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GOVERNMENT SUPPLY-DEMAND SITUATION
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HEARING

BEFORE THE

SUBCOMMITTEE ON
AGRICULTURAL PRODUCTION, MARKETING,
AND STABILIZATION OF PRICES

OF THE

COMMITTEE ON
AGRICULTURE AND FORESTRY
UNITED STATES SENATE

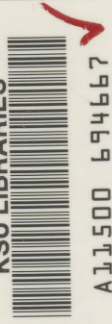
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SECOND SESSION

AUGUST 15, 1974

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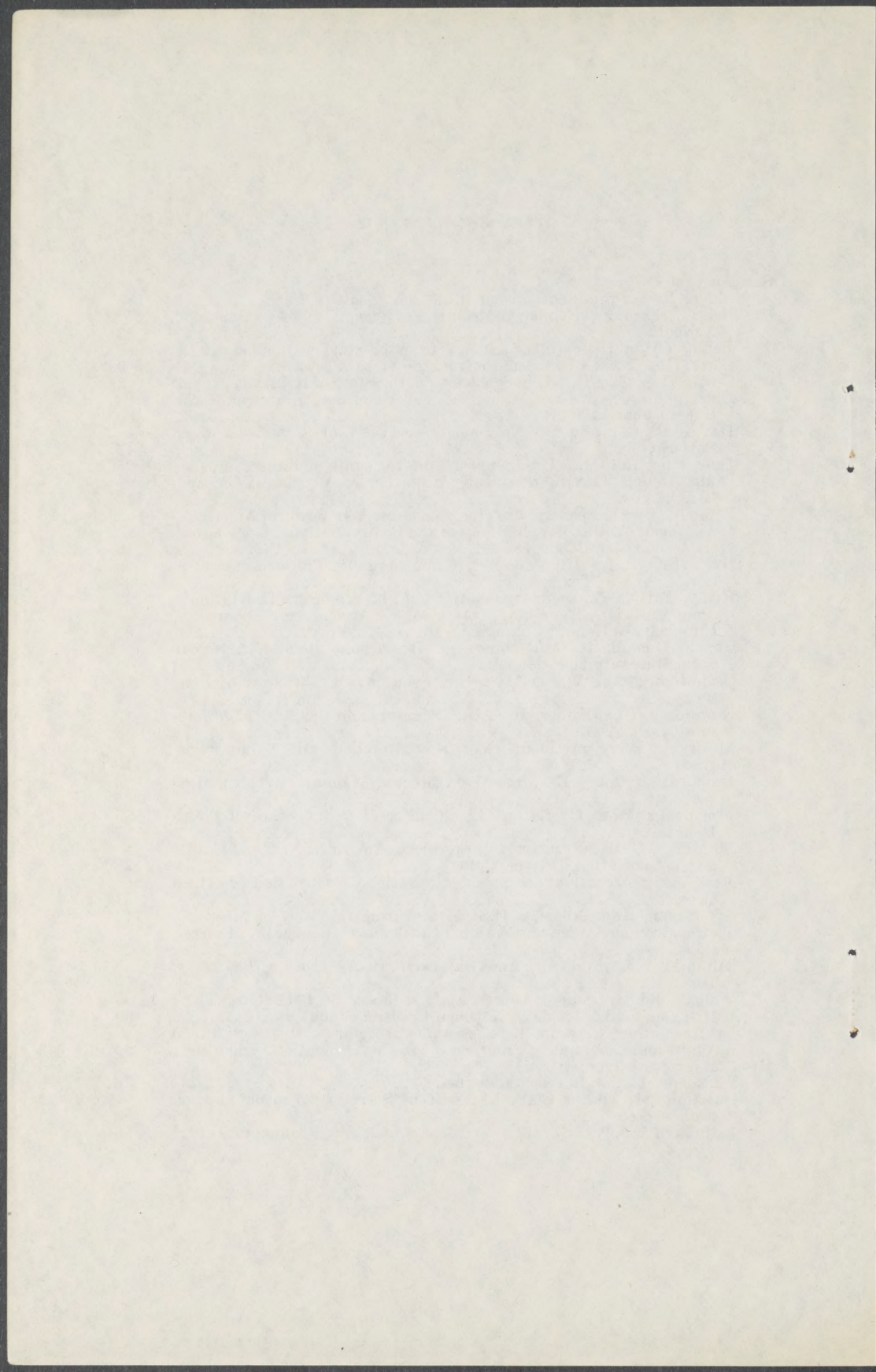
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CURRENT SUPPLY-DEMAND SITUATION FOR FOOD AND FIBER

THURSDAY, AUGUST 15, 1974

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

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 324, Russell Senate Office Building, Hon. Walter D. Huddleston (chairman of the subcommittee), presiding.

Present: Senators Huddleston, McGovern, Humphrey, Clark, Bellmon, Dole, Helms, and Curtis (ex officio).

STATEMENT OF HON. WALTER D. HUDDLESTON, A U.S. SENATOR FROM THE STATE OF KENTUCKY

Senator HUDDLESTON. The subcommittee will come to order.

This emergency hearing by the Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices was called in response to the August 1 crop report released last Monday. The dramatic shift in outlook, especially for corn and grain sorghum, and the impending shortages that the projected production levels now signal, necessitate immediate and thorough consideration.

Severe problems loom in the meat, poultry, egg and dairy industries. A harsh blow has been dealt to hopes to fight inflation in the supermarket. Serious questions have been raised regarding the agricultural and economic policies of this Government.

The latest estimate for this year's corn crop—4.966 million bushels—is 26 percent below the earlier estimates and 12 percent below last year's crop. The sorghum projection is 34 percent below last year's crop. Total feed grain production—which eventually translates into meat, poultry—and dairy products—is down 15 percent.

For soybeans, supply and demand estimates are approaching the identical. At the end of this marketing year, we can expect virtually empty bins which will put us in the same situation we faced 2 years ago when the markets first went wild due to shortages and uncertainty.

Wheat estimates suggest we will have over 300 million bushels to carryout from this year. But this is little cushion, especially since the lack of feed grains will certainly increase the demand pressure on wheat and could potentially wipe out this small reserve.

The situation threatens the viability of our livestock industry. It will certainly add fuel to the inflationary fires. It could precipitate

widespread shortages not only of commodities but also of some foods, especially livestock products.

We all know that there are numerous unknown factors that could affect the outcome and even potentially resolve the problem. For instance, recent rains could improve the supply situation slightly. But this possibility is considered by most observers as very remote.

Second, domestic demand, due to higher prices and reduced livestock feeding, will probably decline. On July 1 cattle on feed were down a fifth from last year. Hog numbers are down 2 percent and dairy herds are 5 percent below 2 years ago, while chicken numbers are off 3-4 percent from 1972. New demand and estimates released by the Department of Agriculture on Tuesday take these factors into consideration. But, while this tends to relieve demand for grain, it also ultimately translates into short supplies and higher prices for livestock products.

Third, larger world supplies of grains, higher prices and inflation abroad could relieve foreign demand pressure on our limited stocks.

But, to sit idly by and hope, given the realities of the situation, would be absolutely irresponsible.

I wish to stress that I, and this committee, are very aware that the floods last spring and the drought this summer are beyond the control of men or Government. The 10 to 15 percent declines in yields from the 5-year averages are unusual and unpredictable. Therefore, we are not here to attempt to attach blame or find fault. Agriculture's old nemesis, the weather, is clearly the villain.

But we are here to fully assess the situation, to consider policy alternatives and to find the best solution to a very bad situation.

I think the fact we have such a lengthy witness list on this short notice lends weight to our feeling that we face an emergency situation.

I am going to suggest at the outset that we attempt to confine our witnesses this morning to 10 minutes each so that we will have ample time this afternoon at 2 o'clock when representatives of the Department of Agriculture come before the committee, to question Department officials on the testimony we have gathered this morning.

Senator Curtis, do you have a statement?

STATEMENT OF HON. CARL T. CURTIS, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator CURTIS. Thank you, Mr. Chairman.

Mr. Chairman, anyone who has observed the drought conditions in the Midwest firsthand, as I have, certainly has no reason to disagree with the crop forecast issued by the USDA earlier this week. However, I would insert several notes of caution lest there be a panic with regard to these predictions.

First, there is the following highlighted statement on the first page of the USDA release:

"To avoid giving the impression of a higher degree of precision than actually exists, alternative indications or projections are shown in the tables of this report and are intended to reflect the possibility of diverse outcomes. They were not derived statistically. The data will continue to be subject to change as additional information becomes available."

Second, since 1960 the August USDA supply and demand estimates have been lower than actual production nine times and higher than

actual production on only four occasions. This means that there is a better than 2 to 1 chance that actual production will be greater than this estimate.

In addition, quite widespread rain has occurred since these estimates were made.

I believe this hearing will serve a useful purpose outlining the problems that are faced by the agricultural sector and the primary users of agricultural products if this estimate proves to be accurate. It is my fervent hope, however, that this crop guesstimate, 2 months before harvest begins, will not cause the Government, agricultural producers, or commodity users to take actions that may later be regretted.

The worst possible result of this latest USDA announcement could be for buyers to rush into contracts beyond their actual needs and create the necessity for drastic action—which none of us want to see.

Senator HUDDLESTON. Thank you, Senator Curtis.

Senator HUMPHREY, do you have a statement?

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

Senator HUMPHREY. Mr. Chairman, are we hearing from the Department people today?

Senator HUDDLESTON. They will be here at 2 o'clock this afternoon.

Senator HUMPHREY. Two o'clock this afternoon. I thought they were coming this morning.

Senator HUDDLESTON. We had hoped they would but they indicated their schedule did not permit it. We are now proceeding with opening statements.

Senator HUMPHREY. Well, I wanted to be here when the Department people were here, and just like many others, I can't be here at 2 o'clock this afternoon. I have programed my day for the morning.

I would just like to make a very brief comment in reference to what I think the crop report itself indicates.

We, of course, hoped that the miracles of nature might still rescue certain areas of our cropland. The rains that we recently had in my part of the country are going to be helpful to soybeans I think, however, you have to keep in mind the possibilities of fall freezes, which could sharply curtail the corn, or should I say, further limit corn and soybean production.

Two years ago we experienced fall rains, an early freeze and premature snow, and were unable to get our beans out of the fields until sometime in December or January. We also ran into a shortage of propane for drying of beans and corn, so we lost about 20 percent of our crop.

Now, if that should happen again, I think the American people ought to know that it would be a major disaster, because current carryovers are so insignificant that for all practical purposes meaningless.

On carryovers, you have to keep in mind you have so-called pipeline requirements. It is sort of like plumbing in your home. If you don't have the lines full, nothing comes out of the tap. So if you don't have a couple hundred million bushels of wheat in the pipeline, you are really out of wheat. Those are the practical facts. The simple

truth is you have to have enough to fill the pipeline before you have anything that you can call "available supply."

I consider the crop report as given here the other day an economic time bomb, ready to explode into a new dimension of inflation. Much of it will be an economic explosion in 1975 in the beef and cattle industry and poultry, pork, and dairy industries. I do not believe the American people know what's happened yet to the dairy industry. It is slowly being liquidated, Wisconsin, Minnesota, Pennsylvania, New York, and in Kentucky. It is slowly being liquidated. Farmers of 50 years or over are unwilling to pay these prices for feed and receive as much as \$200 less for their milk than they did in the month of May. I am home every weekend, and every weekend I am home, I travel. I get out to see my constituents. I am interested in talking directly with people at the barn and elevator and people working in those fields and looking at those crops and hoping they are going to have something.

I can tell you our producers in poultry and dairy are going broke despite what you see and read and see in the supermarket.

If the price of corn goes up, as I expect it will because of this short crop, to as much as \$4.50 a bushel, much of it will be sold for cash because there is no sense in trying to feed it to hogs or cattle. After that, you have cash, but no hogs or no cattle or dairy animals.

So if there ever was a time, Mr. Chairman, that we needed to think about a policy of food reserves, and that is my message, it is now! I know that you can't accumulate them now, but the trouble is when you have an adequate supply, nobody wants to talk about reserves. When you are well, you don't want to talk about being sick, but when you fall on certain parts of your anatomy you think about it. Most people take care of their heart after they have had a heart attack. Most people will take care of their ulcers after they have had an ulcer attack, and most people get interested in cancer after they have had cancer, and I think most people will get interested in food supply and reserves after that has had its effect on our economy.

My esteemed colleague, Senator Clark has a bill. Neal Smith has a bill. (He passed a similar bill in 1972—H.R. 1163.) He came over to see me yesterday. We had that bill before us in this committee 2 years ago and rejected it. We could have acquired 1971 grain stocks for storage then at low prices and been able to sell them out of those bins today at a much higher price.

The whole purpose of a reserve is to buy low when you have surplus and sell them high when you have shortages. So from the Government's point of view or the producer's point of view it is a Godsend. From the consumer's point of view it is an insurance policy. From a taxpayer's standpoint, it is a good investment.

The most asinine, stupid policy is to try to build commerce without adequate transportation. Our railroad system was built for the stone age. It is way out of date and every member of this body knows that the American railroad system is inadequate for the needs of our commerce, yet we are going to spend \$90 billion on defense.

This country today does not have any food reserves and yet we talk about our capability to avoid war on the enemy for "X" number of weeks, yet we may run out of food.

I can't understand why this committee will not come to grips with the necessity of a national food policy which includes not only an

adequate production and adequate fertilizer and adequate transportation, because all of it is a part of our production mechanism, but also a modest system of reserves that are protected from the market, which can be done. Without going into the Humphrey bill, I think the bill by Congressman Smith from Iowa also has genuine merit. If it can clear the House Agriculture Committee and its distinguished leader, Mr. Poage, its Chairman, and pass the House of Representatives as it did once before, I think it merits some consideration here. If we fail to act on this matter I will tell you what we are going to talk about in this committee and that is whether we will have export controls, which doesn't produce a single new bushel. All it does is disrupt trade. Yet we have an obligation to our American consumer. I read Senator Talmadge's statement, which I thought was a masterpiece, and which I hope we will circulate among our constituents.

No amount of export control will work. It just divides up scarcity. We are apt to have bad weather for a considerable period of time.

We warned this Government of ours last fall—based upon testimony of a most eminent meteorologist—that we were in for what we call a weather system that would plague our crops. Our Government ignored that testimony. I am a boy that grew up in South Dakota and I remember the 1930's and the warm winters that everybody loved, and I remember the droughts up until August that killed the crops. It wasn't just 1 year. It went 3 years. If we get 3 years of this again, you can pull the curtains on this economy because there are two factors that are adding to inflation today that are unbelievable, fuel costs and food costs, and for the average American it is food that really rips him. That is the rip-off. It isn't good for farmers, either, because farmers in Minnesota and South Dakota don't give a hoot about the price of corn because they haven't got any.

Senator HUDDLESTON. Your 10 minutes are up.

Senator HUMPHREY. Good.

Senator HUDDLESTON. Senator Bellmon?

STATEMENT OF HON. HENRY BELLMON, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator BELLMON. Mr. Chairman, along with other members of the Senate Agriculture Committee, as well as most Americans, I am deeply concerned at the sharp reduction in U.S. grain production estimates published earlier this week by the USDA. I congratulate our Chairman for calling this informational hearing so promptly. I look forward to hearing from our witnesses and hope the testimony will help put the matter into full and accurate perspective.

I might say the drought conditions are not the sole cause of the shortages we now face—the fact is this problem was here before the drought, and it will be here after the drought is gone because the world's demand for food has been catching up with our supply for a long time. Our population is growing more rapidly than our ability to increase food production and therefore, regardless of the present drought, we have the problem and we need to be looking at the situation and developing a long range plan.

I am not sure I go along with Senator Humphrey's plan. There is no food to put in the reserve. But I do agree we ought to be looking at how we will cope with the problem when we have a real food shortage.

Mr. Chairman, as an Oklahoma wheat producer, I must admit that I have long felt that the earlier crop estimates by the USDA were too optimistic. I came to this conclusion for good and practical reasons. While it is true that acres planted to wheat and feed grains were up last spring and fall, much of the new acreage is of a marginal nature and therefore, less than average in productivity.

Also, this growing season has brought the most serious fertilizer shortage in history. Fertilizer was not available when needed, nor in the quantities and qualities desired.

Therefore, much of the crop has been planted without adequate amounts of plant food. Equipment, repairs, chemicals, and fuel have also been in short supply. While farmers have put forth every effort to produce to the maximum, they have faced many handicaps including, as everyone now knows, an unfavorable growing season. Therefore, the latest crop report should not be a shock. Rather it should have been expected. In my mind it is no cause for panic nor for extreme measures of any kind. There will be grain produced far in excess of our Nation's needs with large quantities available for export.

We will have about three times as much wheat as we will use in this country, a tremendous amount of corn, most of it will go to livestock and poultry production and which could, of course, be used for human food if needed. This is a very large reserve in this country because of our very large livestock industry.

Mr. Chairman, while I realize these are intended to be informational hearings, I would caution against the committee taking action or making recommendations regarding restrictions on the export of grain at this time. The plain fact is that we must export large quantities of grain or cut back drastically on production. If we put on export controls, farmers will get the signal to cut back on their production. The fact is under present circumstances farmers must have a good cash flow because they must put out chemicals and all the other inputs and they must have a good price or they will not produce, and export controls will be a signal to cut back on their production.

Our experience with the soybean export embargo shows how disruptive export controls can be.

Also, our recent disruptive experiences with wage and price controls, especially in beef and baling wire, show the fallacy of substituting political judgment for the judgment of the marketplace. They put a price on it so low they couldn't produce it. They thought they were holding the price down. Many farmers in my State had to do without baling wire because there wasn't any available, and because of that, the black market shot up to more than double what it would have been. So I don't think we help anyone when we try to set artificial prices and hold the price down, because by doing so we simply disrupt the normal distribution pattern.

The fact is that if the world needs our grain for human food and if customers come here with means to buy we will be in an absolutely untenable position to turn them away. Americans are not so inhuman as to say "go home hungry—let your people starve, we are keeping our grain to feed our hogs and poultry and our cattle."

Mr. Chairman, unless I hear conclusive evidence to the contrary today, I will continue to favor free and open markets for American grain. In my opinion, except in extreme circumstances, the market will determine more fairly how the available grain should be distributed than any political or bureaucratic body is capable of doing.

That is all.

Senator HUDDLESTON. Thank you, Senator Bellmon.
Senator McGovern?

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

Senator MCGOVERN. Mr. Chairman, I think these hearings are extremely important, and I want to commend you for your promptness in scheduling them.

I think there are several factors that complicate this tragic drought that has hit so much of the country, including my State.

First of all, it does hit us at a time when we don't have any reserves, and that is the point that Senator Humphrey made so well. If we had large stocks of wheat and feed grains we could perhaps get by a drought of this kind without serious dislocations, but we don't. Those reserves are gone and we are up against a very, very tight margin.

The second problem that makes a drought now just catastrophic is inflation. This is the worst inflation we have had in the history of this country, at least since the Civil War, and in some respect, worse than the Civil War.

Then the third complicating factor is that it comes at a time when there are massive droughts and floods in other parts of the world. The Ambassador from Bangladesh was in to see me and other members of the Foreign Relations Committee the other day. He told us that country is just about wiped out. Most of it is under water. They have lost the efforts of years of hard labor. Their whole crop is gone. The same thing is true in parts of India, and the drought continues to creep across Central Africa.

Now we know that the American people are not going to permit a situation to exist where we turn on our television sets at night and see people dying in the streets of other countries and not respond to it, however easy it might be to say we have problems at home. We know we are not going to sit around this table well-fed and comfortable and watch people die in other countries without trying to do something about it.

I don't think we ought to act alone. I think there ought to be discussions right now going on with the Soviets, the Canadians, the Australians, and the others about what we are going to do together to meet a critical drought and flood situation in these countries that have been hit so hard.

But meanwhile, we have to look to our own situation to see what we can do to make our agriculture more viable and more dependable.

I wholeheartedly endorse the concept Senator Humphrey referred to as some kind of reserve. That has to be one that is isolated from the market, but I am very skeptical about the proposal that we put on export controls. If you go that route it automatically means that you terminate disaster relief programs, too. When you put export controls on commercial markets that means the end of Food for Peace. It means the end of Public Law 480 and it means that all of these years that we have been told that the United States is a leader on behalf of human decency, that all of that goes down the drain and we say well, take care of ourselves and not worry about anybody else.

It is a fact that our first obligation is to our own people, to our own farmers, to our own consumers, but we also have obligations when people are at the edge of starvation in other parts of the globe. So I think we have to look at this problem in those terms.

I am looking forward to asking the witnesses who are here today what they see as the implications of this drought to livestock production, dairy and poultry production, what they see in terms of possible reactions in other countries, what it does to our balance of trade positions—those are all things I hope we can go into as the day progresses.

Mr. Chairman, the release of this week's crop production and utilization estimates raises a whole series of disturbing questions.

It is my hope that the witnesses today can provide us at least preliminary answers to some of those questions.

At no time in my memory has the publication of USDA crop data evoked such widespread interest. Even the details of the "lockup" procedure by which the data is made final were reported.

Such a heavy degree of interest and concern makes it our responsibility to determine the answers before we can move. For instance:

1. What are the implications of the supply and demand projections on feed grain prices this winter and next year?

2. What will be the level of foreign demand for food grains and feed grains next year?

3. What kind of production will other major exporting nations achieve this year?

4. How much substitutability is there between and among different grains—such as the use of wheat as a feed grain?

5. What are the implications of the supply picture in the U.S. on our food aid commitments—especially to Bangladesh and Africa—and what role will other producing countries be able to play?

6. What effect will the present supply situation have on liquidation of livestock and dairy herds, and what are those implications on meat and milk supply and price?

7. What are the implications to our balance of payments if United States agricultural exports are cut sharply?

8. What does this year's crop shortfall mean to the midwestern corn farmer who suffered sharply reduced yields, or no yield at all?

9. What are the implications to prices paid by American consumers—especially those who can least afford higher retail prices?

These are profound questions, and they are disturbing questions. I suspect that none of the witnesses today will answer them with finality; there is yet too much more to be learned.

Mr. Chairman, I believe the Congress and the Administration should address these questions with a keen understanding of the integrated nature of agriculture.

We must pay careful attention to the segments of agriculture which produce grain, and to those who use it, and be aware that the economic picture of one segment affects the others.

We have heard many calls for immediate export controls. I am not ready to join in that call. It seems to me that too much remains to be learned, and we had better set about to learn everything we can before making any precipitate moves.

The lesson of this year's experience does focus our attention once again to our national grain stocks management system—and on the

need to have some system which will allow a better-managed carryover of food and feed from surplus years for use in lean years.

Whether we call it a strategic reserve, as I have done in past legislation, a consumer reserve, a farmer reserve, matters not. But I think it is past time for the Congress and the Administration to sit down together and start sharpening our pencils.

The Department of Agriculture does not want Government-held reserves. Some in the Congress do. I have advocated a farmer-controlled reserve. But I am quite willing, in the new spirit the President set for us last Monday night, to sit down and compromise.

The human interest, here and throughout the world, requires it of us.

Senator HUDDLESTON. Senator Clark?

**STATEMENT OF HON. DICK CLARK,
A U.S. SENATOR FROM THE STATE OF IOWA**

Senator CLARK. Mr. Chairman, I, too, want to commend you for the promptness with which you called the hearings and the importance of this subject.

The crop report released Monday by the Department of Agriculture was quite a shock. All of us knew that the drought would cause production to fall well below the Department's previous estimates, but we were not prepared for a corn crop estimate of less than 5 billion bushels. This will in all probability result in a carryover below this year's 450 million bushels, which was dangerously low.

The implications of this are not very pleasant to consider. Increased feed grain production was one of the important elements in the Government's efforts to stop inflation, but that hope is shattered. We have another shortage on our hands which can only make inflation worse. Feed grain prices will continue to climb, causing substantial upward pressure on the price of meat, poultry, eggs, and dairy products. The American consumer will soon be paying for the effects of this summer's drought.

The American farmer will also pay a high price for the drought. Many feed grain producers have lost so much of their potential production this year that they have absolutely no hope of recovering their production costs. Despite these substantial losses, many farmers will not be eligible for payments under the disaster provisions of the Agriculture and Consumer Protection Act of 1973. Those who do receive disaster payments will recover only a fraction of their costs or losses.

The farmers who use feed grains—in cattle, hog, poultry, and egg and dairy production—have already been through a period of serious financial difficulty, which resulted in enactment of the Emergency Livestock Loan Bill last month. These financial difficulties will be compounded by the increase in the price of feed grains which is imminent. Many will undoubtedly be forced to liquidate their stocks as a result.

There are several lessons which we can learn from all this. The first and most important is the necessity of a grain reserve. There will be almost no corn on hand in this country 13 or 14 months from now. We almost ran out of wheat this year. The desperate need for a Government-held grain reserve has once again been dramatically

demonstrated. Consider the situation today if some of the corn which was sold by CCC to the grain companies at \$1.30 a bushel in 1972 had instead been assigned to a strategic reserve. Corn prices would not have fallen as low then and most farmers and the economy would be better off today. I hope that we have finally learned our lesson and that we will take action on the grain reserve proposals which have been before this committee for some time now.

Senator BELLMON. Don't rush into export controls.

Senator CLARK. What Senator Bellmon indicated, namely, that the subject may be academic at the moment, is perhaps true, but I think that has not been academic in past years when we could have built this reserve, and certainly it is not academic in terms of preparing for the future so that when we do at least get a crop we have the ability and the willingness to set aside a small part of that crop, not an enormous surplus, but a small part of a crop so that we are at least not left in the situation that it appears we will be left in this year.

I am not going to speak about export controls at length because every member of the committee has spoken, and I am in general agreement with both the opening statement of Senators Curtis, Bellmon, McGovern, and Humphrey about going very, very slowly. I am not rushing into export controls.

A free and open market system, I think is far preferable and we would go to that system only as a last resort. So I am not going to speak further here about that.

What I would like to say is that in addition to the necessity for grain reserve, I think the experience of a drought this year demonstrates the inadequacies of the disaster provisions of the farm bill which we enacted last year. It seemed to me at that time that we had a fairly good bill. I think it is clear that that is not the case now as far as disaster is concerned. Many farmers who have lost half or more of their anticipated production are not eligible for any assistance whatsoever. Consider the average farmer who had a 100-acre corn base and who put in 140 acres, and that was about the average, 140 percent of the allotment. He can lose half his crop and not receive one cent because of the way in which the disaster payment is figured. Those who have lost enough to qualify for disaster payments are going to be reimbursed on the basis of one-third of the target price which is well below the cost of production.

A primary reason for the inadequacy of the disaster provision is that the Secretary of Agriculture established a feed grain acreage allotment which was much too low—only 89 million acres when farmers were planning to plant 108 million acres. Accordingly, much of the planted acreage on most farms was not protected at all. The farm bill should be amended to require the Secretary to establish a more realistic allotment acreage than he did this year or to extend the disaster provision to cover all planted acres, not just the allotment.

We held hearings to try to get that allotment increased in accordance with the reality of the situation and were unsuccessful.

Those who do receive disaster payments for production lost due to the drought are reimbursed on the basis of a formula which includes a target price of \$1.38 for a bushel of corn. This is much too low. The cost of production is now at least \$2 a bushel. If we are serious about providing an adequate system of disaster relief, the target price of corn must be raised.

Increasing acreage allotments and target prices would greatly improve the disaster provisions of the farm bill, but we should also strengthen the Federal Crop Insurance Program. This could be done by an additional option provided by FCIC which allows producers to select the level of insurance more nearly equal to the value of production being insured.

Mr. Chairman, the damage of this year's drought has already been done. The proposals which I have been advocating are designed to protect farmers, consumers and the entire economy when natural disasters strike American agriculture. I hope that we can also learn today more about the specific problems caused by this year's floods and drought and that we can come up with some suggestions on legislative proposals to minimize their effects on farmers and consumers.

Thank you.

Senator HUMPHREY. Mr. Chairman, would you permit me just to make one other observation?

Senator HUDDLESTON. Yes sir.

Senator HUMPHREY. I have been informed that in Canada, by May 31, 86 percent of the wheat crop is normally planted. However, this year, only 46 percent was in the ground by May 31 and Canada has a short growing season. Over 50 percent of their crop could suffer very serious damage in this year. Now, if that happens it could have an unbelievable impact upon the world wheat situation.

Second, Mr. Chairman, it ought to be noted that the current inventory of canned fruits and vegetables compared to a year ago is very low. We are talking about corn, wheat, and so forth here, but fruits and vegetables are a part of the diet of the American people, and the inflated costs in that are due to the inflated canning costs. But fruit and vegetable supplies are also down considerably.

I have never favored the export embargoes, but I do think what Senator Clark said and Senator McGovern said, namely, that we have to watch this export outflow very carefully because the present monitoring is totally inadequate. There are all kinds of ways that potential exporters can circumvent current reporting requirements, so you get false figures and reporting is very late. It takes a couple of weeks before these reports work their way through the Department, and in 2 weeks foreign buyers who wish to manipulate this type of market, which they could do, could create major problems for us. Without trying to be an alarmist—I used to be an optimist—I wish to say the Department of Agriculture has been growing jolly beans and eating them.

Thank you, Mr. Chairman.

Senator HUDDLESTON. Mr. Goeppinger?

Senator CLARK. I would like to say a word about Walter Goeppinger.

He is from the State of Iowa and has a distinguished background in this field, has been for many years the Chairman of the Board of the Corn Growers Association, and I think is one of the great authorities in this country on the subject that he is about to discuss.

Senator HUDDLESTON. Mr. Goeppinger, you may proceed.

**STATEMENT OF WALTER W. GOEPPINGER, CHAIRMAN OF
THE BOARD, NATIONAL CORN GROWERS ASSOCIATION,
BOONE, IOWA**

Mr. GOEPPINGER. Thank you, Senator.

I do not have a written statement for you. I do have a couple of tables I am going to give to you here to follow with me at a point in my testimony.

I want to say that I agree heartily with everything that has been said here this morning by each of you, because it bears directly on the problem that we face today. We know what the facts are and we now have to see what we do with those facts and how we handle this very important situation which is not only affecting the farmers and the consumers, but the entire Nation.

I think you all have observed the fact that the stock market has drifted downward, plunged downward yesterday. Things are occurring directly in line with the moving commodity prices.

One of the things I want to say here is that our 1974 corn estimate at 5 billion 40 million bushels, which is over the Government estimate about 70 to 80 million bushels, was taken on August 1, the day following the rains that broke the widespread drought. We had calculated our figure on the afternoon of July 31 which came to 4 billion 937 million and had that figure at the printers. So it was very close to the Government estimate. But the rains that did take place enhanced the prospect of the crop, and we think this figure is a reliable figure, both the Government's and our own.

We also feel that the situation is very elastic. There is no one alive today that can tell us what this corn crop is going to be. Only the date of frost. There is so much late planted corn in the United States that will either make a crop or won't make much of anything at all.

Last year we had a late frost date almost 3 weeks past the average killing frost time in the major portion of the Corn Belt which added many million bushels to the crop. When you get these aberrations away from the normal date you are liable to get an aberration in the other direction. We may see that happen this year. I hope it doesn't. Even if we come down to the normal killing frost dateline, somewhere around October 10 in the middle of the Corn Belt—if we hit that date we may find that, depending upon how the temperatures have been up to that time, the growing degree days that have forced this late corn into maturity, we may find a crop of 5 billion 1, 5 billion 2 or maybe much less than the Government forecast on Monday of this week. So no one can tell what the crop is going to be.

I would tend to agree there is no reason for panic. I would think any actions that this Government might consider should wait until after the frost has come and a reevaluation of the situation has been made.

Another factor involving our situation today is that we need to be prepared to have large amounts of fuel on hand to dry this crop because we know we are going to have a very large amount of wet corn regardless of when the frost date occurs.

In 1972 we had a very difficult situation in the Corn Belt because allocations of natural gas, propane and fuel oil were not sufficient to dry the crop and much of it was wasted, piled out on the ground, mishandled, had to be allowed to deteriorate, and today with every

grain of wheat and corn and barley and oats and grain sorghum counting, we need to be prepared also. The Government in its fuel allocation should see to it that there is ample on hand in the country for that.

We are going to be called upon as farmers to grow as big a crop as we possibly can next year, and this is right. I think we should. However, we have been called upon to do this on previous occasions. When I started my farming operations in 1933 I lived through the crops of 1934, 1936, 1947, 1956, and 1966, which were all drought years, and the corn blight of 1970. Each one of those years was followed by what we might call a bumper crop in the major portion of the Corn Belt, and therefore was also followed by severely declining corn prices which hurt the farmer.

We have an extremely high level of costs today in farming, far beyond anything that anybody could conceive a year ago or 2 years ago. This level of cost is going to be a very, very difficult situation for the farmer who is making decisions out here as to whether he will plant corn or soybeans or wheat or grain sorghum or small grains.

These high costs now are at a level where it makes the present price support system of both the target price of a \$1.38 and the corn loan level of a \$1.10 look ridiculous. They have little bearing now on our present costs. We recomputed costs twice this year. In early February the cost of producing corn, of a bushel of corn at a yield of 125 bushels per acre, which is far lower than our present Government estimate for this year. Dividing 125 into the costs involved in producing an acre of corn we came out with \$2.09. More recently it was \$2.21, and with the advances in fertilizer and in seed corn and in machinery and fuel that we foresee right now we think that maybe this cost is now closer to parity, which is \$2.60 a bushel.

Senator HUMPHREY. That is your production costs?

Mr. GOEPFINGER. Production cost at \$2.21 per bushel.

Senator CURTIS. Are you basing the cost on a national average of 125 bushels?

Mr. GOEPFINGER. Senator Curtis, I might say there are great variations in the way of producing corn. In your State there is irrigated corn, ridge corn, and listed corn. In Iowa and on east into Indiana and Illinois and Michigan and Ohio we plow the more flat level land with a moldboard plow or a chisel plow, which is a different method than yours. But for what we think is a general cost without involving irrigation, the cost is getting close to parity now.

Senator CURTIS. Well, I want to know, is your 125 bushels a local figure for you or what does that represent?

Mr. GOEPFINGER. That only represents what in the good black level land area of the Corn Belt extending from, well say, northwest Iowa, Storm Lake, Odebolt, that area, over through eastern Iowa, central and all of practically the northern two-thirds of Illinois, northern two-thirds of Indiana on into Ohio and in the eastern part of Nebraska from Omaha to Lincoln and down to Fairbury or Beatrice, Neb., that would be representative of those areas if it wasn't listed corn.

Senator CURTIS. It is not a State average or listed average?

Mr. GOEPFINGER. No, the highest national average was 97 bushels in 1972.

Senator HUMPHREY. That was the figure that the Department used for their estimates in January of this year?

Mr. GOEPFINGER. For its yield projection for this year, yes.

Senator HUMPHREY. So if you have your production cost at \$2.21 and your forecasts of about \$2.60 a bushel you are figuring that on 125 bushels, which of course, is the most optimum figure you can get?

Mr. GOEPPINGER. Yes, and we used other figures such as interest which is now 8½ percent and of which you can't borrow at any more. We held to these conservative figures, but taken from actual farming operations and depreciating the machinery at flat levels, not rapid type depreciation. We tried to be what we thought was reasonable. It does include evaluating the land at 8½ percent return.

Senator MCGOVERN. What would you think that cost might be in areas where we don't get that kind of production, Mr. Goepfinger? Very few people are getting 125 bushels an acre in my State, I would guess.

Mr. GOEPPINGER. As you know, I think I have told you I am a landowner in South Dakota and I would be pleased if the State average in McCook County was over a period of years 55 bushels per acre.

Senator MCGOVERN. So what does that do to the cost estimate? Do you have any idea?

Mr. GOEPPINGER. It would probably, because of the lower land value, evaluating the land costs at 8½ percent interest, pull it down to a little less than what we are talking about as the cost in Iowa. Our land costs more because there is more assurity per crop. It would be a little something over \$2 a bushel in South Dakota, just giving a rough estimate without sitting down to calculate that figure.

Getting back to this matter of support, I want to tie into the idea that a number of you have expressed this morning of a need for a grain reserve. We need this reserve for consumers both here and abroad. We need it for farmers to level out these wide spreads we are getting which are so injurious to the entire agricultural structure. We have talked about this reserve a number of times in this room when I have testified and at other times when I haven't been here to testify, it has also been thrashed out. We have been on this subject since 1966. I think some of you will recall that. We were talking about feeding the world then. We were going to feed the world in 1966 and immediately after that in 1967 we grew a corn crop that was far too large for our ability to absorb. Foreign markets fell off and corn prices dropped severely.

At that time the first legislation was introduced in Congress relative to a grain reserve. Now, this thing has been moved around in different forms and talked about a long time. A number of us who have been in favor of it have testified here for it and a number in the agricultural community who haven't been in favor of it have testified against it.

It seems as though the pivotal point that we have reached on this grain reserve testimony has been the fact that those elements of the agricultural community that don't want a grain reserve, don't want it because they don't want the U.S. Government to be involved in the control of it. I am going to just throw out to you something this morning which is not an official position of the National Corn Growers Association. This has been discussed between our president, John Curry of Victoria, Ill., and myself, and we feel it is worth your consideration.

First of all, I want to say that at this time it might seem a little ridiculous to be talking about a grain reserve when we don't have any to put in one, but this is the time—

Senator HUMPHREY. Exactly.

Mr. GOEPPINGER. The public is aware and their attention is focused on the great need of grain for food, for our meat, milk, and eggs and bread and all the other things that come from it. So I think that we ought to really give some serious consideration as to how can we compromise this situation with all the parties interested and get support under one roof and move ahead with it. This is just an idea to consider and I am sure there are a lot of things about it to be studied. There may be some holes in the idea. But within the framework of the present law it seems this would work. We won't have to change the 1973 farm law in any way that I can see in order to do this.

Here would be the idea. Set a figure that we would want in total bushels for corn. I will not refer to wheat or grain sorghum or other grains or soybeans. Those you could work out with the other commodity associations. They could speak for themselves if they are interested. But say we took a hypothetical figure for corn of 1 billion bushels. This would be approximately 2 months' usage. We took a billion bushels and we said we are going to make a recourse loan on it. All the corn loans today, as you know, are nonrecourse loans. That means that a farmer borrows on the grain and if the price does not move above the loan plus the cost of storage and interest and so on, he can deliver the grain to the Government, to the CCC, in satisfaction of the loan. The Government then owns the grain and the Government then has control of it. It then can control timing as to when it wants to put it on the market and at what price and to whom it is to be sold.

The recourse loan would be set at 90 percent of parity. This is the highest figure at which within the present framework of the 1973 Farm Law a loan can be made. Currently 90 percent of parity is \$2.35 per bushel. The recourse loan would be for 5 years at a low rate of interest, say 3 percent interest. During that time the farmer has to pay the interest, and he has to pay the storage, but not for the full 5 years if he decides to sell during that 5-year period. He can sell any time, say within 2 months or 3 months if he found the market was higher than the loan plus the costs involved in holding it. In so doing, he would be taking a risk because he would owe the U.S. Government principal and interest whenever he sold the grain or if he held it to the end of the 5 years. But in order to attract him to do this, we would have to bring up the present nonrecourse loan from its unrealistic level of \$1.10 to a level which I thought, in order to really be realistic, ought to be somewhere around 75 percent of parity, which would put it at \$1.95. This would put a floor under his taking the risk to carry the grain reserve, and he would be the only one who would ever say as to when that grain was going to come out on the market. Now, price would tell him when to and it would not be under the control of the U.S. Government. It would be under his control.

I think this is something for us to think about so we can bring all of these elements of disagreement together and have a situation where the farmer can make the decision.

Senator MCGOVERN. Well, under that proposal, Mr. Goeppinger, where does the Government get grain if it is needed for disaster relief? For example, in the situation we are faced with now in Bangladesh, how would the Government get access to the reserve grain under your plan?

Mr. GOEPPINGER. Only by coming to the market and bidding for it.

Senator HUMPHREY. Buy it like anybody else buys it?

Senator MCGOVERN. I think that is a fair arrangement.

Senator HUMPHREY. I started on the reserve program in 1956. The first witness was the Assistant Secretary of Agriculture, Mr. Butz. He was opposed to it then and he is still at a consistent position.

I have always felt that we could find the mechanism to protect the farm producer on the one hand and on the other hand, give us a safe reserve.

The proposal which I have advanced, which I don't consider it any great proposal at all, always subject to amendment, we have changed it three or four times at the hearings, would have whatever holdings only one-third by the Government and two-thirds in private hands. Neal Smith has a proposal, 300 million bushels of wheat, 25 million tons of feed grains, which would be about 2 months' supply that would be held primarily by the farmer.

I am interested in a reserve, and I am interested in one that doesn't depress the market. I am interested in one that permits us to have a supply and the farmer in being able to get a fair and reasonable return, and I think we should take a proposal like yours, analyze it, price it out, because actually any reserve that you get you are going to buy it cheaper than you sell it. So when I get all this talk about how much it will cost everybody, whether the farmer or the Government, you generally buy in on the reserves at a low price and sell at a high price. If we had reserves of corn from several years back we would have been able to pay for a lot of things.

Senator HUDDLESTON. Mr. Goeppinger, you referred to your own statistics, and they seem to be consistent with the Agriculture Department's. Has this been true with the earlier estimates made on the crops?

Mr. GOEPPINGER. This year?

Senator HUDDLESTON. Yes.

Mr. GOEPPINGER. We were asked last December to testify to the Cost of Living Council as to what we thought the crop would be and also how many acres would be planted. We prepared material for that meeting which was held January 3, and at that time we estimated the crop would probably be 6.1 billion bushels.

Senator HUDDLESTON. You and the Department were pretty close then?

Mr. GOEPPINGER. The Department of Agriculture was predicting 6.7 billion at that time. We felt that 6.7 was an unrealistic figure and we were below them. But on our own acreage estimate of 68 million acres, we used 90 bushels per acre for the January 3 meeting. On January 16 the Department came out with their planning intentions report received from farmers and it was 68 million too at that time of corn for grain. So then they had already espoused this 97 bushel per acre figure which came about through calculations that were made relative to the acreage allotment. This acreage allotment that Senator Clark has been talking about, which is an unrealistic figure, a low

acreage allotment. Since that time, as we went through the deterioration of the crop, we dropped our estimate from time to time.

Senator HUDDLESTON. What effect on the marketing of a product does an optimistic prediction have?

Mr. GOEPPINGER. I guess it was in our July issue of our letter to members, we said that by USDA holding to this figure of 6.7 billion bushels of production, it cost the corn producers at least \$320 million. This was based on the fact there were about 800 million bushels of corn at the very minimum that were sold into the market at about 40 cents below what the price would have been if the realistic figure we forecast was used.

Senator HUDDLESTON. Then selling early can be very costly to farmers and producers when the crop estimate is substantially larger than the final crop figure is going to be?

Mr. GOEPPINGER. That figure was in existence from December up until July. There were 6 months in there when that low figure was in existence that people were making decisions on that figure.

Do you have figures on the domestic usage of corn?

Mr. GOEPPINGER. They are in this table I was going to refer to.

Senator HUDDLESTON. The tables will be made part of the record.

Mr. GOEPPINGER. The top table is what our estimate is for this particular year, the crop year beginning October 1, 1973, and ending September 30, 1974. Then the next table is our forecast of corn usage basing it on a crop of 5 billion 40 million bushels plus our estimated carryover of 413 million.

[The above-referred to tables follow:]

Supply and Demand Balance Sheet for the Current Marketing Year

U.S. corn carryover on October 1, 1973 (smallest since 1952).....		<i>Bushels</i>	709,500,000
1973 total U.S. production for corn as grain (our final estimate).....			<u>5,543,500,000</u>
Total available for domestic use and export October 1, 1973 to			
September 30, 1974.....			6,253,000,000
Now deduct anticipated usage October 1, 1973 to			
September 30, 1974:		<i>Bushels</i>	
Livestock and poultry feed.....	4,210,000,000		
Food and industrial use.....	430,000,000		
Exports.....	1,200,000,000		
Total usage October 1, 1973 to September 30, 1974.....	5,840,000,000		<u>5,840,000,000</u>
Estimated U.S. corn carryover October 1, 1974 (smallest since 1948).....			<u>413,000,000</u>

Balance Sheet for the New Corn Marketing Year Beginning October 1, 1974

Estimated U.S. corn carryover on October 1, 1974 (smallest since 1948).....		<i>Bushels</i>	413,000,000
Estimated 1974 total U.S. production for corn as grain.....			<u>5,040,251,000</u>
Total estimated available for domestic use and export October 1,			
1974 to September 30, 1975.....			5,453,251,000
Now deduct anticipated usage October 1, 1974 to			
September 30, 1975:		<i>Bushels</i>	
Livestock and poultry feed.....	3,900,000,000		
Food and industrial use.....	450,000,000		
Exports.....	900,000,000		
Total usage October 1, 1974 to September 30, 1975.....	5,250,000,000		<u>5,250,000,000</u>
Estimated U.S. corn carryover October 1, 1975 (smallest since 1948).....			<u>203,251,000</u>

Now, I might say that our usage for next year of 5 billion 250 million as a figure that is again going to have to be readjusted after we see what the first killing frost date throughout the major portion of the belt is. That figure of 213 million bushels carryover is stretched to the limit of the rubberband, so to speak, because when you get down to 200 million bushels of corn in a situation where you utilize almost 6 billion a year you are down to approximately 3 to 4 percent of the crop, and it represents almost a vacuum in the supply line. Nobody knows yet how low we can go as to carryover and get by with. There will be a situation next year like there was in soybeans in 1973 and wheat this spring. Corn will be picked in the Southern areas of the United States that will supply the pipeline to some extent in late summer 1975.

Senator HUDDLESTON. Were there substantial factors other than the drought in the Midwest which caused production to be much less than the original estimates?

Mr. GOEPPINGER. Yes; we would have increased our 6.1 estimate if we had felt there was going to be ample fertilizer available to farmers, but everyone that was authoritative on the subject knew there wasn't enough fertilizer to apply to all the acres going to corn in 1974 at rates of application of previous years.

In 1973 we had a real wet fall and there wasn't a lot of fall plowing done, so we had spring plowing trying to be done during this wet period when they should have been planting corn.

Senator HUDDLESTON. Is it a normal thing to underestimate on production? How often do we underestimate production?

Mr. GOEPPINGER. It seems to be a trend in the human mind to underestimate the crop when the crop is going to be bigger than we realize. 1972 was a case in point as was 1973.

In the years of short crop we tend to overestimate a little bit. But as I said before, this year we will never know until we have a frost.

Senator HUDDLESTON. Senator Curtis, do you have further questions?

Senator CURTIS. What is the cash price for corn in Boone, Iowa, now?

Mr. GOEPPINGER. I have been gone for a week and I can't tell you what the price in Boone is, but I can tell you what the cash price corn is in Pana, Ill., because I talked with one of our directors there last night. He said that the price of corn last night was \$3.51 a bushel. That is in central Illinois, a short distance north of Springfield.

Senator CURTIS. Actually that has gotten to be locally priced, the demands of feeders and truckers come in and want to buy it.

Mr. GOEPPINGER. In years of a short crop the Chicago market evaporates as a price setter for the price of corn in the country. In other words, we are not going to ship corn from Boone, Iowa, or from Pana, Ill., or to Nebraska. We will buy the corn that is there and pay a premium to buy it over the price Chicago has because we are not going to let it get out of the country and let somebody else have it.

Senator CURTIS. Hadn't the market already absorbed the effects of the short crop before the Agriculture Department published their estimate?

Mr. GOEPPINGER. I don't think so. The reason I don't think so is because our estimates which were in the National Corn Growers Association were continually below those of the Government projections,

and of most private estimators, and they thought that we were too low all the time and there was a certain amount of discount. As a matter of fact, at the U.S. Feed Grains Council last week, which I attended in Vermont, there was a well known estimator who set the crop at 5.5, and many people thought his figure was right. Another official who was there said he thought the figure was somewhere over that. I believe the market was feeling and talking in terms of somewhere between 5.3 and 5.6, perhaps. But I don't think the market was ready for 4.9 billion at all, and I think the market will have to discount that smaller figure.

Senator CURTIS. What do you think will be the price of the new crop compared to the price we have right now?

Mr. GOEPPINGER. If you will turn the sheet over, since last December we stated a short crop could bring \$4 a bushel. This could happen if our 5.04 billion figure proves correct. It depends on what happens on the frost situation.

Senator CURTIS. That is all.

Senator HUDDLESTON. Senator McGovern.

Senator MCGOVERN. Mr. Goepfinger, if that figure you just mentioned is true, if corn goes above \$4, what do you see that doing to the livestock feeders? Aren't a lot of them going to have to fold?

Mr. GOEPPINGER. Absolutely. There will have to be contractions of the livestock and poultry and dairy industry. There can be stretching by the use of more cellulose, silage, and hay. All of those are in short supply.

Incidentally, I would want to say something here on that point. Our national average yield is set at 74 bushels per acre, lower than the Government, because of the Government shifting a lot of acreage intended for grain over into the silage classification.

But coming back to your question, this is the tragedy of not having a reserve, because the consumer, our customer, pays for it in the end by not having it and what they do get is too high a price and they get caught in these big swings and get educated away from these products. They may quit drinking milk, quit eating butter, and shift away from meats to analog foods. It is really to the disadvantage of the farmer himself to have these big price swings take place, \$4 this year and last year in the spring it was \$1.40. In the spring of 1973 we thought that was a price that had run up quite a ways.

Senator MCGOVERN. That is the thing that I would worry about in terms of the future of our livestock people. It seems to me we are moving into a situation where we have corn going to a very high level and then you get a liquidation of feeding operations and herds, then you get a shortage of meat, then the price starts going up, then another consumer rebellion against meat which leads to further retaliation against producers, and the outlook to me is not very hopeful. Do you see it very different from that?

Mr. GOEPPINGER. Then there is one added feature. You get corn so low it is going to hurt the producer.

We are going to go into a period of meat costing the consumer substantially more in about April and May of next year. We will go through this period of liquidation of herds this fall and winter, a lot of manufactured beef on the market, the low quality that cows make, hamburger and dried beef and all of that in very large supply. But after all that is gone, there isn't going to be the hamburger. It will be just what comes out of the feedlots.

Senator MCGOVERN. Thank you.

Senator HUDDLESTON. Senator Dole.

Senator DOLE. I arrived a little late. Did you touch on export controls?

Mr. GOEPPINGER. No, I didn't. I said I agreed with what had been said and I didn't touch on that.

Our position is we are not in favor of them. We don't think it is in the best interest of the Nation or the farmers of the Nation to apply export controls until we see when this first killing frost date comes.

Senator DOLE. Wouldn't that also have an impact on consumer prices if there were no restraints on exports?

Mr. GOEPPINGER. We believe that exports are going to take a very precipitous drop. Farmers around the world who are feeders of beef cattle, hogs, and dairy cattle are in just the same condition as our farmers except they have to pay the freight from the United States to take it to their shores if they are the purchasers of our grain. That makes the price at least a dollar to a dollar and a half higher than our price. So our billion and two odd million probable exports for the year ending 1974 may drop to as low as 600 million. We are using 900 which is a projection which is 75 percent of this year's exports, and it may drop even further.

I notice that the Department changed their figures yesterday from a billion 150 million to a range of 950 million to 750 million bushels to fit the supply. So we may pick up a substantial amount of grain for domestic use by export reductions.

Overseas they are faced with the tremendously high price of oil, difficult economic conditions and a strained agricultural community because of the high price of feed, so all of these are going to add up to a constriction of exports of grain and corn in the coming year.

Senator DOLE. But the reduction in exports won't, in your opinion, offset the need for some "compromise" reserve programs. You say there is sometime a need in your opinion of some grain reserve concept?

Mr. GOEPPINGER. Yes; the grain reserve concept that I am talking about this morning would only come into existence really at a time when we raise another big crop. It couldn't be done today really. I doubt whether very many farmers would go into a \$2.35 loan if they could obtain \$4 on the market or \$3 on the market. It is only going to come into existence when you get more production. The drop in livestock feeding will enhance the drop in corn prices. Then you should protect the corn farmer who has these high production costs and keep him in the picture as a producer. Our today's farmer is a man who can produce grain at the cheapest level.

Senator DOLE. Did your association support the grain reserve concept in the past in times of surplus?

Mr. GOEPPINGER. Did we support it?

Senator DOLE. Yes.

Mr. GOEPPINGER. Before you arrived, I said we had been testifying in favor of grain reserves in here since 1966. We testified again in February of this year before your committee on that matter. We have testified on numerous occasions whenever there have been hearings on it.

Senator DOLE. Do you view the reasons being the same now in time of possible scarcity as there were in the time of acknowledged surpluses? Is the reason for reserve the same?

Mr. GOEPPINGER. Right; the reason is the same, that we need to have a depression of these big swings so that it keeps the livestock, poultry, and dairy farmers operating and keeps the consumer supplied at a more level price.

Senator DOLE. So your concept of the grain reserve would be a price stabilizer?

Mr. GOEPPINGER. A supply stabilizer and price stabilizer.

Senator DOLE. There wasn't any reason for supply stabilizer in times of surpluses?

Mr. GOEPPINGER. What happened in 1972 when we had a wet crop and in 1971 when we had a real large crop, you may recall the price of corn declined to about 90 cents in the country. Farmers then were under pressure of operating loans to be paid and they liquidated regardless and the corn then moved and was not used, or I should say, the corn was then sold and used in a profligate way. It was not really conserved and given the ultimate in careful use. It was overused. Livestock were fed to too heavy weights. It was wasted in many respects and we didn't get the full mileage out of the fruits of our soil.

I think we need to go back to the Biblical accumulation of grain and have it there for the time when it is really needed.

Senator DOLE. I know Senator Humphrey's intense interest in this, and I could never understand any reason for reserves except as a price stabilizer, and many of us resisted it during those surplus periods, regardless of who the Secretary was. There may be a reason for it now. I see more reason for it certainly today than I did 4 or 5 years ago. I may be persuaded that it is necessary, because now we are talking about possible scarcities which directly affects not only the consumers but a lot of other people in our overseas program. We still have some humanitarian obligations to people who are facing hunger and starvation. We may not have as much and we may not be able to make the same humanitarian effort because our supplies are down.

I will go back to what Chairman Poage always told us in the house committee, that the concept of reserves was a great idea if somebody could draft it so it would work. Maybe your idea might have, and I am certain it does have merit, and I am certain the idea as advanced by Senator Humphrey has merit. Maybe we can figure out something that will not threaten farm prices.

That is all.

Senator HUDDLESTON. Do you have further questions, Senator Humphrey?

Senator HUMPHREY. Yes.

On exports, you have indicated that Government estimates for exports are down now as compared to a couple of months ago?

Mr. GOEPPINGER. Or even 2 weeks ago.

Senator HUMPHREY. I understand the logic of it, but isn't it possible that since so much of our exports is often to governments rather than to private concerns make it difficult for us to assess real foreign demand? The European Community has all kinds of subsidies they can use. Many of these countries, rather than liquidate their animal herds, may well be able to pay the price rather than liquidate their herds, just as the Soviet Union did? In 1972 they had to make a choice whether they would liquidate their herds as they did in the 1960's.

So it is possible that these exports may actually be up from your forecast?

Mr. GOEPPINGER. I might say on this point that the European Economic Community has about 10 million tons which is around 400 million bushels of wheat. This is equal to the corn crop of Argentina and the average corn crop down in South Africa, which are the largest exporters outside of ourselves of corn, and about equal to the corn crop of France, which is the largest producer of corn in Europe, they have about 10 million bushels of wheat in France which is now priced at less than corn and they are going to probably—we are not sure which direction they are going to go on this, but it looks like they are leaning toward the possibility of feeding the wheat and selling the corn on the open export market outside the EEC. So this is going to take some of the slack out. Argentina has a better than average crop this year which they are exporting. So I think there have been some pretty heavy purchases by the Japanese ahead of this situation that we see today in the last month or two. They have been in the market pretty heavily and they are really the big draw-down on our supplies that we have presently.

Senator HUMPHREY. Isn't the market going up about as much as it can each day on corn now?

Mr. GOEPPINGER. It has the last 2 days. I don't know about this morning,—the 10 cents limit—yes.

Senator HUMPHREY. There is drought in the grasslands in the Southwest or in the rangelands?

Mr. GOEPPINGER. We had a severe drought this summer which shortened the grass crop.

Senator HUMPHREY. Going back to what Senator McGovern was indicating and what you have indicated here, the shorter crop this year is causing liquidation of some herds. It will surely cause liquidation of dairy cows, which is the cheaper meat, so that temporarily let's say, between now and January and February you may get some downturn in meat prices, because of liquidation; some downward trends.

Mr. GOEPPINGER. In the cheaper cuts?

Senator HUMPHREY. Yes; but starting some time in the late spring or early summer you will likely get an increase in consumer meat prices.

Mr. GOEPPINGER. Everything will be higher then. We will have manufactured beefs, a new supply from New Zealand.

Senator HUMPHREY. But this doesn't help our own producers?

Mr. GOEPPINGER. No, but that will keep the price depressed. A big supply will help pull down the producer.

Senator HUMPHREY. Once you change this cycle in cattle it lasts for 2 or 3 years, doesn't it?

Mr. GOEPPINGER. Oh, yes; and longer.

Senator HUMPHREY. So, therefore, you cited some statistics and dates that suggest when you have had a bad crop—like in 1974—the prospects are that you may have a good crop in 1975. The historical record suggests that.

Mr. GOEPPINGER. Right.

Senator HUMPHREY. So you would not only have the bigger crop in 1975, but less utilization then due to a decrease in numbers of animals and poultry?

Mr. GOEPPINGER. Right.

Senator HUMPHREY. So therefore you get the down price on your corn?

Mr. GOEPPINGER. Right.

Senator HUMPHREY. Now, going back to Senator Dole, may I say to my esteemed colleague from Kansas I am not locked into any formula per se on a reserve. I have talked with Neal Smith in the other body as I have said here today, and I think he has a proposal which has great merits, and which has already passed the House once. I think a grain reserve is something whose time has come primarily because of the circumstances we now face with the shortage and the long-term look at a possibly tighter market in the world community due to the pressures of population on production. Also with the variables that take place because of weather, and with us being a surplus producing country, we have much at stake in establishing a grain reserve. If we can seal off some of that grain in times of flush production, it is better for the consumer and the farmer in the long run. When we use the word consumer, we are not just talking about the housewife, but the animal and poultry producer who is the consumer of these products.

An important question here, is how we can lock off a reserve so it is not a price depressant on the producer when you have escalating operating costs.

One final question. On these operating costs, do you see any indication at all from talking with your members that these operating costs are going to level off or be reduced?

Mr. GOEPPINGER. None whatsoever. We only see increased costs in the future.

Senator HUMPHREY. Therefore, you think the so-called target price ought to be increased?

Mr. GOEPPINGER. Yes.

Senator HUMPHREY. And the loan rate?

Mr. GOEPPINGER. Yes; the loan rate is at what the market considers the price. It is going to determine the price of corn.

Senator HUMPHREY. Let's assume this committee is at loggerheads about reserves—and we have been up to now—wouldn't you think it is a good idea for us to look at the economic facts on target prices and loan rates? Don't you think it would be necessary to—

Mr. GOEPPINGER. That is right.

Senator HUMPHREY. Wouldn't that, in a sense, give us some opportunity to create a reserve if you had a decent loan rate?

Mr. GOEPPINGER. Only if the price declined down or the Government took the grain in satisfaction of the loan. You would have to wait until you had a large enough crop to get down to that low.

Senator HUMPHREY. But the loan rate in the present law is absolutely ridiculous in terms of today's operating costs.

Mr. GOEPPINGER. The present corn loan rate of \$1.10 per bushel has no relationship whatsoever to cost of producing a bushel which we figure now to be just double at \$2.20 per bushel.

Senator HUMPHREY. Would you recommend to this committee that we take positive action on target prices and loan rates as an amendment to the current law?

Mr. GOEPPINGER. I don't think you need to amend—to make the change in the target; yes. You wouldn't in the loan, but you would in the target. Yes, I think this could be done, too, because the Depart-

ment has set up a survey, a sampling to start this winter to determine what costs are now, and this sampling could be used as a basis for making the change, but if you wanted to hurry it up it could be done sooner than next winter.

Senator HUMPHREY. Do I understand that you support action now on some kind of reserve program?

Mr. GOEPPINGER. Right; getting mechanics set up so that when we do have a large crop it can be in action and the reserve accumulated.

I want to say in warning, although we have a history of every other year being a big production year after these short crop years, we are only looking back at a 100 years of history, and this is a very short period of time in looking at weather records as compared to the millions of years that weather has been in existence. We might get two short crops in a row, we don't know. That hasn't been the history so far.

Senator HUMPHREY. My memory of the dust storms in South Dakota is that we had several years of short crops.

Senator HUDDLESTON. Senator Clark, do you have a question?

Senator CLARK. Just two questions.

I suppose it is best to think positively, but we should think just for a moment of planning for what might be the worst. You started your statement by saying that the crop depended very much on the frost date and said that last year the frost date was 3 weeks behind or later than the average. Suppose this year it occurs a couple of weeks ahead, which I suppose is equally likely to happen. What would the consequences of that be?

Senator HUMPHREY. Oh, boy. God bless northern Minnesota.

Mr. GOEPPINGER. We would have to think in terms of—a really difficult question to answer, especially where it is an open meeting here and I don't like to be quoted on it, but I would say you would have to think in terms of several hundred million bushels less of what the present estimates are if we had an early frost. I have seen snow at my home farm in Boone, Iowa, on the 15th of September. That occurred in 1945.

Senator CLARK. The other question, do you feel that the disaster provisions of the present farm act are adequate, or what have you learned as a result of this drought experience this year in terms of how it is going to affect your members—corn growers?

Mr. GOEPPINGER. Well, when we testified against the method by which the allotment was set we pointed out that the disaster feature was always going to come into play somewhere in the United States every year, and the way it was set up and interpreted by the Administration it was not a real carryout of the intent of the law and, I think, of the intent of Congress in the way the law was written.

We testified, I believe, quite strongly on that here on about the 21st of February. The number of farmers that are affected are far larger this year than we had anticipated at that time because of the drought, although you always know something will be flooded or hailed out, but the drought areas are so widespread this year that there are many farmers who will get some assistance.

Senator CLARK. You have sought to improve the inequity?

Mr. GOEPPINGER. There was no provision in the law to add into the acreage for corn that was cut for silage. The total amount that was utilized to divide the corn acreage into the amount for grain. Now,

the Department used a figure of 5 billion 999 million bushels of corn for grain, as you will recall, for the probable usage this year, domestic and export. They divided a figure, which when you broke down at 89 million acres of all feed grains of which about 64 million were for corn. But the trouble there is 10 million there that is normally kept for silage and the allotment was also divided out among those people who do grow silage.

The law needs to be revised so that that inequity is straightened out. You know what I am talking about?

Senator CLARK. Those are the two items that you would see in terms of amendments?

Mr. GOEPPINGER. And also some way or another a realistic yield figure. They used that 97 bushel per acre yield figure and it might have been on the trend line somewhere, but it sure wasn't in the picture in what we were thinking in the way of fertilizer supply and lack of fall plowing.

Senator HUDDLESTON. Thank you, Mr. Goepfinger.

Senator Dole has a statement.

STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM THE STATE OF KANSAS

Senator DOLE. Mr. Chairman, I appreciate your awareness of a critical problem facing the Nation's farmers as a result of the current drought conditions and I commend you for scheduling this emergency hearing.

There has been a great deal of concern expressed about the condition of U.S. crops. Before the August crop report was issued, there were many stories out of the Midwest referring to crops as being "lost" or "destroyed." This is true in Kansas.

RAINS DIDN'T HELP

On my recent trips to Kansas, I have seen the corn burning up from lack of moisture. In the past 2 weeks, we have received some rain, but far too late to fill out shriveled, dried-up ears on brown, fired plants.

Late yesterday I received a report from the State Director of the Agricultural Stabilization and Conservation Service indicating that 46 of the State's 105 counties be designated as disaster areas due to drought conditions.

NINETY PERCENT DAMAGE

These counties are located in the eastern one-third of the State in what is largely the dryland feed grain producing area. Twenty-one counties reported only 10 percent or less of normal production. Fifteen counties have 11 to 25 percent of normal production, and 10 counties report 26 to 60 percent of normal production. This is indeed a disastrous situation. I have been in contact with the Governor and the Department of Agriculture, and, following designation, emergency loans from the Farmers Home Administration will be made available as fast as the agency can process the designation and applications. Further study is being made to appraise the availability of feed for livestock and 76 counties indicate a potential shortage of feed to

carry the producers through the winter months. If needed, the Department of Agriculture will make emergency feed available during the winter to protect foundation livestock herds.

CROP REPORT REFLECTS DAMAGE

The Monday crop production report for the USDA reported a drop in Kansas' corn production from last year's 154 million bushels to 96 million bushels; and grain sorghum from 218.4 million to only 108.5 million bushels. Soybeans were reduced from 26.4 to 14.7 million bushels. The losses of this production and the further losses it will incur in closely related livestock production will further increase the impact.

I understand that the Monday crop production report must be considered in respect to the lag time during which this data is accumulated and therefore the report does not reflect the rains which occurred in early August. In Nebraska, Iowa and some other major feed grains producing States, this rain could bring about some improvement in these projections. However, from my own observation, the Kansas corn and grain sorghum crops were beyond help when the rains came. I doubt that the soybeans production will be increased to any extent by the added moisture.

BILLION DOLLAR LOSS

Several efforts have been made to assess the dollar value of the Kansas drought damage. However, the total damage will not be known until the last crop is harvested. The hay crop and pasture stand in the State have been damaged and will contribute measurably to the total assessment. So far, total damage to Kansas agriculture has been estimated at a billion dollars or more. That figure could double when the additional losses in livestock production, processing, distribution, and general economic impact are evaluated.

I am pleased our farmers are receiving a fairer price for their crops. Kansas City cash wheat yesterday was \$4.41½, Chicago corn was \$3.87 and cotton was 54.4 cents per pound in Memphis. The drought conditions caused some of this increase, but generally our farmers have been enjoying better prices for the past year or two and I hope they continue.

During the past few years, the farmers have improved their productive capacity both in number of acres and in capital investment in improved techniques and machinery. We are all familiar with the inflationary costs that would be incurred in such expansion. That investment must be protected.

CONTROLS THREATEN INVESTMENT

So I am concerned that after these farmers have taken their improved income and reinvested it in their ability to boost production—that some now advocate export restraints that would effectively "bust" the price. Kansas farmers would not only lose through drought damage, but would lose again through the resulting reduction in market prices. The losses would be great—both immediate and long term due to retaliation in export losses.

The preliminary supply and demand report issued Tuesday indicates that while production is down, there is reason to project that due to reduction in feedlot placements, demand is also down—corn disappearance was down from 4.7 billion domestic usage last month to 4.2 billion this month—and there should be sufficient feed grains for our needs.

DEMAND ALSO DOWN

In addition, the reports indicate that with higher prices for these grains, the export demand is leveling off and we should have adequate supplies for those markets also.

Sweeping export controls would destroy markets that American agriculture has spent many years to build. Our experience of last year with soybean export controls showed us that customer nations immediately began to look for other supplies of proteins and oils. A logical thing to do—that's what we did when the Middle East producers embargoed petroleum sales to the United States.

Our limitation on soybean exports was short-lived and it later came to be regarded as a temporary aberration in our world trade policy. A new decision, in 1974, to impose export controls on major farm commodities would convince many overseas customers that they could no longer depend on the United States as a supplier.

EXPORT RELIABILITY AT STAKE

If American agriculture were only a marginal producer for the world, perhaps our reputation for dependability would not be important. But that is not the case: we cannot view the export market as simply an outlet for agriculture in certain years of surplus. The fact is that American farmers depend on overseas markets to take over half of their wheat, rice and soybeans, and around a fifth of their corn production, and a fourth to a third of our cotton and tobacco. This is an every-year proposition—essential to the American rural economy.

But again, my most serious concern is how any proposed system of controls is likely to affect American farmers. It is not the fault of farmers that they are faced with drought. Are we to tell farmers—now that they have increased their capital investment in the interest of national and world food security—that their government intends to restrict markets as an act of official policy?

This is no time to weaken agriculture's confidence in the future. American farmers have provided, and are providing, the principal mainstay against food shortages in many parts of the world. I speak of commercial markets as well as noncommercial—Japan as well as Bangladesh. The Japanese must import one-third of their food—this year and for generations to come. Bangladesh—the Sahel—need emergency supplies this year, as well as assistance in meeting future food problems.

FARMERS NEED ENCOURAGEMENT

Americans—and the world—look to the American farmer to meet a substantial share of these needs at a time when world carryovers are down and inflation is taking a toll everywhere. If the American

farmer is to live up to these demands, he must be sure of his markets, year in and year out.

CONSUMER MUST BE PROTECTED

I do not say a shortage is not possible, for any threat to an adequate and reasonable food supply to our citizens deserves the most careful consideration. I support Chairman Talmadge's statement that exports should be monitored very closely, and that some consideration should be given to contingency plans for restraints.

Hasty action with export embargoes or rigid controls at this time could cause long-range damage to the ability of our farmers to supply food for our domestic needs, let alone any exports.

We must protect agriculture, our food production plant, which I feel is this Nation's greatest economic asset. I am confident that we will continue to expand production to meet our domestic needs and to export some production, if the profit incentive to our farmers is maintained. Overreaction with sweeping export controls could destroy the production capacity of this system.

Senator HUDDLESTON. Mr. Thorpe of the National Cattlemen's Association.

STATEMENT OF C. W. McMILLAN, EXECUTIVE VICE PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION, DENVER, COLO.

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

I am C. W. McMillan, Executive Vice President of the American National Cattlemen's Association, and with me today is Topper Thorpe, who is the General Manager of Cattle Fax, a part of our association.

We don't have a prepared statement. We felt that under the changing circumstances and the manner in which things are so fluid we would not take a great deal of time in making any kind of a formal statement to you. Instead, we prefer having the opportunity for you to interrogate us based upon the points we do bring out.

Of course, we need not remind the committee of the economic "nutcracker" in which the beef industry finds itself as a result of Government policies and mother nature. This has certainly been recognized by this committee through very strong support originating in Senator McGovern's subcommittee on the loan bill that went rapidly through the Congress, a bill I am confident will be used widespread by the cattle-beef industry.

We, like you, were very surprised at the crop report that came out indicating much lower than earlier anticipated production of corn and grain sorghums. In that context, our organization has maintained a strong position that we do not favor any sort of export controls. We got "bit by that bug" back in 1966 on hides and again last year on hides. We feel it is best to let the marketplace function in this respect.

After saying that—with the situation with which our industry is confronted at the moment, the supply situation which Mr. Thorpe will go into, the feed grain situation, the drought and whatnot, we had a conference telephone call yesterday morning with our executive committee. Our committee is representative of the Nation as a whole and

of the beef-cattle business across the board. We feel under the circumstances, it is best to maintain the stance we have over the years on being opposed to export controls at this time. However, we will be monitoring the situation daily.

Now, I think that there are a couple of areas before I turn it over to Mr. Thorpe to discuss about the market situation of which the committee should be aware. These are things that can be done administratively rather than the need to do them legislatively at this particular point in time.

One we feel is extremely important is the matter of changing the USDA beef standards. Now, this may seem unrelated but these grade standard changes are built in such a way, particularly for the choice grade, that it encourages the feeding of cattle for too long a period of time. For example, a normal feed period is approximately 150 days. That averages out on the basis of some prior figures we have had—these figures have escalated now—at a cost of approximately 42 cents a pound. But the significant thing about these costs is that the next 30 days of the feed period, from 150-180 days, the cost escalates to 62 cents a pound.

The significant thing here is that we can economize on grain consumption. We can do it with the grade standard changes. We have proposed them to the Department of Agriculture. We feel cattle, in many cases, are fed for too long a period of time. Therefore, we can conserve grain and cut down the cost of production and at the same time, we can offer the consumer a really better product, and that is who we must consider in the end.

We should also look at the importance of the use of various animal drugs in the cost of producing and feeding cattle and the savings that can take place.

You know DES has been under attack. The various antibiotics are under attack, but each of these are extremely important tools that help us produce wholesome, economical beef. We think it is vital that we continue to use them, not only from the standpoint of the economics of our business. They are safe so far as the human consumption of that food is concerned. They also maintain reasonable prices, as best we can, to the consumer.

Then, of course, I need not remind the committee of beef imports because you passed a unanimous resolution of the need for restraints. The reimposition of import restraints by the President can be done by the stroke of a pen. It was alluded to by the prior witness that we are confronted with liquidation and this added quantity of beef certainly is not going to help our industry's economic well-being.

With that, I turn the witness chair over to Mr. Thorpe, who has some very interesting figures in terms of current beef-cattle price considerations.

Senator HUDDLESTON. You may proceed, Mr. Thorpe.

**STATEMENT OF TOPPER THORPE, GENERAL MANAGER,
CATTLE FAX, AMERICAN NATIONAL CATTLEMEN'S AS-
SOCIATION, DENVER, COLO.**

Mr. THORPE. Thank you, Mr. Chairman. Primarily, as a result of the feed grain report that was published this week and the projected cost of grains, which will be substantially above what we have been

over the past several months, we actually have seen an acceleration in a trend that had begun to develop last fall. As you all are aware, for the past 8 to 10 months the feeding industry has been at a loss position. We are at a point today where some of the cattle are being sold as slaughter cattle and are making a little bit of money. There are still some losing money and on the average they are probably breaking even, at best.

There are only three inputs really that a feedlot can control in trying to run a profitable establishment. One is the price of his feeder cattle. Two, is the price of his feed grain and three is the price of fed cattle.

We seem to have little control over the price of fed cattle, and recently have had virtually no control over the price of feed grains, and it appears we will have even less over the next several months; actually through the next year. So the emphasis on the part of the feedlot operator has been to pressure feeder cattle prices.

Now, feeder cattle prices, of course, come from the basic producing segment of our industry and without the producer we don't have cattle to feed nor beef to consume.

The intentions at this point, presently feeder cattle prices, say 600- to 700-pound feeder cattle are selling from 33 to 36 cents. This is approximately 10 to 15 cents per pound below the producer's cost of producing that animal. This varies substantially between different areas of the country.

The fact is that today producers are selling, without taking into account the anticipated price increases in feed grain, cattle already set at a loss. As you view the feed grain costs that we seem to have in store for us, it appears there will have to be some \$5 to \$7 more taken off feeder cattle which would increase the basic feeder producer's loss position substantially.

As a result of that, and as a result of the drought conditions which are reducing and limiting the carrying capacity on ranges, producers have expressed an intention to reduce their herds. This trend we expect will continue not only through this year, but through 1975, and very possibly well into 1976. The whole point is that we are in fact in a period when as a result of the cost of feed grains, the drought conditions, the fact that the industry has been in an expansion phase for the past 4 to 5 years, we are now on the back side of that and we will begin to pare back supplies and at some point in time, reach a level where it will again be profitable, very likely at a reduced supply level of beef production.

As Mr. McMillan mentioned, there are means to make more efficient use of the cattle that are available and at the same time reduce the consumption of feed grains. That has already begun in that during the great expansion period of the feedlot industry which began in the late 1960's until about 1972, we drew heavily on feeder cattle supplies that were available in the country to the extent that in order to satisfy feedlot capacity we actually began to bring calves into the feedlot rather than yearlings—calves weighing 460-500 pounds and yearlings weighing between 600 and 800 pounds. Now, the trend again is to place heavier feed cattle into feedlots in an attempt to feed them for a shorter period of time to reduce the amount of grain that is fed.

Our numbers of cattle on feed is down as reflected in yesterday's Cattle on Feed Report. In the seven major feeder States, they were down 23 percent, I believe, based on yesterday's report. There had been some increase of placement in cattle on feed which is a reverse on the trend we have seen in the last 15 months. The primary reason for that increase in placements was not because economics looked good but because drought conditions forced feeder cattle out and into feedlots at these reduced levels.

There are some financial considerations as a result of the losses the industry has faced that will have a definite impact on who feeds the cattle. More basic producers today are interested in feeding cattle than we have seen before.

The picture is such that the cattle industry we feel—particularly the basic producing segment—faces a mighty tough road for the next several years and the way they will respond to it is to reduce the number of mother cows that we have in an attempt to achieve a balance that will allow them to operate at a profitable level.

Senator HUDDLESTON. The previous witness indicated corn will go to \$4 a bushel. What would this do to cattle feeders?

Mr. THORPE. At this point, Mr. Chairman, we are looking at somewhere between 55 and 65 cent cost of gains in the feedlot. If we were to go to \$4 corn that would push those costs of gain up to the 70-cent range.

Senator HUDDLESTON. Which in turn would make a substantial difference in the retail price?

Mr. THORPE. Yes, sir; it would, provided it could be achieved at the slaughter level.

Senator HUDDLESTON. And production at all?

Mr. THORPE. Yes, sir.

Senator HUDDLESTON. Has your organization made any estimate of the likely price of corn based on the latest estimates?

Mr. THORPE. No, sir; we really haven't. We have tried to estimate cost of gain; the result I have related to you.

Senator HUDDLESTON. Do you know of any specific action that has been taken by feeders pursuant to this last estimate of the production totals?

Mr. THORPE. The only action that we are really aware of is that 2 to 3 weeks ago, we were placing increased numbers of cattle on feed, and this was in anticipation of corn prices that are not as high as now appear they will be. As a result of the feed grain production announcement, there has been a definite change in their willingness to buy feeder cattle at current price levels. If they can purchase those same feeder cattle at somewhere between \$5 and \$7 below where they were purchasing them a couple of weeks ago, then I think we can expect to see them go and place some cattle on feed.

Senator HUDDLESTON. Senator Curtis, do you have any questions?

Senator CURTIS. How many cattle are on feed now compared to your goal?

Mr. THORPE. We are down approximately 2 million head in seven major feeder States. As of July we were down 2.7 million head.

Senator CURTIS. What does that do to the demand on corn?

Mr. THORPE. Well, it should have a tendency to reduce the demand for corn as far as the feeding conditions are concerned.

Senator CURTIS. Do you have a figure as to how much effect a reduction of 2 million head of cattle on feed has on our supply of corn?

Mr. THORPE. I don't know what that figure will be.

Mr. MCMILLAN. Senator, we are talking in a short time frame here. You can anticipate more cattle going on feed as time progresses.

Mr. THORPE. If you can accept the figures literally about the number of feeder cattle available at this point—this year as of July 1 again we had approximately 2.7 million less cattle on feed. At the same time we had more than 3 million head of yearling cattle outside of feedlots available to come in, and in addition to that we had 3 million plus calves available to come into feedlots should they be needed.

Senator CURTIS. In other words, the supply of yearlings is going to exceed the people wanting to buy them?

Mr. THORPE. That appears to be the case; yes, sir.

Senator CURTIS. One of the reasons why they do not want to buy, in addition to the adverse experience that they have had, is the drought conditions in the Corn Belt; isn't that right?

Mr. THORPE. Yes, sir; and it is a resultant effect on the corn crop, the uncertainty as far as feed grain crops are concerned.

Senator CURTIS. What could be done that would immediately improve the situation for the beef producers?

Mr. MCMILLAN. Higher prices, and that seems to be the only solution at the moment. Our costs, whether the basic cow-calf producer or feedlot operator, have been escalating tremendously. The cost of "cake," this is grain supplement, has doubled in the last 12 months; the cost of barbed wire has doubled and trebled in the last 12 months. These are all costs beyond the scope of our present price level.

Senator CURTIS. Isn't it probably true, and the politicians are primarily to blame, that an expectation of unreasonably low feed costs have been held out to the public that are just out of proportion to other costs; isn't that correct?

Mr. MCMILLAN. I think that is right.

Senator CURTIS. That has been counterproductive, just as placing the ceiling price on beef and holding it there all that time didn't help any consumers, but it certainly hurt them in the long run.

I think it was one of the crimes of this decade that they not only put it on there but so stubbornly held it on for so long.

Mr. MCMILLAN. I wholeheartedly agree with you.

Senator HUDDLESTON. Senator McGovern.

Senator MCGOVERN. Thank you, Mr. Chairman.

Mr. McMillan, I was very much interested in your comments about the possible change in grading standards as a way of shortening the feeding period. Has that view come to be accepted by your members, by the association? Would you like to see a change in grading standards that would shorten the amount of time you have to keep the cattle on feed?

Mr. MCMILLAN. Yes, sir. That is the end result of having to feed them a shorter period of time. We have a beef grading committee. In the last 18 months the committee has intensified its efforts, recognizing the changes taking place, the younger animals that are fed and so on. We retained a meat specialist on the faculty at Texas A. & M. This whole thing has been studied and presented to our membership. They have accepted it as a viable and sound proposal which will do

two things. It will help on the cost side of the ledger as far as producing or feeding beef is concerned. By the same token it will produce less external fat without sacrificing the quality of the meat in the muscle.

Senator MCGOVERN. One of your members out in my State, Mr. Matt Sutton, has been pushing this idea in conversations with me for some time. I think it makes a lot of sense at a time when corn is not only in short supply but very costly, and also you say when the consumer is worried about that surplus fat, it seems to me a mistaken public policy that deliberately sets a high degree of fat as the desirable goal. I would think the committee ought to give serious attention to this matter and get the Department people in here to talk about the possibility of some change in these grading standards. Maybe that is already going forward. I think it makes a great deal of sense.

It also appears to me—in commonsense it is hard to justify putting all that fat on cattle when you have human beings around the world whose ribs are sticking out because they don't have enough to eat. I am very pleased to hear your testimony on that. I think it is a very enlightening and forward-looking position.

Senator DOLE. I just had one question. You have covered about everything and we have a great many witnesses.

Did you say you are undergoing possible change in your position on export controls or did I misunderstand?

Mr. McMILLAN. We have reviewed our prior policy which has been in opposition to any export controls and we are maintaining that position. We will monitor the thing as any changes come along, but we are maintaining our present firm position in opposition to controls of exports of grains.

Senator DOLE. What about import controls?

Mr. McMILLAN. On the matter of beef, the United States is the only importing Nation in the world that has its borders wide open to beef imports. Canada just a week before last placed quotas on imports into their nation. Japan has an embargo. Major exporting countries such as Australia and New Zealand have a surplus of cattle such as we and they are looking for a "home" for that beef. If we don't have a restraint level it will come on top of the excess supply problems we have in the United States.

Senator DOLE. What would you suggest, a total embargo or some modification of this Meat Import Quota Act of 1964?

Mr. McMILLAN. No; I think the President has full authority as contained in the Meat Import Act of 1964 to impose levels. It can be done administratively.

Senator DOLE. Well, we have a new President. I just wonder if these things ever get to the President. A lot of us have offered amendments. I have worked with Senator Humphrey and Senator McGovern and everybody at this table. I don't think the message has been getting to the President. Maybe this open door policy will close off imports.

Mr. McMILLAN. We are not seeking to close them off entirely. We like an "open door" policy on the beef coming in as well.

Senator HUDDLESTON. Senator Humphrey.

Senator HUMPHREY. Going to Senator McGovern's observation on grading standards, is there any problem with consumer acceptability in your proposal?

Mr. MCMILLAN. Senator, to the best of our knowledge, no. As a matter of fact, this whole idea of grade standard changes is actively being discussed presently among consumer groups. I think there may be an honest difference on exactly where you do draw the line and how you do best approach it. But I think on balance, and in general, consumers are ready for a grade standard change.

Senator HUMPHREY. Well, it surely could be a much more desirable way of conserving grain than putting on embargoes.

Mr. MCMILLAN. Yes, sir.

Senator HUMPHREY. From a dietary point of view I imagine that it may have genuine merit.

Mr. MCMILLAN. Yes, sir.

Senator HUMPHREY. Given the present market conditions on corn and the problems that have plagued cattlemen, do you see any greater problems in getting credit? The cattle industry has to have a lot of bank credit. The emergency credit measure we passed earlier should have helped somewhat. I noticed the market went up right away, but do you see any serious credit problems for cattlemen in light of the increased costs in feeding and other costs that have gone up and the possibility of decline in numbers? How does that add up to you as a knowledgeable man in this field?

Mr. MCMILLAN. I would answer it this way, Senator. I think we are going to continue to see an erosion of individual cattle producers and feeders from the industry. Part of this may be the lack of credit. But I think we are caught also in the price squeeze problem which necessitates so much capital within the business that simply so many of them don't have an economic unit; so that brings about consolidation. So, I think we may continue to have an erosion of individuals. This is an economic fact of life.

Up to this point in the broad aspect of credit, I would say that there have been no major problems, of which I am aware, in terms of obtaining credit; would you agree, Topper?

Mr. THORPE. There are some problems in obtaining credit, and this is a primary concern to people in the industry because we are having to compete with a much broader base, many higher demands in many cases. The lender's feeling is they can be much more secure in not lending to the cattlemen and particularly with the increased cost of production, the feed grains, the loss position that the producer is facing and apparently will continue to face for not only this year but on through the next. I think there is more concern as far as people being actually turned down. I don't know that that has been a major problem up to now, but there is a real concern that they will have the funds available to borrow in the future.

Senator HUMPHREY. In terms of the total gross income of the American economy, where does the cattle industry rate?

Mr. MCMILLAN. We represent a little over 25 percent of all agricultural income.

Senator HUMPHREY. In other words, you are one of the major segments of the industry.

Mr. MCMILLAN. Yes, sir.

Senator HUMPHREY. Do volatile prices on grains affect your industry?

Mr. MCMILLAN. I will let Mr. Thorpe answer that.

Mr. THORPE. Yes, sir; they do.

Senator HUMPHREY. Have you taken any position at all on any form of grain reserve?

Mr. THORPE. No, sir.

Mr. McMILLAN. We have not taken any position at all on grain reserve proposals that presently are being looked at. We are maintaining an open mind, but we just simply haven't taken a position on them.

Senator HUMPHREY. Thank you.

Senator HUDDLESTON. Senator Bellmon.

Senator BELLMON. Thank you, Mr. Chairman.

I am very interested, Mr. McMillan, in the comment you made about a change in grading. How long has this proposal been supported by your association?

Mr. McMILLAN. We supported a change in grade standards at our annual convention this past January. Those were slightly modified at our midyear board of directors meeting last month.

This is nothing new with ANCA because we have maintained a long history of support of needed grade standard changes. For example, the last major changes were in 1965 and at that time, we were about the only national cattle group that aggressively went after it. We were opposed by meatpackers and others. Now, interestingly enough, on this change we have closer unanimity, including the meatpackers, than we have ever had before.

Senator BELLMON. Is the USDA moving in the direction of change; do they have the authority?

Mr. McMILLAN. They have full authority through administrative procedures to change the grade standards. We would follow the procedures of printing the proposal for comments under the Administrative Procedures Act. There is no congressional authority necessary. The USDA has before it our proposal and that of others. From the information we have, the USDA is actively considering but have made no specific proposal as yet published in the Federal Register.

Senator BELLMON. In your opinion, would a resolution by Congress taking note of the grain shortage and the fact this type of change would be advantageous to the consumers, help them to move a little faster?

Mr. McMILLAN. I would think so; yes, sir.

Senator BELLMON. I would assume it would have to come from the committee and hopefully to the full Congress.

Could you be a little more specific about what this change, in standards as far as the consumer is concerned, both in terms of quality of product and in cost?

Mr. McMILLAN. There are two major areas that have to be considered. One is quality and the other is quantity.

Senator BELLMON. And also cost?

Mr. McMILLAN. In the grade standards, the largest single measure of quality is the marbling in the muscle tissue. Generally speaking, the older the animal, the more marbling is required. Marbling provides more flavor, more palatability and to some degree, more tenderness.

The animals today are younger. For example, an animal will not go to slaughter from the feedlot in excess of 24 months of age. Research has shown there is not as much marbling necessary when animals are

at younger ages. We are proposing that we lower the quality standard a bit, number one. It will not adversely effect eating quality.

Second, we are proposing that yield grading become integral and mandatory. Yield grading is quantitative. Yield grading tells us the ratio of lean to fat to bone. What we are really after is the optimum amount of lean. Yield grading will show that. With all carcasses being yield graded, this is going to provide the opportunity for reflection through price back to the basic producer to be more selective, genetically speaking, for those animals that will produce the higher ratio of lean to fat to bone.

On costs, in my earlier comments I said these figures are still based upon present corn prices. For 150 days on feed it was costing, when we put these figures together some months ago, about 42 cents a pound to put on a pound of gain. If you carry them an additional 30 days, that cost escalates to 62 cents a pound. That means that if it costs more to produce it, then they have to get more for it in return.

Senator BELLMON. The point I was trying to get to, what does it mean to the housewife? Does it mean she will have to settle for tougher and stringier meat?

Mr. McMILLAN. No difference at all with the exception of less fat.

Senator BELLMON. Which she doesn't want anyway?

Mr. McMILLAN. That is right.

Senator BELLMON. I can't see who opposes this. Do the corn growers oppose it?

Mr. McMILLAN. I don't know that anybody opposes it, but the USDA must be cautious in what they come out with.

Senator BELLMON. How long have they had this under consideration; since 1965?

Mr. McMILLAN. I can't speak for them but they constantly would be reviewing the standards. I am sure that is how they would respond to that question.

Senator BELLMON. Let me get to one other point before my time runs out.

As I understand your testimony, Mr. McMillan, you have come out in favor of export controls on grain and import controls on beef.

Mr. McMILLAN. No; we do not favor export controls on grain. In light of the overall world situation, with so many nations having their borders closed to imports of beef, we feel that the Meat Import Act of 1964 should be revived through administrative action to provide a degree of protection to the domestic industry—not an embargo—but a reasonable restricted quantity permitted into the United States.

Senator BELLMON. Is the quantity of beef being imported currently in excess of levels of last year or the year before?

Mr. McMILLAN. No, sir; it is behind last year. Of course, we can't look at hindsight. At the present I would say that import levels will sustain themselves at near current levels for 1974, but because we are confronted with a very long supply of domestic cattle, a lot of grass-fed cattle, that adds to the supply which is depressing in itself. If you allow unlimited quantities of beef from foreign countries, that would add on further to the quantities here and further depress the live cattle market.

Senator BELLMON. What is your proposal?

Mr. McMILLAN. Import restraints be reimposed.

Senator BELLMON. At what level?

Mr. McMILLAN. Probably in the realm of the trigger point as called for in the Meat Import Act of 1964. As I recall, the figure for 1974, the trigger point is 1,130 million pounds.

Senator BELLMON. What is the present level of imports?

Mr. McMILLAN. Annualized, it is projected by the Department to be 1,210 million pounds.

Senator BELLMON. So this would be a very small reduction?

Mr. McMILLAN. Small compared to those anticipated by the Department.

Senator BELLMON. This probably would have no effect as far as the price at the meat counter is concerned?

Mr. McMILLAN. I can see that it would not.

Senator BELLMON. That is all, Mr. Chairman.

Senator HUDDLESTON. Senator Clark.

Senator CLARK. Mr. Thorpe, you have painted a rather gloomy picture of the livestock farmers and consumers. As I understand it, you cite basically three reasons why we are going to face shortages, as I understand your testimony, for the next 2 or 3 years. One is the fact we have fewer feeder cattle due to the financial losses and the prospect of financial loss as well as the drought on grasslands, and second, the increased cost of corn due to the weather, and third, the recent financial losses which have caused beef producers to be more reluctant to go into the business and because there is less capital. Considering all those factors, do you have any rough estimates in terms of the impact on livestock shortages or meat shortages for the next couple of years due to these factors? Do you have any rough estimate as to how much less meat we will have or how much higher it will go as a result of that?

Mr. THORPE. In answering your question, Senator, I want to go back to what I said. I apparently didn't make myself real clear, because I didn't say or didn't mean to say that we will face meat shortages in the coming year, not the balance of this year, nor in the coming year.

Senator CLARK. You don't see that in the next 2 years?

Mr. THORPE. No, sir; because that is the period we will be going through a reduction phase and in fact that will tend, if anything, to place more meat on the market during that period of time.

Now, the extent that the reduction occurs is directly related to whether or not we have a drought next year again, to whether or not our feed grain prices stay as high this year—next year as they are this—and in addition, people can sustain losses only so long. So if they can survive that period that might limit the extent of the herd reduction.

So I don't think that we are faced during the coming year with a shortage of beef.

Senator CLARK. There will be just as much beef in the coming year?

Mr. THORPE. Yes. Now, there may be a little different composition of it because of the feed grain situation. Maybe we will see increased supplies, for example, of so-called cheaper cuts—hamburger, ground meat—as we get into some slaughter of grass-fat cattle and cow slaughter. That gives rise to the concern about imports. That would tend to compound that problem for us, because that is basically the quality of meat that comes in as imports.

Senator CLARK. What about the second part of the problem, the prices of meat are going to escalate a great deal, either that or livestock farmers are going to take increasing losses?

Mr. THORPE. That is exactly correct. Cost doesn't determine price, unfortunately, but if you were to consider the cost of producing an animal in the feedlot or on the range, let's take the low side of 40 cents a pound and say it costs you 60 cents a pound to feed that animal. At a 60-cent cost, you would have a break-even level of about \$49 per hundredweight out of the feedlot. That is what we said today, but that has no profitability into it.

Senator CLARK. Do you tend to feel that prices are going to go higher or that the livestock people are going to take increased losses or both?

Mr. THORPE. The feeding segment of our industry is in a better position to control its costs through controlling its input. It should suffer minimal losses barring sharp increases in grain prices which we may well have. Their position will be marginal at best, as far as profitability is concerned, over the next few years.

The ones who are going to suffer the greatest are the basic producers. I can see them doing nothing but sustaining losses for the balance of this year and on into next year, because that is one input price that can be controlled. They have some alternatives, but not a lot.

So as far as the prices are concerned, the fact that you are in a reduction phase will tend to increase the supply of beef available and limit the potential for price increases and cause those producing and possibly those feeding to continue to sustain losses or at least make very small profit until you get to the point where the reduction phase brings supplies to the point where they become reduced and then you can expect an increase in prices.

Senator CLARK. You see that as being 1½ to 2 years away?

Mr. THORPE. Yes; I would.

Senator CLARK. The second question, the USDA has issued some estimates of supply and utilization of stocks which we have in front of us. I wonder whether you feel they are basically accurate. I notice, for example, that on corn the domestic utilization of corn is estimated to go down in 1974-75 by half a billion bushels, and soybeans by 60 million bushels.

Does that match pretty much with your thinking or do you have any information on that?

Mr. THORPE. I really can't answer that accurately. Some figures that we looked at yesterday vary from that slightly and I believe indicated that available for feeding last year we had about 3.9 billion bushels. During this feeding year, I think the estimates that the ability to feed would be reduced by 7 or 8 percent to maintain an export level of something like 750 to 800 million bushels.

Senator CLARK. So you would see a decline in the domestic utilization of corn?

Mr. THORPE. Yes, sir; we do.

Senator HUDDLESTON. Thank you, Mr. Thorpe, Mr. McMillan, for your testimony.

Is Mr. John Datt here, please?

STATEMENT OF JOHN C. DATT, DIRECTOR, CONGRESSIONAL RELATIONS, AMERICAN FARM BUREAU FEDERATION

Mr. DATT. My name is John Datt, and I am the Director of Congressional Relations for the American Farm Bureau. I have with me Donald Hirsch, who is Assistant Congressional Relations Director who will assist me in terms of questions having to do with the international trade area.

In the interest of time, I will appreciate the opportunity of submitting our full statement even though it is only about four pages long, and I will brief it down and be prepared to answer questions that you might have.

Senator HUDDLESTON. Very good. The entire statement will be placed in the record.

Mr. DATT. We appreciate the opportunity to comment on the August 1974 report and the implications of this report for farmers, consumers, and the Government.

The crop report confirmed reports of widespread weather damage to production prospects for feed grains, cotton, and soybeans. This is naturally a matter of concern, but we do not think that it is in any way an indication of an emergency situation. While there is no doubt that crop production prospects have been injured by adverse weather, it should be recognized that early estimates of crop production are always subject to substantial changes. In the current situation it is entirely possible that final production figures for major spring-planted crops will be above current estimates.

The August crop report reflects crop conditions as of August 1. It does not reflect the effects of any improvements in growing conditions that have occurred since that time. While we do not have detailed information, it is our impression that some rather widespread rains have fallen since the 1st of August, although some areas are still suffering from drought. It also should be recognized that the total indicated production of all crops is still relatively large by historical standards and that our economy has a considerable capacity to adjust to variations in crop production.

Weather damage to crop prospects appears to be concentrated in feed grains, soybeans, and cotton—especially feed grains. Then we outline for wheat, corn, and the other situations you are generally familiar with.

Given the capacity of our market system to make adjustments, temporary fluctuations in crop production due to weather conditions of the type we have had this year are not a serious problem.

We have no doubt that the August crop report will stimulate renewed interest in proposals for (1) the establishment of substantial Government-owned reserve stocks of major farm commodities, (2) higher Government loan rates and target prices, and (3) the imposition of export controls. All three of these ideas are contrary to the objective of a market-oriented agriculture which the Farm Bureau believes to be in the best interests of farmers, consumers, and taxpayers.

Government-managed reserve stocks of farm commodities are both unnecessary and undesirable. Combining a reserve program with higher Government support prices in an effort to offset the price-

depressing effects of reserve stocks would be a step backward toward a Government-managed agriculture in which the Government would have to decide what is to be produced and who is to produce it.

Export controls are contrary to the interests of farmers and the broader interests of all citizens in our balance of payments. Export markets are essential to a prosperous agriculture as our productive capacity far exceeds domestic requirements. Agricultural exports also are an important source of badly needed foreign exchange. In 1973, an agricultural trade surplus of \$9.3 billion wiped out a deficit of \$7.6 billion in nonagricultural trade and left the Nation with an overall trade surplus for the first time since 1970. In order to maintain a strong position in world markets we need to convince other countries that we are a reliable source of supply. We cannot do this by turning the flow of exports on and off on the basis of fluctuations in domestic supplies or prices.

The need to maintain a high level of agricultural exports is now greater than ever before due to the increased price of foreign oil. It is rather surprising to us that some people who condemn the Arabs for embargoing oil shipments to the United States see nothing wrong in proposals to deprive friendly countries of the right to bid for needed food supplies in the U.S. market. We need to recognize that we are a part of a world economy and to act accordingly. The American economy is a strong economy. Domestic handlers should be able to compete with foreign buyers on a fair basis, and domestic consumers have the purchasing power to buy food and fiber products at world prices.

As we said earlier, we do not believe that an emergency exists as a result of this year's probable decline in the production of some crops. However, the current situation does indicate the need to pursue policies which will encourage agricultural production in the coming year. In this connection, we recommend that the Administration:

(1) Take aggressive action to curb inflation by reducing Federal expenditures. The high cost of farming is a deterrent to production.

(2) Give firm assurance to food producers that there will be no reimposition of price and wage controls. Our recent experience with controls has demonstrated conclusively that the effect of such controls is to disrupt seriously the production and marketing of agricultural commodities.

(3) Use restraint in establishing further controls over individual farm operations in such areas as the use of agricultural drugs and chemicals.

(4) Assure consumers (a) that any increase in food prices which may result from a relatively short crop are necessary to reduce what would otherwise be a drastic decline in the net incomes of farm and ranch families and (b) that such necessary price increases are the best assurance of expanded food production in the coming year. Food costs at the producer level represent only about 40 cents of the consumer's retail food dollar. The balance goes for other costs such as labor, processing, transportation, distribution, building costs, taxes, and fuel. The growth in these costs must be curbed.

The Farm Bureau believes in a market-oriented agriculture. Instead of trying to manage agriculture through such devices as higher support prices, larger Government payments, Government reserves, and various types of controls, we should recognize that the market

system is working well and that it is a more effective mechanism for the solution of economic problems than any system of Government intervention.

We thank the subcommittee for this opportunity to present the views of Farm Bureau members on these important matters.

Thank you very much.

Senator HUDDLESTON. Thank you, Mr. Datt.

You indicate you don't consider the present circumstances to be of an emergency nature. What level of lack of production would you consider an emergency?

Mr. DATT. Well, I don't know that we would be able to say that at one level that it is an emergency, or another level it isn't an emergency.

I think what we are saying, in the last several days there have been indications or the point of view expressed of the need for export controls and this sort of thing and we don't think the situation warrants that type of action.

Senator HUDDLESTON. You don't think the situation as described by the Cattlemen's Association would indicate, at least to the cattle feeders, that we are approaching an emergency situation in production this year?

Mr. DATT. Well, I guess it depends a little bit on what your description of an emergency is. I think our concern is that there are things that might be done now in terms of trying to seek a short run answer that in the long run would be both disastrous to the cattle industry and to agriculture in total.

We have to be concerned that we don't do some things now that will discourage our ability to come back next year and produce the crop needed. We have indicated we have increased costs and if farmers don't have the opportunity in the market to get satisfactory returns they will be discouraged from producing what will be needed in another year.

Senator HUDDLESTON. Do you think the market mechanism itself, without any intervention from Government, is able to withstand a condition where you have serious drought or other conditions, blight or something that nobody has any control over?

Mr. DATT. We do feel and have felt for many years that the market is the best mechanism that can be used for the allocation of resources in agriculture as far as we are concerned.

Senator HUDDLESTON. Even under extreme conditions?

Mr. DATT. Even under these kind of conditions.

Senator HUDDLESTON. Do you have any figure at all as to when export controls or at least some restraint on exports might be applied if production drops below any level at all?

Mr. DATT. Well, we have discussed this. We would hope that the crop situation would develop so that we would not be in that position.

Senator HUDDLESTON. But it may not. What happens if it does not? Is there no protection that we ought to provide domestic users?

Mr. DATT. They have a mechanism of protection through the use of advance contracting in terms of being able to get the commodities for the markets that they need. This is what has happened in terms of exports. We have contracting in advance for those countries and many of our domestic people do not do this and we have felt that there has to be a change in some of our marketing patterns where

there is more advanced contracting and more advanced arrangements made as far as making supplies available to them.

Senator HUDDLESTON. What happens to the farmer who may sell earlier? He has based his judgment of the market on estimates that have been made.

Mr. DATT. Well, he has to take the returns that the market gives him at that particular time.

Senator HUDDLESTON. Generally he will get less than the fellow who comes along now and happens to have some short—

Mr. DATT. Yes; but there have been years when those fellows have taken less, too. Those who have held have done very well and the others have done the reverse. Farmers make a judgment based on their own situation.

Senator HUDDLESTON. I was interested in your suggestion that something be done to educate the public to the fact that the cost of farming is up and the farmer is entitled to a fair return. How would you go about that?

Mr. DATT. As far as we are concerned in recent years and more in recent months we have conducted or stepped up the campaign of education among nonfarm people as to the cost of farming and what a farmer has to have if he is going to survive and make a profit, because that is the purpose of the exercise for him to make a profit and a satisfactory return. It isn't a way of life. He is interested in and is entitled to a profit just as anybody else in business in this country today. So we have been, through our own publications and through meetings, stepped up our education activities.

What we are simply saying is this is one of the facts that has to be recognized in this kind of a situation, that if the members are cattlemen or poultrymen or whatever they may be, they are going to have to have a satisfactory return or they will do what the cattle fellows were talking about.

Senator HUDDLESTON. The interests within the farming community are not always the same.

Mr. DATT. We would hope that the situation would be such that, in total, agriculture would prosper, and while there may be differences in terms of the feeder versus the end user, that both of them in the course of the operation would make a profit and would be able to continue.

Senator HUDDLESTON. Senator Humphrey.

Senator HUMPHREY. I see that you have expressed your traditional opposition to a couple of proposals that I am interested in. We haven't been able to convince each other.

Mr. DATT. I believe our President and you, earlier in the year, had the discussions about the Government-managed food reserves.

Senator HUMPHREY. Have you looked over the latest bill that we have presented to the Senate?

Mr. DATT. Yes, sir.

Senator HUMPHREY. Do you favor a 3-year crop loan to farmers?

Mr. DATT. We have taken a look at that and I would say basically we are opposed.

Senator HUMPHREY. Any features that you could find acceptable?

Mr. DATT. I don't think we found any.

Senator HUMPHREY. You mean I struck out?

Mr. DATT. I want to make the distinction we made when we were up here earlier in the year. The distinction of a Government-managed reserve versus a private food reserve—we have had food reserves carried by farmers and other people in the trade. The idea of a food reserve, the Farm Bureau has supported. I guess it is a question of the mechanism or the device that is used.

Senator HUMPHREY. You ought to support mine because only one-third is Government held, two-thirds is private.

Mr. DATT. You still have a third in there, Senator.

Senator HUMPHREY. Did you support Neal Smith's bill?

Mr. DATT. No, sir.

Senator HUMPHREY. That is all privately held.

Mr. DATT. We have not supported a Government-managed reserve program of that type.

Senator HUMPHREY. Do you have any members in your organization that are members of the National Corn Growers Association from Boone, Iowa?

I think the Farm Bureau is pretty strong down in Iowa, isn't it?

Mr. DATT. I would anticipate we have members who may be members of the Corn Growers.

Senator HUMPHREY. I imagine you have quite a few of them if I am not mistaken. How come the National Corn Growers Association from Boone, Iowa, favors a farm program while the Farm Bureaus in Iowa don't favor one?

Mr. DATT. Let me say the Farm Bureau has an extensive policy development process. It is the best policy development process of any private organization in this country and in the world. It is now going on at county meetings, it will go on at State meetings and annual meetings and this is the way our members present their point of view and that is what I am presenting to you at this particular time.

Senator HUMPHREY. Are you opposed to increasing target prices?

Mr. DATT. As the statement indicates, we are opposed to any increase in target price at this time.

Senator HUMPHREY. Did you support the 1973 Farm Act?

Mr. DATT. No, sir, because we view that a target price compensatory payment approach is a concept that we did not favor and still do not favor as far as that matter is concerned.

Senator HUMPHREY. On export controls, which I oppose, I think we are at least on the same track there; so we have some commonality there.

One thing I would like to call to your attention. It is entirely possible this week, for example, that the Soviet Union—which does not buy through some little private operation but as a government purchase—might decide to buy millions of bushels of corn in the United States. Why not? They have a lot of gold, the price of which is now about \$146 an ounce—up from \$35.

Is it not possible today for the Soviet Union to come into our market and buy millions of bushels of corn and completely dominate the entire world market? They know how! They did it before! They didn't do bad. When they made that 1972 wheat deal, they made these capitalists over here look like they ought to go back and study basic arithmetic.

Do you think we ought to permit a government trading outfit to come in here and buy up a substantial portion of our crop and leave

us high and dry without anybody knowing it for 2 weeks? That is exactly what can happen under the present law. There is no way on God's green earth to know what happens. Do you want your Farm Bureau members to get that kind of a rooking?

Mr. DATT. No, sir. Let me call on Mr. Hirsch, who works in this area of international trade.

Senator HUMPHREY. By the way, I don't mean only to direct this just at you. I want to know what you suggest that might be done to protect the American people—this economy—under present law from the Soviet Union or the People's Republic of China or some other consortium from stepping into this market Thursday and Friday and tying up a billion bushels of a short corn crop before the price gets up to \$4 a bushel.

Mr. DATT. Well, let me answer your question and then let Mr. Hirsch comment on it. I think there are situations that would be unprecedented.

Senator HUMPHREY. Not unprecedented. They bought 11 million tons of wheat from us in 1972 without us knowing it, so don't tell me it is unprecedented.

Mr. DATT. I think there would be situations of the type you describe. In terms of having export controls we would probably have to take a different point of view because I think you are right. I think you are correct in indicating that we are one of the few countries where we still have private trading.

Senator HUMPHREY. I am for it.

Mr. DATT. This has its advantages.

Now, I am going to call on Mr. Hirsch to comment further on it because he works in this international trade area and is much more knowledgeable as to what we could or could not do.

Senator HUMPHREY. While I am not advocating export controls, or embargoes, I want to know what we would do under these circumstances because I have an idea I want to present to you but I want to know what you would do. If you were Secretary of Agriculture of the United States, what would you do?

STATEMENT OF DONALD HIRSCH, ASSISTANT CONGRESSIONAL RELATIONS DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. HIRSCH. I don't think we can speak for the Secretary of Agriculture but I think we have a stronger position now than at the time of the Russian wheat deal a couple of years ago. At that time we were dealing as you said with a government organization over there and it is quite a different thing.

At that time they had practically complete information about our supplies, our market system, and everything else over here. We had very little knowledge about the situation there and in this case—when I say we—I am thinking about not only producers, but the grain trade.

Then, too, there is this area of political decisions that are very difficult to anticipate. We don't really have an early warning system. As you indicated, you can have 2 weeks. But we do have a much better system with the service that is being provided by the Department of Agriculture. There is no way that the Government could have a kind

of a system where they could immediately pick up a decision being made by the Russians or the Arabian countries to purchase corn here. I think our opportunities of picking it up much earlier are better than then. The decision as to the kind of program or response that would have to be made is very difficult—I think, to try to blueprint now—since we never had precisely that kind of situation.

Under the situation we have now, anything short of war or some extreme trouble—short of that—the effects, adverse effects of such controls, export controls, certainly outweigh the advantages and we wouldn't want them.

As far as the blueprint, I don't think anybody could spell that out precisely. If we knew this was happening, then we would have another ball game and something would have to be done rather quickly.

Mr. DATT. Isn't it true there are certain authorities under the Export Control Administration where—

Senator HUMPHREY. Yes, we improved the report. I present this quite seriously, because it is entirely possible today to manipulate this market and make tremendous windfalls. The possibilities at home are much more remote than abroad, for example, the Arabs would not need any credits at all. They could come in very frankly with cash and purchase and dominate the market. That worries me. That is why I believe that our present reporting system needs improvement in this critical period, Mr. Chairman, when we are in a short supply of corn. We may not want to go into any kind of export constraint system, which I think would disrupt the trading community totally, but we may want to consider a 100-percent export licensing system during this period.

For example, I am worried about the fact that we will not have real solid production information until the grain is in the bin. We don't know what will happen in terms of possible freezes as was indicated here in other testimony that would affect soybeans and corn. Would it not be possible, as an intermediate possibility, to consider adopting a 100-percent export licensing system? Such a system would give us a more effective means of monitoring export flows. It would not give anybody any authority to limit exports, but to know what is going on. I see the possibility of major problems developing with all of the advance information that is out now on bad crops. I see the possibility of market manipulation which could be very serious. I don't have an answer. I pose the problem. The American Farm Bureau has always had my respect in the field of foreign trade. I think you have been excellent on this. I just want you to give some thought to this one, because this is not normal. We will be dealing with State trading outfits, People's Republic of China, Soviet Union, and CON-COM. They can do block buying.

The Arab countries, in 1 week, could buy up 25 percent of the crop for cash, just like that. With these perishable commodities like corn and wheat and cotton and soybeans it is entirely possible that we could see Saudi Arabia or Kuwait, just come in and pick it up. Anybody who would slap an oil embargo in the middle of winter and jack up the prices, is not exactly your kissin' cousin.

When we take such a definitive attitude as we have taken on this delicate question of exports; I think we ought to take a look at the possibilities of what they will do for a buck and what they will do

politically. So I seek your counsel. I really do ask you to give it some thought.

Mr. DATT. Senator, this is one area we were discussing last week in terms of the crop report. We will certainly give it thought and be back.

Senator HUMPHREY. I wish you would. We have had our arguments but on this one, I think we are brothers in the field.

Mr. DATT. We hope the Senate will pass the trade bill very soon.

Mr. HIRSCH. May I add that our members continue in favor of advantageous trade, but the work advantageous is in there and it does mean a two-way street. So we have had a continuing policy on the part of our members for expansion of agricultural supports and mutually advantageous trade and in that respect, I am sure we will have no qualifications.

Senator HUDDLESTON. Thank you, gentlemen.

[The prepared statement of Mr. Datt follows:]

STATEMENT OF JOHN C. DATT, DIRECTOR, CONGRESSIONAL RELATIONS, AMERICAN FARM BUREAU FEDERATION

We appreciate the opportunity to comment on the August 1974 crop report and the implications of this report for farmers, consumers, and the government.

The crop report confirmed reports of widespread weather damage to production prospects for feed grains, cotton, and soybeans. This is naturally a matter of concern, but we do not think that it is in any way an indication of an emergency situation. While there is no doubt that crop production prospects have been injured by adverse weather, it should be recognized that early estimates of crop production are always subject to substantial changes. In the current situation it is entirely possible that final production figures for major spring-planted crops will be above current estimates.

The August crop report reflects crop conditions as of August 1. It does not reflect the effects of any improvements in growing conditions that have occurred since that time. While we do not have detailed information, it is our impression that some rather widespread rains have fallen since the first of August, although some areas are still suffering from drought. It also should be recognized that the total indicated production of all crops is still relatively large by historical standards and that our economy has a considerable capacity to adjust to variations in crop production.

Weather damage to crop prospects appears to be concentrated in feed grains, soybeans and cotton—especially feed grains.

Given the capacity of our market system to make adjustments, temporary fluctuations in crop production due to weather conditions of the type we have had this year are not a serious problem.

We have no doubt that the August crop report will stimulate renewed interest in proposals for (1) the establishment of substantial government-owned reserve stocks of major farm commodities, (2) higher government loan rates and target prices, and (3) the imposition of export controls. All three of these ideas are contrary to the objective of a market-oriented agriculture which Farm Bureau believes to be in the best interests of farmers, consumers, and taxpayers.

Government-managed reserve stocks of farm commodities are both unnecessary and undesirable. Combining a reserve program with higher government support prices in an effort to offset the price-depressing effects of reserve stocks would be a step backward toward a government-managed agriculture in which the government would have to decide what is to be produced and who is to produce it.

Export Controls

Export controls are contrary to the interests of farmers and the broader interests of all citizens in our balance of payments. Export markets are essential to a prosperous agriculture as our productive capacity far exceeds domestic requirements. Agricultural exports also are an important source of badly needed foreign exchange. In 1973 an agricultural trade surplus of \$9.3 billion wiped out a deficit of \$7.6 billion in nonagricultural trade and left the nation with an overall trade surplus for the first time since 1970. In order to maintain a strong position in world markets we need to convince other countries that we are a reliable source of supply. We cannot do this by turning the flow of exports on and off on the basis of fluctuations in domestic supplies or prices.

The need to maintain a high level of agricultural exports is now greater than ever before due to the increased price of foreign oil. It is rather surprising to us that some people who condemn the Arabs for embargoing oil shipments to the United States see nothing wrong in proposals to deprive friendly countries of the right to bid for needed food supplies in the U.S. market. We need to recognize that we are a part of a world economy and to act accordingly. The American economy is a strong economy. Domestic handlers should be able to compete with foreign buyers on a fair basis, and domestic consumers have the purchasing power to buy food and fiber products at world prices.

Recommendations

As we said earlier, we do not believe that an emergency exists as a result of this year's probable decline in the production of some crops. However, the current situation does indicate the need to pursue policies which will encourage agricultural production in the coming year. In this connection we recommend that the Congress and the Administration:

(1) Take aggressive action to curb inflation by reducing federal expenditures. The high cost of farming is a deterrent to production.

(2) Give firm assurance to food producers that there will be no reimposition of price and wage controls. Our recent experience with controls has demonstrated conclusively that the effect of such controls is to disrupt seriously the production and marketing of agricultural commodities.

(3) Use restraint in establishing further controls over individual farm operations in such areas as the use of agricultural drugs and chemicals.

(4) Assure consumers (a) that any increase in food prices which may result from a relatively short crop are necessary to reduce what would otherwise be a drastic decline in the net incomes of farm and ranch families and (b) that such necessary price increases are the best assurance of expanded food production in the coming year. Food costs at the producer level represent only about 40 cents of the consumer's retail food dollar. The balance goes for other costs such as labor, processing, transportation, distribution, building costs, taxes, and fuel. The growth in these costs must be curbed.

Concluding Comments

Farm Bureau believes in a market-oriented agriculture. Instead of trying to manage agriculture through such devices as higher support prices, larger government payments, government reserves, and various types of controls, we should recognize that the market system is working well and that it is a more effective mechanism for the solution of economic problems than any system of government intervention.

We thank the Subcommittee for this opportunity to present the views of Farm Bureau members on these important matters.

Senator HUDDLESTON. Mr. Ray Davis.

We will try to hurry through the next two witnesses. Mr. Ray Davis and Mr. John Wallace.

Senator HUMPHREY. Mr. Chairman, I have to go. I will be back at 2 o'clock.

Senator HUDDLESTON. All right, sir.

STATEMENT OF RAY DAVIS, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, POTTER, NEBR.

Mr. DAVIS. Chairman Huddleston and members of the committee, I appreciate this opportunity to review the wheat situation with you. My name is Ray Davis. I am a wheat producer from Potter, Nebr. and current president of the National Association of Wheat Growers. I have with me today Jerry Rees, our executive vice president. Wheat producers planted 70 million acres of wheat for 1974 harvest. This was a substantial increase over 1973 when 59 million acres were planted and, in fact, the largest acreage over the past 20 years. Even with the adverse weather conditions we also are harvesting the largest acreage since 1953, 64.1 million acres. There is no question that the yield is down, and it is now projected at 28.7 bushels per acre. This is below the national average received during any of the last 5

years, but it is, however, a higher yield than that obtained in any year prior to 1969.

We have listed some of the key years and the acres harvested and the bushels and the yield.

Year	Acres harvested	Bushels	Yield per acre
1934.....	41,943,000	513,213,000	12.2
1944.....	58,286,000	1,032,660,000	17.7
1954.....	51,362,000	908,928,000	17.7
1964.....	49,762,000	1,283,371,000	25.8
1974.....	64,102,000	1,839,878,000	28.7

We have no argument with the latest USDA wheat production estimate of 1,839,878 bushels for the United States. Our own estimate was in the range of 1.8 to 1.84 billion bushels. Harvest of wheat in the United States is still underway in the northern tier of States. The Pacific Northwest crop is nearing 50 percent complete and yield, while sometimes spotty, should come near the USDA forecast. The spring wheat harvest, primarily in North Dakota, is moving fast and there is speculation whether it will reach USDA levels. In any case, the total production will be near the level forecast and will be a record crop for the United States. USDA is now projecting an increase in carryover from the June 30, 1974, level of 249 million bushels to a range of 332-383 million bushels on June 30, 1975. The increase in carryover is possible because of an expected drop in exports. According to a recent projection by Richard Baum, president, Western Wheat Associates, exports will be below the USDA range at 850 million bushels. At one time, USDA was projecting production at 2.2 billion bushels. Considering the acreage planted and normal yield trends, this was recognized as a possibility and wheat prices fell \$2 a bushel in expectation of the larger crop. Each subsequent report by USDA was lowered because of declining crop conditions. Growers, particularly in Kansas, were critical of the USDA crop estimates. In the end, growers were closer to the actual production than USDA. Recent supply/demand relationships and rapidly changing weather conditions place additional importance on USDA statistical data and every effort should be made to improve on techniques and to speed up the release of this data once it is gathered.

In conclusion, we would like to emphasize that (1) we have produced a record wheat crop in the United States, (2) exports of wheat from the United States are expected to decline, and (3) carryover stocks are expected to increase.

While the wheat situation has improved in 1974 in relationship to the past marketing year, stocks will remain tight during the crop year. Lower than anticipated supplies of corn and other feed grains will affect wheat prices and levels should remain strong during the year if the marketplace is allowed to work without Government interference. Wheat producers are aware of the supply/demand situation and are practicing orderly marketing throughout the year to meet the needs of their customers and to improve their income. Oversupplying the market by dumping their entire year's production on the market at harvest would mean lower prices to producers. Lower producer returns do not, however, mean lower prices to consumers as, under these circumstances, wheat would simply move into second and third party hands who in turn would hold for higher prices.

Producers are vitally concerned with inflation and the humanitarian needs of others, and are willing to share the burden of meeting these problems. We place emphasis on the word share, since we do not feel that the agricultural economy should be depressed to deal with problems in other sectors.

Inflation, along with expanding production during a period of inflation was added terrifically to the costs and risks of wheat production. Costs of production have increased dramatically. So fast, in fact, that it is hard to get a handle on. I would estimate that my own costs have more than doubled. We have all experienced increased costs in everything we buy as consumers. The same inflationary spiral has taken place in farming. For this hearing, I gathered these prices from my farm in Potter, Nebr.

Production item	Today	1 year ago	2 years ago
Gasoline.....	\$.56/gal.	\$.33/gal.	\$.24/gal.
Diesel.....	\$.35/gal.	\$.18/gal.	\$.17/gal.
Nitrogen.....	\$240/ton	\$150/ton	\$75/ton

Farm equipment, parts and services have had similar increases. Land values have increased to a point where it is impractical to buy additional land to increase farming efficiency. Land near where I farm that was valued at \$125 an acre in 1972 increased to \$150 an acre in 1973 and today is selling for \$350 per acre for dryland wheat production. This pattern is repeated in all agricultural areas.

If this year's crop had reached the Department's initial 2.2 billion bushel estimate, under normal weather conditions, prices would be much lower than they are today. Because of adverse conditions, and lower than expected production, market prices have increased. On the other hand, our production costs remain the same and our per unit—bushel—costs have increased and offsetting higher prices are essential. Risks—yes, we have them. Consider the producer who has suffered total or near total crop failure from adverse weather and has full production expenses without production.

What will be the production response in 1975? Many say price is incentive enough—I am not certain that this is correct. Let me explain. For the first time producers have actually experienced price response from a favorable supply and demand relationship. Producers have witnessed broad price fluctuation and have seen a forecast of large production tumble prices \$2 a bushel, or 40 percent. Production costs have risen dramatically and fertilizers are not only in short supply—they are downright expensive.

Producers also know that Government actions can play an important role in affecting price and in sharing the risk of expanding production beyond our estimated demand.

With the above in mind, I would like to discuss action which we feel should be taken to assure that farmers will be as able to expand their output in 1975 and future years as they have this past season. From our viewpoint, this involves steps designed to spread the risk of full production during a period of rising costs and extremely uncertain price and market conditions.

To begin with, there is still an acute need to update our price support program to place loan levels in line with today's costs and market values. The national average loan level for wheat is \$1.37 per bushel, and this represents less than 35 percent of the average mar-

ket price for wheat. This relationship is even more unrealistic when viewed in terms of actual county loan levels like the \$1.23 we have in Cheyenne County, Nebr.

The wheat loan has been changed just once since 1964—last year—and this amounted to only 12 cents. In this connection, it might come as a surprise to some to learn that the United States has the lowest wheat price support program in the world. This fact is made very clear in the following sampling of 1974-75 price support levels.

Country	U.S. \$ per bushel
Argentina	2.33
Australia	2.98
Brazil.....	5.32
Canada.....	2.25
European Community	3.60
India.....	3.81
Japan.....	9.02
Mexico.....	2.83
Spain.....	3.60
Turkey.....	4.13
U.S.....	1.37

In addition to updating the loan program, the National Association of Wheat Growers continues to feel that target levels should be raised to reflect changed economic conditions and that the "escalator clause" should be activated with the 1975 crop of wheat. We also feel that substantial improvement can be made in commodity disaster programs, and I would like to quickly outline our views in this area.

It was our understanding that the Farm Act passed by Congress last year intended for disaster protection to be made available to qualifying producers on the basis of allotted acres multiplied by a farm's normal yield. Instead, the program USDA has developed and put into the field, however, uses a 10-year county average in computing assistance payments. Protection to the farmer is further eroded by the fact that acreage allotments, which in this case represent the paying base for disaster coverage, have been set at reduced levels which do not reflect production levels or the real production goals of USDA. Consequently, we feel it is important that action be taken to return this program to the form originally intended by Congress and that efforts be made to assure the announcement of a realistic national wheat allotment.

Producers are aware of the effect of export controls on the price of wheat. They are also aware that calls for export controls are as closely related to price levels as they are to supply levels.

It is obvious to producers as I am sure it is to you that controls do not create additional supplies but only regulate distribution of supplies. We believe it is in the long-term interest of U.S. producers, consumers and our foreign customers to pursue policy to improve both supply and price stability. Export controls, in our view, would be a disruptive force in the marketplace which could directly lead to serious distortions of marketing and price patterns. This would certainly cause great uncertainties in the minds of domestic and foreign buyers. Important, also, would be the signals that such action would send to grain producers as they market this year's crop and make the financial commitments required to produce next year's crop. The wheat economy is heavily dependent on exports—only a third of our

annual crop is consumed domestically and the balance must move into export. The total economy is also heavily dependent on exports as they relate to our balance of payments and our ability to purchase needed imported goods around the world, including oil.

Regarding commodity reserves, the United States should add to its carryover level of wheat during the current marketing year, but it is very unlikely that stocks of grain will be onhand to accumulate in any kind of a reserve program. At this point, we feel it is very important that the United States participate fully in the forthcoming World Food Conference and that care be taken in defining the United States responsibility under any international commodity supply program before establishing internal policy.

In conclusion, we feel that wheat is in the best supply/demand position of the grain crops, and we see no problem in the ability of supplies to adequately cover domestic and export requirements while adding to our carryover level. On the other hand, the current supply/demand situation alone is insufficient to assure expanded wheat acreage. Farmers know the effects of boosting production beyond demand and they are reluctant to commit themselves to higher cost production and greater risk without the type of protection and assurances that we have outlined in our statement.

I do thank you for the opportunity to appear before this committee on behalf of growers on this important and timely subject. If there are any questions we would be glad to respond.

Senator HUDDLESTON. Is there any further statement?

Mr. REES. No, sir, Senator.

Senator HUDDLESTON. To inquire on behalf of Senator Humphrey, who I know would like to ask a question about his favorite subject, reserve program, you indicate, of course, that as of now a reserve program is pretty much a moot question since there are no stocks to be placed in the reserve. But, do you have general opposition to a grain reserve program?

Mr. DAVIS. We are opposed to it, because as we say in our statement, domestic consumption is only a third of our production. In some years it is only a fourth, so there is always plenty of wheat available for the domestic market.

Senator HUDDLESTON. Do you have any concerns similar to those Senator Humphrey expressed regarding foreign buyers who may be, without our knowledge, buying up substantial parts of our crop?

STATEMENT OF JERRY REES, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. REES. Things have changed a little bit in that area. When the Russians bought last time, nobody was watching the store. We had surpluses then and it was easy for them to move in. Reporting services have improved around the world. While they—the Russians—are buying as a bloc they have to buy through our commercial firms who have to take this action and for the supply situation, I don't think any grain company, Cargel or any of the other companies, could make that large a sale and guarantee price. Even when we had large surpluses of wheat and were anxious to make a sale it was only possible through the subsidy by the Government. So I think the whole situation has changed. Of course, they have limits, producers are holding

grain off the market and they regulate sales to what customers need. So I just don't think they could acquire that quantity of grain under our commercial system.

Senator HUDDLESTON. Some improvement, of course, was made in the reporting procedures. Do you feel reports are adequate now?

Mr. REES. I think that we need to watch very closely and monitor very closely export sales in the use of wheat and particularly corn and feed grains, and every effort should be made by the USDA to keep very close tabs of export sales; and I think they are. This system can be improved upon.

Senator HUDDLESTON. What is the principal reason that the average per acre yield is down this year?

Mr. DAVIS. In our particular area it was drought, and the head just didn't fully develop because of a shortage of moisture. Our normal rainfall is 16 inches and it was 16 inches below normal.

When you go into an expanded acreage it takes more fertilizers and also you bring in poorer land.

Senator HUDDLESTON. What effect do early estimates that are substantially above final production figures have on the market?

Mr. REES. We pointed out that the estimate of a very large production dropped the wheat prices. It was only the projection, not the reality of it, so we had about a 40 percent drop in price from that projection.

Senator HUDDLESTON. That caused less production or less—

Mr. REES. No, at the time the production was in, I think, they had a good feel of the acreage planted in the United States. Of course, when you are making projections you are doing them on normal trends. The production level of the USDA was a real possibility. But the market—you would have thought it would have gone up—declined because of the projection.

Senator HUDDLESTON. You mentioned the importance of orderly marketing and we saw some evidence of that in our recent visit to the Board of Trade at Kansas City. Is this a new development that farmers are holding on and watching the market closer themselves?

Mr. REES. Not really. The Government, through Congress and bills passed previously, have supported orderly marketing for a long time. The loan program doesn't work any more because the loan is so low. But we have now gone into a new period where the producers could make it work in their favor and, of course, they did not agree with the USDA production, so they knew the situation would be tighter than what was projected.

Mr. DAVIS. Of course, this is something the producer himself is doing; never been done before.

Senator HUDDLESTON. That is what I meant. The producer himself is controlling the product a little more.

Mr. REES. There is an extensive education program going on.

Senator HUDDLESTON. What movement is there toward the use of wheat when the corn crop is particularly short?

Mr. DAVIS. Wheat is good feed, and the price relationship has a lot to do with it.

Senator HUDDLESTON. Gentlemen, thank you very much.

Mr. DAVIS. Senator, one more thing. Just for the record here, I had an example of a disaster payment of a farm in my county.

Senator HUDDLESTON. I will make that part of the record. That will be one aspect that we will want to address ourselves to.

[The above-referred-to example follows:]

CHEYENNE COUNTY, NEBRASKA DISASTER FARM EXAMPLE

1,416 Acres cropland.
 691 Planted to wheat.
 426 Wheat allotment.
 61 Barley base.
 12 Grain sorghum base.
 41 Bu. normal yield on wheat.
 10,935 bu. harvested or 15 bu. per acre.
 Disaster payment \$6,050.
 Farmer received only \$19.45 per acre on total loss of 311 acres.
 If yield established for farm has been used, payment should have been 41 bu. times 311 acres times 68 cents per bu. equalling \$8,670.68.
 Had farmer harvested his normal at price of \$4 per bu. times 41 yield times 311 acres he would have received \$51,000.
 County loan rate is only: wheat \$1.23, barley \$0.85, oats \$0.55.

Senator HUDDLESTON. Is Mr. Wallace here?

For the benefit of any others here, we will recess after Mr. Wallace until 2 o'clock. Starting at 2 p.m., we will first have representatives of the Department of Agriculture and then pick up with the balance of witnesses.

Mr. Wallace.

**STATEMENT OF JOHN WALLACE, PRESIDENT,
 UNITED EGG PRODUCERS, ST. PETERSBURG, FLA.**

Mr. WALLACE. Mr. Chairman, on behalf of the members of United Egg Producers, I wish to thank you for this opportunity to call your attention to the plight of the Nation's commercial egg industry as a result of the current feed grain situation.

My name is John Wallace. I am president of United Egg Producers and also, I am an independent egg producer and hatchery operator from St. Petersburg, Fla. Today I am speaking as both a producer and the representative of thousands of individual egg producers throughout the United States. We very much appreciate your calling this hearing so as to assess the seriousness of the situation today.

Egg producers have a very vital interest in this situation because feed costs represent 70 to 75 percent of costs which go into producing eggs. As a result of anticipated reductions this fall, prices had already skyrocketed prior to the August 12 USDA crop report. Since that announcement, many egg producers have been unable to obtain contracts for corn at even 20 cents to 30 cents over the quoted market. To say the least, we have a very critical situation at hand.

I am sure most members of the subcommittee are already very much aware of the economic situation of the commercial shell egg industry. Producer prices for eggs have been below the cost of production since Easter despite the fact that the Nation's laying flock is 2 percent below last year's and represented the smallest national flock size for this period of the year in modern history. You will also recall that the egg industry suffered more than 2 years of depressed prices before returning to profitability in the summer of 1973. Now we wonder just when we are going to get back into the profit position, due to the feed situation. So we have kind of a real bind here. It appears we will have to cut back our flock drastically. If we do so, this is going to raise the price of eggs to the consumer to a very high

level and we really question whether it is the right thing for the consumer, and we also hate to see this happen because in the long run, it tends to drive the consumer away from our product.

I want to get down to our specific recommendation in this situation. We would like to recommend the following steps, and we have previously made this recommendation to high officials in the USDA. These are that some system of licensing be implemented immediately so as to assure domestic users of an adequate supply of feed grains to meet our domestic needs. The program should safeguard against the impact of panic buying by foreign importers such as may have occurred since the August 12 crop report. Such an interim plan should be implemented until we have a better fix on the actual fall harvest. We believe it is in the national interest of future consumer supply and prices that the livestock, poultry, and other feed grain utilizing industries of the United States be assured of an adequate supply during the coming year to meet domestic demands and have a reasonable carryover at the end of the year. Only with such assurances will many egg producers continue to plan for future production which is so essential to maintain a continuously adequate supply of fresh eggs across the country. I would like to emphasize we are not calling for an embargo but a licensing program which would enable the USDA to very carefully monitor the foreign buying. We are very much concerned that foreign buyers might put our situation into a deficit position. That would be a disaster.

The implementation of such a support licensing plan at an early date will also give foreign countries an opportunity to assess their feed grain needs and possibly adjust utilization to offset the effects of the short crops in the United States. Consumer buyers must also be made aware that the anticipated grain shortage and the resulting cutback in livestock and poultry production will affect the Nation's food bill throughout the coming year.

We thank you very much for this opportunity to present this situation to you.

Senator HUDDLESTON. What minimum level of supply would you think should be the triggering point for the control?

Mr. WALLACE. I don't know we are qualified to give you that level. We would feel that a licensing program would provide a close watch on the export sales, and it would really be up to the folks in USDA to decide at which time they are going to begin to shut it off.

Senator HUDDLESTON. You will have to establish a price or supply level.

How far in advance do large egg producers make their purchases?

Mr. WALLACE. There is no real standard procedure. I am sure that we ought to be buying more in advance than we typically do. At the same time, this is a little bit risky operation in itself.

Senator HUDDLESTON. Is there any substitute for corn, for instance?

Mr. WALLACE. We can use wheat, we can use milo and typically do use milo. We use relatively little wheat.

Senator HUDDLESTON. Given an economic situation as now, could chicken growers or egg producers withstand a \$4 corn price?

Mr. WALLACE. Not with today's egg prices.

Senator HUDDLESTON. You have to have a substantial increase—

Mr. WALLACE. We will have to cut back substantially in our flock, perhaps as much as 10 percent in order to achieve a substantial price increase.

Senator HUDDLESTON. What is the size of your flock?

Mr. WALLACE. Two percent under a year ago.

Senator HUDDLESTON. How does that compare—

Mr. WALLACE. That has been declining over the past 5 years.

Senator HUDDLESTON. Do you anticipate it will continue to decline?

Mr. WALLACE. I expect it will continue to decline, yes, sir.

Senator HUDDLESTON. Do you anticipate any further flock destruction?

Mr. WALLACE. We do, if we can't get out of the current dilemma. Producers right today are not anxious to start new baby chicks.

Senator HUDDLESTON. Is this true in the other aspects of the poultry business, the fryers and broilers?

Mr. WALLACE. They are going to testify this afternoon, but I understand their situation is very similar.

Mr. FLEMMING. There has been a substantial increase in removing of the older hens to market in recent weeks and we expect this to be accelerated, too, even cutting back into the more profitable, producing birds. It is normal that when a bird reaches a certain stage they move to slaughter.

Senator HUDDLESTON. Does your organization have a position on grain reserves?

Mr. WALLACE. We have a general position that we want to assure an adequate supply. We might extend this to feel that a grain reserve program might be desirable for us. I personally would favor a grain reserve program.

[The prepared statement of Mr. Wallace follows:]

STATEMENT OF JOHN WALLACE, PRESIDENT, UNITED EGG PRODUCERS, ST. PETERSBURG, FLA.

Mr. Chairman; members of the Subcommittee. On behalf of the members of United Egg Producers, I wish to thank you for this opportunity to call your attention to the plight of the nation's commercial egg industry as result of the current feed grain situation.

My name is John Wallace. I am President of United Egg Producers and also I am an independent egg producer and hatchery operator from St. Petersburg, Florida. Today I am speaking as both a producer and the representative of thousands of individual egg producers throughout the United States.

Many egg producers have been unable to obtain contracts for corn at even 20 to 30 cents over the quoted market. To say the least, we have a very critical situation at hand.

I am sure most members of the Subcommittee are already very much aware of the economic situation of the commercial, shell egg industry. Producer prices for eggs have been below the cost of production since Easter despite the fact that the nation's laying flock is two percent below last year's and represented the smallest national flock size for this period of the year in modern history. You will also recall that the egg industry suffered more than two years of depressed prices before returning to profitability in the summer of 1973. Recent prolonged loss positions of 8 to 14 cents per dozen were worse than any experienced during the 1971-72 depressed years. Due to the current loss position and the rapidly advancing price of feed grains, a return to profitability for the egg industry cannot be seen in the near future.

It is obvious that the egg industry has already cut back production as evidenced by its flock size. But further cuts must be made and it appears that such reductions will come as many smaller and financially weak egg producers will be forced out of business. I might point out here that egg producers are not eligible for emergency loan guarantees as provided livestock producers by recent legislative enactment.

Historically, a one-percent reduction (or change) in the nation's egg supply causes a seven-percent increase (or change) in prices at wholesale. We noted with interest the

USDA grain utilization forecast this week which indicated feeders would use at least ten percent less grain in the United States during the coming year. Should this reduction be applied to the egg industry—thus reflecting a ten-percent drop in flock size—and applying the one-to-seven ratio mentioned earlier, producers of eggs should anticipate a seventy-percent increase in prices.

Should this occur—a ten-percent reduction in supply and a seventy-percent increase in wholesale price—consumers of eggs could anticipate egg prices to range between \$1.20 to \$1.40 around the country and be even higher in some markets.

Mr. Chairman, the egg industry does not feel the consumers of America will stand for such astronomical food prices, and do not believe our government should permit the inflationary price spiral which is sure to be reflected in all food products which utilize grain.

United Egg Producers anticipated this feed grain problem and so advised our members some months ago. As result of USDA's July crop forecast we became even more alarmed and immediately proceeded to hold conferences with industry and USDA officials to evaluate the situation early. We held meetings with high USDA officials on July 21 and August 1 to express our concern. We urged USDA to establish some plan to deal with the possibility of a more serious crop forecast in the future. Even our figures did not predict the potentially disastrous report of this past Monday. And, permit me to point out, the anticipated crop is not yet harvested and is yet highly vulnerable to the normal or early frost because of the late planting in the Midwest this year.

Mr. Chairman, we would like to recommend—as we have already done to USDA—that some system of export licensing of feed grains, and the products thereof, be implemented immediately so as to assure domestic users of an adequate supply of feed grains to meet domestic needs. The program should include safeguards against the impact of panic buying by foreign importers which may have occurred since the August 12 crop report. Such an interim plan should be implemented until we have a better fix on the actual fall harvest. We believe it is in the national interest—and particularly in the interest of future consumer supply and prices—that the livestock, poultry, and other feed grain utilizing industries of the United States be assured of an adequate supply during the coming year to meet domestic demands and have a reasonable carryover at the end of the year. Only with such assurances will many egg producers continue to plan for future production which is so essential to maintaining a continuous, adequate supply of fresh eggs across the nation.

The implementation of such an export licensing plan at an early date will also give foreign countries an opportunity to assess their feed grain needs and possible adjust utilization to offset the effects of the short crop in the United States. Consumers must also be made aware that the anticipated grain shortage and the resulting cut-backs in livestock and poultry production will affect the nation's food bill throughout the coming year.

Thank you, Mr. Chairman, for this opportunity to present the egg industry's views on this critical situation. We will be very happy to lend whatever assistance we might render to you and this Committee as we attempt to find equitable solutions to the problems which confront us.

Senator HUDDLESTON. Gentlemen, thank you very much.

The committee now will recess until 2 o'clock.

[Whereupon, at 1:20 p.m., the committee recessed until 2 o'clock the same day.]

AFTERNOON SESSION

Senator HUDDLESTON. The subcommittee will come to order.

We will resume our hearings.

Our witness this afternoon will be Hon. Clayton K. Yeutter, Assistant Secretary for International Affairs and Commodity Programs, U.S. Department of Agriculture. Mr. Yeutter has with him Mr. Richard Bell, his Deputy Assistant Secretary.

Mr. Yeutter, you may present your statement. Then we will proceed with the questioning.

STATEMENT OF HON. CLAYTON K. YEUTTER, ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE

Mr. YEUTTER. Thank you, Mr. Chairman, Senator Curtis, and Senator Clark. It is nice to be here.

It is a difficult topic which we are discussing. As you well know, the very fact that you are holding a hearing is indicative of your concern for the crop report that was announced a few days ago, and obviously we are likewise concerned about that report.

But preparatory to answering some questions, let me try to place it in perspective. We have made available to you some brief summaries in my statement. I would like to give the statement in ad-lib fashion.

First, I think it is important to put all this in global perspective and then in a national perspective, and then finally I will talk about the specific aspects of the problem that are more important.

First of all, on a global perspective, what we need to realize is that even when we are having a very difficult crop situation here in the United States this year, particularly with feed grains, the situation is a whole lot broader worldwide. As a matter of fact, as we lump all the rest of the world together and aggregate estimated production, estimated agricultural production for the present crop year, it comes out almost identical to the crop year of 1973. In other words, we are not experiencing a similar decline in the rest of the world, the kind of decline that we are experiencing here because of the drought. In fact, if one goes back and compares it to 1972—which, as I will recall, was a year when we had a lot of adverse weather around the world—production is expected to be about 70 million tons higher this year than it was then.

So that situation is really rather bright. In fact, our estimates here might even be conservative. It could well be that world production outside the United States will be greater than what we have been prognosticating.

But in terms of what will happen to carryover stocks, we had an increase in world carryovers this past year, and there will be practically no change in carryovers in the year in which we are right now.

So by and large the world picture is a positive and affirmative one, and we don't have before us the specter of widespread world hunger. That is not at issue here at all.

Turning to the domestic side, and looking at it separately from the total world picture, there are likewise some bright spots here that we ought to recognize. I don't wish to deny the fact that we have supply problems in some specific sectors. I will deal with those specifically in just a few minutes.

But we should recognize, for example, that in the food grains sector, which is really rice and wheat—and these are two of the very stable crops for the world, as you well know—we have reported crops this year, or will have reported crops this year, the highest of all time. In fact, our rice production is going to be 15 percent higher than it was in 1973. Our wheat production is going to be about 8 percent above 1973. Carryovers in both of these crops will raise this year, they will be higher, considerably higher at the end of this crop year in 1975 than they are today. So obviously we should not have a

supply problem in the feed grain sector, meaning either rice or wheat, and in fact we can very well afford substantial exports of both commodities, both rice and wheat.

Then in what we might denominate basic protein sources, we need to consider soybeans, which of course is our basic crop in this area. Although the soybean crop will not be quite as large as we had initially anticipated, it is still going to be the second largest crop of all time, following on the heels of a record crop in 1973. We are going to have a solid carryover going into this fall in soybeans. Even if we have some reductions, the kind of reductions that have been prognosticated in the August 1 crop report, we will still have a substantial carryover a year from now, and really no major problem in the soybean category. In fact, with the rainfall having been very beneficial since the 1st of August, it is quite likely that we will see a positive impact on soybean prospects, and that the figures that we have quoted as of August 1 will probably turn out to be low and the soybean picture will improve.

We turn, then, to peanuts. We have a crop that will be about 5 percent below 1973 but once more 1973 was an alltime record. As you know, our problem with peanuts is really one of having too many one year and too few the next.

I suppose the most spectacular success in percentage terms in the protein section is dry beans. You will recall how high dried beans went a few months ago. Farmers did respond to that price increase and grew more. Dried beans are going to be up 24 percent this year over last year.

Fruits and vegetables I will not spend any time on, because they are all not that important in quantitative terms here. But if one were to aggregate these I suppose he would find that production in the United States is up a little bit this year. Some are down, and some are up, but all in all it is probably an upturn.

That means really that the whole problem area here is the feed grain sector. That is really the element to which we should devote our attention. That means basically corn and grain sorghum, although we also have some barley and oat productions. These are down, or anticipated being down in 1974. In fact, feed grains as a whole will be down 15 percent. But again we need to keep that in perspective too, because it is 15 percent compared to 1973, which was a tremendous year for us. In fact, the corn crop—which has received all the attention in the last few days, because of the drought and the stocks not being very high out in our State of Nebraska, Senator Curtis, and tasselling at very low heights—despite the drought, this year's corn crop is going to be the fourth largest of all times here in the United States.

Now, one final comment, to put the issue in perspective domestically. That relates to just aggregating all crop production, in comparing 1974 with prior years. If we use 1967 as a base, which we do on a lot of statistics nowadays, then 1973, which was an alltime record in crop production, has an index number of 120. That means production last year was 20 percent higher than it was in 1967. Well, production this year is going to have a base—will have an index number of 113, meaning that it is going to be 13 percent higher than in 1967. The only other time in the history of this country when we have been this high was in 1972. In other words, if we aggregate all of the agricul-

tural production in the United States this year, and compare it with all the other years during the history, we are still going to come out with the second largest crop of all time, notwithstanding the drought.

So that is the perspective.

Now, this is not to minimize the problem that exists. There certainly will have to be some adjustments in the U.S. economy, as a result of the estimates on August 1 being below what was anticipated. This is because people have made plans on the basis of greater expectations. Our economy has been geared up to the consumption of a greater quantity of feed grains than what we are going to have available.

So we will have to make some adjustments.

The question then becomes, can we make them, and how great they must be, and where they will have to be made, and what the impact of these adjustments might be.

Well, if I may oversimplify a little bit and indicate just the very basics of how we see this question, I would simply say, first of all, we are primarily talking about corn. We are really not talking about anything else in the whole agricultural production sector; we are talking about corn. Perhaps feed grain would be more specific, but corn is the major feed grain. So we are talking about what is going to happen to the consumption of corn and other feed grains in the United States.

Now, to handle the shortfall that is evident here as compared to expectations, we need a reduction—we will have to have a reduction in the international trading sector and in domestic consumption of a total somewhere in the vicinity of 20 or 25 million tons, or in round numbers something like perhaps 900 million or a billion bushels. Now, this will probably occur, as we say it, in the export sector. In other words, we will probably see a reduction in exports from the amounts that were anticipated of 400 to 500 million bushels.

Then we are going to see a comparable and perhaps somewhat larger reduction of feed usage here in the United States. That is where the adjustment is going to take place.

Senator CLARK. Just speaking of corn?

Mr. YEUTTER. Feed grains as a whole, but primarily corn.

The question then becomes, how will this happen, and what will the impact be. One concern obviously on the export side is whether this reduction will take place and can reasonably be expected to take place in commercial sales to the developed countries around the world, because obviously if there is a significant cutback in sales to underdeveloped nations of the world, we have a greater problem in the hunger issue a greater problem with the hunger question worldwide.

Now, this is not to suggest that we will be able to avoid any changes in our Public Law 480 program. These decisions have not yet been made. I would anticipate that we will have to have some reductions in Public Law 480 in these particular products, the feed grain area. Now, it may well be that we can offset these with sales and grants in other food production. But certainly because of the shortage that we have in feed grains there will have to be some reductions in the feed grain sector that is relatively small in magnitude. But by and large we anticipate reductions in commercial exports to some of the leading countries of the world, meaning the European Community

and Japan and the Soviet Union and the People's Republic of China. We only expect that we will see an adjustment there without any involvement by the Government of the United States in merchandised systems such as export controls of the magnitude that I have projected. I can discuss that more specifically later. But I will simply say at this point in time, for the benefit of all of you, that we anticipate discussions with the European Community and with the Government of Japan within the next few days on this situation, and perhaps with some of the other countries as well.

The more significant adjustment, perhaps, for all of us here will be the one that will take place here in the U.S. domestic economy. That means a shift in consumption in the livestock sector.

As you very well know, Senator Bellmon, from your experience as a cattleman, what we can expect this fall is a rather significant shift in the cattle feeding sector from high concentrate rations to lower concentrate rations. This will be the essence of the adjustment that is inevitably going to take place. That is a major element of the adjustment that will take place in other countries as well. But the magnitude will not be as great there as they will here, because they cannot use as much concentrate in their rations as we do. But here, as you gentlemen know, during the last few years we have moved heavily into higher concentrate rations and in many cases to all concentrate rations. We have cut out roughage entirely. This was because our concentrates were so economical, and this functioned because of the fact that we had surplus grain supplies and grain prices were low. Now, the grain prices will be at a higher level. We will see cattle producers in particular making this shift. It will be a major shift in the beef cattle sector. There will be shifts in the lessor sector in dairy cattle and in swine. Of course, there is relatively little, if anything, that can be done in this respect within sectors such as boilers, et cetera. But the major factor here will be beef cattle. It is very clear that the adjustment to higher forage will greatly moderate export demand for feed grain and will greatly moderate domestic usage for feed grains. We are already seeing evidence that this is taking place. The adjustment took no time at all to begin. Earlier this morning someone mentioned to me that the demand for forage equipment among the farm equipment dealers has just been tremendous here in the last few days, because farmers are getting ready to put up a great deal more ensilage this fall than they have in previous years. Likewise—this is especially important—we are seeing that impact on the market right now. It was just 2 or 3 days ago when this report came out that I had people call me to say that prices of feed grains were simply going to skyrocket, that we would probably see limited increases in the price of feed grains on the futures markets at least for the next 2 weeks. Others said we would be experiencing corn prices in the 5 or 6 dollar range, and soybean prices in the 10 to 12 dollar range, and wheat prices in the 6 to 7 dollar range, and so on. These projections have simply turned out to be untrue. If you gentlemen have been following the futures market, you will know that to be a fact, because not only has trading begun on the futures market today 2 days after the crop report rather than 2 weeks, but we actually had limited declines in soybeans in the futures market today, limited declines in the cattle sector, limited declines in wheat—I guess it was about half limited in wheat—and just very moderate in-

creases in the price of corn. So it is apparent that people who are participating in the market and who have their dollars on the line do not believe that we will see the kinds of price levels that have been prognosticated by some people in the last few days.

One other factor that really has been mentioned here is the demand side, because this can be relevant to the entire picture. That is, what is going to happen to gross national product in the next year or so, what impact will that have on all the adjustments that take place. Of course, none of us really know what will happen to the GNP for the remainder of this year and on into 1975. It looks like it will be relatively level for the rest of this year. But hopefully it will increase next year as stronger efforts are taken to curb inflation, as President Ford moves forward with his plans to not only deal with this problem, but to restore confidence of the American public in their Government and in the economic system and so on. It seems to me that that is a very positive factor to look forward to.

All in all, then, I would simply summarize by saying that we fully anticipate the changes in domestic consumption and an export demand that will be necessary to carry us through the next crop year in a safe manner and to leave us with carryover levels a year from now at the end of this crop season that are safe. We do not see any reason whatsoever to panic in this situation. We see no factual basis for this. We certainly see no factual basis for taking any steps such as export controls as has been suggested by some. The disadvantages of export controls are legend. I need not spend a half hour dwelling on them. But I would like to make a couple of points and then expand on those later if you would like me to do so.

The first point I would like to make relates to the impact on consumers. Some may say that we ought to have export controls immediately because it will result in lower food prices to consumers, and that they will therefore benefit by the imposition of such controls. I would simply challenge that premise. I believe that is an erroneous one. I believe the facts of this particular situation will prove them to be erroneous. We have a considerably difficult economic situation in all of agriculture today from what we had last spring when all the discussions were underway on bread, and last fall when all the discussions were underway on soybeans. It is not the same situation at all. In fact, ironically enough, paradoxically enough, the crop report that just came out on the 1st of August may well have a moderating or dampening impact on food prices rather than adverse impact. I can go into that in some detail later if you would like me to. But basically what we would see in the way of impact on food prices is that we see essentially no impact at all on food prices for the remainder of this year and for the first half of 1975.

Now, when I say no impact at all I am talking about the raw material impact, the cost of farm goods, I am not talking about transportation costs and labor costs, processing and all the other factors that are involved in food prices. We feel that there will be little if any impact on food prices as a result in the raw product sector through the middle of 1975.

Senator CURTIS. Mr. Chairman, Senator Bellmon has to catch a plane at 3 p.m. I wonder if the Secretary would yield. He has a question he would like to yield.

Mr. YEUTTER. I apologize for the length of my statement. I would be happy to yield.

Senator BELLMON. I can read the record.

I would like to ask one question. We had testimony this morning from Mr. McMillan—I know you are a beef cattle feeder, and you probably can answer this both officially and practically—regarding the possibility of new standards for grading beef, and how this might benefit the consumer as well as require a smaller amount of grain and beef products. Can you comment on what the USDA is doing in this connection?

Mr. YEUTTER. Yes, sir; I can comment in a general way, and then I will comment specifically on what the Department will be doing.

First of all, I simply say that this is very important in the present situation, because as we shift to a higher forage input in those rations, we are obviously not going to be putting the marbling on the cattle that we have in previous years. This means that under present grading standards a good many of the cattle that will come out of the feedlots over the next 6 to 9 months or a year will not grade, that is, they will not reach the choice in prime categories. It seems to me that irrespective of what happens to grade standards, the consumers of America will have to become accustomed over the next year or so to meat products, beef products in particular, that will not carry as high a fat level as they have in the past. That is certainly not necessarily all bad, Senator Bellmon. As a matter of fact, many feeders believe that will be beneficial, that it would be preferable to have carcasses coming out that would show a greater lean and not equally so marbelling, both from the standpoint of taste factor involved. There may be debates on that—but also in terms of the usage of grain. Clearly we will reduce the amount of grain required per animal as we shift into higher forage rations. The question then becomes when the cattle feeder has been penalized as a result of that shift because his cattle will not be able to make choice and prime grades. Mr. McMillan and others have made this point very strongly in recent weeks, and have argued that we ought to have a change in grading standards that will reflect the adjustment in consumer stores or in consumer commentary that we have been receiving in recent weeks, and months and at the same time not penalizing the agricultural sector or because of a change in production practices.

To answer your question specifically, Senator Bellmon, this program is not new under my jurisdiction. It is my understanding from conversations with Assistant Secretary Feltner that we will probably propose—probably bring out for public comment—a proposed grading change within the very near future, perhaps even within the next few weeks.

Senator BELLMON. Thank you very much, Mr. Chairman.

Senator HUDDLESTON. Will you continue with your statement, please?

Mr. YEUTTER. Just a few additional comments.

I was speaking about the consumer impact, and indicating that there would be relatively little if any effect on food prices until mid-1975. There will clearly be an adverse impact on food prices beyond 1975, assuming the scenario goes about as I have outlined. There are many uncertainties, and there are particularly uncertainties on the demand side. But ignoring these for the moment, one must look at the consumer viewpoint not just in terms of what will happen to food prices, but what will happen to consumer prices in general. This is of

enormous importance, because in my judgment the imposition of import controls would turn out to be detrimental to consumers when all aspects of this situation are concerned. We consider it not in the light only of changes in food prices. This is because export controls would clearly lead to a devaluation of the dollar which will raise the cost of all imported items coming in from around the world, and those are consumer costs as well. There are other detrimental aspects to experiencing a devaluation of the dollar. This kind of impacts on the balance of payments, of course. But ignoring these and simply concentrating on the consumer sector, it seems to me that the imposition of export controls would turn out in the long run to be detrimental to consumers. This was an editorial, Mr. Chairman, in the Wall Street Journal on this very topic this morning. I would certainly commend that for your reading and for your consideration here. From the producers' sector I would simply like to say that imposition of export controls, Senator Curtis, particularly for your area—and Senator Clark for your area—would be devastating. The Midwest, of course, is a major exporting area for soybeans, food grains, wheat, and many agricultural products. There is just no question but what export controls would deal a devastating finishing blow to that entire sector of the U.S. economy.

Having that kind of blow imposed on top of the impact of the drought, which is already apparent to all of those people, would simply be catastrophic.

So in a quick summary, Mr. Chairman, we would suggest that the present situation clearly does not demand the imposition of export controls; that export sales themselves have been down substantially this year as compared to 1973. The horse is not out of the barn in terms of exports; in fact, the horse is not even approaching the door. So we have ample time to consider this issue very carefully and to evaluate it on a continual basis. The price effect at the consumer level will be insignificant in the next several months. There is simply no factual justification for taking any action at the present time that we might very well live to regret at a later date.

Senator HUDDLESTON. Thank you, Mr. Yeutter.

In your figures of production and supply of previous years, as you pointed out, there has been a substantial improvement. But when you also figure in the demand that exists now and compare that with these same previous years, the picture is not quite as rosy, is it?

Mr. YEUTTER. No, it is not; that is, in terms of the wants of people around the world and people here in the United States. Without question there must be a raising of that demand in the market process. That has taken place and will take place as our agricultural price levels raise to some extent.

Senator HUDDLESTON. The total supply around the world is related to what we have available here. Do you believe your estimates on the world production are based on solid information? Are they as far wrong as the estimates in our own country?

Mr. YEUTTER. Well, Mr. Chairman, that is a leading question. But crop estimates are difficult under any circumstances. As you can see from the changes that have taken place in the estimates over the last several weeks, they are even difficult in the United States where we usually have sophisticated estimating systems. Crop conditions do change very quickly.

Senator HUDDLESTON. Do these estimates take into account the situation that possibly exists in Canada at the present time?

Mr. YEUTTER. Yes, they do, Mr. Chairman. I would simply say that we have to do the best we can in terms of international estimates. No country has a system that is as sophisticated as ours here in the United States. Some are really quite good, and others are primitive at best. But, yes, it does take into consideration the Canadian situation, which in fact has improved some in recent weeks. It takes into consideration the best information we have on the People's Republic of China and the Soviet Union, which is of course always difficult to obtain.

Senator HUDDLESTON. Given these contingencies plus the fact that here in this country, with a substantial amount of late planting, if we should encounter an early frost, we would be in a very serious condition.

Mr. YEUTTER. Yes. The one major uncertainty at the moment is the early frost factor.

I believe one must add, though, that the improvement that has taken place since August 1 in rainfall continues around the country will probably offset any losses that might be experienced from frost, unless that frost comes at a very, very early date.

If we too, have an early frost, we will certainly have to reassess the total situation at that time.

Senator HUDDLESTON. What about the future implications of this shortage we are experiencing now in our corn production? Granted, it has been brought about by weather conditions, but it comes at a time when we are experiencing all-out production. If this had come at a time when we were producing considerably less than we are now, it would certainly have been a tremendous blow. But now we are almost at the peak, I would suppose, of acreage that we can put into production. Here we are seeing a drought, which is not the most severe we have ever had by any means, seriously affecting our supply. Now, if demand keeps continuing and additional acres can't be found, what does this mean down the road, if, for example, we had another drought of even greater proportion?

Mr. YEUTTER. Very clearly, it is fortunate that we did have wide-open production in 1974, and that we have been following the policy of all-out production. Otherwise we would have had a worse situation had we not had that policy.

With respect to the future, that certainly does call for a continuation of that policy, obviously, not only here in the United States but around the world as well. It probably calls for additional assistance on our part for other countries around the world to improve their agricultural production. It certainly calls for the following the law of comparative advantage as we can in international trading so that we produce what we can produce best and other countries produce what they can produce best. It calls for knocking down the agricultural barriers around the world, and so on.

Senator HUDDLESTON. You mentioned some things that you didn't think we should run into on this point. I certainly agree with you there. But does the Department have a contingency plan if things do deteriorate—if, for example, an early killing frost should come, or if the current demand should exceed what we expect it to be at this time?

Mr. YEUTTER. I see nothing on the surface at the moment or at any time in the immediate future that would lead to the need for applying any kind of contingency plan. The point of course is whether or not we can maintain adequate carryover levels as we may have through the years. We will certainly be monitoring export sales, and we will be monitoring domestic usage as we go along. We do that much more effectively today than we would have 5 years ago, of course. We are going to be doing, for example, an interim survey just in the next few days that will give us some information prior to taking our September 1 surveys. So we will follow the supply and demand and use situation very carefully.

But beyond that, we will be engaging in consultations with the leaders of the countries around the world as I indicated on this point.

Senator HUDDLESTON. The Department would be ready to move quickly if it should become necessary to prevent a catastrophic shortage, you might say, of domestic grain?

Mr. YEUTTER. Absolutely, Mr. Chairman. There would be no great difficulty in dealing with that kind of a situation or in anticipating that kind of situation. As I said, we will certainly be watching it on a day-to-day and week-to-week basis. At the same time I just want to make sure—I apologize for the interruption—I just want to make sure that everyone understands that we just simply do not see that as being a necessity.

Senator HUDDLESTON. Your monitoring of export sales, do you consider this pretty effective now, pretty accurate?

Mr. YEUTTER. We believe it is certainly more effective than anything we have ever had in this country. Whether or not it is 100 percent effective is always problematical. I suppose no system of surveillance or reporting is ever 100 percent effective. But we feel confident that it gives us the basic background data that we need for any kind of decisionmaking.

Senator HUDDLESTON. One member of the committee this morning suggested the fear, the concern, that a foreign power may be able to move in very quickly, and with an already short supply of corn, manipulate the market. Do you see that as a possibility?

Mr. YEUTTER. No, I do not. I really do not see it as a practical possibility, Mr. Chairman. Our surveillance over market conditions is much more comprehensive today than it was a year or two ago when some of those problems did exist. The market intelligence that we have now, it would seem to me, would preclude that from happening.

Senator HUDDLESTON. You mentioned the impact of this particular shortage on consumer prices.

Mr. YEUTTER. Yes, sir.

Senator HUDDLESTON. You indicate that they will be down the road someplace.

Mr. YEUTTER. Yes, sir.

Senator HUDDLESTON. What impact do you think is going to occur in the short run to feeders of poultry and livestock?

Mr. YEUTTER. One really needs to take these one by one, Mr. Chairman.

The most difficult adjustment will certainly be in the poultry sector, meaning broilers, turkeys, eggs, where roughage just does not offer an important place in their rations, and where the price situation is just not at all strong. As a consequence, we are already seeing

reductions on the supply side in these sectors. It will be a very difficult adjustment period for the producers in these sectors as they move on into 1975. It will improve as we pass into 1976, but in the immediate future it will be difficult.

Senator HUDDLESTON. Has the Department any thought or plans to move to help these producers?

Mr. YEUTTER. It is extremely difficult to do so in this situation, Mr. Chairman. I would suppose that the brightest possibility for these sectors of the agricultural economy would simply come on the demand side; that hopefully we will have an improving demand situation moving into 1975 that will simply provide the purchasing power out there in the economy that will help improve their situation. I certainly hope that develops. The adjustment will be not quite so difficult for dairy producers and swine producers, although it will be quite different there, too. The easier adjustment, of course, is in the beef sector, because you do not need as high a quality in dairy cattle. The impact of that on the consumer sector is that as we move more beef and pork in particular to the market in the next few weeks, this, as I indicated earlier, might well have a dampening effect and could hold the price of beef and pork below what would otherwise be the case.

Senator HUDDLESTON. Until production drops far below demand, and then the price will come back up again?

Mr. YEUTTER. That is correct. I do not anticipate production coming far below demand in the beef cattle sector. I see some adjustment on the dairy cattle sector, but not a major adjustment for a number of reasons.

There will be a more severe adjustment in swine and in the poultry industries.

Senator HUDDLESTON. Senator Curtis.

Senator CURTIS. Mr. Secretary, we have heard a lot of comment about the crop estimate. Is there anything wrong with it besides the fact that we have a drought?

Mr. YEUTTER. No, sir. I am confident that the statistics are accurate, Senator Curtis. But as you know from having been out in that drought area of Nebraska and Iowa, it is very difficult to make accurate predictions of what a corn stock will produce when it is four feet tall and tasseling out and there is a little bit of an ear coming off.

Senator CURTIS. I do not very often read the Washington papers but I made a mistake and did so last Sunday. They said that the Department of Agriculture ignored the drought warnings. Now, what program do you have to do something about drought in case you do heed the warning?

Mr. YEUTTER. I read that same article, Senator Curtis. I find it very difficult to understand how we could have anticipated the drought or what warnings there were in existence that week.

Senator CURTIS. What would you do about it afterward, so far as increasing the rain? There is nothing you can do to stop the drought.

Mr. YEUTTER. Nothing whatsoever. Secretary Butz said the other day that the best thing we could have in the Department in this day and time would be an Indian rain dance. But I am not sure that even would have helped. The rains did come. No, we cannot control the drought.

Senator CURTIS. For the record, when will the new corn reach the bin?

Mr. YEUTTER. The corn will reach the bin by mid-October. It will reach the consumer market somewhat later because of the transportation.

Senator CURTIS. Do you have an estimate of what our domestic need for corn will be between now and the new crop?

Mr. YEUTTER. Yes; we can provide those statistics for the record, Senator Curtis.

But just to give you a quick summary of them, our estimate would show that we will meet all the demands of the U.S. domestic market and still leave this crop year with a carryover of something in the vicinity of 400 million bushels of corn; that is, we will go into the new crop season with that kind of carryover.

Senator CURTIS. When you supply the more detailed answer for the record, I would also like to have you tell us, where is that corn now and who owns it? Do you have any comment at this time on it?

Mr. YEUTTER. I would be very happy to do so.

The corn, of course, is in private hands, as you well know, Senator Curtis.

Senator CURTIS. Is some of it still held by farmers and has not been sold?

Mr. YEUTTER. Very much so. There is corn being held by farmers, and there is corn spread throughout the entire system with processors, grain elevators, and so on.

Senator CURTIS. I do not know whether there are any facts available on this or not. But is the corn that is being held now in the same areas of the most intensive feeding?

Mr. YEUTTER. I am not sure that we can give you a specific answer on that.

Senator CURTIS. Probably not, because if a given area, a county or group of counties, have been traditionally heavy feeders, they will have consumed their corn as they have gone along. I think that is particularly true in Nebraska. Some of our heaviest feeding area is quite a little distance removed from the irrigated corn area.

Mr. YEUTTER. That is correct. There have been a lot of shifts in this picture in the last several weeks. Senator Curtis, as you know, replacement in the Texas Panhandle has been greater than it used to be.

Senator CURTIS. The dislocation of the drought has caused great inconvenience on the domestic and the personal level of many people. Overall the corn is there available to meet our needs. But I do receive telephone calls from local areas. The banker or feeder or somebody makes the complaint that he is not able to buy corn at all.

Mr. YEUTTER. Yes.

Senator CURTIS. Of course, it is quite cumbersome to know exactly where to locate it and have it trucked in or whatnot.

Mr. YEUTTER. That is correct. Our transportation system is far from perfect in this country, Senator Curtis, as you well know. So that poses some kind of problem too in making these kinds of adjustments.

Senator CURTIS. I do not want you to go to any great expense in getting the the answer of this question, but I would like to know, if I could, how much of our feeds are in the hands of farmers and how much in the hands of the grain trade.

Mr. YEUTTER. We will do the best we can, Senator Curtis.

[The following information was subsequently received for the record:]

CORN: Total Stocks and Utilization July 1-Oct. 1, 1974 Stocks by Positions, by States, July 1, 1972-74.

Table I estimates of July 1 to October 1 domestic use and exports were obtained by straight line proration of U.S. Department of Agriculture Interagency Supply Use Committee Estimates. October 1 stocks are a supply-use committee estimate while July 1 stocks are actual stocks as reported by the Crop Reporting Board of the Statistical Reporting Service, USDA.

Table II is an excerpt from *Grain Stocks*, July 1974, released by the Crop Reporting Board, SRS, USDA. These are actual reported stocks by positions, not estimates.

TABLE I: ESTIMATED TOTAL STOCKS AND UTILIZATION JULY 1-OCT. 1, 1974

	<i>(Million bushels)</i>
Stocks—July 1, 1974	1,442 (prel.)
July 1-Aug. 16:	
Domestic Use	425
Exports	134 (prel.)
Total Use	559
Stocks—August 16, 1974.....	883
Aug. 16-Oct. 1:	
Domestic Use	364
Exports	91
Total Use	455
Stocks—October 1, 1974.....	428

TABLE II
 SHELLED AND EAR CORN—STOCKS BY POSITIONS, BY STATES, JULY 1, 1972-74

State	1972		1973		1974		Total all positions
	Total all positions	On farm	Off farms ¹	Total all positions	On farms	Off Farms ²	
	1,000 bushels						
Alabama	7,272	3,401	1,664	5,065	3,648	1,752	5,400
Arizona	81	63	205	268	29	260	289
Arkansas	425	224	217	441	66	58	124
California	2,562	215	1,515	1,730	247	2,827	3,074
Colorado	6,518	3,635	2,102	5,737	4,021	2,739	6,760
Connecticut	*		*	*		*	*
Delaware	2,120	558	1,553	2,111	791	1,857	2,648
Florida	1,821	1,130	219	1,349	366	236	602
Georgia	20,050	12,397	1,957	14,354	12,826	2,566	15,392
Idaho	467	283	133	416	249	136	385
Illinois	278,170	121,770	74,568	196,338	139,441	68,627	208,068
Indiana	154,217	71,111	21,714	92,825	90,862	19,147	110,009
Iowa	608,944	442,656	169,082	611,738	313,092	85,402	398,494
Kansas	43,062	13,000	32,172	45,172	12,320	24,769	37,089
Kentucky	21,210	15,817	3,284	19,101	13,736	2,945	16,681
Louisiana	7,838	578	8,801	9,379	355	6,942	7,297
Maine	*		*	*		*	*
Maryland	8,604	2,835	5,252	8,087	2,550	5,919	8,469
Massachusetts	*		*	*		*	*
Michigan	43,811	31,444	10,585	42,029	24,032	5,700	29,732
Minnesota	288,013	191,355	53,396	244,751	123,206	24,852	148,058
Mississippi	2,698	1,907	767	2,674	1,212	402	1,614
Missouri	75,091	43,225	20,903	64,128	41,184	12,989	54,173
Montana	*	19	*	*	32	*	*
Nebraska	267,428	186,914	84,737	271,651	103,370	41,342	144,712
Nevada	*		*	*		*	*
New Hampshire	*		*	*		*	*
New Jersey	188	346	183	529	770	210	980
New Mexico	206	205	*	*	191	*	*
New York	*	4,347	1,215	5,562	5,267	970	6,237
North Carolina	19,231	12,288	4,486	16,774	13,776	4,549	18,325
North Dakota	4,253	3,622	696	4,318	1,512	409	1,921
Ohio	107,883	51,170	30,458	81,628	38,426	22,075	60,501
Oklahoma	669	95	578	672	157	531	688
Oregon	318	125	269	394	122	117	239
Pennsylvania	21,550	17,496	2,391	19,887	19,469	3,838	23,307
Rhode Island	*		*	*		*	*
South Carolina	6,175	2,835	881	3,716	2,838	1,000	3,838
South Dakota	52,988	55,619	6,008	61,627	32,665	3,054	35,719
Tennessee	9,529	8,064	1,871	9,935	5,700	1,559	7,259
Texas	10,392	1,582	8,497	10,079	912	20,808	21,720
Utah	97	37	234	271	86	238	324
Vermont	*		*	*		*	*
Virginia	*	5,417	2,998	8,415	6,006	2,423	8,429
Washington	515	259	129	388	216	258	474
West Virginia	*	1,232	*	*	1,412	*	*
Wisconsin	97,326	63,111	7,742	70,853	43,368	6,095	49,463
Wyoming	527	531	19	550	445	25	470
Unallocated*	25,786		834	2,290		962	2,597
United States	2,199,035	1,372,918	564,315	1,937,233	1,060,973	380,588	1,441,561

* Included in unallocated to avoid disclosing individual operations.

¹ Includes stocks at mills, elevators, warehouses, terminals, processors and CCC-owned grain at bin sites.

Senator CURTIS. That is all.

Senator HUDDLESTON. Senator Clark.

Senator CLARK. Just three or four questions.

Although you have pointed out that there may be some problem with corn this year, on the whole it seems to me that you have painted a very bright picture, a very rosy picture with regard to all the other grains. Wheat is up. I think you said soybeans are up, with the second largest crop in history. If you will look at the overall picture, actually this is the second largest crop in history in agricultural production, and so forth. It seems to me that all that sounds pretty good. But my question is, if we have such a good year, and such an adequate supply, adequate carryover in these other areas, and so forth, why did we plan so much to begin with? It seems to me that if we had gotten the 6.7 billion bushel corn crop, we would have gotten all we need now, and if we had gotten the soybeans there would have been a tremendous decline in price.

Mr. YEUTTER. It seems to me that the answer to that would be, philosophically, we believe in a full production here in the United States, with the need to feed a great many people around the world. I believe that this country has a moral obligation to do its share in that respect, and we ought to operate on the basis of full production, proving that our farmers in Iowa and Nebraska and elsewhere in the United States can thereby earn a very solid living. As you know, our whole thrust has been to go to full agricultural production and meet all the domestic needs and hold food prices down as much as we can here in the United States, and at the same time have adequate production that we can maintain our export market, and perhaps even gain some momentum on those quarters. It serves two functions there: one, doing our part, feeding the people around the world, and at the same time providing the earnings that keep the dollar strong, and to pay for petroleum and other products that we need.

Senator CLARK. I guess what I am saying is, it seems to me that your opening statement emphasizes that we really could do all these things now, we are going to have adequate supplies at home, and for overseas sales, and nobody is going hungry around the world. It seems to me if we produced all this additional, that we should have had some enormous surpluses and some very sharp declines in prices. It is my impression that the 1973 Farm Act was not designed simply to have everybody fall out, that was not the philosophical basis, but rather it would be used to adjust up and down the acreage allotment so that we would have an adequate supply and not enormous surpluses.

Mr. YEUTTER. Of course, enormous surpluses are not our problem at the moment. They may be our problem at some time down the road. If so, we still have the set-aside concept as under the farm bill to deal with that kind of situation. But though it is a shortage situation in a sense, it is not a shortage situation in that we are going to run out of feed grains or wheat or anything else, as I have indicated. But what I was really trying to emphasize was that we are going to get through this difficult drought year by making some adjustments in the livestock sector. That is the balance wheel or the safety valve, I suppose, in this particular situation. We do not have that kind of a safety valve in wheat. For example, when we had the discussion over the potential need for wheat export controls last week, we could not

make an adjustment in livestock feeding on wheat because we do not feed that much wheat to livestock. But our problem is basically feed grains and corn. We are just fortunate in that the safety valve is there. What will happen as a result of our relatively short corn crop, Senator Clark, is that we will adjust in the livestock sector.

Senator CLARK. Would we have been better off had we had a strategic grain reserve, or would we have been worse off if we had 25 million bushels?

Mr. YEUTTER. It would seem to me that it would have been impossible to have a strategic reserve at this point in time, unless we would have been willing to reduce consumption of grains either last year or the year before.

Senator CLARK. I mean if we had adopted it 10 years ago or 5 years ago.

Mr. YEUTTER. Well, that depends, of course, on how it would have been structured and how much it would have been in it, and so on. As you well know, we are not very enthused about having a strategic grain reserve for the commercial sector. Putting aside for the moment the hunger needs of the world and what one might need for famine relief, and so on, we just simply do not believe that a strategic reserve for the commercial sector is satisfactory, because that just thrusts the tax burden on the U.S. citizen that we believe ought to be shared by other citizens around the world.

Senator CLARK. What do you mean when you say you are not enthused about having a strategic reserve for the commercial sector? How would you have a reserve?

Mr. YEUTTER. Well, when one deals with the separate problem of hunger, the famine, and how do you make sure that there is a supply to meet the needs of the Sahara in Africa, or of India, if there is a major drought there, or something else. It seems to me that that is a separate question, and the United States obviously has an obligation, a strong moral obligation here to be able to meet these kinds of commitments. We do not have that kind of obligation to provide inventories for the Japanese, the Soviet Union, or any other country.

Now, there are various ways in which we can meet the famine question. We have been doing it basically through the years through Public Law 480. I believe Public Law 480 will do this in the future. But there are other ways as well. People talk about international guidelines and bilateral diplomacy, and so on. There are a lot of options. But we have gotten pretty well into Public Law 480, and I think that is a good structure.

Senator CLARK. I have a sentence that I want you to expand on. You said: "We do not have the specter of worldwide hunger this year." I am not an expert in this area at all, but it seemed to me that that was the whole idea of the U.N. special session, and a part of the reason for the World Food Conference in Rome, and so forth. It seems to me, without knowing a great deal about it, that with the monsoon in India and Bangladesh now, and the sub-Sahara desert problems, and so forth, that there is much to indicate that a lot of people do really face hunger this year.

Mr. YEUTTER. Senator Clark, we will always have some hunger in the world irrespective of what agricultural production is. It is a question not only of production, but of marketing and distribution. I would simply answer it by saying that notwithstanding the fact that

hunger problems do exist in the Sahara and India and other countries around the world, to which we are very sympathetic, the total grain and other foods that would be necessary to provide all the people in the world with an adequate diet are available, they are in existence.

Senator CLARK. But you do not see any exception this year in the area of hunger; it is just a normal type of problem such as we have had in the past?

Mr. YEUTTER. That is correct. Obviously, the drought in the Sahara has been very difficult for a number of years now, and is apparently continuing. But in terms of the global picture, no, we are not really facing a situation this year which is in any way significantly different than the previous one.

Senator CLARK. Just a couple of other quick questions. I understand from your comments that you believe that the prices in cash and in the futures market for grain, particularly soybeans and wheat, are going to stay about the same, you think are going to be fairly stable for the foreseeable future?

Mr. YEUTTER. Well, it is always dangerous to predict the futures market, Senator Clark.

Senator CLARK. Cash and/or futures?

Mr. YEUTTER. But I would simply say that I would not expect major changes in the near future. We may, and probably will, see ups and downs. It is conceivable that these price levels could go on up beyond where they are today. But I do not see the kind of dangerous price levels, if I might use that term, that some have been predicting.

Senator CLARK. Like we had last year?

Mr. YEUTTER. That is correct.

Senator CLARK. Now, in the area of food prices, you would not expect, then, to see meat prices go up particularly either?

Mr. YEUTTER. I would answer by saying that if they go up it will be primarily because of the nonfarm component in meat prices rather than the farm component. We are facing inflation in transportation and labor costs and the cost of containers and packing and wholesaling-retailing, and so on. That is beyond the control of farmers, of course, cattle producers. But with respect to the cost of the meat itself as it leaves the farm level, I would say, no, because we are going to see a significant production coming under the market.

Senator CLARK. If that is the case—and I am thinking of the next to the last witness—the people from the livestock industry—they certainly indicate that their prices and costs of production are going to continue to rise. Of course, that is presuming something which I think you disagree with, namely, that corn prices are going to continue to go up. But are there other reasons apparently too for those increased costs of production? This would mean, then, that if the cost of production increases and the meat prices stay the same, the livestock producers are going to continue to see increasing losses for the near future, and for this year.

Mr. YEUTTER. My personal judgment would be that cattle feeders probably will do reasonably well. There will not be large profits in the cattle feeding industry in the next year, as I see it, but there probably will be very good profits. The adjustment from now on in to the next few months will take place primarily in the feeder sector, that is, the cow-calf sector. They have already declined significantly, as you know, and could very well decline still more.

Senator CLARK. You would not see greatly increased prices in corn if costs are up?

Mr. YEUTTER. No. As I said, I could visualize some price increases in corn, but not particularly significant price increases. If you look at the spread in the futures market in the last few days you will note that there is a very large spread today between feeder futures and fat cattle futures. With that large a spread cattle feeders will be able to pay a rather significant price for them and still be able to make a profit. So the basic adjustment in the near future will be in the cow-calf sector.

Senator CLARK. My last question has to do with the disaster insurance features of the 1973 law. I am getting a lot of questions from western areas, as I expect Senator Curtis is from Nebraska, and so forth, about how fair this is and whether it will work, and so forth. I think you announced the 1974 feed grain acreage allotment last December. Of course, that concerns the coverage of feed grain that the farmer obtains as his fair share of the national allotment covering hazard in the price and weather. Now, the Department set the allotment at 89 million acres. A number of farmers in farm organizations complained at that time. In fact, we had some hearings in here I think in February, dealing in part with this. They argued that it was rather unrealistic to have that kind of an acreage allotment, because in fact the 1974 feed grain planting was going to be in excess of 100 million acres. Now, that is one problem. It seems to me that the Department might well have had a larger allotment—we have got people now in Iowa that are going to lose half their crop and get no disaster insurance whatsoever because of this allotment arrangement. Would you comment on that?

Mr. YEUTTER. This preceded my coming into this assistant secretaryship, Senator Clark. Mr. Bell is familiar with those discussions back at that time.

STATEMENT OF RICHARD E. BELL, DEPUTY ASSISTANT SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Mr. BELL. The allotment was based on the formula as laid down in the law which says that the allotment shall be that amount of acreage which is necessary to bring forth enough production to meet domestic consumption and exports. We based the allotment on our estimates at that time. Probably if we were going to make those estimates today we would have a lower allotment than we did at the time we made the original estimates. That allotment, though, Senator Clark, is a calculation to be used as a base for payments under the program. It is not necessarily related to the amount of acres we intend to plant. With respect to using that base for the disaster payments, the question you are raising, I for one, have not looked into it. We certainly can do that and see what the implications of it are.

Senator CLARK. One of the problems is that when you testified you argued that it really did not matter how big an allotment one had, because in fact the yield and the allotment matched one another off anyway, and you were using a high yield factor of 97 bushels per acre, and you came out in the same way, whichever way you figure it. But in point of fact now when you are paying the disaster payments you are not going to use a 97 bushel yield, as I understand it, you are going to use a lower yield figure.

Mr. BELL. The point that we made at that time, Senator Clark, was that it was not the production that set the allotment, it was actually the estimate of domestic use and exports. So the type of yield—harvested or planted acreage—had nothing to do with the amount of pay base.

Senator CLARK. I would have to go back and look at the testimony. But it was my recollection that the argument was that it really did not matter whether the allotment was lower or higher, that of equal importance would be the size of the yield, or the yield figures that are used.

Mr. BELL. The argument at that time, Senator Clark, was that we used harvested acres and not planted acres. That was when they said that the type of yield had nothing to do with it, but in fact the allotment was determined by how much was used for domestic use and for export, and this had nothing to do with whether we used harvested or planted acreage.

Senator CLARK. Let me ask it in a slightly different way. The payments are going to depend a great deal upon the average yield figure you use; correct? In other words, if you are going to give somebody a payment you have to have an average yield to get that payment. That is one of the factors in determining it. Now, you have used 97 bushels per acre throughout all those earlier estimates. Now, when they go to collect those assistance payments you are going to use, as I understand it, a lower yield to calculate or figure the disaster payments.

Mr. BELL. You are asking a technical detail which I am not familiar with in terms of county offices. But in the setting of the allotment we took into account that we were going to have disappear something over 6 billion bushels of corn when in fact we now have only 5 billion bushels to disappear. So, in fact, they are going to end up with more allotment than they would have had if we had known that we were going to have only this much grain to disappear. This is my point.

Senator CLARK. One other question, because there are others here. Say you have a 100-bushel allotment on your farm, just to make it easy, and you produce, let us say, 140 acres—in other words, you have a 100-acre allotment, and you are going to actually produce 140 acres. Let us suppose you have a 50 percent loss in your crop, 70 acres are totally lost. Under this system you would not get a dime, because the first 40 acres you would consider not a part of the allotment, and the next 30 acres together do not constitute a third of the loss, and so you are really losing half your crop and getting no disaster payments at all.

Mr. YEUTTER. I think we ought to take a look at this, Senator Clark, with respect to the specific problem and respond. We will be happy to do so.

Mr. BELL. The disaster payment, as I understand it, is not designed to pay for the complete loss, it is to compensate for part of it.

Senator CLARK. But you would get none here, you see, you would lose half your crop and get nothing.

There is another nuance to it regarding silage. But let me put this in writing and get it to you.

Mr. YEUTTER. Sure, we would be glad to analyze it.

Senator HUDDLESTON. Senator Humphrey.

Senator HUMPHREY. Mr. Chairman, this is a very optimistic statement. I hope and pray that the Department is right. My prayers are

with you, my hopes are with you, but my sense tells me you are wrong! I want to tell you why I think you are wrong, because you have been wrong before. You were wrong a year ago when I heard the Secretary testify that you could expect prices to go up about 3 percent, and they went up 12 percent. This year I heard the Secretary testify that we could expect a sharp decline in food costs, and we have not had it. Your crop estimates in March—I have with me the Secretary's statement of the 21st or 22d of March—talking about the bumper crops that we were going to have, without taking into consideration the evidence that was being presented to the Department by meteorologists about what might happen to weather conditions. But I hope you are right, because I come from a State which is a large poultry producing State, and the largest turkey producing State in the Union, and one of the largest dairy producing States. If you want to come home with me this weekend I will let you talk to people who do not believe this will happen. I met with 30 dairy farmers last year, and they are going out of business faster than fleas off a dog's back. And I read here how things are so good in dairy production. I just do not like to be conned; that is all. I have to go home this weekend again, and 400 people are going to see me this Saturday. There are people from the poultry producing and dairy producing parts of my State. Can I read your statement to them? Are they going to laugh at me, hiss me, or applaud me? What are they going to do?

Mr. YEUTTER. I do not know what they are going to do, Senator Humphrey. I have no intentions of conning them or anybody else.

Senator HUMPHREY. I look upon you as an honorable man, but I keep getting these statements that just do not add up.

Mr. YEUTTER. I do not speak for anybody else's statement, but I do speak for mine.

Senator HUMPHREY. Please do.

Mr. YEUTTER. In this respect, in my judgment, we will see a relatively limited adjustment in the dairy sector as a result of this situation.

Senator HUMPHREY. What do you mean specifically? What is happening to dairy cow numbers and what is going to happen with that price of corn at \$3.50 or \$4 a bushel to dairy cow numbers? In my part of the world cows are almost sacred, you know like in India, or Wisconsin. I live in Wright County, the second largest dairy producing county in the United States.

Mr. YEUTTER. We have commented on the dairy situation earlier this afternoon. But what I indicated at that time was that we are going to see some shifts among dairy producers, although to a much lesser extent than among beef producers with a high forage content in their rations, because the price of grain is going to be higher. Obviously, there are some limitations as to how much a dairyman can shift in the way of additional forage in his ration. It is going to have some impact on his production, obviously, if he makes any major shift. They will do the best they can, just as hog producers or beef producers will do. That is what farming is all about. That is what decisionmaking on the farm is all about. Some will do it better than others. I cannot predict with 100 percent accuracy how well your producer will adjust or any other dairy producers will adjust; all I can do is try to do the best I can to try to prognosticate what kind of adjustment these gen-

tlemen will make. But at any rate, they will adjust as best they can. I firmly believe that most dairy producers will continue to remain in business. Some will not. There is obviously always some turnover in any agricultural industry or nonagricultural industry. Dairy producers that are moving toward retirement age will phase out and others will come in, units are changing in size, and so on. But I do not see any major change in that industry. Because I think that—I still believe that the dairy industry has a rather bright future. I believe that consumer demand—I am hopeful that consumer demands will improve as we move into 1975. That is difficult to predict, too, because it depends on how well we deal with inflation—

Senator HUMPHREY. This is my point. There is no evidence that inflation is abating. To the contrary! Why do we say these things? There is no evidence that the prices of dairy products are going to come down. To the contrary! The retail price is going up. Even though the price of milk is down from a \$1.50 to \$2 a hundredweight since last spring in our part of the country. We just do not have grade A milk; we have manufacturing milk. I am sure people from the Milk Producers Federation have been in to talk to your people.

Mr. YEUTTER. I have talked to many dairymen.

Senator HUMPHREY. They are going broke.

Mr. YEUTTER. I have also talked to some who were not going broke.

Senator HUMPHREY. I would not say that all drugstores are going to go broke, but a lot of other people are. I want to tell you that there is a serious problem, and I do not want the Department to tell me that it is not, or all the people in Minnesota are liars, because I do not think they are.

Mr. YEUTTER. I would not suggest that there are never any problems in agriculture. We both know that there are.

Senator HUMPHREY. I know about individual operations. I am talking about business; economic statistics. The cost of feed has gone up constantly. The cost of steel containers has gone up! The type of sanitary equipment they have to have in these farms has gone up unbelievably. The cost of transportation has gone up, and they are selling off their cows.

Mr. YEUTTER. The price of milk is going to go up too at the farm level. The price of milk has been seasonally down, as you know, for the last 2 or 3 months. The Minnesota-Wisconsin price dropped down substantially.

Senator HUMPHREY. That is where I come from, you understand.

Mr. YEUTTER. I understand. I have been in your State many, many times.

Senator HUMPHREY. We are pretty proud of our people. They are good farmers.

Mr. YEUTTER. Yes, they are. But that is going to change. It is going to go up.

Senator HUMPHREY. It is going to go up? We are not going to liquidate these producers?

Mr. YEUTTER. I hope not. We are going to liquidate some. I would not want to mislead you by saying that every dairy farmer that is in business today is always going to be in business.

Senator HUMPHREY. But, I mean numbers.

Mr. YEUTTER. I do not believe that there will be a large liquidation of dairy cattle this fall. I would hope not, because I see a brighter future than that for the Minnesota dairymen and other dairymen.

Senator HUMPHREY. I hope you are right; I really do. I am going to present to you, with complete respect to you, some documentation that I just received last week. I am home every weekend. I am in rural Minnesota, and part of the time in the Twin Cities area. Every weekend I listen to 150 people, or sometimes, 1,000 people. I have cattlemen 1 week, or the corn growers in southwestern Minnesota. They are suffering from drought. The people up in northern Minnesota are worried about the drought that they had from May until August. Each week it is the same thing.

Serving on this committee is a great privilege, because when you go home to a rural area you always have company. They are bound to tell you their problems.

Now, you can help us greatly on this. You say in your statement: "Grain production outside of the United States in 1974-1975 will be about the same as last year's record production despite a somewhat smaller crop in the Soviet Union."

Then over in the next page you say: "Although the Soviet harvest is running a bit behind last year, the Soviet Union is expected to harvest another large grain crop in 1974."

No. 1: can we expect statistics that will verify that the crop will be 70 million tons greater this coming crop year, than 1972-73?

Would you give us the statistics on Bangladesh, Pakistan, and India? India is one of the largest wheat-producing countries in the world, and it is suffering from severe crop problems. Bangladesh has lost all of its crop. Pakistan has suffered. I just wonder what figures you have that will justify this production level outside the United States which is supposed to be about last year's level.

Mr. YEUTTER. Senator Humphrey, if you would like, we will give you all the statistics we have on the whole world.

Our latest estimates of wheat production in major producing countries are attached. It should be noted that wheat is not the major cereal crop in Bangladesh. In contrast to minimal wheat production, Bangladesh is the world's fourth largest rice producer, with output now reaching almost 20 million tons—paddy basis. Rice is also more important than wheat in India, which is the world's second largest rice producer, with production at about 65 million tons—paddy basis.

WHEAT: PRODUCTION IN SELECTED COUNTRIES

	1972-73	1973-74	1974-75
	1,000 metric tons		
North America:			
United States	42,046	46,577	50,077
Canada	14,514	17,112	16,220
Mexico	1,700	2,000	2,100
Other	45	45	46
Total	58,305	65,734	68,443
South America:			
Argentina	6,900	6,500	7,500
Brazil	800	1,938	2,350
Chile	827	770	1,000
Other	525	571	576
Total	9,052	9,779	11,426
West Europe:			
EC-9	41,236	41,170	42,700
Spain	4,562	3,915	4,450
Other	5,396	5,315	5,650
Total	51,194	50,400	52,800
East Europe	30,646	31,894	31,200
USSR	85,993	109,680	95,000
Africa:			
Algeria	1,350	1,100	1,200
Egypt	1,616	1,837	2,140
Morocco	2,405	1,897	2,945
South Africa	1,746	1,790	1,725
Tunisia	800	885	810
Other	1,417	1,365	1,306
Total	9,334	8,874	10,126
Asia:			
Afghanistan	2,952	3,180	2,650
Bangladesh	115	91	102
PRC	28,000	28,000	28,600
India	26,410	24,923	22,500
Iran	4,034	3,950	4,250
Iraq	1,600	957	1,600
Pakistan	6,890	7,800	8,100
Syria	1,950	500	1,500
Turkey	9,500	8,000	8,300
Other	2,033	1,506	2,101
Total	83,484	78,907	79,703
Oceania:			
Australia	6,434	12,045	11,500
Other	395	245	312
Total	6,829	12,290	11,812
World total	334,837	367,558	360,510

Senator HUMPHREY. That is terribly important, because it is large, a total economy, as you know.

I understand you referred to the Canadian situation. We are a neighboring State to Canada. Manitoba is our neighboring Province. We have all been up to Winnipeg for their anniversary. I know my Canadian friends pretty well. I started knowing them when I was Mayor of Minneapolis. When the Mayor of Winnipeg came down I noticed they called him Your Worship. He said to me, what do they call you? I said, it just depends on who you are talking to around here. So I have had a lot of contact with Canadians.

My report from Canada is that about 86 percent of the total wheat crop is normally planted before or by May 31 on the average. This year only 46 percent was planted by that date! Now, this is typical of that northern tier. This is typical of my part of Minnesota and the northern part of Minnesota. I have been in the Crookston area and Aurora area and up in the Halstad area, and so on in my State. Do you have any evidence that indicates that the Canadian wheat crop is going to be as it was last year, in the light of this late planting and the possibility of earlier frost? By the way, the last weather prediction is—I am sure you have it—that we expect an unusually cool and cold August and September. That is the last report we have. Which could mean an early frost.

Mr. YEUTTER. Yes.

Senator HUMPHREY. Also a damp fall. You give me a damp fall in the Midwest—you are from Indiana, I believe.

Mr. YEUTTER. Nebraska.

Senator HUMPHREY. You are too far south for us. But you give us a damp fall and an unseasonably cool or cold fall, and we can have trouble. What do you think is going to happen to the Canadian wheat crop? What estimate does our Government have?

Mr. YEUTTER. Again, we will include the statistics along with the other statistics that we will provide you.

I would simply say, first of all, that many years ago I honeymooned in Winnipeg and in Minnesota. I have been back since. In fact, just a few days ago I discussed the Canadian wheat situation with the Canadian Deputy Minister of Agriculture. He informed me that they are really quite optimistic about their production situation. They did have difficulty getting their crop in earlier this spring. They had cool weather early and wet weather earlier. But he indicated that once they were able to get it in, things went very well, and it has since been good. So he was quite optimistic.

At the same time, one can make qualifications on predictions and statistics forever if he wishes. Certainly one of the qualifications that has to go on to all of these statistics is, when will it freeze this fall. If we do have an early frost, that is certainly going to have an impact on this entire production.

Senator HUMPHREY. What does your weather information tell you? What is your long-range forecast?

Mr. YEUTTER. Your summary there is probably as good as anyone can enunciate in a few words at this point in time. How much confidence one may have in these kinds of predictions is purely conjecture, of course. The record for accuracy—I should be facetious and say is even worse than the USDA, but I will just simply say—

Senator HUMPHREY. It is a guess, I suppose?

Mr. YEUTTER. I will say that they are not sure of its accuracy.

Senator HUMPHREY. The reason I bring this up is this. With these imponderables and variables which we must recognize, and because we are in a short supply situation, particularly in corn, does this not bring to your attention the possibility of some contingency plan on the part of the Department of Agriculture insofar as exports are concerned, without going into the embargo situation? The last thing we need is another soybean fiasco. You do not want it and we do not want it. It is bad for everybody. What I am looking at—and merely wish to give you my suggestions on—is the possibility of closer monitoring—a system of much more precise monitoring of exports sales, particularly in corn. I hope that the Department will take a good, hard look at that without disrupting the market too much. I do not think you will find anybody on this committee that really wants us to tamper too much with the normal flow of trade, if we can possibly avoid it. But the worst thing that we could have happen for this Congress, as individuals here, is to go on home to our States, which are essentially rural in character and to have to admit that we have exported most of our food out of the United States which would mean that the American consumer would be taken for a ride. That is sure death. I do not know about its economics, but its politics is lethal. Can you imagine going home to report to your people that in the name of the free market you have just let the Russians buy up all of your food, or somebody else, but it was great for our balance of payments? My folks out home do not understand much about that balance of payments stuff. What they like is the payment that comes to them, right down there in their pockets. Also they are worried about what they pay out.

Now, these are the problems that we have to deal with. I have been around here a long time, and I am not about ready to let us just go along willy-nilly and wake up one day and find out, oh, my goodness, we should have done something! I have been in this “could-have,” and “should-have” club most of my life, and it just gets you into a lot of trouble. When I got older I thought one should join the “what-we-are-going-to-do” club rather than the “should-have” club.

That brings me to a question about our world food situation. How will the current crop situation likely affect any commitments the United States might wish to make to the World Food Conference this fall? Have you discussed this with Secretary Kissinger, for example?

Mr. YEUTTER. I have not discussed it personally with Secretary Kissinger, but Secretary Kissinger and Secretary Butz have had a number of conversations, and at the next echelon down I have had a good many sessions with Assistant Secretary of State Ender, and also with Dan Parke at AID. In addition, we have had involvement from other entities with the Government, too, such as OMB.

Senator HUMPHREY. Do not spend too much time with that outfit. That is a troublesome one.

Mr. YEUTTER. I would simply say that we have had that full situation under continuous appraisal for the last several weeks. We are planning some additional followup meetings just within the next few days now as a result of the crop report that just came out. We certainly want to do the best we possibly can in terms of our famine aid commitments, and Public Law 480 basically, at the same time recognizing the limitations that are involved in the kind of picture which we face here, particularly in feed grains.

Senator HUMPHREY. Do we have a good supply of rice?

Mr. YEUTTER. We have an excellent supply of rice, and we have an excellent supply of wheat. Certainly also in a product like cotton, which also fits in the Public Law 480 program, though it is not a food item. But as I said earlier today, on wheat and rice we are in good shape.

Senator HUMPHREY. If you run short on corn you shift to wheat?

Mr. YEUTTER. At a certain price level.

Senator HUMPHREY. As a matter of fact, wheat is a better buy right now in some places than corn, is it not, for feed?

Mr. YEUTTER. Not in many places. But the price differential is narrowing, and you are correct; as that price differential narrows more wheat goes into feed.

But going back to the basic question, we will obviously have very great difficulty using feed grains in the Public Law 480 program this coming year. Whether we will be able to use any or not it is perhaps too early to tell. But fortunately, when one looks at the total availability package it is not all that bad.

Senator HUMPHREY. Does the USDA have what we call a short-supply management policy, in other words, do you have any plan or policy that relates to the possibility of a critical short supply?

Mr. YEUTTER. The policy, Senator Humphrey, as you well know, is not to interfere with the functioning of the market in agricultural commodities, with full recognition of the fact that we must provide constant surveillance over this total situation, so that we do not experience the kind of locking-the-barn-door-after-the-horse-is-out situation which you have just enunciated.

We are well aware, too, of the implications of that to the U.S. economy. What that means is that we do have to very closely monitor these kinds of situations. We agree with you 100 percent in that regard. In fact, I suppose we are monitoring that situation more carefully today than similar situations have ever been monitored in the past, and we will do it on a day-to-day basis from here on out.

Senator HUMPHREY. The present law gives us the flexibility, does it not, that you need in this matter of monitoring, exports, or export commitments?

Mr. YEUTTER. Yes, sir.

Senator HUMPHREY. By designated countries?

Mr. YEUTTER. Yes.

Senator HUMPHREY. That is always one that I think has worried us.

Mr. YEUTTER. Yes. When the program first started it certainly had some shortcomings. But we believe that most of the kinks have now been worked out, and the lag is not sufficient that it causes us any real problems.

We do not want to move to a situation of export controls, for a whole lot of reasons that I enunciated earlier this afternoon. You likewise indicated your concern about having that kind of program. It is just destructive to so many interests of this country and to the interests of the world community as well.

Neither do we feel that it would be appropriate to go to any kind of a licensing system, which would be the next step short of an embargo or control, for the simple reason that that almost automatically leads to controls, the institution of any kind of a licensing system in our judgment, would simply stimulate speculative activity that would

carry one across the threshold into a control situation. So we believe a much better approach to this is very careful monitoring, and consultations and discussions with some of our trading partners around the world. These are underway right now, and will be underway over the next few days. When Secretary Butz comes with me to this committee next week, he may have some more detailed reports on what that situation is.

Senator HUMPHREY. I will not take any more of your time. I know there are other witnesses here. I think it would be well for you to give us for the record, if you think it is proper, and if you can provide it, what you believe are some of the alternatives to export controls relating to dealing with short supply situations. Because I just do not believe that we ought just to go along—I believe in trusting in the Lord, but occasionally I think you ought to do a little work yourself. I would like to see down on paper, what do we plan on having in place if something goes wrong? We have an awful lot of corn and soybeans in my part of the country planted far north, far beyond anything we ever did, because the market looked good. We opened up land in Polk County and Saint Louis County and Marshall County that never was planted before. You are depending on that in your crop estimates. I want to tell you, I am 63 years old and I have lived out in those snowstorms a long time, and I want to tell you that I am not so sure that it is always going to stay as warm as it did last winter.

Mr. YEUTTER. It may not.

I would add on that particular point, Senator Humphrey, in terms of nutrition coming out of those farms, ensilage may provide us with more total nutrition than grain, to the extent that we put a great deal more corn into ensilage this year than we did last year, although we will have less grain as a result of those acres going in ensilage, we may have greater total feed.

My only final comment would be, Senator Humphrey, that with respect to your counsel that we do a little work and not rely totally on the Lord, I hope we can do a combination of both.

Senator HUMPHREY. I put that in my equation, about 10 percent on the divine providence and 90 percent on hard work.

Senator HUDDLESTON. Mr. Yeutter, when I was on a trip out to the Midwest, talking to some farmers—as a matter of fact, they were from Nebraska, Senator Curtis—they were complaining that the high estimates of crop production by the Department had tended to hold down prices. Is this a valid complaint, and is it taken into consideration by the Department in its predictions?

Mr. YEUTTER. We have heard those same comments, Senator Huddleston, and just the contrary from consumer groups. The statistical reporting service is really in a can't-win position, because the estimates come out at a level that seems high, then they are classified by consumer groups, and if they come out at a level that seems low they are classified by consumer groups; there is just no way that they can win. All they can do is follow valid statistical procedures and call it as it is and take their lumps in terms of the criticism from either or both sides. They do that. That particular agency is not under my jurisdiction, but as an economist I am well familiar with their procedures. They are sound, they are statistically defensible, and more defensible from a scientific standpoint than anybody's in the world.

Senator HUDDLESTON. But the effect on prices that they may have is no factor at all.

Mr. YEUTTER. It cannot be. It must be objective, Senator Huddleston. They simply cannot in this procedure have a bias in any direction.

Senator HUDDLESTON. We also heard out there that because of the fertilizer used that some of their corn will have such a high nitrate content that it might not be suitable for feeding. Have you any report of that? Is that widespread?

Mr. YEUTTER. That topic has been under discussion. I suppose that we will really not know for sure until feeding begins this fall. Certainly it is possible to determine the nitrate content in feed. But it will have to be verified at the time that feed goes into ensilage. I hope that will not be a widespread problem. But certainly with these crop conditions being some thing different from anything we have experienced in recent years, particularly in the last few years when fertilization rates have become so high, it is a bit difficult to predict.

Senator HUDDLESTON. That further complicates the plight of the feeder.

Mr. YEUTTER. It certainly would. I have watched animals myself suffering from nitrate poisoning. That is not a pleasant experience for anyone.

Senator HUDDLESTON. Anything further?

Senator CURTIS. No, sir.

Senator HUDDLESTON. Thank you very much, Mr. Secretary. I appreciate your appearing on such short notice.

Mr. YEUTTER. No problem. I apologize for not having a statement prepared, but I hope that we have covered the material satisfactorily.

[The following questions were submitted by Senator Clark to Assistant Secretary Yeutter and his answers thereto:]

Question. Mr. Secretary, I'd like to follow up on the Chairman's question about avoiding embargoes and export licensing and controls by close monitoring of export sales.

You indicated that your August 4 export contracts of undelivered new corn show that almost 500 million bushels have been sold. That means that we have only 250 to 400 million bushels available for export. When that is sold I would think prices of corn would go sky high because there isn't any more. We also face the possibility of a disastrous early frost.

To avoid this, why don't we establish a requirement of daily—or 48 hour reporting—of all export sales, immediately publish the totals (keeping exporters more confidential) and require the destination of the sale?

Answer. We are already in the process of setting up a 24 hour monitoring system for corn sales of significant size and we expect this procedure to be operative very soon. Certainly we agree that the present supply situation warrants close monitoring of export sales.

We remain firmly convinced, however, that the market will function with its usual efficiency to allocate supplies between users here and abroad. To some extent it will tend to anticipate the forthcoming export sale totals and we are not at all sure that prices will shoot up when any given volume is reached. In our short experience with export sale monitoring systems, we have observed the marketing of last year's wheat crop under similar circumstances. You may recall that the price did in fact ration those supplies at levels much short of the extreme increases that had been suggested.

Question. Since it is your view that a 4.9 billion bushel corn crop will be adequate, that we will have plenty of livestock, plenty of meat, that overseas crops are good and exports would have been down in any case, why did we encourage farmers to plant 25 percent more than we need? Had corn farmers fulfilled that request for 6.7 billion bushels what would we have done with it?

Answer. Senator, let us take up your second question first. We think it was an extremely prudent step, especially as weather developed this summer, for the Administration to have encouraged expansion of planted acreage of corn. This year we planted

77.4 million acres as compared to 71.6 million acres in 1973. From this planted acreage in 1974 it is anticipated that 63.8 million acres will be harvested for grain as compared to 61.8 million acres in 1973. Unless such a course of encouraging production had been followed, we would have been harvesting in 1974 an even smaller corn crop than the 4.9 billion bushels which is now foreseen.

As to your first question, we certainly are not happy with having suffered a drought in the mid-west and a resulting corn crop which is much lower than would have been produced if weather conditions had been "normal." However, when we state that the crop is adequate we are stating a market fact. With a lower supply the season average price of corn will be significantly higher than would have been the price if we had obtained a corn crop of 6 billion bushels or more. The higher price will cause economy in feeding and lower domestic utilization. It will also cause foreign buyers to purchase less corn from the United States than they would purchase at lower prices. Additionally, a crop as low as 4.9 billion bushels will result in a reduction of ending stocks next year as compared to the estimated ending stock level of the current year.

This is what we mean when we say 4.9 billion bushels will be adequate. We would certainly have preferred, just as the American corn farmers would prefer, the American livestock and poultry producer would prefer and the American consumer would prefer, to have had a greater volume of corn production moving at a lower but still adequate price for the corn producer.

[Summary statement of Assistant Secretary Yeutter follows:]

SUMMARY STATEMENT OF HON. CLAYTON K. YEUTTER, ASSISTANT SECRETARY OF
AGRICULTURE, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S.
DEPARTMENT OF AGRICULTURE

Although crop prospects as reported in the August 12 Crop Report are below earlier expectations, there is no need to panic. Grain supplies will be adequate to meet our own needs as well as those of our trading partners. However, due to the smaller U.S. corn crop, it will be necessary to make adjustments in livestock feeding rates both here in the United States and abroad.

In the short-run, we see the smaller crop having little immediate impact on food prices here in the United States. The reduction in beef cattle numbers—which has been under way for several months—will increase beef supplies in the months ahead. We expect beef production to continue above year-ago levels throughout the remainder of this year and well into 1975.

Pork supplies will also remain above last year through the end of this year. We do expect, however, that by early 1975 pork production will begin to decline. The impact on broiler production will be more immediate—in part because production was already being trimmed before the drought occurred. Broiler production during the last quarter of this year may be 10 percent below that of a year ago and remain 10 to 12 percent below year-earlier levels well into 1975. Much smaller reductions—perhaps only 2 to 3 percent—can be expected in egg production. The recovery in milk production which has been occurring in recent months probably also may be slowed and perhaps reversed by the higher feed grain costs.

Overall, we will have adequate animal protein available in 1975. Our present calculations show total red meat production in the first half of 1975 will be up slightly from the first half of 1974. Overall meat production including poultry meat will be down 1 or 2 percent. By the summer of 1975 we will be beginning another grain harvest.

As a result of the smaller U.S. feed grain crop and better crops and less demand abroad, U.S. grain exports this coming year will be down substantially from the high levels of the past 2 years. Fortunately, the drop in U.S. grain production comes in a year when grain production elsewhere in the world is generally favorable. Grain production outside the U.S. in 1974/1975 will be about the same as last year's record production despite a somewhat smaller crop in the Soviet Union. It will be 70 million tons greater than in 1972/73 when much of the outside world was hit by drought.

A record grain crop is expected in Western Europe this year. Production in the European Community is expected to be a record 109 million metric tons. Corn production in the EC is expected to be 2 million tons more than last year. As a result, the European Community probably will need substantially less corn from the U.S. in 1974/75 than it imported during the past year. Additionally, the Community will have about 10 million tons of surplus soft wheat (about 375 million bushels) from its 1974 harvest which will be available either for export or for use as livestock feed within the Community.

Although the Soviet harvest is running a bit behind last year, the Soviet Union is expected to harvest another large grain crop in 1974. It will not be as large as last year's record 222.5 million tons, but may well exceed the Soviet goal of 205 million tons. Grain

production in the Soviet Union was 168 million tons in 1972. As a result of two successive large harvests, the USSR is expected to reemerge as a net exporter of grain in 1974/75. The net change may amount to as much as 7 or 8 million tons.

Japan, along with Western Europe, is a major foreign buyer of U.S. feed grains. The Japanese are dependent on the U.S. for 60 to 70 percent of their feed grain needs. Fortunately, the Japanese will be able to buy more corn this coming year from Thailand, Argentina and South Africa—all which had much better crops this year than last. But the Japanese will need to do the same as we here in the United States and begin to adjust downward their livestock production plans for the coming year.

A government team from Japan will arrive in Washington early next week to review needs with us. These meeting will be followed immediately by meeting with the European Community. A team also will be leaving within a few days for the Soviet Union to make a first-hand appraisal of the spring wheat situation. A team recently returned from a visit to the Soviet winter wheat area.

ESTIMATED SUPPLY, UTILIZATION, AND STOCKS OF SELECTED COMMODITIES
1972/73, 1973/74 and 1974/75

Commodity & crop years	Carry in beginning stocks	Production	Imports	Total supplies	Utilization		Carry-out ending stocks
					Domestic	Exports		Total
Wheat:							
1972-73 Actual	863 mil. bu	1545 mil. bu	1 mil. bu	2409 mil. bu.	785 mil. bu	1185 mil. bu	1970 mil. bu
1973-74 Indicated	439 mil. bu	1711 mil. bu	0	2154 mil. bu. ¹	757 mil. bu	1148 mil. bu	1905 mil. bu
1974-75 Projected	249 mil. bu	1840 mil. bu	?	2090 mil. bu. ²	758-808 mil. bu	1000-900 mil. bu	1758-1708 mil. bu
Feedgrains:³							
1972-73 Actual	48.4 mil. tons	199.9 mil. tons	0.4 mil. tons	248.7 mil. tons	173.2 mil. tons	43.1 mil. tons	216.3 mil. tons
1973-74 Indicated	32.4 mil. tons	205 mil. tons	0.3 mil. tons	237.7 mil. tons	173.4 mil. tons	43.7 mil. tons	217.1 mil. tons
1974-75 Projected	20.6 mil. tons	174.6 mil. tons	0.4 mil. tons	195.6 mil. tons	152.3-156.9 mil. tons	29.7-23.8 mil. tons	182.0-180.7 mil. tons
Corn:							
1972-73 Actual	1126 mil. bu	5573 mil. bu	1 mil. bu	6700 mil. bu	4733 mil. bu	1258 mil. bu	5991 mil. bu
1973-74 Indicated	709 mil. bu	5643 mil. bu	1 mil. bu	6353 mil. bu	4700 mil. bu	1225 mil. bu	5925 mil. bu
1974-75 Projected	428 mil. bu	4966 mil. bu	1 mil. bu	5395 mil. bu	4155-4285 mil. bu	900-750 mil. bu	5055-5035 mil. bu
Soybeans:							
1972-73 Actual	72 mil. bu	1270.6 mil. bu	0	1342.6 mil. bu	803 mil. bu. ⁴	480 mil. bu	1283 mil. bu
1973-74 Indicated	60 mil. bu	1567 mil. bu	0	1627 mil. bu	917 mil. bu. ⁵	550 mil. bu	1467 mil. bu
1974-75 Projected	160 mil. bu	1314 mil. bu	0	1474 mil. bu	889-859 mil. bu	575-515 mil. bu	1424-1374 mil. bu
Cotton:							
1972-73 Actual	3.2 mil. bales	13.6 mil. bales ⁷		16.8 mil. bales	7.7 mil. bales	5.3 mil. bales	13.0 mil. bales
1973-74 Indicated	4.0 mil. bales	12.9 mil. bales		16.9 mil. bales	7.4 mil. bales	6.2 mil. bales	13.6 mil. bales
1974-75 Projected	3.3 mil. bales	12.7 mil. bales		16.0 mil. bales	7.5-7.0 mil. bales	5.2-4.7 mil. bales	12.7-11.7 mil. bales
Rice:							
1972-73 Preliminary	11.4 mil. cwt	85.4 mil. cwt	0.5 mil. cwt	97.3 mil. cwt	35.8 mil. cwt	54.0 mil. cwt	89.8 mil. cwt
1973-74 Indicated	5.1 mil. cwt	92.8 mil. cwt	0.1 mil. cwt	98.0 mil. cwt	37.7 mil. cwt	63.2 mil. cwt	90.9 mil. cwt
1974-75 Projected	7.1 mil. cwt	107 mil. cwt	?	114.1 mil. cwt	39.2-38.5 mil. cwt	64.3-58.1 mil. cwt	103.5-96.6 mil. cwt

¹ Includes imports of 4 million bushels.

² Includes imports of 1 million bushels.

³ Includes corn, sorghum, oats and barley.

⁴ Includes 81 million bushels used for seed, feed, and residual.

⁵ Includes 97 million bushels used for seed, feed, and residual.

⁶ Includes 84 million bushels used for seed, feed, and residual.

⁷ Includes production, imports, city crop.

Source: U.S. Department of Agriculture, Agricultural Supply & Demand Estimates, August 13, 1974.

Senator HUDDLESTON. Dr. Thomas Hieronymus.

Doctor, will you identify yourself and your associates for the reporter?

STATEMENT OF DR. THOMAS A. HIERONYMUS, PROFESSOR OF AGRICULTURAL ECONOMICS, UNIVERSITY OF ILLINOIS, CHAMPAIGN, ILL.

Dr. HIERONYMUS. I am T. A. Hieronymus, Professor of Agricultural Economics at the University of Illinois.

Senator HUDDLESTON. Do you have a statement, Dr. Hieronymus?

Dr. HIERONYMUS. No, sir; I do not. I came in late last night and found on my desk at 7 a.m. this morning the request that I come down here. I know the general subject matter.

I have just come back from 2 days at a Midwest Outlook Conference reviewing the total price outlook.

Senator HUDDLESTON. Could I suggest that you give us a summary of that review, describing what your studies indicate, and further, if you would care to comment on any of the testimony that you have heard so far today, feel free to do that. Then we will proceed with whatever questions we have.

Dr. HIERONYMUS. My responsibilities at the Outlook Conference were to deal with the outlook for wheat, feed grains, and to some extent soybeans.

In the matter of wheat, the production plus the carryout, minus the domestic requirements for wheat, leave an exportable surplus of something over a billion bushels. This is an amount that is a little bit less than we have exported the past 2 years. It is a very great deal more than we have been able to export in the preceding years. From the 1972-73 crop year we exported a tremendous amount of wheat. In this the Russian wheat purchase was of major importance. The very strong export demand this past year was a result of increasing world demand and crop problems in various places, and, I think, some restockpiling.

There are a lot of uncertainties in world wheat crops remaining. The Canadian wheat crop is late. No one knows how well the Russian wheat crop is turning out. The weather in the wheat areas of China has not been very good.

Senator HUDDLESTON. Are your figures substantially close to those given by the Department?

Dr. HIERONYMUS. I think so; yes. I work with the same numbers, it is a balance sheet problem, and it comes out very much the same.

So I think that we face a good export demand for wheat. I think that the price of wheat will not stay as high relative to feed grains as it has been in the last couple of years. I think we are quite comfortable with wheat unless there are severe crop problems from this time forward, particularly with the harvest on early frost in Canada.

In soybeans, I worked this out to a soybean crush of about 795 million bushels, and an export of about 490 million bushels. I am using a little bit larger carryover than the USDA because I do not really believe we will get it down below the 60 million again of a year ago. This goes for oil and meal. On the meal side of it, I think we are going to be quite comfortable. We can export 5½ million tons of meal, which is about the same as this year. I think we face a little bit

weaker demand. The Peruvian fishmeal production is up. The livestock industries in Europe are in trouble and will not be as good customers. It will leave us with, I should say, about 13.3 million tons to consume domestically. This is a quite liberal supply.

The trouble area is feed grains. Here we face a shortfall in the amount of feed grains that will be available. This is partly because of the restricted corn crop, and partly because of the shortfall in grain sorghums, which was rather substantial.

To me, it looks like a total production of 174.7 million tons. If I take off of that a minimum carryout, which I think is 16.6, a normal of food, seed, and industry use, and exports that I currently estimate at 30.8, it leaves a feed availability of 129 million tons. To put that in context, this past year, or the current year, the year ending September 30, we are apparently using about 159 million tons. So there is a substantial decrease in feed grain availability—19 percent.

In 1972-73 we used 156 million tons. So compared to the past 2 years it is a substantial cut in feed grain availability in the United States. This is assuming an export of corn of 850 million bushels.

In 1971-72 we used 149 million tons. These were the big years. In 1970-71 we used 138.9. So the shortfall this year was not large compared to 1970-71. It is very much in line with the availability for years prior to 1969-70. On the basis of animal numbers, the bushels of corn-per-animal are substantially smaller than the last 3 years, but bigger than we ever used in any year preceding that. So it is sort of like someone asking a man how his wife was, and he says, compared to what? Now, compared to recently, it is a tight fit on feed grains.

How do we cope? The first line, you cut down the rate of concentrate feeding to cattle. This means putting cattle in the feedyard at heavier weights and keeping them a shorter period of time and putting less finish on them. What this really will do to the total supply of beef is not clear, because cattle numbers have been increasing very rapidly. They are troublesomely high. Feeder cattle prices are low. We may consume a lot of grass fat cattle. If we run into forage problems, we will liquidate some cattle numbers and raise the consumption of beef.

The second way to cope is in cutting back on hog production. This will take time. Like everyone else, I guess, I will watch the September pig crop estimate very closely. The general consensus at Ames yesterday was that the spring pig crop, May 1974-75, would be down about 10 percent. I think it might be down somewhat more than that. So it will cut back on pork availability.

I do not think we will cut back broiler production as much as we do cattle and hogs, because broilers are extraordinarily efficient converters to feed. I think we will probably use scarce feed there.

I think what this adds up to—

Senator HUDDLESTON. Would that be true with eggs, too?

Dr. HIERONYMUS. Yes, it is, because, you see, eggs—we have faced a declining demand for eggs for years, declining per capita consumption because people prefer other things. But when it gets right down to trying to get an adequate amount of proper food at the lowest possible cost, eggs is a very good way to do it. I think the market will behave in a way that will make this possible.

What it gets down to as a matter of consequence, I think, is that we probably face some reductions in per capita consumption of meat.

It may go as low as the level of 1968 or 1969, which were, at that time, of record size. It will be very much above the 10 years ago per capita meat consumption. So I really just cannot get greatly alarmed about the nutritional consequences of shortfalls in feed grain supplies. It may be helpful to the cattle industry. We have got very big numbers, and any time we top out cattle prices there is going to be trouble. So if we have to slaughter some light cattle, this will solve some problems.

Senator HUDDLESTON. What is the net result to the feeder if he sells light animals for slaughter? He is selling on a per-pound-basis. There are going to be less pounds even if the price is up a little bit per pound. Is he still going to receive essentially the same return?

Dr. HIERONYMUS. No, he will take a lesser return.

Senator HUDDLESTON. He will feed less, of course.

Dr. HIERONYMUS. Yes. The feeder cattle in Kentucky have been lately selling much cheaper than earlier. There simply is not a demand for them to go into in feedyards because feed costs are high. It is necessary to get feed costs high enough to squeeze the feedyard operators down enough so that they will restrict feed use to the available supply. Somehow we have got to discipline the use of concentrates down to the available supply. This puts the squeeze on feeders. We have got to force some hog producers to market more sows and breed fewer sows. They get stubborn about this and let their margins get down pretty low.

Senator HUDDLESTON. What does that do to the demand and the available supply after they have reached the point where they are feeding fewer and breeding fewer? Are they going to create a shortage?

Dr. HIERONYMUS. Of meat?

Senator HUDDLESTON. Of meat.

Dr. HIERONYMUS. A shortage compared to 1972; yes. I do not really think a shortage compared to 1973. It will be abundance compared to any year prior to 1969. Now, I guess the biggest unknown beside what the next crop report is going to show is how consumers will react. Consumers have been over a rocky road in the past 2 years. For the first time in 20 years we did cut back in 1973 on the availability of meat per capita. They fought this with great vigor, they chased the—there was no way that they could consume as much because there was not as much—they chased this with great vigor, and drove prices up. We got into consumer boycotts in the spring of 1973. Then we kicked the whole thing into a welter of confusion with an assortment of price controls. So consumers lost their good sense of how to spend their money, and went after things before they ran out. They filled up their freezers. The cattlemen held the cattle back and got them too heavy, and the hog growers held hogs back until they got too heavy. Then the whole thing hit the market, and crashing down came prices.

I do not know how consumers will react to the next go-around. They can take their reductions gracefully, and get by at moderate prices, or they can aggressively pursue a restricted supply and bid prices up. They have got to make some choices.

In some exasperation last October, at a question and answer session at a meeting, I said I really thought consumers might behave with reasonably good sense, that when housewives went down the

meat counter and found that a T-bone steak cost as much as a bottle of scotch she would make a wise choice, pass up the meat and buy the scotch. The fact is that we do not need to consume so much meat.

Senator HUDDLESTON. Do they get the same amount of protein that way?

Dr. HIERONYMUS. I do not think people really buy meat for its protein. Hamburger will solve the problem.

Senator HUDDLESTON. Do you characterize the Department's statement today as optimistic, pessimistic, or realistic?

Dr. HIERONYMUS. I might say with fingers crossed that the release on September 11 stands up for one thing. Reading between the lines in it I think they obviously expect higher agricultural prices and higher food prices than they expected before adverse weather came into being. I think that this can be coped with by the market rather simply.

Senator HUDDLESTON. We have had suggestions that corn may go to \$4 a bushel. Do you have any comments?

Dr. HIERONYMUS. Before I went out to Ames—I had to do this before the crops estimates came out—I was using 5.1 billion bushels of corn, and I was kicking around the \$4 a bushel as a kind of a workable price of corn. It comes out, to put it to a feed cost basis, and this comes out \$44.50 for hogs, and that is about an 82 cent pork loin. I think above 82 cents the consumers balk. \$4 is a good ball-park figure, yes.

Senator HUDDLESTON. I think that is all the questions I have.

Dr. HIERONYMUS. If I might, in hearing what I have since I have been down here, the crux of this matter may well relate to export restrictions. I think there should be no export restrictions. More importantly, I think it should be made clear at this time so that markets can function without this additional kind of uncertainty. I would list four points.

First, I think that is in the best interests of U.S. foreign policy to maintain free international trade.

Second, I think it is important to U.S. agriculture that long run export be increased; we need export markets badly. Any reductions at this time will hurt us in the long run.

Third, I think farmers have a right of access to the highest profit market that are available. If these are exports, then they should have them. They need higher prices this year to compensate for lower yields.

Finally, I think that reductions in feed grain use are not nutritionally serious. They will cut meat consumption moderately, but it will remain quite high.

Senator HUDDLESTON. Thank you very much. I appreciate that fine presentation.

Is Mr. Harp still with us?

Mr. Harp, will you identify yourself for the reporter?

**STATEMENT OF ELBERT HARP, EXECUTIVE DIRECTOR,
GRAIN SORGHUM PRODUCERS ASSOCIATION, LUBBOCK,
TEX.**

Mr. HARP. Mr. Chairman, I am Elbert Harp. I am Executive Director of the Grain Sorghum Producers Association of Lubbock, Tex., and also a farmer.

In the interest of time I will just submit my statement. I would like to have it included in the record.

Senator HUDDLESTON. It will be included in its entirety in the record.

Mr. HARP. I will not go into it, except I will make myself available for any questions that you might have.

There is one point I would like to bring out that was touched on by the previous speaker that I made a point of in my printed statement. That is that the deficiencies in the feed grain this year are partially, at least, overshadowed—or undergirded, I might say—by the fact that we do have a surplus of cattle.

Now, these surplus cattle represent a food supply that is already converted into food. So this is one thing I would like to make a point of, and it is already converted at the ratio of 6 to 1.

Senator HUDDLESTON. And available.

Mr. HARP. And available for food immediately.

Senator HUDDLESTON. What direct relationship do you find between the shortage of corn and the price of corn and the price of sorghums?

Mr. HARP. Well, of course, I think it has been brought out today that with a short supply like we have now the prices will be strong. I think the prices will be related in comparison to the shortage; in the price of fat cattle as to how high they can go, because naturally as the price of feed goes up, it drives a wedge between the cattle feeder and also the rancher, calf operator. When this wedge is driven in, either the top has to move upward, in the price level, or it puts a reduction in the price of feeder cattle; there is no doubt about it. The demand of beef at higher price levels will determine how much grain will be fed and how high the price of grain will be.

Senator HUDDLESTON. Do you have any position on the question of changing the grading procedure to allow higher weight cattle?

Mr. HARP. Of course, this is something that I intended to bring up in my statement. But being a feed grain producer and normally liking to sell lots of grain, I decided not to. However, I do think that this year the system will be put into effect somewhat, even without the grading changes, because I am a cattle feeder myself, and I know the lack of feed will cause this.

In our feeding program we are cutting back on the number of days that the cattle will be in the feedlot; we are buying a heavier animal to go in. Therefore, the total amount of grain that will be fed our animals will be roughly 30 percent less, or maybe even more than that. They will come out a good grade of beef, but not a high choice, or prime beef.

Senator HUDDLESTON. Does that improve your profitability considerably?

Mr. HARP. I think it is the only way that we can stay in business. I am not too sure of any profitability at this point. But the only way that we can stay in business at all, is because, as Mr. McMillan pointed out earlier today, of the higher level of feeding. Those last 30 days in the feedlot are the ones that really go through the ceiling as far as cost of the production is concerned. So by cutting off that 30 days, it will cut down on the total cost of production to where it will help us stay in business, and hopefully make a profit.

Senator HUDDLESTON. Is the principal reason that the cattle were slaughtered at the heavier weight just grading policies?

Mr. HARP. Well, this has been the practice in the past. With the price relationship that we have had, it has been possible to go ahead and feed these cattle to a higher weight with a profit. Even though they were paying a higher price for feeder cattle in those days, the more they fed them the more they rolled back the original cost. So this encouraged it. Then during the price freeze situation of last summer and fall this caused the cattle to be fed heavier in anticipation that the price would go up, which it did not; it went the other way instead.

So that caused that much more feeding and extra heavy feeding during that period of time, which was a mistake.

Of course, when we have a situation like we have this year no one really profits. The average citizen may look to the farmer and say how those farmers are really going to get rich with \$5 or \$6 grain sorghum and \$3½ to \$4 corn. Well, this is not the case, because with our production being down 34 percent over the normal yield, we have cost studies, Mr. Chairman, here on the production of grain sorghum throughout the State of Texas, which is the largest grain producing State, and these cost studies were conducted by Texas A&M University through their land grant college system and their county agents and all. These studies show the cost of production based on March 1 average cost ranging from about the lowest area of about 2.28 for that range up to about \$5 and \$5.25 for 100 pounds.

Senator HUDDLESTON. Are they part of your statement?

Mr. HARP. No, but I would like to submit them if you would like to have them.

Senator HUDDLESTON. We will include those in the record.

[The document referred to follows:]

GRAIN SORGHUM, IRRIGATED, TEXAS HIGH PLAINS II REGION
ESTIMATED COSTS AND RETURNS PER ACRE
TYPICAL MANAGEMENT

	Unit	Price or cost/unit	Quantity	Value or cost
1. Gross receipts from production grain	Cwt	\$3.96	57.00	\$225.72
Total				<u>225.72</u>
2. Variable costs:				
Preharvest:				
Seed	Lbs .....	.27	10.00	2.74
Fert (200-60-0)	Acre	29.30	1.00	29.30
Herbicide	Acre	5.50	1.00	5.50
Insecticide	Acre	2.90	2.00	5.80
Machinery	Acre	3.18	1.00	3.18
Tractors	Acre	5.72	1.00	5.72
Irrigation machinery	Acre	15.48	1.00	15.48
Labor (tractor and machinery)	Hour	2.60	4.39	11.42
Labor (irrigation)	Hour	2.60	2.21	5.76
Interest on operating capital	Dol .....	.10	33.29	3.33
Subtotal, pre-harvest				<u>88.23</u>
Harvest costs:				
Custom combine	Cwt .....	.37	57.00	21.09
Custom haul	Cwt .....	.10	57.00	5.70
Subtotal, harvest				<u>26.79</u>
Total variable cost				<u>115.02</u>
3. Income above variable costs				110.70
4. Fixed costs:				
Machinery	Acre	6.05	1.00	6.05
Tractors	Acre	4.51	1.00	4.51
Irrigation machinery	Acre	13.50	1.00	14.04
Land (net rent)	Acre	50.22	1.00	50.22
Total fixed costs				<u>74.83</u>
5. Total costs				<u>189.85</u>
6. Net returns				3.33 cwt <u>36.41</u>

Crop share ($\frac{1}{3}$) less 80 percent of irrigated fixed costs, $\frac{1}{3}$ fertilizer, insecticide, hauling. Projected, May 1974.
Budget identification number—073 2500 250 0.
Annual capital month 10.

GRAIN SORGHUM, IRRIGATED, TEXAS HIGH PLAINS II REGION
ESTIMATED COSTS AND RETURNS PER ACRE
TYPICAL MANAGEMENT

Operation	Item No.	Date	Times over	Labor hours	Machine hours	Fuel, oil, lub., rep. per acre	Fixed costs per acre
Shredder 4R	2,54	Nov	1.00	0.199	0.160	0.17	\$0.32
Tandem disc	48	Nov	1.00	0	.159	.07	.20
Do	4,48	Nov	1.00	.199	.159	.07	.20
Pickup	10	Nov	0.10	.125	.100	.19	.13
Chisel	2,38	Dec	1.00	.242	.193	.05	.14
Harrow	62	Dec	1.00	0	.139	.01	.05
Pickup	10	Dec	.10	.125	.100	.19	.13
Do	10	Jan	.10	.125	.100	.19	.13
Offset disc	2,50	Feb	1.00	.199	.159	.11	.28
Tandem disc	4,48	Feb	1.00	.199	.159	.07	.20
Pickup	10	Feb	.10	.125	.100	.19	.13
Float	4,40	Mar	2.00	1.466	1.173	.36	2.84
Lister, 6-R	2,72	Mar	1.00	.122	.098	.03	.07
Pickup	10	Mar	.10	.125	.100	.19	.13
Rolling cult (6R)	4,32	Apr	1.00	.151	.121	.11	.18
Pickup	10	Apr	.10	.125	.100	.19	.13
Rod weeder	4,56	May	1.00	.122	.098	.01	.03
Lister, 6-R	2,72	May	1.00	.122	.098	.03	.07
Flex planter 6R	44	May	1.00	0	.154	.06	.10
Herb sprayer	68	May	1.00	0	.121	.08	.05
Pickup	10	May	.10	.125	.100	.19	.13
Tool bar, 6-ROW	4,70	June	1.00	.122	.098	.01	.02
Pickup	10	June	.10	.125	.100	.19	.13
Do	10	July	.10	.125	.100	.19	.13
Do	10	Sept	.10	.125	.100	.19	.13
Totals				4.394	4.088	3.18	6.05

Crop share ($1/3$) less 80 percent of irrigated fixed costs, $1/3$ fertilizer, insecticide, hauling. Projected, May 1974.
Budget identification number—073 2500 250 0.
Annual capital month 10.

GRAIN SORGHUM, DRYLAND, TEXAS BLACKLAND REGION
ESTIMATED COSTS AND RETURNS PER ACRE
TYPICAL MANAGEMENT
[Based on average yield of 3,000 pounds]

	Unit	Price or cost/unit	Quantity	Value or cost
1. Variable costs:				
Preharvest:				
Fert (60-40-0)	Acre	\$19.20	1.00	\$19.20
Fertilizer application rent	Acre	1.25	1.00	1.25
Seed	Lbs	0.28	7.20	2.02
Herbicide	Acre	2.43	1.00	2.43
Insecticide plus application	Acre	1.87	1.00	1.87
Machinery	Acre	2.56	1.00	2.56
Tractors	Acre	4.97	1.00	4.97
Labor (tractor and machinery)	Hour	1.60	3.41	5.46
Interest on operating capital	Dol	.09	19.23	1.73
Subtotal, Pre-harvest				41.49
Harvest costs:				
Custom combine	Cwt	.23	30.00	6.90
Custom haul	Cwt	.15	30.00	4.50
Subtotal, harvest				11.40
Total variable cost				52.89
2. Income above variable costs				
				67.11
3. Fixed costs:				
Machinery	Acre	3.67	1.00	3.67
Tractors	Acre	3.96	1.00	3.96
Land (net rent)	Acre	28.88	1.00	28.88
Total fixed costs				36.51
4. Total costs				
				89.40
				2.98 cwt.

* Grain sorghum rotated after cotton. Land charge calculated using landlord share at $\frac{1}{3}$ of gross income less $\frac{1}{3}$ of fertilizer, insecticide, harvest and haul. Projected, 1974.

Budget identification number—02015120 601 0.

Annual capital month 7.

GRAIN SORGHUM, IRRIGATED, TEXAS EL PASO REGION
ESTIMATED COSTS AND RETURNS PER ACRE
TYPICAL MANAGEMENT
[Based on average yield of 3,000 pounds]

	Unit	Price or cost/unit	Quantity	Value or cost
1. Variable costs:				
Preharvest:				
Seed	Lbs	\$0.32	8.00	\$2.56
Fert (100-50-0)	Acre	17.66	1.00	17.66
Insecticide	Acre	3.50	1.00	3.50
Other irrigation labor	Hour	2.00	4.00	8.00
Custom fertilizer application	Acre	1.10	1.00	1.10
Machinery	Acre	2.72	1.00	2.72
Tractors	Acre	7.68	1.00	7.68
Labor (tractor and machinery)	Hour	2.00	5.25	10.51
Interest on operating capital	Dol	.09	15.64	1.41
Subtotal, pre-harvest				55.13
Harvest costs:				
Custom combine	Acre	9.00	1.00	9.00
Custom haul	Cwt	.13	30.00	3.75
Subtotal, harvest				12.75
Total variable cost				67.88
2. Income above variable costs				
3. Fixed costs:				
Machinery	Acre	5.13	1.00	5.13
Tractors	Acre	3.50	1.00	3.50
Taxes (land, water)	Acre	25.00	1.00	25.00
Land (net rent)	Acre	750.00	0.07	56.25
Total fixed costs				89.88
4. Total costs				
				157.76
				5.25 cwt.

Budget identification number—073 7300 750 0. Revised, Feb. 18, 1974.
Annual capital month 9.

GRAIN SORGHUM, IRRIGATED, TEXAS TRANS-PECOS REGION
ESTIMATED COSTS AND RETURNS PER ACRE
TYPICAL MANAGEMENT
[Based on average yield of 3,500 pounds]

	Unit	Price or cost/unit	Quantity	Value or cost
1. Variable costs:				
Preharvest:				
Seed	Lbs	\$0.32	7.00	\$2.24
Fert (100-50-0)	Acre	23.75	1.00	23.75
Custom fertilizer application	Acre	1.50	1.00	1.50
Machinery	Acre	2.73	1.00	2.73
Tractors	Acre	7.06	1.00	7.06
Irrigation machinery	Acre	30.24	1.00	30.24
Labor (tractor and machinery)	Hour	2.50	5.16	12.89
Labor (irrigation)	Hour	2.50	3.44	8.61
Interest on operating capital	Dol .....	.09	32.76	2.95
Subtotal, pre-harvest				91.96
Harvest costs:				
Custom combine	Acre	9.00	1.00	9.00
Custom haul	Cwt .....	.15	35.00	5.25
Subtotal, harvest				14.25
Total variable cost				106.21
2. Income above variable costs				
				60.04
3. Fixed costs:				
Machinery	Acre	3.26	1.00	3.26
Tractors	Acre	3.85	1.00	3.85
Irrigation machinery	Acre	22.96	1.00	22.96
Land (net rent)	Acre	300.00	.07	21.00
Total fixed costs				51.07
4. Total costs				
				157.28
				4.49 cwt.

Budget identification number—073 8300 750 0. Revised, March 1974.
Annual capital month 10.

Mr. HARP. The point I would like to make is, these are based on normal yields. With a 30 percent production in yield, you can add at least a 30 percent average cost of production. So there are very few farmers that will be wearing a wide smile because of the high price of grain because of the fact that they do not have much of it to sell.

Senator HUDDLESTON. Do you have any recommendations for action that the Government ought to take immediately to alleviate the situation as it is now?

Mr. HARP. Mr. Chairman, I feel that the law of supply and demand will pretty well take care of the situation, and those that really are in need of the grain will be able to get all that they need during the coming year. We do know that the exports of grain will probably be down. Incidentally, I am chairman of the U.S. Feed Grains Council this year. We have our offices throughout the world, and this is the report that we get from our foreign buyers, especially as to the prices that they expect to have to be paying this year. So as we see a reduction in the domestic consumption, and also the export sales, why it looks to me like we may be in pretty good balance for the coming year, at the price levels that we will be seeing.

Senator HUDDLESTON. Thank you very much, Mr. Harp. I appreciate your coming.

Mr. HARP. Thank you.

[The prepared statement of Mr. Harp follows:]

STATEMENT OF ELBERT HARP, EXECUTIVE DIRECTOR, GRAIN SORGHUM PRODUCERS ASSOCIATION, LUBBOCK, TEX.

Mr. Chairman and Members of the Committee: My name is Elbert Harp, I am a farmer from Abernathy, Texas, and Executive Director of Grain Sorghum Producers Association. I appreciate the opportunity of expressing the views of grain sorghum producers in this matter of export controls. I am here today to strongly oppose any action that would place an embargo or limit on the amount of grain that can be exported.

Grain Sorghum Producers Association believes that it will be detrimental to restrict such exports—not only economically, but morally and politically as well.

There is no doubt that we will have a very tight grain supply this year and the livestock industry will curtail its feeding to some extent due to lack of adequate supplies. However, let me hasten to point out that within the United States, Asia and Europe there is a surplus of cattle and other livestock. Because of this surplus, we do not believe that there is or will soon be any real scarcity of food in this country. The current surplus of livestock is the equivalent to a feed supply, except that it is feed which is already in the form of beef, pork, poultry and other types of meat animals. For each pound of surplus livestock that now exists, six pounds of feed have already been converted into meat. Therefore, the short supply of grain will help to eliminate further surpluses of livestock caused by overfeeding, but not to the extent of creating food shortages.

To impose export controls on grain would destroy the credibility of the United States to our trading partners around the world. Our Association and the U.S. Feed Grains Council, of which I am presently serving as Chairman, in cooperation with the U.S. government, has been working for fifteen years in developing markets overseas for our grain. We have assured our customers that they could count on us as a dependable supplier. This market development has provided the U.S. farmers and economy with one of the best sources of revenue, which has been essential to keep our economy going. Agricultural products are the best balance of payment tool that we have today. The income from export of grain sales last year was in excess of two billion dollars. Economically, these exports are essential to United States farmers and to the United States economy as a whole.

Morally, we are committed to supply the needs of the people throughout the world, with whom we have been trading and assuring them of a constant supply of food, Japan, Israel, India, and all of the other countries to whom we sell grain sorghum and other feed grains, are dependent upon us for a large portion of their food supply. To close the export gates would be closing off their major source of food. We feel that this would not only be economically unsound, but morally wrong.

Export restrictions on the world's food supply would also have serious political repercussions. At a time when trust in the United States government is needing a boost instead of further setbacks, we feel that imposing an embargo on export of agricultural products would jeopardize our political negotiations with other nations. To destroy the credibility of our assurances of food supplies to our customers would destroy all confidence of our friends around the world toward the United States, and justifiably so. We can think of nothing that would bring us closer to the brink of war than to impose a severe export control on the world's food supply.

Our Association did not seek export controls on fertilizer, farm machinery, and other agricultural inputs this past year, although shortages of these products hampered our production efficiency and capability. The reason we did not ask for export restrictions was that we believe in the principles of free trade. Our only complaint was that, while prices were frozen on some products, such as fertilizer, for sale within the United States, they were not frozen on exports, which put us at a disadvantage to our foreign competitors.

Because of the surplus livestock conditions throughout the world, we expect the consumption of feed grains to be less—both in domestic and in export sales—even if we had surplus grain conditions. With the short crop, there will no doubt be a tight grain supply, but we still feel that there will be adequate supplies to fill all serious needs.

Mr. Chairman, we urge you and your Committee not to recommend any serious restrictions on the export of agricultural products from the United States.

Thank you.

Senator HUDDLESTON. Mr. George Watts.
Will you identify yourself for the reporter?

STATEMENT OF GEORGE B. WATTS, PRESIDENT, NATIONAL BROILER COUNCIL

Mr. WATTS. George Watts, president of the National Broiler Council.

Senator, I have a complete statement for the record. In the interest of time I would like to excerpt a few brief passages from that.

Senator HUDDLESTON. Go right ahead.

Mr. WATTS. The broiler producers were already in a crippling loss position before the release of August crop estimates. Our industry has been operating at a loss since January. While expecting the worst, we were quite frankly not prepared for the crop report that came out earlier this week.

Industry losses over the past 30 days have averaged 4 to 5 cents for each pound of broiler meat sold. The outlook for the future is even more bleak.

Figures released yesterday by USDA indicate that broiler production for the last week of October will be down 12 percent from last year's level. This represents a reduction of over 23 million pounds of broiler meat coming to market in a single week. These production figures that the USDA reported are egg set figures that came out just yesterday.

The new crop estimates can only create further uncertainty in the broiler industry resulting in even less production and more financial instability. This, we feel, is in the interest of neither producers nor consumers.

In view of these circumstances, the National Broiler Council supports Chairman Talmadge's call to immediately consider "action which will alleviate the effects of the projected short grain . . . stocks." As the Chairman stated to the Senate when he called for this hearing:

" . . . it is imperative for us to establish priorities in order to minimize our losses.

"We must put the people of this country first. We must now respond in a planned, calculated manner to the fact that both floods and drought have laid waste to a large portion of our food supply this year.

"It is imperative that we begin to monitor more closely our stocks of wheat, feed grains, and soybeans.

"Before it is too late, we must consider equitable measures to meet domestic needs without doing irreparable harm to our friendly trading partners abroad."

We think it is sensible, not selfish, to put the needs of American consumers and producers first.

Congress and the Department of Agriculture should prepare themselves now to take the measures which may well become necessary if available supplies appear certain to be inadequate. Every day counts. We recommend that USDA use every available resource to compile an interim emergency crop report to provide information on the effect of the recent rains in the major grain-producing States.

In addition, we feel that the Department of Agriculture should begin now to develop alternate strategies which may well become necessary. The advantages and disadvantages of proposals such as export controls, export licensing, and voluntary purchasing limitations by foreign nations should all be documented and publicly discussed.

The opposition of the Department of Agriculture to export controls is well known. Some observers feel that USDA has adopted a "business as usual" attitude, whereby no alternatives to unlimited exports are seriously considered. We sincerely hope this is not indeed the Administration's policy.

In closing, I would just add that we come here today representing not only what we believe to be the best interest of our industry but also what we believe is the best interest of our customer—the American consumer.

Senator HUDDLESTON. What do you anticipate the effect would be if corn goes to \$4 a bushel?

Mr. WATTS. As far as price of broiler meat is concerned, I cannot give you a definite figure. Corn has gone up recently, and we are still producing at 4 and 5 cents below the cost of production per pound. Yesterday broilers sold for 36 cents a pound in New York.

Senator HUDDLESTON. How are they priced? Is it on a bidding market?

Mr. WATTS. It is on an ask and bid basis. We have no control whatsoever over the price we receive for the product. But, of course, the competing red meat situation and the available supplies of poultry products set the price pretty well. With the cutbacks in production that are underway now, we would have to anticipate an increase in price in future months. We cannot guarantee it.

Senator HUDDLESTON. You, of course, tend to favor some sort of export restriction when the supply gets extremely tight locally?

Mr. WATTS. Yes, sir.

Senator HUDDLESTON. Do you have any idea of the kind of mechanism that you would use, or what the level would be that would trigger the controls?

Mr. WATTS. At this point our organization is not prepared to call for export controls as such. But I think what we are doing is saying the same thing that Senator Talmadge said. Basically, we feel that we

must explore alternatives. We are not sure what the best approach would be. We feel that the Department of Agriculture should be prepared. I cannot set a specific price for corn, but we certainly might be reaching that point pretty soon.

Senator HUDDLESTON. How far in advance do most broiler producers attempt to buy their feed?

Mr. WATTS. It depends on what the situation is. If they can lock into a profit, they would, of course, buy it well in advance. But there has not been an opportunity since this calendar year began in January to lock into any type of profit at all. So they have not been buying corn that far in advance. You have a few exceptions, but by and large, they do not.

Senator HUDDLESTON. May I ask you how many have gone out of business?

Mr. WATTS. We know that one major broiler producer over on the Eastern Shore has filed bankruptcy. We know that certain broiler producers are closing complexes, one operation; but not the entire operation. But we feel that a number are just hanging on, and very close to economic collapse.

Senator HUDDLESTON. You were having a problem—or your industry was, as pointed out—even before the anticipated shortage of corn was known. What is the effect now with that added on top?

Mr. WATTS. It can only be described as catastrophic for us. As you pointed out, we were in trouble before this started, and it can only be much worse. That is the reason why we are concerned.

Senator HUDDLESTON. Senator Humphrey.

Senator HUMPHREY. I just wanted to see if I clearly understand the position of the broiler industry.

You believe that the Department of Agriculture should be in the process now of recommending a contingency plan, so to speak, in case the situation deteriorates, is that correct?

Mr. WATTS. That is correct, Senator.

Senator HUMPHREY. In other words, as you put it, to explore alternatives?

Mr. WATTS. Yes, sir.

Senator HUMPHREY. Do you feel, in response to my question to Mr. Yeutter, that they were doing that?

Mr. WATTS. I did not get an indication that they were actively exploring alternatives; no, sir.

Senator HUMPHREY. I did not either. I got the indication that they were supposedly improving their monitoring. But that is just dealing with the current situation, not with the possibilities of any downturn in production of feed grains or corn.

Mr. WATTS. We still feel there is an opportunity to further improve the monitoring situation.

Senator HUMPHREY. Mr. Chairman, may I ask, do you have any representative of the Department of Agriculture that stayed in this room during all this testimony?

Mr. MCLEOD [General counsel and staff director]. I am not aware of one.

Senator HUMPHREY. I feel that this is what happens sometimes. We have some people that come from the field like this gentleman, and they say things that make an awful lot of sense, because they are representing people whose economic lives are on the line. I sometimes

wonder if the Department ever sees the testimony. I just bring that into the record here.

Senator HUDDLESTON. I think it is a good point.

Senator HUMPHREY. I am sure we give them an analysis, do we not?

Mr. MCLEOD. We send them the record, and they do their own analysis.

Senator HUDDLESTON. Stamp "important" on it.

Senator HUMPHREY. What share of the American income is derived from the broiler industry?

Mr. WATTS. Senator, I cannot give you a figure on that. We use between 5 and 10 percent of the corn crop. But I cannot give you a figure.

Senator HUMPHREY. Between 5 and 10 percent?

Mr. WATTS. Yes, sir.

Senator HUMPHREY. There is not much way you can cutback on feed, is there; not like in the cattle industry?

Mr. WATTS. No, sir. We cannot graze the broilers. We cannot sell our corn. So, we have no opportunity to make any change other than to cutback on production.

Senator HUMPHREY. Our turkey people, Mr. Chairman, are affected the same way here.

Mr. WATTS. Senator—the turkey people—if anybody is in worse straits than the broiler industry, I think it is the turkey people.

Senator HUMPHREY. I know. We produce the largest number of turkeys in the United States in Minnesota, and all the turkey producers think they are now my friends, or enemies, depending on how things go. It is really incredible.

Senator HUDDLESTON. They will think about you on Thanksgiving.

Senator HUMPHREY. Thank you very much. That is all.

Senator HUDDLESTON. Thank you very much.

Mr. WATTS. Thank you, sir.

[The prepared statement of Mr. Watts follows:]

STATEMENT OF GEORGE B. WATTS, PRESIDENT NATIONAL BROILER COUNCIL

The National Broiler Council is a non-profit trade association representing the producer-processors of more than 75 percent of all broiler-fryer chickens produced and consumed in the United States.

I am pleased that the Senate Committee on Agriculture and Forestry has taken the initiative in seeking to determine a course of action to deal with a potentially disastrous situation indicated by sharply reduced crop estimates.

Broiler producers were already in a crippling loss position before the release of August crop estimates. Our industry has been operating at a loss since January. While expecting the worst, we were quite frankly not prepared for the news that USDA is now projecting a 4.966 billion bushel corn crop and 1.3 billion bushel soybean crop.

Industry losses over the past 30 days have averaged four to five cents for each pound of broiler meat sold. The outlook for the future is even more bleak.

Broiler production is totally dependent on supplies of feed grains. Since the diet of a broiler chicken is approximately 60 percent corn and feed represents approximately two-thirds of the cost of producing a broiler, the results of the latest crop report showing a decline in estimated corn production over a period of two months from 6.7 to 4.9 billion bushels can only be described as catastrophic for our industry.

Broiler production is highly responsive to the availability of competitive meats and the cost of feed ingredients. In the first four months of 1974, broiler production was substantially above 1973 levels. As feed ingredient costs began to climb and industry losses continued to mount, broiler placements began to fall. During the summer months broiler production dropped to 1973 levels. Figures released yesterday by USDA indicate that broiler production for the last week of October will be down 12 percent from last year's level. This represents a reduction of over 23 million pounds of broiler meat coming to market in a single week.

The combination of high costs and reduced production is steadily eroding the industry's equity base. One major broiler producer has already entered bankruptcy proceedings and the survival of many other firms is in peril.

The new crop estimates can only create further uncertainty in the broiler industry resulting in even less production and more financial instability. This is in the interest of neither producers nor consumers.

I have described the broiler industry's heavy dependence on feed grains and the precarious financial situation of many broiler producer-processors. In view of these circumstances, the National Broiler Council supports Chairman Talmadge's call to immediately consider "action which will alleviate the effects of the projected short grain . . . stocks." As the Chairman stated to the Senate when he called for this hearing:

. . . it is imperative for us to establish priorities in order to minimize our losses.

We must put the people of this country first. We must now respond in a planned, calculated manner to the fact that both floods and drought have laid waste to a large portion of our food supply this year.

It is imperative that we begin to monitor more closely our stocks of wheat, feed grains and soybeans.

Before it is too late, we must consider equitable measures to meet domestic needs without doing irreparable harm to our friendly trading partners abroad."

We think it is sensible, not selfish, to put the needs of American consumers and producers first. Neither consumers, nor producers can afford the inflated prices which will result if speculators are allowed to trade on the prospect of uncertainty and inaction. Sharp speculative increases in the cost of feed ingredients will fuel an already unacceptable level of inflation.

As producers of poultry we believe that all agricultural producers are entitled to a fair price and a fair profit. However, if the prices of grain are now driven much higher than their present levels, many broiler producers will be forced out of business. If this happens the nation's grain farmers will lose domestic markets, and this will damage their price and profit outlook for years to come.

Congress and the Department of Agriculture should prepare themselves now to take the measures which may well become necessary if available supplies appear certain to be inadequate. Every day counts. The next crop report will not be available for another four weeks. We recommend that USDA use every available resource to compile an interim emergency crop report to provide information on the effect of the recent rains in the major grain producing States.

In addition the Department of Agriculture should begin now to develop alternate strategies which may well become necessary. The advantages and disadvantages of proposals such as export controls, export licensing, and voluntary purchasing limitations by foreign nations should all be documented and publicly discussed.

The opposition of the Department of Agriculture to export controls is well known. Some observers feel that USDA has adopted a "business as usual" attitude, whereby no alternatives to unlimited exports are seriously considered. We sincerely hope this is not indeed the Administration's policy. If unlimited exports are the best policy for American producers and consumers, thorough examination of every possible alternative will merely confirm the wisdom of that policy. But if unlimited exports are not the best policy, Congress and the Administration must be thoroughly prepared to adopt the best available alternative.

As Chairman Talmadge has stated so well: "By moving now, there is a leeway that will not exist if we follow a course of inaction until our food supply has sailed for distant shores . . . If we are not careful, it will not be long before our livestock, poultry and dairy industries collapse and the housewife rebels."

We come here today representing not only what we believe to be the best interest of our industry but also what we believe is the best interest of our customer—the American consumer.

Senator HUDDLESTON. We have a vote on, and we are down to the last witness.

I have a statement by the National Milk Producers Federation to be put in the record at this time.

[The statement of the National Milk Producers Federation follows:]

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

The National Milk Producers Federation is a national farm commodity organization representing the dairy cooperative marketing associations and their dairy farmer members across the nation.

The dairy industry of the nation is a major market for the feed and forage crops produced on the farms of this country. Since feed costs represent 50 percent or more of the cost of producing milk, dairy farmers are vitally concerned with crop production because, in many areas, they produce little or no feed themselves.

The U.S. Department of Agriculture Crop Report issued August 12 raises new and serious questions for animal agriculture already hard-pressed economically. There can be no question that the reduced crop production now anticipated will mean increased production costs for dairy, beef, pork, sheep and poultry producers. Regardless of the response to this situation, it will also mean increased food costs to the American consumer.

This is undoubtedly the most serious food policy issue to face our nation in many years. Our response to it can well determine the direction of food policy for years to come.

The National Milk Producers Federation has never advocated a "cheap feed" policy. Many dairy farmers are also producers of grain crops. Further, we recognize that the surest and best means of assuring adequate supplies of feedstuffs is the pursuit of policies under which these producers can obtain reasonable returns.

Rather than seeking to solve income problems which might confront him by lowering returns to other farmers, the dairy farmer has sought to obtain prices for his production which would permit him to meet his costs and provide for a reasonable return. In short, we do not feel that one segment of agriculture can be made whole at the expense of another.

The present situation places the dairy farmer in an extremely difficult position, however. Economically, he has not fared well for the last eighteen months or more. The milk-feed ratio is a fair measure of the profitability of the dairy business. The U.S. Department of Agriculture defines any milk-feed ratio of less than 1.5 as poor. Dairymen across the country generally consider a ratio of 1.7 to 1.8 as necessary for a reasonable level of profitability. The ratio stood right at 1.7 during the years 1970, 1971 and 1972. In December 1972, it dropped to 1.6 and hasn't risen above that since. In 1973, it averaged 1.46. Last month it stood at 1.28.

The rapid price escalation that is now taking place in response to the reduced crop estimate can only further squeeze the dairy producer.

It is with conditions of this nature in mind that dairy farmers have earnestly sought action by the Federal government to correct current depressed milk market conditions. Since April 1, the dairy farmer has seen the basic milk price across the country fall by almost 25 percent. Requests for action under the dairy price support program and the Federal Milk Market Order program have been denied in March, in May, and again in July.

Among the justifications for the denials in May and July were the arguments that the current economic squeeze for dairymen was only temporary and that dairy farmers could expect relief in the form of lower feed prices later in the year. Without commenting on the validity of those arguments, it is clear today that there will be no moderation of feed prices. It is equally clear that unless steps are taken to assist dairy producers in achieving reasonable prices, there will be a further reduced flow of milk and higher consumer prices.

Earlier this year, USDA projections showed feed use in the United States rising to 159.8 million tons during the 1974-75 marketing year. This has now been revised to reflect the decreased production estimates. The Department of Agriculture now anticipates that domestic feed use will total some 11 to 14 percent below the level of the current year. This can only mean less milk. It can only mean less meat.

Hopefully, the present shortfall in production is a short-lived phenomenon. We must take care to avoid those actions which will have long-term effects on the livestock industry of the country. If this situation results in the large scale dispersal of basic herds of dairy and beef cattle; if it results in a total departure from the business of large numbers of poultry and hog producers; it will result in much higher prices for the American consumer in the long term.

For the dairy industry, we must renew the call for actions to stabilize and increase milk prices so as to permit farmers to remain in business and to continue to produce for this market.

We would, at the same time, address ourselves to the feed industry—from the farmer-producer to the distributor—to bear in mind that your first and best market is with the American farmer. The long-term prosperity of the feed grain producer and the livestock grower are closely intertwined. We must take care not to ignore this market or to take for granted that, simply because it is here today that it always will be.

Senator HUDDLESTON. Is Mr. Leonard here?

**STATEMENT OF RODNEY E. LEONARD, EXECUTIVE
DIRECTOR, COMMUNITY NUTRITION INSTITUTE**

Mr. LEONARD. My name is Rodney E. Leonard. I am executive director of the Community Nutrition Institute.

Ms. FOREMAN. I am Carol Foreman, executive director of the Consumer Federation of America.

I will forego a statement. How much time do you have?

Senator HUDDLESTON. They are going to ring the 5-minute bell in about 2 minutes, probably; which means that we ought to go.

Since you are the only two representing this phase of the entire inquiry, I would like to give you ample time to make your complete statement. So we will go vote and come back.

Senator HUMPHREY. Mr. Chairman, if you want to go; I will preside while you are gone, and you can come right back.

Senator HUDDLESTON. We cannot do it that way. There is not enough time.

[A recess was taken.]

Senator HUDDLESTON. All right, Mr. Leonard, you may proceed in whatever way you desire.

Mr. LEONARD. Mrs. Foreman will be presenting the consumer statement.

**STATEMENT OF CAROL FOREMAN, EXECUTIVE
DIRECTOR, CONSUMER FEDERATION OF AMERICA**

Ms. FOREMAN. Mr. Chairman, we are here today representing the Consumer Federation of America, an organization of 185 consumer and consumer-related groups throughout the United States, including rural electric cooperatives, credit union leagues, State and local consumer organizations, and labor unions; Consumer Action for Improved Food and Drugs, a consumer organization providing assistance and coordination to a network of 15 local consumer groups across the country; and the Community Nutrition Institute, an organization that has worked since 1970 to aid low income consumers in communities across the country to get better nutritional services.

All of us, of course, have watched food prices go up for 3 years with mounting concern. Every time we read in the newspapers about food prices the news is bad, and it goes from bad to worse. The wholesale prices in the farm food sector rose 6.4 in July, an annual rate of 75 percent, mostly due to increases in livestock and grain prices, and, of course, now we have learned that the feed grain, wheat and soybean production are anticipated to be substantially below the optimistic early forecast by the Agricultural Department.

The consequences of this are likely to be grim, even assuming that immediate and substantial action is taken to cushion the impact on food prices. Food prices went up 22 percent in 1973. It is likely that they may rise as much as 20 or 25 percent in 1975.

Our grain reserves are gone now, and the American consumers can only ask whether our American food policy can do as much for American consumers as it did for consumers in the Soviet Union. We sent them grain to keep them from having to liquidate their livestock herd. We now wonder if the American livestock herds will have to be liquidated.

No one who is aware of the delicate condition of our balance of payments would advocate actions that would risk putting our trade account into a deficit when other options are available. Yet, we feel that it is necessary to exercise some form of farm export management within the very near future.

We would recommend that that management be in the form of a list of priorities for the use of farm commodities, and a list of priorities on farm commodities sold on the world market.

The priority uses should be a sufficient quantity of food to prevent skyrocketing prices at home and a sufficient quantity of food for underdeveloped nations to prevent wholesale starvation abroad.

We would also like to see some rational planning for the best and the worst possibilities that may come out of this present grain shortage—a monitoring of export sales, and probably other such steps as the licensing of exports.

We do not think the American consumer will stand for launching prices he has to pay in the supermarket to continue to go up; without end. I think it is hard to overestimate the anger that continues over the Russian wheat fiasco.

On the other hand, we think the American consumer is willing to pay a little more at the store in order to rescue impoverished populations from famine and death.

But it will be necessary, I think, to have the U.S. Government exercise a great deal more leadership in explaining that course of action and the necessity of that course of action than it has been willing to exercise recently.

We would like to see other courses of action taken. We would like to see the Government act to insure that funding levels for domestic food assistance programs for children, pregnant women, the poor and the ailing are increased sufficiently to overcome the higher operating costs brought on by inflation and food prices.

We believe that the Congress should restore the Food for Peace program to its original and true purpose of alleviating hunger and suffering abroad.

Finally, we think that whatever decisions are made we must emphasize that it is imperative that they be made rationally, based on the best possible data, considering all of the contingencies, taking into account the impact upon consumers and involving consumers to the maximum extent possible. We are not confident in any sense that the U.S. Department of Agriculture is willing or able to undertake this course of action.

You serve on the Investigations Subcommittee of the Government Operations Committee. It is clear from the report that your subcommittee has recently issued that the impact of the Russian wheat deal upon consumer prices in the United States was probably not considered at all. Your subcommittee was also critical of the lack of recordkeeping and openness in the decisionmaking process.

In addition to this, we have been consistently subjected over the past few years to mendacious price forecasts from USDA, the latest being that the drop in farm output will have a minimum impact, 2 to 3 percent on domestic food prices this year. The attitude of the Department has really consistently been that the public be damned. It seems to ignore the fact that the farmers are consumers too.

Let me say, parenthetically, that if the Consumer Protection Agency bill had been passed 2 years ago by the Senate; we might have had a situation where the Russian wheat deal would not have happened. I am sorry that Senator Curtis is not here so that we could discuss that issue.

We would urge that before any action is taken, that some rational planning be undertaken. We would like to know—from a source independent of the USDA—what the effect of continued unlimited and unmanaged exports will be, and what the impact of a licensing and reserve system might be. Unfortunately, I think the only way to get that information—in any rational way—is to ask the General Accounting Office to undertake such a study. We would like to urge that your committee ask that such a study be undertaken; and that you make the results known to the public in the clearest, most precise language possible; so that we will have some way to make a judgment. I think everybody here today feels that we have a little time in which to do this planning; that the terrible effects of the shortage in feed grains this year will not be felt for several months. Now is the time to see if GAO cannot put together some reasonable data from which plans can be drawn. It seems that the Department is not making any plans to take action in this area. I think, for that reason, that the Congress probably has to.

Senator HUDDLESTON. I got the impression listening to the Department representatives today that while they are interested in monitoring, they do not actually have any plan to instigate any kind of action, regardless of what kind of evidence or information they got from their monitors.

Ms. FOREMAN. I was really shocked to hear, in response to your question, that the Department intended to do nothing.

Senator HUDDLESTON. What effect do you think this high price of food, which results to some extent, of course, from shortages that we are experiencing, has on the ability of the American people to maintain an adequate diet?

Ms. FOREMAN. I think I will let Mr. Leonard answer that, since he is the nutrition expert.

Mr. LEONARD. Any time you have a sharp increase in food prices that is starting to occur—we had a 22 percent increase in 1973, and now we hope it can be held to a 20 to 25 percent range in 1974—it cannot help but have a debilitating impact on low income people, on the elderly, and on women and young children.

Senator HUDDLESTON. Dr. Hieronymus seemed to think that by selective purchases, better purchases, that they might overcome this. Is that a possibility?

Mr. LEONARD. I think that is a possibility, if you are talking about price changes in the range of 4 to 6 percent. But in the range that we are into now, what begins to happen is that you ration the available food supply, and the people who can afford it buy it, and the rationing then is absorbed by those who cannot afford it and have difficulty in maintaining an adequate diet.

Senator HUDDLESTON. What would it do to the food stamp program?

Mr. LEONARD. The food stamp program costs now about \$4 billion a year, and if you increase your food costs by a fourth, it is going to add a billion dollars to the actual cost—if you want to maintain this program, then you have to spend another billion dollars.

But overall, the Federal Government is now spending in the range of \$6 billion a year in various kinds of food assistance—food supplements. So in order to maintain that impact—it has been really a positive thing in terms of health and the Nation's economy—it is going to be another billion and a half dollars. It could be; but, I doubt if Congress would be able to do that.

Senator HUDDLESTON. Now, on Government policies that would assure our domestic supply—which in turn almost means or could mean at least some kind of restraint on exports—what suggestions have you for implementing this kind of approach without interfering with the other side of this coin; which means imports, which in turn means perhaps lower prices for the consumers on some items?

Ms. FOREMAN. We could first, set some sort of priorities and policies with regard to the need to deal with countries that are having terrible food problems. I am not sure how useful it would be to call on other nations to be reasonable in considering need, for instance, to provide food to the sub-Saharan countries in Africa.

But, I think that we can plan now to start taking steps of monitoring where the feed grains are going and perhaps installing some quotas there when it becomes clear that they are absorbing untoward amounts of feed grains. I think that the fact that it may have some impact on imports is one that we may have to live with. But if we begin to take the steps now, then we do not have to take the final step until we know that the pressures are irresistible to do so. I hate to see us go into another situation with a flat-out prohibition like we had on soybeans.

Senator HUDDLESTON. That was very detrimental to our relations in many cases.

Mr. LEONARD. Can I add a couple of comments to that?

We are right now preparing to go to Rome for the World Food Conference. From the statements that Secretary Butz is making now, it appears obvious that the Administration is going there without any intention of trying to develop some kind of emergency food reserve within the world to meet at least the real difficult problems in the developing countries. Yet, we want to maintain what they call an open market in which we trade with all the nations of the world who can buy. It would seem reasonable that if the world is facing crucial shortages in food, that we not only could get together and discuss an emergency food reserve, to assist the developing countries, and try to determine what responsibilities each country has, the Russians, the Western European Common Market, the United States, and Japan, but then also to discuss, given the available world supply of food, how that can best be handled. It would not hurt to sit down and talk about it.

Senator HUDDLESTON. Are you in favor of a grain reserve plan of some sort?

Ms. FOREMAN. Let me just say that my organization has under consideration, in committee, a lengthy policy study favoring the food reserve. We expect to issue a policy statement by the first of the year.

Senator HUDDLESTON. Anything else?

Ms. FOREMAN. Let us say a couple of things, for the record, with regard to the change in the grading system for meat; since that came up earlier this year. I think Rod can speak to that more definitively than I can.

However, in recent hearings over in the House on this issue, I am not aware that any consumer group opposed this. Most of them spoke in favor of substantially changing the meat-rating system. However, I think we feel very strongly about participating in that process. I do not mean participating to the point where you are asked to comment on regulations that are published in the Federal Register. The U.S. Department of Agriculture has less consumer participation in its decisionmaking process, at a meaningful level, than any department that I am aware of. We would like very much to see this change made. I will leave with you, for the record, a short survey that we did in the local supermarket of how people understood the grading system. The fact is that they do not understand it. One woman stated that she buys prime meat because of her husband's cholesterol problem. So, it is true that there needs to be a great deal of education about any change in the system.

Mr. LEONARD. May I just add that the House Agriculture Committee, I guess about 2 weeks ago, held hearings. Many of the same groups that came in today, also appeared there. All of them support the change in the grading system. Labor unions came in and supported it also. There is widespread agreement that the present system measures fat content. One thing that is needed in meat production is to cut down the excess production of fat, conversion of corn to fat.

Senator HUDDLESTON. Both in the production and the consumption.

Mr. LEONARD. Right. But the problem is that the recommendations that both the cattleman groups are making and the changes that the Department is getting ready to do simply widen the band for the choice grade. It brings up a certain quantity of the good grade of beef that is the leaner, less marbled meat, that has been selling at a lower price, and puts it up into the choice category. Therefore, it will be selling at a higher price. I think that if we are going to move in and do some changes in the grading system, it is necessary that they change the basis for grading. We consume beef, contrary to one of the witnesses here, for protein. We get a lot of enjoyment out of it on the way. But beef basically is the major protein source in the American diet. I think a grading system ought to measure protein so that producers who do a good job of producing protein are rewarded. I think this is what consumers want to make sure that we put into the development of that process from the very beginning.

[The prepared statement of Ms. Foreman and Mr. Leonard follows:]

STATEMENT OF CAROL FOREMAN, EXECUTIVE DIRECTOR, CONSUMER FEDERATION OF AMERICA; AND RODNEY E. LEONARD, EXECUTIVE DIRECTOR, COMMUNITY NUTRITION INSTITUTE

Mr. Chairman and members of the committee: We appreciate this opportunity to present a consumer view at this emergency hearing on the impact of what is now expected to be a substantially reduced grain harvest this year.

We are here today representing the Consumer Federation of America, an organization of 185 consumer and consumer-related groups throughout the United States, including rural electric cooperatives, credit union leagues, state and local consumer organizations, and labor unions; Consumer Action for Improved Food and Drugs, a consumer organization providing assistance and coordination to a network of 15 local consumer groups across the country; and the Community Nutrition Institute, an organization that has worked since 1970 to aid low income consumers in communities across the country to get better nutritional services.

Our organizations have watched with mounting concern for more than two years as the price of food has risen to record heights, and at record rates. Consumers last week received with dread the news that wholesale prices in the farm-food sector rose 6.4 percent in July, an annual rate of 75 percent, mostly due to increases in livestock and grain prices.

And this week comes the news that feed grain, wheat and soybean production will be sharply down below the optimistic early forecast of the Agriculture Department—news that has yet to fully sink into consumer awareness. The consequences are grim, even assuming that immediate and substantive action is taken to cushion the impact on food prices.

We can now expect food prices to rise as much as 20 to 25 percent in 1974. If the Administration continues to follow the dictates of Secretary Butz, who would sell food for American consumers to the highest bidder in the world, the price of food will rise even higher. For an Administration concerned with inflation, Mr. Butz's policies will do, and have done in the past, as much to undermine the domestic economy as any other single factor. The price of food during his tenure has led the monthly cost of living increase more times, more consistently, than any other single source of inflation.

In addition, if the U.S. continues to sell food to the highest bidders abroad as Secretary Butz would have us do, the nations of Africa in which millions of people now live at the brink of starvation will be unable to meet the price on the world market, and more millions will perish in coming months. The crushing need for food abroad is in the poor, hungry nations of the world where significant numbers of people are dying every day, not in the Soviet Union or other relatively wealthy, industrialized nations.

It is not enough to plead that the Secretary of Agriculture is a helpless victim of weather and other natural causes. Secretary Butz must take credit for engineering the Russian wheat deal, an enterprise in which the Administration not only sold wheat at bargain prices but also subsidized the Russians in the process. The wheat deal was but part of a larger Russian trade activity in which U.S. grain shipments enabled the Russian Government to, among other things, avoid curtailing food supplies and prevent large scale liquidation of livestock.

American grain reserves are now gone, and American consumers can only ask whether American food policy can do as much for consumers in the U.S. as it appears willing to do for consumers in the U.S.S.R. Will livestock herds in the U.S. have to be liquidated because of the tightening supply of feed? What action will the government take to minimize the impact of short grain supplies on food prices—both at home and in starving nations in the developing world?

No person who is aware of the delicate condition of the U.S. balance of payments would advocate actions that could risk putting our trade account into a deficit when other options are available. Yet exercising some form of controls over farm exports placed on the world market for sale to the highest bidder now appears to be the only route we can follow.

We recommend that controls be placed on farm commodities sold on world markets in order to provide a sufficient quantity of food to prevent skyrocketing prices at home, and a sufficient quantity of food for underdeveloped nations to prevent wholesale starvation abroad. These must be our twin priorities.

The American consumer will not stand for watching the prices he must pay in the supermarket soar higher and higher because international commodity traders have found export markets that yield lucrative profits. Consumer anger over the Russian wheat fiasco still abounds.

On the other hand, the American consumer is willing to pay a little more at the store in order to rescue impoverished populations from famine and death—if government in this country begins to lead again the way it should and forthrightly explains to the American public the dire human necessity of such a course of action.

Two other courses of action by government are also imperative. The first is action to ensure that funding levels for food assistance programs for children, pregnant women, the poor, and the aging are increased sufficiently to overcome the higher operating costs brought on by the inflation in food prices. (Such a funding increase is especially necessary in the Nutrition Program for the Elderly, authorized under the Older Americans Act.) While Administration economists may talk glibly about using price to ration food supplies at home the brunt of the burden should not fall on the vulnerable groups of our population.

The second necessary course of action is that Congress must restore the Food for Peace program to its original and true purpose of alleviating hunger and suffering abroad. The past Administration's actions in reducing food supplies to voluntary agencies working overseas, while directing food aid for blatant political purposes in Southeast Asia have proven ineffective and have brought little credit and even less respect to American policy. The time for a genuine and generous Food for Peace program—one that provides food to alleviate hunger and for no other reason—is long past due.

Finally, regardless of what actions are taken to cope with this emergency, we implore this committee to tell the American consumer the potential consequences of the decision in direct, blunt, and understandable language and statistics. If the decision is to continue unlimited exports for sale to the highest bidder on world markets, then consumers must know the impact in terms of the cost of food. We have too long been treated to a flow of mendacious price forecasts from USDA, the latest being that the drop in farm output will have minimal impact—two to three percent—on domestic food prices this year. The American people have been through one long nightmare of misleading information from their government, and now have a thirst for the truth.

Senator HUDDLESTON. Thank you very much. I appreciate your coming. It has been a long day.

That will conclude the hearing. The record will remain open for one week for any further insertions.

[Whereupon, at 4:50 p.m., the subcommittee adjourned, subject to call of the Chair.]

ADDITIONAL STATEMENTS FILED FOR THE RECORD

[MAILGRAM]
THE INDEPENDENT BAKERS ASSOCIATION,
New York, N.Y., August 21, 1974.

Hon. HERMAN E. TALMADGE,
*Senate Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.*

Regarding emergency hearing on potential United States grain shortages, easment of potential grain shortages should include negative impact on inflation fight as well as threatened deficit carryovers for this crop year.

IBA believes the growing support for export controls in labor, consumer and business communities is warranted by the seriousness of this continuing problem.

No one can control the weather; feed grain situation places added burden on wheat; price of all food products is effected by these commodities.

In order to prevent an outflow of grain to world markets, the European Economic Community levies for cereal exports were increased on August 13 and 15 because of surging world grain prices.

Urge immediate consideration of system of export controls and grain reserve to assure consumer of food at fair price and simultaneously allow reasonable return to farmers.

[MAILGRAM]
GEORGIA POULTRY FEDERATION, *August 14, 1974.*

Hon. HERMAN TALMADGE,
*Chairman, Senate Agriculture Committee,
Senate Office Building, Washington, D.C.*

Georgia Poultry Federation wishes to endorse statement of United Egg Producers. Hope committee will recommend licensing program, take steps to insure adequate domestic supply of seed grain and products. Urge USDA to release statement on production cut necessary to adjust to available supply and make consumers aware of effect on prices. Urge higher margin requirement on trading. Urge additional government purchases of fowl and other poultry products as produces reduced flocks to adjust to available grain supply and avoid additional losses, and recommend other appropriate steps for industry and government to help solve present prices.

PERRY MCCRANIE,
President,
ABIT MASSEY,
Executive Director.

[MAILGRAM]
FISHER MILLS, INC.,
Seattle, Wash., August 14, 1974.

Hon. HERMAN E. TALMADGE,
*U.S. Senate,
Washington, D.C.*

We have convictions concerning the scheduled hearings on the advisibility of export controls on agricultural products. Since we process several million bushels of wheat annually, we are vitally interested in adequacy of regional wheat supply by class and grade and believe that standby powers to protect domestic supply level to needs and some carry-on into next crop year are essential. We believe that one measure to reduce export of grains, if necessary, would be to limit quantitatively export tonnage of unprocessed grain but not of processed cereal foods which would ration outgo due to limitation of cereal food processing capacity while simultaneously stimulating employment, increasing tax revenues from individuals and businesses, and adding value to raw materials which would be beneficial to balance of payments. Also when cereal foods are exported instead of grains, the by-products of processing remain in this country for use as animal feed which is another consideration worth noting under present circumstances.

While cost of food is critical issue here at home, we urge maintaining overseas food aid programs for humanitarian as well as political purposes. It often seems that the only thing not in short supply in the world today is armament of which our country is probably the leading seller and donor. This may be neither inappropriate nor wrong but if we can afford to share weapons that we do not really need, we should be able

and willing also to share food that we do not really need. Perhaps more of the latter would require less of the former in the long run.

It is in the interest of our survival that the world be relatively orderly and few things can cause more disorder than rampant hunger. It would be morally wrong in our view to accumulate grain beyond needs here to depress prices while millions elsewhere have nothing to eat. As we must import so must we export and as we live in same shrinking world with all other men, so must we share with them when we can do so.

R. G. ALDEN,
President.

[MAILGRAM]

AMERICAN SOYBEAN ASSOCIATION,
Plainview, Tex., August 14, 1974.

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

The American Soybean Association at its annual convention in Houston, Tex., today adopted the following resolution which we respectfully and earnestly commend for your consideration and support:

The American Soybean Association has always favored free trade and the age old custom of honoring our contracts. Therefore, ASA opposes any action by the United States Government placing any embargo or restrictions on export of soybeans or soybean products.

Given a favorable economic climate for production, unhampered by government controls, soybean farmers will continue to rise to the needs of the nation and the worlds. Export embargoes and similiar actions will not produce soybean. On the contrary, such actions will inhibit U.S. production and antagonize our foreign customers who are so important to farmers and to the U.S. economy and balance of payments. Moreover, export embargoes will stimulate and be used to justify subsidized, uneconomic foreign production of soybeans and substitutes and contribute toward destroying U.S. markets for soybeans.

Therefore, the American Soybean Association urges that action not be taken which destroys confidence in the United States as a supplier of soybeans and opposes any actions which have this result.

W. B. TILSON,
President.

[TELEGRAM]

ANSPACHER AND ASSOCIATES,
Chicago, Ill., August 15, 1974.

Sen. HERMAN E. TALMADGE,
*Chairman, Senate Agriculture Subcommittee,
Washington, D.C.*

DEAR SENATOR TALMADGE: The Illinois Agricultural Export Advisory Board met yesterday to consider the question of export control. As a member of that board, I would like to advise you of our unanimous recommendations.

1. We are opposed to complete and total export embargos on agricultural products.
2. Recognizing that some type of export restrictions may be considered, they should be done so on a previous performance or quota basis. We must protect our foreign markets.

3. We ask that adequate notification be given for any program to permit orderly and reasonable adjustment. We can live with any reasonable program if enough time is given to allow for these adjustments.

Thank you for hearing our recommendations.

Regards,

DENNIS J. DUNN,
Vice President.

[TELEGRAM]

NATIONAL BROILER MARKETING ASSN.,

Jackson, Miss., August 15, 1974.

Sen. HERMAN E. TALMADGE,
U.S. Senate,
Washington, D.C.

Following resolution for your info and records: We, the board of directors of National Broiler Marketing Association, in session by telephone conference call, this 14th day of August 1974, affirm that NBMA is and does hereby strongly support the position as outlined by Senator Herman Talmadge of Georgia, relating to the strict monitoring by the U.S. Government of all exports of grains and feedstuffs from this country. We further urge USDA and Congress to structure and implement at an early date the necessary machinery which would make such monitoring and would also go into effect when conditions relative to assurance of adequate domestic availability of feed grains and feedstuffs are in question. It is further urged that USDA make every effort to release an updating of the crop situation prior to the next regular report.

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

Mr. Chairman:

Recent reports of reduced production of soybeans, wheat, corn and other feed grains is sad not only for farmers in the United States but also bad news for consumers in this country and around the world.

A recent "Commodities" report in the *Wall Street Journal* quoted a Kansas City grain dealer as saying, "We have corn in the local market selling close to \$4 a bushel, but this or \$5 corn doesn't mean a thing to a farmer who lost his crop."

The *Wall Street Journal* report went on to detail for its national audience the heavily increased cost of fuel and fertilizer needed to produce grain, and the fact that many farmers have lost most if not all of this year's crops because of spring floods and summer drought.

Livestock and dairy producers are caught between lower prices for their products and higher feed costs, interest payments and other production expenses. Missouri farmers report that today cattle and milk prices are not sufficient to pay feed bills and repay loans. These farmers are losing money by staying in business and are receiving no return for their investment and labor.

The outlook also is bleak for consumers here and abroad.

Increased food prices will hurt most those least able to pay, adding to the inflation that already is fed by higher energy costs, shortages of metals and minerals, government deficits and record high interest rates.

With livestock and dairy farmers already losing money, many will be forced to liquidate herds and flocks. This chain reaction can only result in higher food costs for the consumer until economic conditions improve enough to replenish the livestock population. It could take years for beef and dairy herds to be replaced.

Lower production and higher food prices in the United States make it more difficult to help feed the hungry millions abroad—in drought-stricken Africa, India and elsewhere.

Oil importing nations, which have seen the price of petroleum triple within a year, now must also face higher prices for imported foods.

There are several steps, however, that can be taken by our government to alleviate some of these problems, both for the short-term and the long-term. These steps are:

- (1) An immediate study to determine the effectiveness of agricultural disaster assistance programs, with recommendations for improvements needed in legislation and administration.
- (2) Prompt Congressional action on the Commodity Futures Trading Commission legislation to help stabilize markets and reduce speculation which can cause unreasonable fluctuation in commodity prices.
- (3) Release of conservation funds for short-term needs such as pasture reseeding after the drought. These funds would ease the financial problems of dairy and livestock producers now and help ensure better herds for the future.
- (4) Reimposition of meat import quotas and a reduction in import quotas for dairy products.
- (5) Government purchases of canned meats and cheese for the school lunch program to help provide price stabilization now for livestock and dairy producers, and healthful foods in the coming months when marketing is down.
- (6) An inventory of amounts and publication of these amounts and location of feed grains in Commodity Credit Corporation storage.
- (7) Prompt consideration of commodity food reserve proposals.

(8) A comprehensive study of the domestic agricultural industry, including farm-retail price spreads and costs of production, culminating in legislative recommendations to restrain excess profits by retailers and middlemen.

Additional action should include lowering of interest rates and increased funds for agricultural research which would lead to increased per-acre crop yield and more forage for beef and dairy cattle.

In the past, the productive genius of the American farmer, assisted by government programs, has provided an ever more abundant supply of low priced food. We Americans are the best fed nation in the history of the world, and have shared our bounty through exports, bringing billions of dollars back to the United States.

Since the end of World War II, for example, the average per acre yield of corn has been tripled and of wheat doubled. During this same period, farm population declined from 17.5 percent of the population to 4.5 percent: a decrease of some 15 million people.

Wise agricultural programs for the future should continue to provide benefits for the American consumer with the best food value in the world. At the same time, export markets should be maintained to help meet the world needs and provide the farmer with an adequate return on his investment and labor.

I congratulate the Committee for holding these timely hearings and assure you of my support for constructive legislative proposals.



