inequity in the stored excess wheat provisions came to the attention of the delegates. They passed the following resolution: NAWG recommends that excess wheat currently held by producers be released for sale without penalty. Stored excess wheat was produced on farms in compliance with the regulations under the Agricultural Act of 1965. This authority was granted to producers under the act as a type of insurance for crop loss. Producers in high risk areas could notify ASCS committees that they wished to exceed their allotment and store excess wheat production under provisions authorized under the act. If underproduction occurred in the year of planting or future years, the wheat produced on the acreage in excess of the allotment could be released without penalty. Another method for releasing without penalty was for underplanting the allotment in a succeeding year by prior agreement with the ASCS county committee.

Primarily farmers in Kansas, Colorado, and Nebraska utilized the excess wheat provision, although farmers in many other States participated to a lesser degree. According to ASCS/USDA records, there are currently 9,996,000 bushels of stored excess wheat.

*Bushels of stored excess wheat by States*

|              |           |              |         |
|--------------|-----------|--------------|---------|
| Arizona      | 2,000     | Oklahoma     | 41,000  |
| Colorado     | 3,061,000 | Oregon       | 27,000  |
| Idaho        | 19,000    | South Dakota | 73,000  |
| Kansas       | 2,967,000 | Texas        | 25,000  |
| Montana      | 869,000   | Utah         | 16,000  |
| Nebraska     | 2,502,000 | Washington   | 82,000  |
| North Dakota | 90,000    | Wyoming      | 222,000 |

Under the Agricultural Act of 1970, two changes took place that made release of excess wheat more restrictive than the previous legislation: (1) Program emphasis was changed calling for expanded production; and (2) the allotments were reduced to represent the domestic portion of the farm production for payment purposes rather than the production allocation for the farm.

For all practical purposes the program changes eliminated an economical opportunity for releasing stored excess wheat during the 3 years of the bill.

We feel now would be the opportune time to release the approximately 10 million bushels for major consumer benefit and orderly marketing. It should be done prior to harvest of the 1973 crop.

There should be no penalty involved for two reasons. First, a penalty would economically prohibit farmers releasing stored excess and



minimize consumer benefits from these reserve supplies. Second, considerable expense has been accrued by producers in storing and maintaining the quality of the wheat. These maintenance steps were taken over a longer than anticipated period with no economically feasible alternative.

Release of the grain would also reduce Government costs for maintaining county and State records, providing for visual inspection of farm stored grain to assure compliance of quantity and quality and for the maintenance of statistical data.

In summary, we recommend release of all stored excess wheat. This wheat was produced and maintained by producers in compliance with all program regulations with storage extended over a longer period of time than anticipated.

Now is the opportune time for release of stored wheat in the interest of the producer, consumer and in reducing Government costs.

Mr. FOLEY. Thank you very much, Mr. Schwensen.

Are there any questions of this witness?

Mr. SEBELIUS. I would have one question.

Mr. Schwensen, the only place where we sort of part company is when we start talking about penalty provisions. Naturally, although I do not have quite the exact largest number of bushels here by a few, Colorado having a little more, I do grow more wheat and have far more wheat farmers. We have been talking about keeping faith with the farmers all day and I think it is incumbent that the USDA be permitted to make some nominal regulation as to how this is to be done. Mr. Brunthaver said, he did not have any strong feelings. I do not have any strong feelings other than the fact that when the farmers took this option they know the risks. Now we have the opportunity to get rid of the penalty on wheat and I do not think we should say flatly that it should be released without penalty.

I want to underline my reasoning. I know storage has used up any gain, but by the same token, I have far more farmers that went the other way and did not store it. My own administrative assistant in Kansas was hauled out this year and he got rid of his excess wheat and that was his idea. Again that is the only point where I differ with you.

I want to commend you for this statement and I know the National Association of Wheat Growers do not have a strong feeling, either. If we can get it released and get it on the market, it will be of benefit to the people as well as the farmers involved.

Mr. SCHWENSEN. Thank you, Mr. Chairman.

Mr. FOLEY. Thank you, Mr. Schwensen.

The next witness is Mr. Reuben L. Johnson, director of legislative services of the National Farmers Union, Washington, D.C.

#### **STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION, WASHINGTON, D.C.**

Mr. JOHNSON. Mr. Chairman, I do not have a prepared statement, because I really did not know what I was going to testify to until I got here this morning.

Mr. FOLEY. Off the record.



[Off the record discussion.]

Mr. JOHNSON. I will make it very brief.

First, let me say that I had not seen the bill introduced by Congressman Neal Smith, H.R. 7436, until arriving here at the hearing this morning. I am persuaded by the testimony that he gave. I believe that in Farmers Union, we would stress, as has been done by several members here today, the need for equity in administering all of the farm programs. I believe that everyone who takes the position that farm programs serve a useful purpose for the farmer and consumer and for the Nation would have to concur with the statements that have been made here concerning the need for equity. Certainly that is the position that I want to take for our organization here this morning.

Having said that and applying the strict rule of equity, I suppose we would all have to agree that Neal Smith's bill provides more equity than any of the other bills. As I came to this hearing, I was persuaded toward supporting the bill passed by the Senate. I think it comes a way forward in making progress or making the contribution to solving this problem, but I think for the record here this morning, I would like to support the bill that Neal Smith presented here this morning.

Now, Mr. Chairman, on the matter of the wheat release, I would like to support the statement made here by Mr. Thone. I think again, the test that you should put to the legislation to release this wheat currently under storage, as provided by law, is whether or not its release can be accomplished and protect equity. Now, I am talking about pure equity for producers.

Mr. Chairman, that is the end of my remarks.

Mr. FOLEY. Thank you, Mr. Johnson.

Are there any questions of Mr. Johnson?

Mr. MAYNE. Mr. Chairman?

Mr. FOLEY. Mr. Mayne?

Mr. MAYNE. Mr. Johnson, you said that when you came to the hearing this morning, you were in favor of the Senate bill. The thing that causes me to feel that the Senate's approach may be inadequate is that it does not provide for any payment of benefits whatsoever unless there is a substantial decline in the corn market, does it?

Mr. JOHNSON. Well, it is tied to parity.

Mr. MAYNE. But it says that payments will only be increased if the price of corn declines to certain levels. Now, that is why I took the approach of providing for a minimum payment of 10 cents a bushel to the zero set aside people, so there would be a definite benefit available, but there is definite uncertainty in the Senate bill as to whether the farmer would ever get any payment.

Mr. JOHNSON. Well, Congressman Mayne, since I have indicated that I support the Neal Smith bill, I think I have risen above, you know, the need to resolve these differences.

I am convinced that what we need to do is to give every farmer, as the Neal Smith bill provides, an opportunity to reassess his situation in light of the changes made in the program after the sign up closed and let the readjustment come, whatever it may be.

Let me say, Congressman Mayne, if we get back to, if you were to go back and try to work between these bills, I really do not see a lot of



difference between your bill and the Senate bill. I think the thrust of these bills is bound the same way. Obviously, there will be some advantage in this committee accepting the Senate bill in terms of the time factor. I suppose one could make an argument to that effect. Time is of the essence here, I would think. Producers who are trying to determine what the program benefits will be would like to know as soon as possible.

But again, I would favor the Neal Smith bill as meeting the test of equity.

Mr. MAYNE. Thank you, Mr. Johnson.

Mr. SISK. Mr. Chairman?

Mr. FOLEY. Mr. Sisk?

Mr. SISK. If I understand what you are saying, Reuben, it is your position, and therefore, of course, I assume, the position of the Farmers Union, that when you change the rules, we should start the game over. Is that not in essence what you are saying?

Mr. JOHNSON. I think Congress, over the years, has pretty zealously protected changes in the rules, Congressman Sisk, and very properly so. That is what I am saying needs to be done.

Mr. SISK. That is the reason why I questioned Mr. Brunthaver a little while ago on Neal Smith's bill. I had not seen it myself until I went and hunted up a copy of it, because apparently, it has just recently been introduced.

I have a great deal of sympathy with Mr. Mayne's bill. However, if we are going to be completely fair across the board and certainly have any changes in the rules of the game after the game has started, so to speak, to be completely fair, to pursue it to its ultimate, it should be a whole new deal. I am not sure, I have no idea exactly what the cost is. I think their estimate of it is probably a kind of blue-sky figure. I doubt if it has any real relevance to what the cost will be.

At this late date, it seems to me it is going to be very difficult for a lot of these people to make any basic changes. But they ought to have a shot at it, Mr. Chairman.

Mr. JOHNSON. I really do not foresee a tremendous shift that would involve large acreage if you were to give ASCS the right to reassess their position and come back in with a signup period. I do not see any great effect where opening it up or whatever alternative he would take would create any problem whatsoever.

Mr. FOLEY. Thank you, Mr. Johnson. Your testimony, of course, is always welcome before this committee. We appreciate your appearance.

Mr. JOHNSON. Thank you very much.

Mr. FOLEY. If there are no further questions, I would like, without objection, to include in the record Mr. Thone's statement followed by the statement of Mr. Culver of Iowa.

Without objection, it is so ordered.

[The above referred to statements follow:]

STATEMENT OF HON. CHARLES THONE, A REPRESENTATIVE IN CONGRESS FROM THE  
STATE OF NEBRASKA

Mr. Chairman, H.R. 4310, which I have introduced and a somewhat similar measure introduced by Mr. Sebelius and co-sponsored by Mr. Johnson, are intended to deal with a vestige of the Agriculture Act of 1965. A few farmers in America are still hampered by this law, although it has been superseded for three years.



During 1966 through 1970, wheat farmers were allowed to plant wheat beyond their allotments and still remain in the government program. Wheat harvested from acres outside allotments had to be placed in bonded warehouses or stored on farms. In either case, the farmers paid all storage expenses.

A farmer can now sell this wheat without penalty only during a year when his total wheat production is less than his farm yield multiplied by three times his domestic allotment. For example, a farmer might have an established yield of 25 bushels per acre and his domestic allotment might represent 33 and  $\frac{1}{2}$  acres. Three times 33 $\frac{1}{2}$  would be 100, times 25 would result in 2,500 bushels. If a farmer produced a total of only 1,500 bushels, he would be allowed to sell without penalty the difference, or 1,000 bushels.

In recent years, large acreage plantings and good bushel-per-acre crops have meant that not much of this wheat from the years 1966 through 1970 could move to market without penalty.

Let us examine how severe the penalties are for selling this wheat when crops are good. Whether a farmer sells one bushel of penalty wheat or all of it from a given crop year, his penalty is the same. He must pay  $1\frac{1}{2}$  times the total value of the wheat certificates he received that year. For example, in 1970 a farmer may have received wheat certificates worth \$1.57 per bushel on 1,000 bushels. That would be a total of \$1,570. If this farmer in the example now wants to sell any wheat harvested in 1970 outside of his allotment, he would have to pay a penalty of  $1\frac{1}{2}$  times \$1,570, or \$2,350.

According to the Department of Agriculture, there are about 10 million bushels of this penalty wheat in existence. Between 2 and 3 million bushels are in my home state of Nebraska. The nation's total of 10 million bushels of penalty wheat is a relatively small amount of wheat, compared to the expected crop this year of more than  $1\frac{1}{2}$  billion bushels. Most of this penalty wheat is now about five or six years old.

What action concerning this penalty wheat would best serve the interests of our nation? Consumers are interested in more grain being available. Our federal government is interested in more grain being available for sale abroad, since the sale of feed grains is about the best means available for reducing the U.S. international trade deficit. The federal government now must regularly inspect this penalty wheat to make certain it hasn't been sold illegally or adulterated. Therefore, a change in the law would reduce USDA expenses. Everyone who is interested in avoiding waste should want this wheat to be moved for use while it still has nutritional value.

The quantity of penalty wheat is so small that it should not affect prices when it is moved to market. Since those who own this wheat have paid storage on it for a number of years, it would seem they have already paid penalty enough.

The legislation I am recommending would apply only to wheat harvested in 1970 or earlier. Therefore, it would not affect any possible application of the Agriculture Adjustment Act of 1938 as amended, if farmers should come under that legislation in 1974.

Gentlemen, wheat is now needed in U.S. and world markets. A change in law is needed so that this 10 million bushels of penalty wheat from the years 1966 through 1970 can be moved into marketing channels.

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STATEMENT OF HON. JOHN C. CULVER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. Chairman and members of the committee: I appreciate this opportunity to discuss the need for legislation to correct the inequities which exist in the operation of the 1973 feed grain program, and to explain H.R. 7372, the bill I have introduced to provide equitable relief to farmers who participate in the program.

As you know, the inequity in the administration of the 1973 feed grain program resulted from the decision of the Secretary of Agriculture to change the acreage set-aside requirement. This year, farmers were required to sign up for one of two set-aside plans, so-called options A and B, before March 16th. Some ten days after the sign-up period had expired, the Administration announced that the option A acreage set-aside requirement would be reduced from 25 percent to 10 percent, but that the set-aside payment would remain the same.

This change was grossly unfair to those farmers who had signed up under option B, agreeing to set-aside no acreage and receive a lesser payment. With the



sign-up period completed, these farmers had no opportunity to change their option.

In effect, the Administration had changed the rules after the game had been played. This clearly is not fair.

On April 6, 1973, I wrote to Agriculture Secretary Earl Butz protesting this unfair action and urging a new sign-up period be authorized by the Department of Agriculture. On April 23, a reply by the ASCS Acting Administrator indicated that the Department does not intend to allow a new sign-up period.

Some of the bills being considered by this committee would require reopening of the sign-up period. The Administration apparently believes this would cause serious administrative problems and may result in additional acreage being set-aside from production. While I would welcome a new sign-up period, I believe it is possible to remedy the inequities without reopening the program.

My bill, H.R. 7372, requires the Secretary of Agriculture to extend the same price support guarantees to option B cooperators as option A cooperators now have. There would be no need, if this bill passed, for an additional sign-up period and, therefore, the number of acres in production will not change from the present level.

This bill is much fairer to the many farmers who signed up for option B without knowledge that the Department intended to change the program. For an illustration of how this would work, consider the following example.

The parity price for corn in March 1973 was \$2.16 a bushel, 7 cents a bushel higher than in January. By October 1, it is highly probable that the parity price of corn will be at least \$2.20 a bushel. In that case, 70 percent of parity would be \$1.54 a bushel.

If because of the increased plantings, market prices in the first 5 months of the marketing year averaged only \$1.20 a bushel, under my bill, option B co-operators would be entitled to total payments equal to the difference between \$1.54 and \$1.20 or 34 cents a bushel. Since they would receive the 15 cents a bushel promised earlier, immediately after July 1, they would receive an additional payment of 19 cents a bushel after the prices in the first 5 months of the marketing year had been determined.

If projected market prices continue stabilized at the present levels, this bill will not cost the Government any additional amount in program payments. If not, however, the farmers participating under option B would be protected from unfair loss of income.

In conclusion, Mr. Chairman, I would like to emphasize three points.

First, it is imperative, in my judgment, for this committee to act on legislation to eliminate the great inequities in this important farm program. Because of this unfair action by the Administration, many of the nation's farmers are now looking to Congress for relief.

Second, the bill I have introduced would allow a fairer treatment of the farmers participating in the program without a new sign-up period and without additional cost if prices remain stabilized at present levels. This is a reasonable approach to the problem, and one which the Senate has already agreed to.

Finally, because of the proximity of the planting period it is urgent that this inequity be corrected immediately. Therefore, prompt consideration by this committee and by the House is necessary.

Mr. Chairman, H.R. 7372 will restore the faith of a substantial number of the nation's farmers in the fair and impartial administration of an important federal farm program and I urge this committee to give prompt and favorable consideration to this bill.

Mr. FOLEY. We also have a statement to be included in the record from the National Livestock Feeders Association, submitted by Mr. Don F. Magdanz, the executive vice president, which without objection will be included in the record.

[The above referred to statement and a letter from the National Grange follow:]

**STATEMENT OF DON F. MAGDANZ, EXECUTIVE VICE PRESIDENT, NATIONAL LIVESTOCK FEEDERS ASSOCIATION**

The National Livestock Feeders Association strongly favors the proposed legislation, the purpose of which is to provide equity in the 1973 Feed Grain Set-Aside Program.



The Subcommittee is well aware of the gross inequities inherent in the final version of the 1973 Feed Grain Set-Aside Program. The extent of unfair treatment among farmers signed up to participate is of such magnitude as to leave no room for argument. In fact, the Secretary of Agriculture does not attempt to defend the program in this regard. Despite this fact, however, the pleas on the part of the NLFA to re-open the sign-up following the changing of the rules have been of no avail.

On December 11, 1972, Secretary Butz announced the set-aside requirements for the 1973 crop year. Participants were given two alternatives: (1) The required set-aside for full compliance was designated as 30% of the farmer's feed grain base; or (2) a farmer could elect not to fully comply and set aside 15% of his base.

On January 31, 1973, the required set-aside for full compliance was changed to 25% of a producer's feed grain base; and partial compliance was reduced from 15% to 0%. The reason given for the change was that the increase in domestic and export demand, which had developed since the December 11 announcement, warranted larger production.

The January announcement called for a full-compliance payment rate of 32¢ per bushel for corn and 30¢ per bushel for grain sorghum. In addition, full-compliance participants would be guaranteed a national average return equal to 70% of parity on October 1, 1973, on the production from one-half of their feed grain base; this to be accomplished through a combination of the set-aside payment and the October-February national average market price. Supplemental payments, if any, were to be made as soon as possible after March 1, 1974.

Farmers who elected not to set aside acreage, and agreed not to increase acreage above 1972, were to be eligible for a payment rate of 15¢ per bushel for corn and 14¢ per bushel for grain sorghum on one-half of their feed grain base. Said participants would have no minimum guarantee and would not be eligible for any supplemental payment.

The full-compliance alternative was known as Plan A and the partial compliance alternative as Plan B.

Subsequently, in an effort to draw more acreage into production, the Secretary announced still another change, but this time, only Plan A (full compliance) was affected. The set-aside requirement was reduced to 10% for full-compliance participants, with total payment remaining unchanged.

In summary, then, the "ground rules" have been changed twice since the original requirements were announced on December 11, 1971. But, more importantly, the major change came after farmers had committed themselves and they were given no recourse under the new requirements. As a result, the grossly inequitable situation now exists wherein Plan A program participants will receive 32¢ per bushel for corn and 30¢ per bushel for grain sorghum, plus a guaranteed return, for setting aside 10% of their feed grain base; whereas, Plan B (no acreage set-aside) participants will receive only the payment rate of 15¢ per bushel for corn and 14¢ per bushel for grain sorghum.

We commend those Congressmen who have introduced legislation being considered and we are grateful to the Subcommittee for initiating action on the matter. Time is of the essence and, therefore, we respectfully urge the Subcommittee to act favorably without delay.

NATIONAL GRANGE,  
Washington, D.C., May 7, 1973.

HON. THOMAS S. FOLEY,

*Chairman, Livestock and Grains Subcommittee, Committee on Agriculture, House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: The National Grange appreciates this opportunity to make known its views on the pending legislation regarding the sale of excess wheat and changes in the requirements of the "option A" under the 1973 Feed Grain Program.

In our judgment, if we are interested in equality to participants in farm programs, we must support H.R. 6381, introduced by Mr. Sebelius of Kansas and Mr. Johnson of Colorado, which would allow for the sale of stored excess wheat, but with a penalty. To remove the penalty would not be fair to the farmer who has kept his wheat off the market during the times of surplus and has done so at his own expense. However, to get the wheat on the market, the penalty



on the short-term stored wheat should not be such that it would discourage the wheat farmer from selling the stored excess wheat.

We do not have strong feelings either way on the proposal before the Committee and would accept the Committee's final decision on the penalty provisions of the Act.

The National Grange, in early April, sent letters to Secretary of Agriculture Earl L. Butz, Senator Herman Talmadge, Chairman of the Senate Agriculture and Forestry Committee, and Representative W. R. Poage, Chairman of the House Agriculture Committee, urging that the sign-up period for the 1973 feed grain program be reopened.

In our letters we said in part:

"As you know, the National Grange has been in support of the Administration's call for increased production—providing that domestic and foreign markets will be available to absorb the increased production, so that price-depressing surpluses do not develop. If foreign markets cannot absorb the increased production at profitable prices, the farmer should be compensated by the government for meeting the call for increased production.

"However, we are somewhat alarmed, as are our members, over the recent change in the feed grain program for 1973 that will be paying certain farmers to plant more feed grains (principally corn). We fail to comprehend why this Administration is using the price support feature of the Agricultural Act of 1970 to increase feed grain production at the same time they (Administration) are asking that this flexible feature of the agriculture legislation be phased out over the next three years. It may be that four years from now the Administration, at that time, would want the price support flexibility to buy more production. If the program is no longer available because of changes in the basic Act, there will be no alternative but to rely on the set-aside, which has proven that it will not respond to specific crop shortages (per the necessary change in feed grain program for 1973).

"We have received many calls about the announcement of March 26 regarding the reduction of the set-aside requirement for option A from 25% to 10%, with no change in the price support payment. In the opinion of our members who have called, the farmer who went along to increase soybean acreage is getting the short end of the economic stick. He has agreed to plant more soybeans for a reduction in feed grain payment from 32¢ to 15¢ per bu., but now the farmer who did not agree to plant more beans, maintains his 32¢ per bu. price support, still may not plant more beans, but increases his corn acreage, comes out ahead. The question our members in the Midwest are asking is why. In addition, one of the requirements of option B was that he maintain his 1973 corn acreage at the same level as he planted in 1972. This he agreed to do, but now you are willing to pay the option A complier the same 32¢ per bu. for increasing his corn acreage. Again we ask why? It is totally unfair to the complier who signed up for option B, not knowing that option A was to be changed. Granted, the option A complier did not know that his option was to be changed—but he was not penalized when the change was made—his income opportunities were enhanced.

"We would respectfully request that the sign-up be reopened for the option B complier with the three options being made available to him, with a price support incentive being offered for the grower who plants the crop the Department feels will be in short supply in 1973, such as soybeans or corn.

"In addition we would also respectfully request that you reconsider your recommendations on the extension of the Agricultural Act of 1970. In using price support payments to induce more corn production you are emphasizing the need for a flexible farm program; therefore, we would suggest that you reconsider the phasing out of price support payments as earlier recommended to the Congress."

Therefore, we are in support of legislation that will restore equity among the participants of the 1973 feed grain program. The best way to accomplish this is to adopt the legislation passed by the Senate (S. 1572), which would guarantee 70% of parity to feed grains farmers who selected "option B" of the 1973 feed grain program. The bill would assure a supplemental payment if it is required to guarantee 70% of parity. Option B, as it now stands, calls for no set-aside and a 15¢ payment with no supplemental payments. Under S. 1572, there still would be no supplemental payment if the market price, plus the 15¢, equals 70% parity.

If the Subcommittee fails to support the Senate bill, we strongly urge that you report to the full Agriculture Committee H.R. 7436, introduced by Rep. Neal



Smith of Iowa. H.R. 7436 provides for the reopening of the sign-up period for 20 days to permit farmers to change their option under the 1973 feed grain program or to come under the program for the first time.

We do not believe that much acreage will change from one crop to the other or that the total amount of the set-aside acreage will be increased. However, it will be treating all farmers equally under the program, something that is not true of the present situation. The government owes to farmers that participate in farm programs equal opportunity. Failing to do this will result in a lack of faith on the part of the farmers in farm programs and their government.

We would appreciate this letter being made a part of the hearing record. Thank you.

Sincerely,

JOHN W. SCOTT, *Master.*

Mr. FOLEY. The committee will stand adjourned subject to the call of the Chair, but before adjourning, I will tentatively announce hearings of the subcommittee on Wednesday and Thursday of next week for a markup on the general farm legislation, subject to appropriate space being available. If there is any change, members of the subcommittee will be advised.

Mr. MAYNE. Will that also encompass markup on the bills that we considered today on Thursday?

Mr. FOLEY. Yes, on Thursday, because some of the members will not be able to be here on Wednesday.

Mr. SEBELIUS. There will be markup on Wiley's bills and associated bills on Thursday?

Mr. FOLEY. Yes, the general farm legislation on Wednesday.

The subcommittee stands adjourned.

[Whereupon at 11:55 a.m., the subcommittee recessed subject to the call of the Chair.]