[U.S. FOOD S]TABILIZATION AND FOREIGN COMMERCIAL AND FOOD AID DEMANDS

HEARINGS

BEFORE THE

SUBCOMMITTEE ON AGRICULTURAL PRODUCTION, MARKETING, AND STABILIZATION OF PRICES

AND THE

SUBCOMMITTEE ON FOREIGN AGRICULTURAL POLICY

OF THE

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U.S. FOOD STABILIZATION AND FOREIGN COMMERCIAL AND FOOD AID DEMANDS

TUESDAY, DECEMBER 10, 1974

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

The subcommittee met, pursuant to notice, at 10 a.m., in room 1318, Dirksen Senate Office Building, Hon. Dick Clark presiding.

Present: Senators Clark, McGovern, and Curtis.

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

Senator CLARK. Periodically this past year the Senate Committee on Agriculture and Forestry, through its various subcommittees, has conducted reviews of our Nation's food and agricultural supply, along with demands made on that supply by both domestic and foreign users.

As most Americans and others today are well aware, 1974 has been a most difficult year for accurately forecasting agricultural crop production or market demands that are made on such supplies.

With United States and world grain reserves now drawn down to dangerously low levels, we know, more than ever before, the overriding importance of weather and its direct relationship to man's most basic commodity—food.

And yet while adverse weather conditions both here in the United States and elsewhere in the world this past year have greatly reduced available supplies of grains and other farm products, we find ourselves with some excess dairy supplies and a rather substantial reserve supply of beef, which admittedly, is still on the hoof for the most part.

This combination of short grain supplies at relatively high prices, and excessively large cattle numbers, especially beef cows, is creating one of the most serious challenges ever posed to the Nation's market-oriented agricultural system.

As U.S. poultry, hog, dairy, and cattle producers are forced to pay higher feed grain prices—in part due to foreign demand—they are finding it increasingly difficult to recover such costs when marketing their products. As this cost-price squeeze narrows or places them in a loss position, most of them have no option other than to liquidate or reduce their animal- or bird-feeding demand levels.

As they liquidate through increased marketings to reduce feed-cost losses, market prices for their products drop accordingly, adding further to their cost-price problems.

Further exacerbating this situation, of course, is the large number of beef cattle, especially beef cows, still being held today on our Nation's grass and rangelands. The reduction in fat-cattle demand, and increased marketings of poultry and hogs are further adding to the market price problems already facing these cow-calf operators And in some areas, operators also are faced with poor winter grazing conditions and high hay prices which may force many of them to increase the slaughter marketing of their animals despite currently depressed market price conditions.

And while we try to deal with the imbalances and adjustments that are now unfolding within our agricultural and food system here in the United States, we must keep in mind our obligation to people throughout the world who depend upon us as an essential supplier of farm and food products. Some of these foreign buyers can and do compete very effectively with United States users for this Nation's farm products. In fact, those nonmarket economy buyers, such as Russia, are increasingly making big buys in our market and in other world markets—even at high prices—depending more often upon political, than upon economic, considerations.

And then there are those foreign consumers who cannot afford to purchase food supplies from us, even though such supplies may often mean life or death. The food supply problems of such people were the subject of the recently-held World Food Conference in Rome which I and several other Members of Congress attended.

How do we as a Nation reconcile all of these demands placed upon our food supply, especially during this period when supplies of the most basic food and feed grains are in such short supply?

Do we merely sit back and let the marketplace ration and allocate supplies based on price alone?

Or should we encourage the Federal Government to step in and completely control the market and allocate supplies on some basis other than price?

Or, are there any other means available to us for equitably sharing our Nation's limited food abundance in this period of world scarcity within the framework of our market economy and humanitarian concerns?

The purpose of these 2 days of hearings is to review and analyze available U.S. grain supplies, now that 1974 crops have been harvested, and our Nation's ability to meet both United States and foreign demands on that supply—hopefully without making any maior adjustments in our Nation's market-oriented economy.

However, to the extent that such a goal is not entirely attainable, we must be prepared to make whatever adjustments may be necessary, in terms of national governmental policy, to assure sufficient equitable sharing of our Nation's food and feed supplies among our domestic market, the foreign commercial market, and foreign food aid demands.

As we assess and try to meet such demands, we must also keep clearly in mind that most 1975 crops have not even been planted yet.

Again we must remind ourselves of how all-important weather conditions will be over this next year in the food-producing regions of the world, especially here in the United States. We have no reserves of grain to fall back upon should 1975 turn out to be a repeat of 1974. Therefore, until we know more about the weather prospects during this next crop year, we must exercise great caution and conservation in the use and consumption of existing food and feed grain supplies.

Our first witness today, Dr. Hurd D. Willett, Professor Emeritus at the Massachusetts Institute of Technology, who hopefully will share with us his insights with respect to future weather conditions that might be expected in the world's food-producing regions over this next year.

Later in these hearings, we expect to hear from a number of other experts—both governmental and nongovernmental—as to their respective assessments of U.S. and world food production and marketing trends.

Senator Dole, do you have a statement?

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

Senator Dole. Mr. Chairman, I appreciate the opportunity to comment on our food relief efforts and the proposal to use livestock, poultry and dairy products for food relief. Your prompt scheduling of these hearings is to be commended.

As I stated in my letter to Chairman Talmadge of November 19* requesting these hearings, I feel that additional purchases for our food relief program are a matter of national priority which should be considered by the Senate Agriculture Committee and the Congress as a whole. Any additional commodities used for the food relief program will reduce the supply of those commodities for our own use. The consequence can only be an impetus for higher prices. Americans are already experiencing a high rate of inflation and while I support our food relief efforts and have for my entire career in Congress, I believe that the Congress as a whole should consider the impact additional food relief efforts would have.

At the same time, we have a number of agricultural producers experiencing economic difficulties. This consideration should also be included in deciding the makeup of our food relief program.

Maximum Nutrition

In addition to the impact additional food purchases could have on inflation here, two factors should be considered. In order to meet our world responsibilities to reduce hunger, an obvious consideration is to achieve the greatest cost efficiency in the commodities sent overseas. Clearly, we should make every effort to attain the goal of achieving the most nutrition for the number of dollars we spend. By providing the most nutrition-efficient foods, our tax dollars go further toward meeting the needs of starving people in the world.

In a letter of November 15 to Secretary Butz,** I suggested that meat should possibly be considered as an efficient commodity for providing the maximum amount of nutrition for the funds we spend. Meat, with its high concentration of protein, can be purchased at a relatively cheap price in today's livestock market. I hope some light can be shed on this possibility during these hearings.

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*See p. 6.
**See p. 6.

National Priority

The second factor we should consider is our own national interest. The livestock, poultry, and dairy industries in this country today are facing severe economic conditions. There is great concern in those industries that, unless the situation changes, a large number of producers may be forced out of business. The ultimate result of that would undoubtedly be a lower quantity of meat and dairy products. In addition to the possibility of shortages, consumers would ultimately face higher prices in order to expand our production capacity later.

So it seems to me that it may be a national priority to use livestock, poultry, and dairy products for our food relief efforts. I believe a number of statements have been made on the conditions in those industries and certainly every Senator on this committee is well aware of the severe conditions in the market.

Subsequent to my letter to Secretary Butz, a number of cattlemen in Kansas have contacted me expressing support for the idea of using meat and dairy products for food relief. Producers throughout the State of Kansas and across the country are in a loss or zero profit position. Their products could be purchased essentially at the cost of production, which hopefully would permit a relatively high degree of efficiency.

More Research Needed

The economics of such proposals are potentially of great importance and I believe they should be weighed carefully. The use of meat, poultry, and dairy products might be readily dismissed by many because of cost problems and preservation and their acceptability to the needy nations. It is not my purpose to try to convert the people of lesser developed nations to a meat, poultry or some other diet which is new and basically unacceptable to them. But I do believe that most starving people in the world could, and probably would, utilize these commodities perhaps as canned or preserved products or in the form of some new blended or processed food.

Experiments with blended food products used in connection with our food aid programs have proven very successful. In fact, there are numerous food blends now being used widely in our Food for Peace efforts. These products, WSB, CSM, soy-fortified bulgur and sorghum have all proven their value. I believe we should consider building on these successes by trying to include livestock, poultry, and dairy products as elements in some of these blends.

In order to obtain more information on this matter, I made an inquiry to Dr. Glenn Beck, vice president for agriculture for Kansas State University. Although he was unable to testify at our hearings, his letter on this subject may be of some interest. I request that it be included in the record.

As indicated in Dr. Beck's letter, more research is needed on using animal products in blended foods with a capacity for lengthy preservation. Kansas State University is ideally equipped to research such products and I hope we can consider additional research efforts there.

Additional research at Kansas State University and other universities would hopefully permit the development of types of food that could be readily accepted by less developed nations. These types of food could include the use of commodities most readily available in this country while being products similar to those already used in diets in less developed nations.

Mr. Chairman, again I appreciate the opportunity to comment on our food relief efforts. I hope the statements and efforts here will further our progress toward relieving the starvation and hunger which exist in many parts of the world.

[The above-referred-to letter follows:]

KANSAS STATE UNIVERSITY,
KANSAS EXTENSION SERVICE,
Manhattan, Kans., December 6, 1974.

Hon. BOB DOLE,
U.S. Senate, New Senate Office Building, Washington, D.C.

DEAR SENATOR DOLE: We, at Kansas State University, appreciate very much the invitation extended by Mr. Bill Taggart on your behalf to present a statement at the hearing scheduled for next week. Unfortunately, because of previous commitments, neither Dr. Hoover nor I will be able to attend this hearing. In lieu of this, we would like to call to your attention our viewpoints relative to a major research effort to incorporate more Kansas products into blended foods that might be used for shipment to developing countries.

As you are aware the current shipments of food through PL 480 are restricted largely to grain and grain products. As you are also aware, we currently have a surplus of some animal products, particularly red meat, being produced in Kansas and other Great Plains states. We feel strongly that efforts should be made to incorporate some of these animal products into the food aid program.

The use of animal products in food aid has been seriously limited by the perishability and high resultant cost. There is a need, then, to develop through a research program, technology to incorporate animal products into long shelf life blended foods. An example of this would be the possibility of developing an extruded and dehydrated blend of animal and grain products into a nutritious base for foods that are acceptable in developing nations. This kind of approach cannot be done quickly. The research needed would probably extend over a two or three year period.

Kansas State University would be very much interested in developing a research proposal that could possibly be funded through the USAID Technical Assistance Bureau. If this were done, we would certainly need your help in obtaining a large grant which would permit a crash type research program, but one that would be expected to last at least three years.

The approach we have in mind would involve many different disciplines and facilities at Kansas State University and, therefore, would be fairly costly. We would be glad to develop a proposed program accompanied by an estimated budget if you would like to examine this further.

A second point that we would like to call to your attention is the need for increased blended foods substituting for whole grains. We already have considerable knowledge at Kansas State University that would be useful in this direction. Many of these products are already available, but there are limitations on the level of financing for food purchases through PL 480. We feel that this should be expanded. Within the current budget we would recommend that more attention be paid to the blended foods for the following reasons:

1. Nutritional efficiency—maximum nutritional value at a minimum cost.
2. Processing grains in the United States into blended foods helps our food processing industry and provides by-products as additional animal feed supplies in the United States.

If future hearings are held by your Committee relative to this subject, we will try to have a representative present. I am sorry that our schedule does not permit us to be there next week.

Best regards.

Sincerely yours,

GLENN H. BECK,
Vice President for Agriculture.

[The following material was referred to on p. 3.]

U.S. Senate,
Washington, D.C., November 15, 1974.

Hon. Earl Butz,
Secretary of Agriculture,
Washington, D.C.

Dear Earl: In view of the discussions at the World Food Conference in Rome, it is clear that the United States has a great responsibility to help starving people in other nations. The great surplus of beef and other meat on the market today offers a source of food which could be readily supplied to these people.

An underlying philosophy of implementing Public Law 480 for many years has been to ship those commodities in surplus and not those in tight supply. While the relative tightness in the supply of some commodities does not relieve our obligation to help less fortunate nations, the relative oversupply of livestock increases the attractiveness of using meat for the P.L. 480 program.

The price of meat for consumers is of great concern to me, but it seems clear that high retail prices for meat are not necessarily a function of wholesale markets. The losses being suffered by cattlemen and other livestock producers indicate that unless other action is taken to halt the decline in livestock producing capacity, consumers will suffer from shortages of meat in coming months. The result would be even higher prices for meat. Since declining prices in the livestock market have not resulted in corresponding declines in the retail market, it is likely that a stronger livestock market would not greatly affect retail prices.

Public Law 480 has been of great benefit to this nation in developing new markets for our agricultural commodities. Purchasing beef for the program would be an opportunity to develop foreign markets for a commodity we can produce well.

It is my hope that every consideration will be given to purchasing beef and other meats for food assistance under P.L. 480. Your consideration of this matter is greatly appreciated.

Sincerely yours,

Bob Dole,
U.S. Senator.

U.S. Senate,
Washington, D.C., November 19, 1974.

Hon. Herman E. Talmadge,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: Several members of the U.S. delegation to the World Food Conference in Rome requested a large increase in the quantity of grain for our food relief program. As a delegate to the Conference and a long-standing supporter of the Food for Peace program, I favor meeting our responsibilities toward ending starvation in the world to the greatest degree possible. I also believe that in considering the adequacy of our efforts to provide the maximum food relief possible, the tremendous wealth of commodities already provided by this nation should be kept in mind.

In view of the high rate of inflation which Kansans and all Americans are suffering from, and the tight supplies of grain in this country, we are all especially conscious of the inflationary impact of more Federal spending and of our limitations in providing additional food relief. The capacity to increase our food relief from stocks of commodities in the U.S. agricultural system certainly exists. Human suffering and starvation cannot be evaluated in monetary terms and it may not be appropriate to put a dollar limit on our relief effort since a change in the world food situation could warrant an additional effort.

But the level of U.S. food assistance is a matter which we as a nation must decide. The issue cannot be resolved at the United Nations or by any other group of nations. Clearly, a proposal to increase our food relief program by many million bushels of grain warrants the consideration of the entire Congress, and in my opinion that consideration should begin in the Senate Agriculture Committee.

I request that hearings be held by the full Committee to consider the ability of this nation to increase its expenditures for the Food for Peace program. The impact of increasing our food relief efforts on the rate of inflation and the effect of additional grain purchases on the livestock and other industries are issues needing further analysis.

I strongly urge that the feasibility of using meat, dairy products and other livestock and poultry products be explored in food relief hearings. The present surplus of livestock and poultry and the disastrous conditions in the livestock, poultry and dairy industries are important factors in considering the purchase of these commodities for food relief. The high protein content of meat and the high level of nutrition in dairy products should make them more attractive and cost-effective for the Food for Peace program.

It is my hope that in the hearings requested above the Committee will consider a resolution expressing the intent of Congress that meat and other commodities should be increased in the U.S. food relief program.

Sincerely yours,

BOB DOLE,
U.S. Senator.

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C., December 4, 1974.

Hon. EARL L. BUTZ,
Secretary, U.S. Department of Agriculture,
Washington, D.C.

DEAR EARL: I was quite concerned to learn of the reduction in purchases of blended food products for distribution in the Food for Peace Program. While I can understand your budgetary constrictions, and certainly support your efforts, I ask that you closely monitor the feed grain stocks available for some relief in the near future which might allow an expansion of these purchases.

These products, WSB, CSM, soy-fortified bulgur, and soy-fortified sorghum grits, have all proven their value and acceptability in the PL 480 program.

There are several factors which I would urge you to consider toward maintaining purchases of these products at FY 1974 levels:

Feedlot placement of cattle have dropped drastically from last year and the next grain stocks report should reflect that drop with an increase in available supplies.

The economics of shipping rice over blended food products made from feed grains are not favorable.

Due to the supplemental vitamin, mineral, and added legume protein fortification of these products, they are ideal to fight the malnutrition prevalent in famine stricken areas at minimal cost per unit.

Exaggerating alarmists are causing undue concern over a projected reduced carryover when the entire consumption of feed grains in this program for FY 1974 would amount to only about one-half percent of our total production.

Nearly all of these blended products are distributed through the voluntary relief agencies throughout the world. These agencies have proven their ability to get maximum effective distribution of these products to those persons in need.

Again, Mr. Secretary, I urge you to closely monitor the supply situation of feed grains and reinstate fully this important nutrition program for those in need thoughout the world.

Sincerely,

BOB DOLE,
U.S. Senator.

Senator CLARK. Dr. Willett, would you please proceed in any way you think appropriate

STATEMENT OF HURD C. WILLETT, PROFESSOR EMERITUS, METEOROLOGY, MASSACHUSETTS INSTITUTE OF TECHNOLOGY, CAMBRIDGE, MASS.

Dr. WILLETT. You would like me to more or less say my piece and then subside; is that the idea?

Senator CLARK. Apparently we have a copy of your statement. Yes, I think that would be the best way to approach it—summarize the statement that you have submitted for the record.

Dr. WILLETT. The first remark I would like to make is that from my point of view the basis—the background for my forecasts I make—is very much incomplete at the present time so I want it recognized that what I say is more provisional than it might be made by further research.

To start out with this problem of long-range forecasting, the first point to be emphasized is that we have to consider the problem, the forecast problem, in two categories, one that I would call the really long-term or climatic trend prospect where we are dealing with periods of decades, of centuries, or even longer, and the other that I would call the seasonal forecast problem where we are dealing with the weather of individual seasons in the year.

We are not usually concerned with forecasting individual years as a mean, because the mean of a year is significant only as the different seasons are affected. Hence we distinguish essentially between seasonal prediction and long-term prediction over periods of years.

Now, from my point of view I am in a much better position to talk about the long-term trend prediction than the seasonal. The seasonal is an important, difficult, and complicated problem and needs a much finer statistical background, a great deal of work that has not been done.

Originally when I suggested—months ago—that I might be willing to testify here, what I was thinking about then in particular was the long-term trend outlook, because Mr. Justus had called my attention to an article in the Congressional Record in which Dr. Reid Bryson, who was quoted, or at least his ideas were quoted, expressed a point of view the implication of which seemed to me to be unnecessarily pessimistic as far as the long-term outlook is concerned.

My ideas, based on solar-climatic cycles that actually occur, that is to say climatic cycles as I have analyzed them in relation to parallel cycles of solar activity, seem to me not to justify by any means such a pessimistic outlook.

The other approach, the one that Dr. Bryson emphasized, was based in part on increasing carbon dioxide in the air, which supposedly is leading to a warming trend of the Earth's surface, actually observed during a good part of the first half of this century. Around 1950 or near that time there ocurred a rather sudden change to a cooling trend, at least on the Northern Hemisphere of the earth, a trend which was supposedly due to increased dust in the atmosphere, probably primarily manmade smoke and dust with perhaps a secondary assist from some volcanic activity.

Before discussing the conclusions to which my point of view leads, I wish to present a few arguments against Dr. Bryson's conclusions.

The effect of carbon dioxide, that is, of the increase of carbon dioxide in the air of the amounts that have actually been observed, could be only very slight. In fact, the best analyses of that particular influence would indicate that the very small increase we have observed could probably produce no perceptible change at all.

Certainly it had nothing to do, or at least no large part to do, at all with the rather substantial increase of temperature which took place during the first 40 or 50 years of the century.

On the other hand, to assume that the rather abrupt decrease of temperature observed to set in about 1950 was the result of smoke and dust pollution taking over and overpowering the warming effect of the carbon dioxide, that also I think is an entirely unrealistic argument.

In the first place, the smoke and dust are widely distributed in the atmosphere, but the amounts from any theoretical consideration would be extremely difficult to attribute to a substantial change in trend of the Earth's temperatures at this time from that effect.

Furthermore, the argument from my point of view is that both of these trends, the rising trend during the early part of the century and the rather pronounced cooling trend during more recent times are completely in line with what one would expect on the basis of the longer period of solar-climatic cycles.

In other words, it would be no surprise to me that the cooling trend that reached sort of a first peak during the 1960's, and probably will continue to a somewhat lower level a little later—I had even predicted as far back as 1951.

I do not think the dust argument, whether volcanic or man-made, can be made to account for such a change. In fact, there is a lot of uncertainty just how this dust will affect conditions.

For instance, the rising wintertime temperatures in industrial areas in recent years is generally assumed to be due to that very smoke and dust.

So in general, since the effect of solar climatic cycles leads some to somewhat similar conclusions, and it is hard to make a quantitative case for the smoke and dust argument, I stick with my original idea from which I have worked out reasonably successful long-term forecasts.

On that basis, coming to the question, what do we expect as far as long-term trends are concerned from this point on? The indications are that the cooling period is going here, as also in the past it has gone, through the first half of the long secular solar cycle, 80 or 100 years, that we have not reached the coolest part of that period yet.

It is true that that condition does go with an intensification and equator ward displacement of the west wind zone, the same sort of condition of the general circulation which Dr. Bryson makes accountable for the Sahelian drought in Africa and also the weakening of the monsoon rains in recent years. I think that is an entirely acceptable picture of those drought conditions, but I do not think that the dust explanation of the cause is a correct one.

Now, on the basis of the solar climatic cycles, what can we look forward to for a continuation of that condition? For the next 25 or 30 years that condition will remain strong, possibly at some point becoming eventually a little stronger than it has been just recently, at least as far as the cool temperature goes. That is to say that probably the period around 1985 to 1995 may well be a little cooler than anything we have reached yet, although recently during the last 5 years the temperature has not cooled. That was expected as part of the cycle, incidentally.

More specifically, as far as major drought is concerned, which is a much more difficult problem to anticipate than the question of temperature trends, I would say that—and I have said it already a year ago—that I think that the peak of the Sahelian drought in Africa, and probably also the peak of the monsoon rain deficiencies in Southern Asia have been reached, and there will be further recovery. That goes with the shorter cycle which has produced dry periods, major droughts, which tend to run for about 6 years and then terminate.

In that respect, the Sahelian drought, which I have not studied at all, has followed the same pattern as our droughts in the Middle West, like the extreme dust bowl decade of the early and middle thirties, and the more southerly located drought in the early and middle fifties.

Most droughts of that kind, including the earlier droughts in this country, do run about that length of time—then there is an improvement.

As far as the next major drought in the United States is concerned at this time, I predicted some time ago that the next such drought, on the basis of the double sunspot cycle, if it does occur, should occur between 1975 and 1985 and more along the Mexican border States. That timing was based on a lengthening of the double sunspot cycle.

Many forecasts were for drought in the mid-1970's. The double sunspot cycle, however, on the basis of its relationship to the longer cycles, could be expected to increase to about 25 years. That is what it has done and is doing, and it was on that basis that I anticipated that any drought in the United States at this time would be delayed until the 1975 to 1985 period rather than the middle seventies.

The possibility then exists in my mind for a fairly substantial major drought condition along the southern border States, we will say essentially from Texas westward to southern California and in northern Mexico in this next 10-year period.

However, I might add parenthetically that this drought is by no means as certain as the earlier 20-year droughts were because of the fact that at this phase in the long cycle the double sunspot cycle also begins to behave somewhat differently, and I cannot feel convinced on the basis of my present incomplete statistical research basis that we are even going to follow the major drought phase of the double sunspot cycle at this point at all.

However, on the basis of the double sunspot cycle as that has prevailed, increasing slightly in length, my guess is we might be expected to come into a major drought period in that area as indicated.

I would not expect this drought to advance northward to the central plains or northern plains area. That is a condition which I would not expect to occur during this condition of continued low latitude strong zonal west wind. But as far as the United States is concerned, this tends to shift the prevailing storm tracks to somewhat lower latitudes, which in turn pushes any drought to the lower latitudes.

On the other hand, it is quite conceivable that during this period of lowest latitude of the zonal westerlies coming up probably during the next 10 to 20 years that there might be a major severe drought across the plains of Canada.

That occurred in the 1880's; much the most severe drought of the past century occurred in the Canadian plains during the 1880's just at that last time when the zonal westerlies were displaced to lowest latitudes. That was a wet period in the United States because the storm tracks which have a tendency to bring with them more precipitation shifted into the lower latitudes, more into the United States, so the Canadian plains were skipped.

So it is possible that we may have a severe drought period across the Canadian plains, something that has not happened since the 1880's.

Now, coming back to the Bangladesh and Sahelian situation for a moment, we have just passed through a major drought period that is out of phase with our drought period. It is a different phase of the long solar climatic cycle that affects those areas adversely.

But since the 6-year drought period essentially seems to be terminated there, I would assume that the best possibility of a major drought in those lower latitude areas would be about 15 to 25 years from now.

However, I am not by any means convinced that it would be as severe as the recent one. But if I had to put a guess on the next time those areas would be most adversely affected, it would be at that time and that the next severe drought in the middle and northern plains of the United States probably would not occur until about, or just after, the turn of the century, during that 2000–2020 time period when again the long-term cycle suggests that we might be expecting appreciable warming from the cooler decades just ahead of us.

However, I would not expect even at that time that we would be likely to get a drought of the severity of the dust bowl decade of the middle thirties. That went with the peak of the warm high latitude phase of the zonal westerlies and the long solar cycle, the very warm period from about 1930 to 1960. A period like that is not to be expected again until the years 2110 to 2140, on the basis of the longer solar cycles.

So much for the longer term climatic trends.

Now, as far as the next year or two is concerned, we have a very different problem, and one which I have indicated is much more difficult to approach in any specific manner. More research, a tremendous amount, has to be done. I think with proper research it could be done in a manner that cannot be approached today.

Be that as it may, speaking now of the shorter term droughts, of the type that I would refer to as the "quickie" drought, that type comes in a single season and then ends; for instance, our drought of last summer in July and August essentially in the Central Plains, was very typically a quickie drought.

It was a short, rather extreme drought that followed a wet spring and preceded a wet fall and essentially wet weather ever since. The prediction of that type of a seasonal drought is something that one has to base on seasonal forecasting.

I have made a forecast for the coming winter season which has received wide publicity, somewhat to my embarrassment. It is not always even properly quoted. However, my anticipation is of a rather severely cold winter in the Southern and Eastern United States. If that anticipation works out, implying the outbreak of cold air masses east of the divide, the continuing weather pattern which I would anticipate going into the spring and summer, a prediction with which I specifically as yet have done no work, would indicate that probably cold weather would continue into the first half of the spring, that spring would be late, the ground would be late to be workable, but that following that normally warm, or perhaps during the summer even warmer than normal conditions would prevail across most of the Central and Eastern United States.

However, there would probably be periods of cooler and warmer conditions as the wave pattern shifts east-west, but with average temperatures it would mean more than normal wetness over the country as a whole. That would not eliminate the possibility of another quickie drought. In fact, that is quite likely to occur somewhere in the United States.

But I would say that the chance of another quickie drought occurring at the same time in the same area that it did last summer is not particularly good. There is no special reason to anticipate that at all. In fact, there is a tendency which some of us recognize in the year-to-year weather patterns for some opposition to take place in successive years.

For example, taking our major droughts, 1954 and 1956 were 2 years with the peak of drought in the Southwest; 1934 and 1936 were the 2 peak years of the dust bowl drought, with somewhat less drought condition in between.

Repeatedly, even in worldwide weather patterns, there is some tendency for alternate years to be different. On that basis alone, which is pretty weak, I would say that the chance of a quickie drought this summer in the same region that it occurred last summer would be less likely than during the following summer. However, that is very far from being a definite forecast. One more thing I might say, by and large, as you might gather from the fact that I have not suggested any major droughts in the Central or Eastern United States, is that the Central United States, essentially the food belt area, will tend to be wet due to the low latitude of the prevailing westerlies.

By that same token, I would expect that general weather activity would be strong. In other words, the possibility of excessive rains and of average rain conditions somewhat above the long-term normal, I think would be more likely than years of deficient rainfall.

By and large, I would expect the next 20 to 30 years to be years of somewhat more than normal rainfall with occasional quickie type droughts, but probably no major droughts in the Central United States, possibly along the Mexican border, and quite possibly across the Canadian prairie states, but not in the Central United States.

Well, I think that covers essentially what I might say at this point.

Senator CLARK. Doctor, we appreciate your comments very much.

We have about 40 minutes and I have four or five questions in mind.

As you know, this committee is particularly interested in developing agricultural policy, both in terms of our own domestic policy and in terms of overseas sales, food aid, and so forth.

The questions I have relate to the question of what impact that is going to have on our own policies and attitudes.

Now, with that in mind, what do you see in the next decade in terms of the effect of weather on world agricultural production?

Do you look upon it as a period with greater agricultural production?

Dr. WILLETT. I would have to break that down by geographical regions.

Senator CLARK. Good.

Dr. WILLETT. However, I do think the next decade would probably be favorable for greater than average crop production in the United States. Across Canada, I would be very doubtful about it, and in the Mexican border States of the United States I would be doubtful about it.

Now, going over to the African situation about which, as I have said, I know very little from actual climatic analysis, but just in the way the recent drought period has run with the solar cycles, I would assume that a condition like that we have just passed through would not occur for another 10 years or so, and then might reoccur.

Senator CLARK. You are speaking of the Sahel, that area?

Dr. WILLETT. Yes.

I would say the same thing for the conditions in southern India, southern Asia.

Senator CLARK. You are speaking of the whole Indian subcontinent?

Dr. WILLETT. Yes, the whole Indian subcontinent—well, it is a little bit difficult there, again, to speak about the whole thing.

However, the general tendency should not be as favorable to drought occurrence as recently. In southern Asia it is a question essentially of the location and strength of the summer monsoon low. As that shifts west or east or north or south, certain areas are unfavored and certain are favored for precipitation.

I would expect probably that the low would continue fairly well south, but not quite as far south as during the last year or two. This, however, is somewhat uncertain—that is an area about which I would be much more hesitant to make predictions than I would about North America.

Senator CLARK. I understand your general feeling for the Indian subcontinent in the next decade is that it looks worse than the last.

Dr. WILLETT. Probably a little better than the last and then probably followed by one a little worse.

Here at the beginning of the long solar cycle, it is not quite certain whether the double sunspot cycle and solar climatic patterns will run the same course as they have during the last 80 years. So there is an element of uncertainty there about which I wish I were able to do much more work.

Senator CLARK. Since you have mentioned North America and the Indian subcontinent and Africa; would you be kind enough to comment on certain other areas of the world, such as Western Europe and the Soviet Union?

Dr. WILLETT. In thinking of the Russian area—which area is most important to their crop?

Senator CLARK. Southern Siberia near the Ukraine.

Dr. WILLETT. I would not expect a major drought in that region for the next 10 years.

The Soviet shortages and large purchases of grain on the world market in recent years may be given a different explanation and prognosis than that of "drought" in a proper sense, namely as follows:

1. Some 10 to 15 years ago Russia gambled on a large scale in putting under cultivation vast tracts of land recognized to be marginal precipitationwise.

2. Thanks to 5 or 6 years of generous (more than normal) rainfall in this marginal region, this gamble paid off in a big way.

3. By analogy with weather patterns in general in middle latitudes, the recent years should not have been real "drought" years in the Russian grain belt. On the other hand, they may well have terminated an unusually wet period by more nearly normal conditions in this marginal region.

4. This intepretation throws a somewhat different light on the prediction of future Soviet demands. It means that weatherwise recent years probably should be considered more nearly "normal" than "drought," in which case Soviet demand may continue except during wetter than normal periods.

5. The occurrence of a "major drought" would push the Russian demand far beyond that of the past 2 years. However, the prediction for Russia should parallel closely that for our western plains; no major drought before the turn of the century. Meanwhile, on the average, wetter than normal years should predominate, probably with alternating normal periods (like the last 2 or 3 years?) and wetter than normal periods (like the preceding 5 or 6 years?). Further analysis of Russian climatic data is a sine qua non for further resolution of this question.

Senator CLARK. And Western Europe?

Dr. WILLETT. There I would guess on the basis of the United States, Western Europe would be pretty good except for the northern portion.

Scandanavia and the British Isles might be more affected by drought because of the tendency for the storm tracks to be further south, but most of Europe would tend to be wet.

Senator CLARK. And Australia?

Dr. WILLETT. Well, now, you get to the Southern Hemisphere—there has been a tendency for major drought conditions in Australia, which I have not studied, to parallel those in our western plains. For instance, the Dust Bowl decade probably represented a peak of drought, not in the low latitudes, but in the middle latitudes of the Northern Hemisphere extending pretty far north.

Now, I know that at the same time during at least part of that period they had drought in Australia. On that simple basis I would assume that probably Australia would have a drought equatorward of the main food-growing areas, at lower latitudes than our Western Plains; however, the whole circulation pattern of the Southern Hemisphere is further equatorward. I expect a period in which there is no major drought in the central United States would be a period of no major drought in central or southern Australia. But there again I am on very weak ground.

Senator CLARK. Would you think something similar to that could describe the South American continent?

Dr. WILLETT. I would suppose so; again there is no doubt about it that in our major climatic cycles the Northern and Southern Hemispheres tend to go together. Beyond that I have not much information, but I would suppose again that during the next two decades climatic belts, storm tracks, and that kind of activity would tend to be lower than normal latitudes and that drought conditions would occur either in the subtropical latitudes, such as the African Sahelian belt where the drier subtropical high pressure belt is pushed into the region more dominated by the tropical rains or the high latitude areas comparable to our Canadian western plains, areas which tend to be left to the north of the rain belt.

So if I had to make a guess about the probable condition of South America for the next two decades, I would guess that the middle and lower middle latitudes would tend to be wet, possibly the subtropical latitudes dry, and the high latitudes dry.

Senator CLARK. Would it be accurate to say that you view the next 10 years with a cautious optimism as compared to the last 10 years, or how would you characterize it?

Dr. WILLETT. Well, the last 10 years have not been bad in the United States.

I would say, by the same token, I would expect the next 10 years not to be bad in the United States. I would expect sometime in the course of the next 10 or 20 years that we might have more problems in the lower (<35°) latitudes and problems possibly in the higher (>50°) latitudes. But by and large I would say not too difficult problems, probably a little better than the last 10 years because in the lower latitudes they seem to have had their major drought in the last 10 years and I would not expect those to recur in the next 10 years.

The one belt I would not be especially optimistic about are the higher latitudes like Canada and the higher latitudes of Europe. However, I am committing myself on things about which my thinking is very qualitative, and my climatic information limited.

Senator CLARK. As you know, there is a lot of discussion now about the whole question of grain production and whether or not there are indeed changing weather patterns that we ought to acknowledge and it is often cited, for example, that grain production in the world increased for two decades rather steadily and then in 1972–74, that grain production has either declined or remained about the same.

Obviously there are many factors involved other than weather, but most people would argue that weather is the principal reason for this decline in production.

I gather you are not that pessimistic?

Dr. WILLETT. No. I would say from the point of view of worldwide production, widespread droughts, there is no doubt about it that the 1930's were the the worst period. I know it was a bad period in Russia with the peasant (kulak) revolution and depressions in other countries.

Now, another period as bad as that, as I have said, I would not expect in the middle latitudes until about the period 2110 to 2140, if trends continue in the future as they have in the past. It is partly due to the droughts of the 1930 decade that there was such consistently increasing production during the following 20–30 years.

Now, I think that those 20–30 years, we will say from 1940 to—well, during the forties, fifties, and most of the sixties was probably an increasingly good period from which we have receded slightly. But as I say, I would not expect another really worldwide bad period for a long time.

Senator CLARK. Is there a need for more research in this area?

Dr. WILLETT. Yes, there is. Research of all kinds—in the first place, a tremendous amount of climatic data should be processed and put in a place and form that is convenient to use. There is a lot of data that is buried in the original record books, to all practical purposes unavailable.

I believe the Weather Bureau is planning a major overhaul of climatic source data for analysis.

On the other hand, for a particular study the data that are really necessary can be processed comparatively quickly, but certainly a lot has to be done.

Senator CLARK. Let me ask one question that may not be in your studies.

Do you think there is any realistic possibility that we will find ways of modifying the weather to bring rainfall when it is needed?

Dr. WILLETT. Cloud seeding certainly can be practiced with some effect with moisture-bearing currents. When you have a major drought and one of these prolonged dry periods where rain is desperately needed, the reason that you have that drought is because the general circulation pattern has been changed so that moisture is not being brought into the drought areas. So you cannot, taking the status quo of the situation, do much with cloud seeding.

On the other hand, suppose in one way or another you undertook a major program of modification of the general circulation, which might conceivably be done with one form or energy or another, so that one could change the major wind systems, that might be an extremely dangerous thing and lead to international complications, because what you put into one region you probably take from another. So without the ability to modify the large scale circulation patterns, I do not think you can do anything about cloud seeding or cloud modification that will eliminate droughts. I do not foresee in the future that the human race can get together sufficiently to carry out such large scale modifications of the general circulation of the atmosphere.

Senator CLARK. One last question. Would you think that your own attitude toward changing weather patterns for the next decade is that kind of prediction commonly held with meterologists or is there great disagreement?

Dr. WILLETT. There is tremendous disagreement.

I think there has been a greatly increased awareness of climatic fluctuations or cycles. Years ago people did not even think of such things. They thought that one had only to average the weather over a sufficiently long period to reach a nonvariable mean, the true climate.

I think there is increasing awareness, particularly in the last few years, of the long-term variability of climate. But I do not believe that a majority of meteorologists at this point would accept the fact to the degree that I do that solar activity is the primary governing factor of these changes.

Senator CLARK. So there are many meteorologists who have a more pessimistic view of future weather conditions and their relationship to grain production?

Dr. WILLETT. Well, I do not know that their views would necessarily be more pessimistic.

Another influence widely invoked to explain climatic variations is that of sea surface temperature changes, changes in the deep ocean temperatures and things of that kind. Certainly the sea surface conditions should be put into the solar climatic cycle. Nothing has been done in that respect with sea surface conditions.

But I do not know that other meteorologists would necessarily be more pessimistic or optimistic than I am. Anybody who accepts the dust and smoke hypothesis of the recent change of temperature and the probable continuing increase of smoke and dust in the atmosphere as a primary cause of continuing cooling is almost certain to be pessimistic about its continuation, and also about continued equatorward displacement of the zonal westerlies.

It should not make them pessimistic about drought conditions in middle latitudes, but it could about drought conditions in the higher latitudes and in the subtropics. If it continues toward another ice age, the higher latitudes will be unliveable. It would mean excessive rain in the middle latitudes, much heavier than anything we have now. That is characteristic of an ice age, lots of precipitation, the whole condensation cycle operates much more actively and that is what leads to the buildup of glaciers in higher latitudes and extreme wetness in lower latitudes.

Hence, drought in the lower or middle latitudes would not at all be a part of that picture.

Senator CLARK. Thank you very much. We appreciate you taking the time and effort to come down to visit with us.

[The prepared statement of Dr. Willett follows:]

STATEMENT OF HURD C. WILLETT, PROFESSOR EMERITUS, METEOROLOGY, MASSACHUSETTS INSTITUTE OF TECHNOLOGY, CAMBRIDGE, MASS.

THE LONG-TERM WEATHER OUTLOOK

I. Theories of Climatic Change

Currently there are two quite opposite views as to the best explanation of recent climatic changes and their most probable future course. One is based essentially on cyclical disturbances of the atmosphere by the sun, the other on continued increasing pollution of the atmosphere by man. At the present time probably I am the leading spokesman for the solar alternative, Reid Bryson for the pollution alternative.

In simplest terms, the pollution argument may be summed up approximately as follows: During the first half of the century a warming trend was occurring over much of the earth's surface, particularly the higher and middle latitudes of the northern hemisphere, due primarily to the greenhouse effect of the increasing amounts of carbon oxide put into the atmosphere by man's burning of carbon fuels. This warming trend was slowed down and eventually reversed around mid-century by rapidly increasing smoke and dust in the atmosphere, again contributed primarily by man, perhaps with an assist from one or two volcanic outbursts. The cooling effect of dust and smoke presumably is greatest in higher latitudes, where the sun's rays penetrate the atmosphere at the most horizontal angle. Accordingly latitudinal temperature gradients are increased, the zonal circulation of the atmosphere is intensified, notably the zonal westerlies of middle latitude are strengthened and shifted equatorward, with consequent increased storminess in middle latitudes. At the same time the dry regions of the subtropical high pressure belt also are forced (by the westerlies) equatorward, as witness the Sahelian drought across north tropical Africa caused by the southward encroachment of the Sahara desert.

This picture of the strengthened zonal westerlies and equatorward shift of the climatic belts as the correct description of the recent climatic changes is quite acceptable, but not at all acceptable to me is the atmospheric pollution explanation of its cause, with its necessary corollary that this change is an irreversible trend which must lead rapidly towards another ice age. Some of my objections to the pollution-by-man explanation are the following:

1. The warming (Greenhouse) effect of the very small increase of CO_2 measured in the atmosphere could not possibly amount even to one-tenth of the warming of the atmosphere observed in many regions during the first half of the century (Humphrey's, *Physics of the Air.*)

2. The effects of dust and smoke on temperatures in the atmosphere are complex and difficult to estimate. The same phenomenon is used to account for the slight increase of winter temperatures observed in industrially polluted areas relative to unpolluted areas, under winter conditions of low solar altitude analogous to solar heating of the polar latitudes. It is impossible to justify by any physical reasoning the rather sudden cooling trend that set in some 20 to 30 years ago in middle and higher latitudes by the gradual increase of smoke and dust, particularly in the atmosphere of the critical high latitudes, where there is almost no sun during the colder half of the year.

3. The industrial pollution explanation makes recent climatic trends a unique and irreversible phenomenon in the history of the earth's atmosphere, whereas

by the solar-cyclical explanation they can be regarded not at all as unique or irreversible, and certainly to some extent even as predictable (see Attachment I).

Accordingly, my further discussion of the long-term weather outlook is based entirely on cyclical solar-climatic relationships. However, I must emphasize before making any predictions that the climatic-statistical research basis of this approach to prediction remains in deplorably incomplete form. This statement is not intended as an alibi, but merely to underline a vital need at the present time if full prediction possibilities are to be realized. In the prediction discussion I refer at a few points to badly needed information, and at the close of the discussion I have summarized briefly the five areas of research in which I believe that rather modest support can radically improve climatic trend prediction, and even revolutionize the shorter range seasonal prediction.

II. Climatic Trend Prediction

Long-term weather prediction falls naturally into two categories, depending upon the desired time range. The longer range predictions deal with climatic fluctuations or trends for periods of years, decades or even centuries in advance, i.e., climatic trend prediction. The shorter range predictions deal with the individual seasons within one year ahead, i.e., seasonal prediction. Predictions for individual years usually are not made, because it is the weather of the seasons that make up the year rather than the annual mean that is of interest.

A. Basis of climatic trend prediction. My climatic trend predictions are based primarily on the consideration of two solar-climatic cycles, the shorter double sunspot cycle (20–25 years) and the longer secular cycle (alternately 100 and 80 years, as established by H. P. Sleeper [1]). The shorter cycle is associated with highly significant secular changes of temperature particularly in the lower latitudes, and with changes in the pattern of the double sunspot cycle. Unfortunately for current prediction we stand at the very beginning of a secular cycle, at which point important changes in the behavior of the shorter cycle can be expected, requiring the study of climatic patterns 100 or 180 years ago. This is one point at which more climatic research is badly needed.

B. Climatic Trend Predictions. On the basis of the cycles noted above, I am somewhat diffidently venturing the following climatic trend predictions. The difference stems primarily from the fact that my record of climatic data comprehensively processed by phases of the solar-climatic cycles extends back only to 1899. The processing of the same complete record back to 1870, and of a similar but much less complete record (depending on the amount of available climatic data) back to 1790 is mandatory for more confident prediction.

1. Prediction of temperature trends: [2] The cooling trend which began in the 1950's and first bottomed as predicted (See Item 1, Attachment I) in the 60's can be expected to continue for another 20 years, with lowest temperatures probably being reached between 1985–1995. A pronounced but rather brief warming may occur during the first two decades of the next century, but another period of world-wide warmth like that from 1930–60 is not to be expected before the first half of the following century (years 2110–2140). It will be at least 500 years and possibly as long as 1200 years, before observations can tell us whether the climatic optimum of 3000–2000 B.C. was the turning point towards another ice age, or merely the warm point in a typical 10–15000 year subglacial cycle enduring in still warmer interglacial conditions 6000 or 8000 years hence. It is my considered opinion that long before man can induce another ice age by industrial pollution of the atmosphere he will pollute himself off the face of the earth.

2. Prediction of rainfall trends: Rainfall trends are always harder to predict than those of temperature, being necessarily of much finer geographical structure, dependent as they are upon the shifting of prevailing storm tracks which increases and decreases rainfall in adjacent regions. However, it also is true that world-wide average rainfall increases or decreases significantly with the waxing and waning of the intensity of the overall general circulation of the atmosphere, the basic distinction between glacially prone and interglacially prone periods being an active vs. inactive functioning of the hydrological, i.e., condensation, cycle.

In the prediction of wetness or drought, one must distinguish between the major drought condition that persists and worsens irregularly from year to year usually over a period of six years or so, like the dust bowl decade of the thirties, or the drought of the early and middle fifties in our southern plains, or the recent Sahelian

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[1] H. P. Sleeper, "Bi-stable Oscillation Modes of the Sun and Long Range Prediction of Solar Activity", NASA Report, Contract No. NAS8-20082.

[2] These predictions apply primarily to the United States, and generally to the middle and lower middle latitudes. There is a tendency for major trends of temperature to develop most significantly in polar latitudes some 20 years sooner, and in tropical latitudes some 20 years later than in middle.

drought in subtropical Africa, and the "quickie" type drought of a couple of months duration, such as we had last summer in the western plains in the midst of what otherwise was a predominantly wet year across most of the country. The "quickie" type belongs to seasonal prediction, the major type to trend prediction.

With those preliminary remarks. I will venture the following trend predictions of precipitation:

(*a*) The next 25 or 30 years will tend to be a period of strong zonal circulation of the atmosphere with worldwide precipitation, particularly in middle and lower middle latitudes averaging wetter than normal. The next period of relatively weak zonal circulation and decreasing worldwide precipitation, particularly in middle and lower middle latitudes, (30°–50°), probably will occur about 2000–2020, and the next such period as extreme as that of 1930–1960, probably during the first half of the following century (2110–2140).

(*b*) No major drought in our *mid-western* plains before the turn of the century, another dust bowl decade like that of the thirties, probably not before the year 2110. Major drought in our southern border states and northern Mexico is a probability in the next ten years (see items 3 and 6 in Attachment I), or if not then in the following ten years. Severe drought across the western plains of Canada, such as occurred during the 1880's, and not since then, is a definite possibility during the next 20 years.

(*c*) The Sahelian drought in Africa and the recent failure of the Monsoon rains in southern Asia probably are over for the present, but some recurrence of these conditions, probably less severe than recently, is a possibility within the next 20 years, but probably not again for many years thereafter. This is one area in which the processing of past climatic data for this type of prediction is desperately needed. It is quite probable that the recent severe drought in that region is not quite the unique phenomenon usually assumed, but very much an expression also of recent population increase and over-development of agriculture.

(*d*) Periods of excessive rain such as have occurred in many sections of our country during the past few years are likely to be with us for the next 25 to 30 years.

3. Hurricanes and severe local storms. Processed climatic data on the frequency and distribution of severe local storms (thunderstorms, tornadoes, and hailstorms) of the type necessary for trend prediction are non-existent. However, observation and inference (based on weather patterns) strongly suggest that hurricane frequencies in our coastal waters, and the frequency of violent local storms, east of our continental divide, should be strongly opposite, or out of phase. Accordingly the following trend forecasts are ventured:

(*a*) The previous forecasts of hurricane incidence on the Gulf and Atlantic coasts of the United States (see item 2, attachment I) are continued unchanged. Total incidence of hurricanes on these coasts will continue as low or even lower for the next 25 years than during the past ten years. Particularly on the middle and north Atlantic coast (north of Hatteras) violent hurricanes will be practically non-existent, but heavy rainproducing semi-tropical disturbances during the summer season are likely to be recurrent. Violent hurricanes on the Gulf coast will occur from time to time. Another period of incidence of violent hurricanes on the north Atlantic coast is probable during the years 2000–2020, but another period of hurricane activity like that from 1930–1960 is not likely before the years 2110–2140.

(*b*) The frequency of violent local storms in our country east of the continental divide probably will continue high or even increase slightly during the next 25 years of strong zonal circulation, and then decrease substantially but temporarily during the following years (2000–2020).

C. Seasonal Predictions for the Coming Seasons.—My present basis for seasonal prediction is very much weaker than that for my trend forecasts. Absolutely essential to the most effective seasonal prediction is the breakdown of all the sunspot cycle phase climatic patterns into patterns by individual cycle years, as well as every one of the other research items noted briefly at the end of this paper. Furthermore, forecasts for the next summer season, probably of the greatest agricultural interest, hinge to some extent on the outcome of the winter season predictions (Attachment II). However, since I have a brief record of success with seasonal prediction (items 1 and 2 in the last two pages of Attachment I), and since probably no one else is any better, if as well, qualified to make such predictions, I will offer the following comments on the seasonal outlook:

1. Winter season. There is no reason indicated at the present time to change the forecasts for this season from those issued on September 30 (Attachment II. See also the discussion of these forecasts in Attachment III). The country generally east of the continental divide should experience its most severe cold during the

middle and late winter, with December relatively close to normal. Temperatures in the far west probably will be near normal, or a bit on the mild side, with rather much storminess and precipitation up and down most of the west coast. Precipitation and snowfall will tend to be heavy across the southern states from Texas and Oklahoma eastward to the south Atlantic coast, and northeastward from the Tennessee and Ohio valleys and the eastern Great Lakes to the Appalachians. Driest areas should be the northern plains and the Rocky Mountain Region.

2. I have as yet given no study specifically to predictions for the spring and summer seasons. Lack of research support precludes the kind of preparatory statistical work that is needed. However, on the basis of the expected continued predominance of the strong zonal west wind circulation, if the predicted weather pattern for the winter season is realized, some greater as opposed to lesser probabilities for the spring and summer seasons can be suggested. The winter coldness might be expected to carry over to some extent into the first half of the spring season, so that spring would tend to be late, particularly from the Mississippi valley eastward, probably not in the Western half of the country. On the other hand, probabilities for the late spring and summer would not be for abnormal cold, but probably for average conditions over much of the country of near or slightly warmer than normal temperatures. However, with the active westerly circulation expected to continue, successive periods of rather cool and of quite warm conditions may predominate alternately in western and in eastern sections of the country.

Precipitation probabilities are even more difficult to specify in detail than are those of temperature. In general, the continuation of a strong zonal circulation indicates the probability of more than average wetness over much of the country, including now for the warmer half of the year particularly the northern plains sections that are expected to be dry this winter. The onset of major drought conditions may start to be felt in the southern border states from Texas westward, but not extending into other parts of the country. On the other hand a drought of the "quickie" type may well occur in almost any other part of the country, but probably not a repeat of one in the central plains as severe as that of last summer.

D. Areas of Vitally Needed Research Support.—Financial support of research of modest amount in the following areas may well revolutionize climatic trend and particularly seasonal prediction, in not more than three or four years time.

1. Extension of the world's climatic record, processed in convenient and comprehensive monthly seasonal chart form, back to 1870, and of a less complete regional record, where data are available, back to 1790.

2. Computerized averaging, by calendar months and seasons, of this comprehensive climatic record in chart form by phases and by individual years of the double and the secular sunspot cycles.

3. Replacement for climatic analysis, of hemispheric charts of sea level isobars and upper level pressure-height contours by their difference, or thickness patterns. The resulting patterns of the mean temperature of the lower troposphere are indicated to be much more conservative and stable for solar-climatic relationships and for prognostic purposes than are the circulation patterns which always have been used for long-term prediction.

4. The incorporation of all available sea surface temperature data into the entire solar-climatic cycle complex. This will make possible for the first time an objective evaluation of the cause and effect role, either direct or feedback, played by sea-surface conditions in solar-climatic cyclical relationships.

5. The application of the most sophisticated statistical computer techniques to the determination of hemispheric interregional relationships of temperature and sea-surface conditions, both contemporary (specification) and at lags (prediction) up to twelve months. To be applied specifically also to the solar-climatic breakdown of the hemispheric temperature and sea-surface data.

Addendum on Russian Drought

The Soviet shortages and large purchases of grain on the world market in recent years may be given a different explanation and prognosis than that of "drought" in a proper sense, namely as follows:

1. Some ten to fifteen years ago Russia gambled on a large scale in putting under cultivation vast tracts of land recognized to be marginal precipitationwise.

2. Thanks to five or six years of generous (more than normal) rainfall in this marginal region, this gamble paid off in a big way.

3. By analogy with weather patterns in general in middle latitudes, the recent years should not have been real "drought" years in the Russian grain belt. On

the other hand, they may well have terminated an unusually wet period by more nearly normal conditions in this marginal region.

4. This interpretation throws a somewhat different light on the prediction of future Soviet demands. It means that weatherwise recent years probably should be considered more nearly "normal" than "drought", in which case Soviet demand may continue except during wetter than normal periods.

5. The occurrence of a "major drought" would push the Russian demand far beyond that of the past two years. However, the prediction for Russia should parallel closely that for our western plains; no major drought before the turn of the century. Meanwhile, on the average, wetter than normal years should predominate, probably with alternating normal periods (like the last two or three years?) and wetter than normal periods (like the preceding five or six years?). Further analysis of Russian climatic data is a *sine qua non* for further resolution of this question.

Attachment I

Climatic Trend Forecasts with Ten Years or more of Verification

The following publication list of my climatic trend forecasts is not a selection of the more successful predictions, but represents rather a complete listing of such publication previous to 1965. Not a single poor prediction of climatic trend was issued. All of the forecasts were based on recognized periodicities of solar climatic fluctuation, for which the period 1950–65 happens to come at the time of strongest phase change, most favorable to prediction.

The predictions are listed chronologically by date of publication. In each case the publication reference is given first, followed by a brief statement or direct quote of predictions from that reference, and a few words about the verification to date.

1. Journal of Meteorology, Vol. 8, No. 1, Feb. 1951, "Extrapolation of sunspot-climate relationships."

"The temperature level over much of the world will fall significantly during the next 15 years, probably reaching a first minimum level during the 1960–65 pentad. This temperature fall probably will be sharpest where the anomalous warmth of the past 25 years has been most extreme."

"At best another quarter century like the last one cannot be expected before the beginning of the next century, probably not before late in that century."

"The rainfall in lower middle latitudes, south of 50°N, will be substantially higher during the next 20 years, particularly in those regions which were driest between 1920–40."

In broad terms these forecasts have verified perfectly to date. There has been a temporary slight moderation of temperature since the later sixties, but the coldest decades are still ahead of us.

2. A special report for the Interregional Insurance Conference, New York City; "A study of the tropical hurricane along the Atlantic and Gulf coasts of the United States," copyright October 1955.

"The present (1950–59) decade almost certainly is now witnessing the peak of hurricane frequency in the western Atlantic as opposed to the Gulf area, a peak which probably will begin to decline during the remainder of the decade, and continue to decline sharply during the 1960–69 decade. Not only the frequency, but also the severity of the hurricanes of the middle and north Atlantic coastal areas will decrease. At the same time there will be a slight, but not more than slight, increase of frequency of West Gulf hurricanes, so that the total number of Atlantic zone hurricanes will decline, by the end of the 60–69 decade, at least to the level of the 1900–1930 period."

"The 1960–90 period probably will find the over-all frequency of Atlantic zone hurricanes at an average level corresponding to the 1870–1900 period, even lower than the 1900–1930 period."

To date this forecast has verified in every particular. The last severe hurricane on the middle and north Atlantic coast was Donna in 1960. Another related forecast, which never received publication, was contained in letters in the middle 50's to R. L. Dow, Marine Research Director, State of Maine Department of Sea and Shore Fisheries, predicting cooling of the record warm sea surface temperatures off the middle and north Atlantic coast during the early and middle 50's to subnormal levels during the 60's and probably to even lower levels from the mid 80's to early 90's. By the mid 60's sea surface temperatures off the Maine Coast had fallen a full 5°F to well below the long-term normal.

3. Saturday Evening Post, March 24, 1956; "Cold Weather Ahead," as told to Alex Morris.

"The next half century looks great for ice skating and skiing enthusiasts in North America. Our weather is going to be moister and colder, with plenty of ice and snow in the long run."

"Residents of the middle and north Atlantic coast who have been battered by frequent hurricanes in recent years can look forward to better times. These tropical storms will henceforth decrease in frequency and intensity in northern latitudes. The recent tendency for hurricanes to veer northward won't recur to the same degree in the next half century or more."

"American farmers need have no fear of another dust-bowl drought such as caused disaster on the Great Plains in the 1930's. Despite some present drought spots on the southern plains, there will be more rainfall and cooler weather in the middle west and southwest for the remainder of this century, except for a period of lesser drought about 1975–1980, which will be restricted primarily to the southernmost sections of the country."

The drought forecast is the only new element in this group. Note that the drought as predicted is not a simple extrapolation of a twenty year drought cycle in the middle plains such as most drought predictions anticipated for the mid 70's but it is delayed five years in time and displaced southward. Certainly recent and current weather activity in the central plains is anything but droughty in character!

4. U.S. News and World Report, January 18, 1957. "A weather experts view: 'End of Drought' is in Sight? Of the searing drought that has drawn President Eisenhower's personal attention, one of the nations weather experts has this to say":

"The drought-ridden Great Plains will not turn into desert."

"Rains to break the long dry spell are to come relatively soon."

"Farmers who hang on to their land will be rewarded with crop-producing rains in a cycle of wet weather coming in the decade ahead."

"Look for the next serious drought, says Dr. Willett, to come around, 1975–80, hitting hardest along the Mexican border."

The southwest drought broke spectacularly already during the later part of 1957.

5. Popular Mechanics, September 1957. A panel discussion on "What's happening to the weather?" Panel consisted of Landsberg, Petterssen and Willett. Following quotes from Willett.

"I say we are entering a colder, wetter weather period. This means more west winds in the lower middle latitudes. That will terminate the high-pressure ridge on the Atlantic Coast which has been bringing northward warm water and hurricanes. So according to my forecast, the hurricanes will tend to return to their tracks of earlier years, either in the Gulf of Mexico or staying off the Atlantic Coast, not affecting the middle and north Atlantic States to the extent that they recently have."

This is basically the same as forecasts listed above, and like them has verified extremely well to date.

6. Symposium Proceedings "Climate and our food supply", Ames, Iowa, May 1964.

"The next major maximum (Sunspot) drought period, probably about 1975–85, should be severe primarily along the Mexican border, probably not in the central plains. Another dustbowl decade in the central plains is more probable at about the turn of the century."

Note that here again, as in (3) and (4) above, the occurrence of the next drought is predicted with a delay of 5 years beyond the recent 20-year cycle, and restricted primarily to the southwestern plains, not the central.

SINGLE SEASON FORECASTS

In general I have avoided committing myself in publication on single season forecasts, because much more refinement of solar climatic cycle data is needed for this purpose. However in two cases of particular need where the indications were rather definite I did publish such forecasts that were highly successful, specifically as follows:

1. U.S. News and World Report, September 10, 1962. "Will it be a cold winter?", interview with one of nation's top weathermen.

"Generally speaking, I would expect continuation of a fairly good west-wind circulation, and a tendency for the winter to be rather cold. My expectation would be that, in the area west of the Rockies, it would tend to be warm this winter, especially in the southwest and plateau regions. East of the Rockies, I would expect cold air to come down into the central and eastern part of the country, and, therefore, to produce a rather cold winter."

An excellent forecast by verification, Weekly Weather and Crop Bulletin.

2. Press release from the M.I.T. News Office, November 27, 1973. Carried in many papers, radio and TV broadcasts.

"A weather expert at the Massachusetts Institute of Technology, predicts a mild winter for the eastern half of the country with temperatures two to three degrees above normal. While the probable temperature range of two or three degrees above normal this winter would not make for an 'excessively' warm winter, Dr. Willett said, it is significant and would produce a winter appreciably warmer than last.

"Last winter is generally regarded as having been unusually mild, but was only made to seem so by the absence of snow, he said.

"He said this winter is not likely to be as open as last, though he does not anticipate any great amount of snow."

Of the many forecasts for last winter, including those of the Weather Bureau, published under the pressure of the impending shortage of fuel oil, this one was by far the most precise and correct. Its correctness has been testified to by a number of newspaper articles and TV and radio broadcasts.

The forecast for the coming winter promises to be a very critical one and should be given very careful attention and complete research.

Attachment II

Winter Season Forecast, December 1974–February 1975

PRELIMINARY REMARKS

The forecast issued in November 1973 for the 1973–74 winter season was prepared routinely on the basis of the phase of the double sunspot cycle and the contemporary behavior of the general circulation. It was given a three to one confidence rating of being qualitatively correct in the prediction of a warmer than normal winter in the eastern U.S. The forecast verified very well, both qualitatively and quantitatively.

On the same routine basis each of the two following winters, 1974–75 and 1975–76 were given a two to one chance of being warmer than normal in the eastern U.S.

In the meantime, however, it has become increasingly clear that solar activity is departing strongly from the normal sequence of behavior of the double sunspot cycle, in that an exceptionally long eleven-year cycle is delaying by two extra years, years that belong to no phase of the double cycle, the advent of the coming minimum phase. The same thing happened last in the 1870's, and before that in the 1790's, at the beginning of the last two long cycles, just as we stand now at the beginning of a third long cycle.

Accordingly, all earlier bets for the next two winters are off. Unfortunately lack of research funds has prevented the complete study that would answer many uncertain climatic aspects of the current situation. The following forecast of a very severe winter coming up is issued with a relatively low confidence rating, on the sole basis of a distant solar analog with very limited climatic confirmation.

FORECAST

Temperature: A severely cold winter over much of the country, but relatively mild west of the Divide. Most severe cold in north central and northeastern sections, where the winter may average more than 6° colder than normal. Coldest weather probably in January and early February.

Precipitation: Generally deficient north central and far western sections, except heavy along much of the Pacific coast. Generally heavy from Texas and Oklahoma eastward to the south Atlantic coast (south of Hatteras). Heavy also from the Eastern Great Lakes and the Ohio and Tennessee valleys into the Appalachians. Relatively light immediate coastal sections north of the Virginia Capes. Owing to the expected coldness, snowfall and particularly snow accumulation are expected to be heavier than normal wherever precipitation is not substantially subnormal.

Attachment III

A Frigid, Snowy Winter Ahead for Most of the Nation

What's behind the forecast of the coldest winter in years? Is it simply a freakish phenomenon—or the forerunner of a new cold cycle? For answers, "U.S. News & World Report" went to a leading meteorologist.

Question. Mr. Willett, is the U.S. facing an extra cold winter this year?

Answer. That's the way I see it. Generally, I would expect anything east of the Continental Divide to be colder than normal. Within that area, the coldest part should be the North Central States. This should be followed by the Northeast as one of the colder regions.

Question. How cold will it get?

Answer. This is a guess, of course, but in areas where it's going to be the coldest—particularly the North Central States—I would expect the winter could easily average more than 6 degrees colder than normal. Now remember, the last few years we've had mild winters, so this will be quite a change. This is a forecast, you must realize, of which I'm not nearly as confident as I was, say, last year when I predicted we would have a mild winter.

Question. Will anyplace have a mild winter this year?

Answer. This is harder to say. Generally, temperatures will be about normal west of the Continental Divide—the Far West and Pacific Coast. It may be above normal in some sections, but it shouldn't be exceptionally warm anywhere.

Question. Does a cold winter mean more snow than usual?

Answer. I would expect any area that has normal precipitation this winter might very well have more-than-normal snowfall, and particularly more-than-normal snow accumulation. The snow is likely to stay on the ground longer.

Over all, the pattern or precipitation depends pretty much upon the latitude of the westerly winds. I would anticipate the precipitation patterns to be the heaviest this winter in the Southern part of the country, because the westerlies have shifted to the South.

Question. What are your forecasts based on?

Answer. They're based primarily on a long-term statistical analysis of solar climatic cycles. By that I mean I study cycles of activity on the sun. Then I relate the solar fluctuations to patterns of weather here on earth. My work has focused on climatic conditions in the Northern Hemisphere, particularly the United States, and how those conditions are influenced by the sunspot cycles and related solar activity.

Question. What is a sunspot cycle?

Answer. First, what is a sunspot? Well, a sunspot is merely a darkened area on the surface of the sun where the temperatures are about 2,000 degrees cooler than the surrounding area. The temperature difference makes them appear darker. They are variable in size. Some can barely be seen by the naked eye. Others are many times larger than the earth.

Sunspot activity generally follows a regular 11-year cycle, but for some reason it is the double-sunspot cycle of 22 years that has the greatest meaning for the earth's weather.

Question. How does sunspot activity affect the earth's weather?

Answer. That's not entirely clear. As I see it, however, there are two primary possibilities: One is the sun's ultraviolet radiation. It varies by large amounts depending on sunspot activity. A second possibility is the so-called solar wind. These blasts of charged-particle radiation come off the sun toward earth with greatly varying intensity. Again, this variable appears to correlate with sunspot activity.

Both the ultraviolet radiation and the solar wind enter the earth's atmosphere. By some mechanisms we're still studying, this energy is transferred to the atmosphere where it affects climate. So the fluctuations in solar activity, I feel, have a definite influence on the earth's weather.

Question. So sunspot activity relates to your forecast of a cold winter—

Answer. Definitely. Some phases of the cycle are quite strongly related, and the effects seem to be considerable. Right now, we are approaching a period of low sunspot activity, but for some reason the cycle is not following its normal sequence. It's considerably extended in time, which puts in a couple of extra years here that are not normally in the cycle. At least they have not been in the cycle for 100 years.

These two extra years produce quite different effects than we usually expect at this stage of waning sunspot activity. That's why I've changed my forecast from what I had said last winter, when I anticipated that both that winter and this winter would be on the mild side.

Question. Have you made any forecasts for the winter after this one, the winter of 1975–76?

Answer. Yes. If I have judged correctly that we are in for a cold winter this year, then I'd say next winter will still be a little on the cool side, but not nearly as cold as this winter.

Question. Does the extreme weather thus far in 1974—a record number of killer tornadoes, drought in the Midwest and an early frost—does this kind of weather indicate anything in particular to you?

Answer. Yes. It means for us in North America, the westerly winds are stronger than normal and at lower latitudes than normal—further south. This brings cool air and a lot of storm activity further south than usual. It makes for a more-active summer and fall season than is normal. I relate this change in the westerlies to the sunspot cycle.

Question. Was the early frost in the northern Midwest an indicator of a cold winter to come?

Answer. It doesn't necessarily follow at all that when we have an early frost, we have a cold winter. On the other hand, that kind of occurrence is something that would be more likely under these conditions—the same conditions that should lead to a cold winter.

Question. Turning to last summer's drought in the Midwest: Are those dry conditions likely to happen again next summer? Was this the start of a prolonged drought?

Answer. No. I am not anticipating any continuing drought in the Midwest. You see, the drought last summer was not the kind of thing that's usually referred to as a major drought. Total duration was only about six weeks. The spring was on the wet side, and we had a very wet August. When we have had our major droughts—like the Dust Bowl in the '30s—those drought periods ran on for years, one very dry year after another. We have not had that at all recently. In fact, we've had abnormally high precipitation for the most part.

Question. What about the continuing dry spell in parts of Texas and the Southwest?

Answer. We have averaged for the last several years less than normal precipitation in the Southern border States. It may be the beginning of a coming drought period. Twenty years ago I made the forecast that our next extended drought—beginning sometime between 1975 and 1980—would be in the more Southern part of the country, States along the Mexican border. So if a drought is beginning, it would be restricted principally to the States from Arizona to Texas and Oklahoma. It would not hit the Midwestern States that were most affected last summer by the six-week shortage of rainfall.

Question. Do you see a major change under way in the global climate?

Answer. The global climate has been getting cooler in recent years, at least on the Northern Hemisphere and middle latitudes. That was not at all unexpected. In the course of the next 20 years, I would expect some of the coldest weather we've had for many, many years. After that, however, there should be a warm period coming up. The first half of the '60s was particularly cool, and the recent years have been a little milder, at least across North America and Europe. Now it should get colder.

Question. Does pollution play any part in the general global cooling trend, as some climatologists maintain?

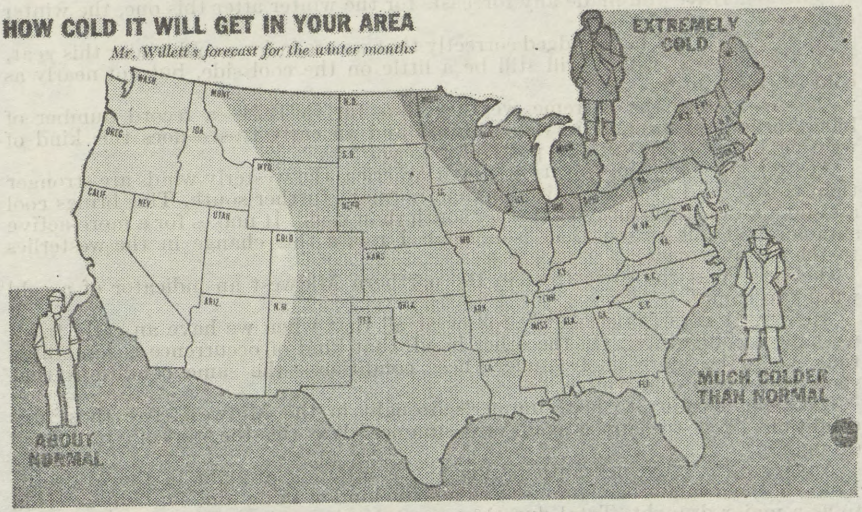
Answer. I'm definitely not a supporter of this school of thought. I don't believe that man influences the worldwide weather to any substantial degree, and probably will not for along time to come. It is my feeling that before man pollutes the atmosphere enough to bring on an Ice Age or to really bring down global temperatures, he will have polluted himself off the face of the earth.

Question. You mentioned earlier that the westerly winds have shifted to the South in recent years and that this seemed to be stirring up more violent weather. Does this shift affect hurricanes?

Answer. Yes. From about 1938 to 1960, a series of hurricanes struck the Atlantic Coast of the U.S. Now that the westerlies have shifted southward, I would expect few if any major hurricanes to strike the Middle or North Atlantic Coast for another 25 or 30 years.

Question. Where will hurricanes tend to strike?

Answer. They will go westward as they have in recent years, either coming into Central America, Mexico or the Gulf States. Some might hit Florida and the extreme South Atlantic Coast, but conditions will be unfavorable for bringing them northward along the Atlantic Coast, and cool surface temperatures will be unfavorable for their strong development.



Senator CLARK. We will hear next from Mr. Helming, if you will come to the table, please.

Mr. William Helming is president, Livestock Business Advisory Services, Inc., in Kansas City, Mo.

Would you proceed, Mr. Helming.

STATEMENT OF WILLIAM C. HELMING, PRESIDENT, LIVESTOCK BUSINESS ADVISORY SERVICES, INC., KANSAS CITY, MO.

Mr. HELMING. Mr. Chairman, it is a pleasure to be here today.

If you would permit me to do so, I would like to submit my entire statement for the record.

Senator CLARK. Excellent.

Mr. HELMING. To save time, I will try to highlight some of the key points and then perhaps have time for a few questions.

I earn my living forecasting markets, so I was deeply interested, as you were, in the previous speaker's comments about weather. I get asked about it every day and there are no sure answers.

I am going to highlight my thoughts, and those of my staff on what we see as the key supply and demand factors and price prospects for livestock and grain.

I will also leave you with a few of our thoughts regarding the economy and then I am going to take the liberty of making a few specific recommendations.

Senator CLARK. Good.

Mr. HELMING. As far as the grain situation is concerned, I think that any time we get to discussing price outlook and supplies, we need to recognize that obviously weather, economics, politics, and Government actions all have an interplay and end up determining both price and supplies.

To show how important weather is, we had a 19-percent increase in wheat acreage alone in the United States this last crop year (the wheat that we harvested this past summer), yet production was only up 4 percent. Obviously the difference is in yield which directly relates to poor weather, and the same basic thing occurred in the case of corn, milo, and soybeans.

If we had anywhere close to the normal yield or long-term trend yield in corn, we indeed would have had well over a 6-billion-ton corn crop. So the weather is highly significant.

We all know, even with the 1974 minidrought, that it caused a lot of problems. Heaven forbid if that happens again in 1975 and/or 1976.

I think that it is very fair to say that our costs of producing grain in this country are going to continue to go up for fertilizer, seed, fuel, farm equipment, and so forth.

The major point that I would like to focus on is that livestock members in the United States, as well as throughout the world, are in the process of peaking out. Therefore, we are entering a liquidation phase, which I will comment on more below. The matter of livestock inventory liquidation bears a considerable amount of attention, because if we were to get anywhere close to normal and favorable weather in the next 2 years, the prospects in the United States for sharply increased corn, wheat, soybean, and sorghum production in 1975 and 1976 compared to 1974 would be greatly enhanced in our judgment.

We have less cattle being fed grain, plus less hogs, less broilers, and less turkeys being fed grain. Obviously, grain consumption is down and will continue to be down for some time to come.

You have a copy of my statement there. I would like to refer you to exhibit A, just for a moment. That is in the back. You can see here that if we go back to the early sixties, compared to where we are now, grain stocks in terms of both wheat and feed grains, in the United States, declined sharply—as much as 475 percent and 600 percent respectively for wheat and feed grains over the last 15 years.

So we indeed are relatively short on grain supplies. During the sixties, we had the loan programs, the reseal programs, and the price support programs. Now we are short on grain and government officials, of course, are being pressed to decide whether they should impede exports of grain leaving the United States or not. It is a very difficult and complex question. We now obviously have grain export controls.

I think that if I can urge anything, particularly as it relates to the grain, livestock, and agricultural sector of our economy, it will be to let the free market system and its concomitant profit systems operate. Nevertheless, we do not think anyone can claim statesmanship so long as there is starvation anywhere in the world, particularly in this country. We recognize the need for emergency reserves, granting this would be another modification of the free market system.

In this regard, any agricultural policy for the United States should be viewed from what must be done to create production and economic incentives. I am absolutely sure in my mind, if we remove that incentive, we will not get the production of grain, meat, milk, eggs, et cetra, that is desired.

Senator CLARK. What incentive are you referring to?

Mr. HELMING. Price and economic incentives.

Let's turn to the livestock situation for a moment. I think it is generally recognized that the cattle, hog, and poultry producer in the last 18 months has been in the worst cost-price squeeze that we have witnessed in this century. We have seen live and wholesale prices for cattle, hogs, and broilers fluctuate from 50 to 100 percent over the past 1½ years, but retail meat prices have remained relatively stable or have often gone up.

That is another subject that I was asked to testify on in April 1974, regarding the lack of responsiveness of meat prices at the retail level.

We have been building cattle inventories in the United States ever since 1965 at an accelerated rate, and this has been the case particularly for the period from 1967 through 1974. As a matter of fact, between January 1, 1974, and January 1, 1975, we predict that total cattle numbers will increase by a total of at least 5 to 6 million head.

I now refer you to exhibit B. This is a statement that I gave before the Joint Economic Committee, 2 years ago, where Senator Humphrey was chairman.

At that time, we predicted that the cattle cycle would be peaking and that we would have sharply lower cattle prices starting in the second half of 1974 and continuing through at least 1976.

I think it is fair to say that that prediction at that time, as well as another one made a year earlier in March of 1972, are correct and on target.

Now, I think the cattle situation deserves a little time to analyze just what the cattle business is in for, for the next 2 to 4 years. As you said, Mr. Chairman, at the moment, beef is on the hoof, but we all know that it can only stay on the hoof for so long.

We have been holding cattle back on pastures and on various roughage and forage programs for the past 18 months, and of course the primary reason for this has been the sharp increases of feed concentrates and grain and the relatively low prices of fed cattle and the tremendous losses that have been incurred by those who have been owning cattle for the last couple of years. Those losses are continuing.

We feel that the cow-calf producer—rancher—at farm level, is in for continued tough times for at least 2 more years, and I suggest that it will be closer to 3 to 4 more years before we have a situation where the liquidation phase will have run its course and grain prices will have come down sufficiently to make cattle production and feeding attractive and profitable again.

I would like to draw your attention specifically to exhibit C to emphasize what I am talking about.

We are projecting, for example, a total slaughter of cattle and calves in the United States for this year, 1974, of 39 million head. We are projecting a total cattle slaughter of 43 million head in 1975, which represents a 10 percent increase over 1974. We expect cattle slaughter to peak out and reach about 49 million head in 1978, which represents a 25 percent increase in total beef supplies over the next 4 years.

Obviously, grain prices, and of course weather, will have a major impact, and certainly will be major determinants as what both cattle slaughter and beef production actually is over the next seveal years.

But even with normal weather, we anticipate relatively sharp increases in slaughter and, consequently, record levels of beef consumtion over the next 3 to 4 years.

I think we have a major challenge ahead as a country and as an agricultural industry to effectively market and consume, and hopefully get some kind of a reasonable price for, the relatively large amounts of beef that is now and is going to be available.

I have heard people say that the cattle are not there and that the numbers are wrong and so on. They may or may not be exactly right in terms of the absolute numbers but, believe me, there are a lot of cattle and a lot of producers who have not yet either accepted the fact that they are there or they have not accepted the fact that things are necessarily going to continue to be as tough as they are now, and therefore they are holding them.

This holding process can only continue just so long—there are simply too many cattle in inventory.

Senator CLARK. Just one question on exhibit C.

You look under your predicted cattle and calf slaughter, the difference between January 1974 and January 1975; why do you get a larger slaughter, if there are fewer cattle on feed?

Mr. HELMING. Well, the number of cattle on feed, of course, is down, but the difference is made up in cow and nonfed slaughter. We have had a significant decline in one and an exceptionally sharp turnaround (increase) in the other. If you compare cattle slaughter and beef and veal consumption, you will note that we are projecting a 10 percent increase by 1978 in per capita beef and veal consumption, yet we expect total cattle slaughter to be up 25 percent by 1978.

Senator CLARK. Why would there be an increase?

Mr. HELMING. Slaughter cattle weights are decreasing.

In other words, the cattle we are slaughtering in the United States, because fewer are now going through feedlots, are lighter in weight at time of slaughter.

Senator CLARK. Why would per capita consumption go up in this period?

Mr. HELMING. It will be at an all-time high in 1974—about 117 pounds, which is, of course, sharply above 1973 and slightly above the 1972 level.

For the next 3 or 4 years, we expect beef and veal per capita consumption to be at record levels, and then we look for per capita beef and veal consumption to taper off again starting in 1979.

Senator CLARK. And go down?

Mr. HELMING. Yes, go down, starting in the late 1970's or early 1980's.

Senator CLARK. What causes that?

Mr. HELMING. By that time we will be through the liquidation phases of the cattle cycle and prices will start to recover rather significantly at that time, and there will be an incentive to hold back replacement heifers, and therefore we will be building inventory again at the expense of current consumption at that point of time.

Senator CLARK. So you think one of the reasons we will consume more is that prices will be cheap in this next 3 to 4 years?

Mr. HELMING. That is right.

You always want to remember, the American public, which includes you and me, will eat everything available at a price. The question is, what price?

All I am suggesting is that we will have made more beef available over the next several years than what we have ever had before.

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Now, what beef is selling for at the retail level between now and 1980, will be determined by a lot of things, such as the supply and price of competing meats, the supply and price of grain and the condition of the economy.

Senator CLARK. Go ahead. You wanted to make some final recommendations, and I have some questions.

Mr. HELMING. All right. If I could just say one other point here.

There has been a lot of talk, at least I hear if from my vantage point in the private sector, about beef versus grain. I would like to point out that there is an awful lot of land area, forage and grass area, not only in the United States, but in many parts of the world, that really has no economic use except for livestock production, cattle and sheep.

I would like to draw an analogy for you. In one sense of the word, we can compare the beef industry to the automobile industry.

General Motors produces Cadillacs for those who are able and willing to buy that type of transportation. It is a luxury. I think long-fed and highly finished beef can also be thought of as a luxury.

On the other hand, grass-fed beef, which is very nutritious and very high in protein, and much more plentiful in terms of supply, is going to be available at lower prices and you can compare that to the Chevrolets, Pontiacs, Buicks, and so on.

So I think it is wrong to assume that you have to necessarily choose between beef or grain, because there is a lot of beef and protein that can be produced from no other manner other than the vast quantities of forage and the grass that we have available throughout the United States and much of the world.

CONCLUSIONS

1. The economy of the United States and of other free world industrialized nations are in a major recession. The worst is yet to come. Unemployment will rise further.

2. If we have just normal weather conditions for the next 3 years, the prospects are very good for feed grain and wheat prices to trend lower over the next several years, compared to present levels.

3. The buildup in beef cattle numbers in the United States and other parts of the world has been too rapid. The cattle cycle has peaked and we are now in the beginning process of cattle inventory liquidation. Beef cattle supplies will be up sharply over the next 2 to 4 years, compared to 1973 and 1974 levels.

4. The price recovery period will take longer for the cow-calf operator—2 to 4 years—than for the cattle feeder. The cow-calf operator faces continual financial losses for some time yet. The major determining factor regarding feeder cattle and cow prices will be:

(a) Weather conditions and how long the liquidation phase actually takes. (b) grain supplies and prices over the next several years, (c) fed cattle prices over the next 3 years, and (d) the condition of the U.S. economy.

5. We expect cattle feeding to show some moderate profits over a good part of the next 3 years because of:

(a) Relatively low feeder cattle prices compared to fed cattle prices, and (b) lower grain prices compared to current levels. We expect choice fed cattle prices to show some moderate improvement from early December 1974 levels during the first half of 1975.

6. Pork and poultry production in 1975 will be down and I want to emphasize, Mr. Chairman, that pork production next year will be down very, very sharply.

I can see pork production for the whole year being down 12 to 15 percent, compared to this year, and there will be times next year where it will be down more than that.

Again, I have my complete analysis as to how I arrive at that conclusion in my statement.

Also, poultry will be down, but the reduction will not be quite as dramatic as will the pork reduction. There is no way we can increase significantly pork production in the next 12 months.

Senator CLARK. Are you talking about grain prices coming down some?

Mr. HELMING. That is assuming we have reasonable, normal weather.

Senator CLARK. Do you have any predictions at all about how much corn could come down?

Mr. HELMING. If we have normal weather, this would translate into at least a 5.8 to 6 billion corn crop. It could be higher than that. Under those kinds of conditions we would expect corn to come down somewhere between $2 and $2.50 a bushel.

Senator CLARK. In other words, we are getting into the grain problem now?

Mr. HELMING. That is right. The current cost of corn production is around $2 a bushel. It will take about 2 years in a row of a 6 billion plus corn crop, Mr. Chairman, in my judgment, to bring prices down to or below the $2 per bushel level.

We have to also look at the export side of the equation. If we were to get a major crop next year and the following year, with livestock and poultry numbers being down the way they are, unless grain exports were exceptionally large, I do not have any trouble seeing corn down a year from now—somewhere in the vicinity of $2 and $2.50 per bushel.

Senator CLARK. So both grain and livestock farmers may be in trouble at that point?

Mr. HELMING. It is highly possible.

All I am suggesting to you is that we expect grain prices will tend to gradually erode and trend lower over the next 3 years. The only thing I can see that will keep that from happening is bad weather during 1975 and/or 1976.

Senator CLARK. Or much greater foreign export than that.

Mr. HELMING. Yes, or much greater grain exports.

The last conclusion, and again I elaborate on this in my complete statement, wage and price controls, in our judgment, are highly counterproductive and very disruptive. Implementation of these kind of controls would again be a very serious mistake. I think they always will be doomed to failure.

Now, my recommendations, very quickly.

No. 1, I want to emphasize, allow, to the fullest extent possible, the competitive and free market system to work. It is the only system that will work and that has passed the test of time.

2. Do not impose wage, price, profit and/or rent controls. This would be a serious mistake. Be patient and give our free market economy time to work.

3. The above recommendations are based on economics, not on humanitarian feelings, which we share with others. The humanitarian aspects must be looked at and provided for within reasonable budget restrictions and a realistic emergency food reserve policy.

4. Be prepared for a price deflationary trend in the U.S. economy in the months ahead, coupled with further inventory liquidation, reduced production, and sharply higher unemployment levels.

5. Be prepared to implement a contingency plan promptly, in the event that there is a period of unusually dry weather in 1975 or 1976, to handle the unusually large and staggering quantities of beef that would be forced on the market as a result. These useful proteins could then be preserved for future use domestically or in other parts of the world, in a canned, dried, or frozen form. Hopefully, the plan will not be needed.

Senator CLARK. Thank you very much.

Three or four questions that come to mind.

As you know, cattle feeders have lost money for something over a year.

Mr. HELMING. Fifteen months.

Senator CLARK. Fifteen months.

And you are predicting, as you look down the months ahead on your exhibit C, that there will be a depressed price situation at least for another 3 years.

What would your own feeling be, as to what cattle feeders will do in that period. Wouldn't that drive thousands out of business, just play havoc with the whole industry?

Mr. HELMING. You well know, as well or better than I, that cattlemen are resilient people, as farmers are and the cattle and beef industry is going through a major adjustment. However, I do not look for the industry to dry up and blow away.

When I say that profits will likely come back into the cattle feeding segment, I did not say whether that would be, $1 a head or $100 a head, and I do not think it will be either one. I think it will be a gradual improving situation, and of course the price and supply of grain will be a major determining factor.

There is one thing you can pretty well count on. The cow-calf operator and rancher is looking at at least two more tough years.

Senator CLARK. But in looking at his credit situation, would you not expect wholesale movements off the farm or out of cow-calf operations or feeding operations?

You think it is a kind of adjustment, difficult as it may be, that can be made?

Mr. HELMING. I certainly do. There are people in the cattle business, both ranchers and feeders that have already gone broke, Mr. Chairman, and I am sure you are aware of that, and there will be more going broke and there will be further weeding out.

But as far as the overall rank and file and the majority of the cow-calf producers, they will hang on and survive, but it will be tough.

Senator CLARK. What do you think of the proposal now before the Congress for the Government to buy a billion to $2 billion worth of red meat and distribute it to poor people here, and perhaps abroad?

What effects it will have?

Mr. HELMING. I think it is an excellent suggestion. In fact, it relates itself to my fifth recommendation. If we have a worsening weather pattern for the next year or two, there is no question we will have vast quantities of beef in this country available and for the kind of dollars you just cited to be possibly spent on beef, I think it would have very little, if any, impact on the consumer price of beef, but it would certainly help alleviate part of the pain and adjustment process that producers are going through. Because of the sharp increase in the price of oil that not only we, but many other countries around the world face, there have been some very specific embargoes placed on beef, concerning the movement of beef from one country to another.

Of course, the United States is the only country where people will or can buy any significant quantities of beef, that has its borders open. In the Southern Hemisphere (Australia) we have a potential for very large quantities of beef coming into the United States. The Congress and the administration will have to decide whether that is good or bad.

I can tell you the effects on the market. All I am saying is, there will be plenty of that beef around and increased beef imports into the United States during 1975 or 1976 will have a significant price depressing effect on cattle and wholesale beef prices in the United States.

To answer your question, I think it is a good idea and one that ought to be seriously looked at.

Senator CLARK. Do we have the refrigeration and/or canning facilities to do that?

Mr. HELMING. Well, there have been some people talking about this idea in the last several months, and I have received a few phone calls about it. The refrigeration capability is definitely limited both in the United States and most particularly in other parts of the world.

From the standpoint of canning, I am not an expert, but from what I can determine, there is a considerable capacity to can this meat. That appears to be a viable and realistic alternative. Drying the beef is also a reasonable and practical alternative.

If we provide this beef for the needy, in this country as well as other parts of the world where starvation is a serious problem, probably the best way is to provide it to them in a can.

Senator CLARK. Do you think those canning facilities are available here?

Mr. HELMING. I am of the distinct impression they are.

Senator CLARK. To take that additional volume?

Mr. HELMING. Yes, sir.

Senator CLARK. I noticed in one of your recommendations, where you talk about wage, price, and export controls, I would like to talk just a little about export controls and/or monitoring.

What is your attitude toward the present monitoring system that the Department of Agriculture has?

Would you be opposed to those as well?

Mr. HELMING. Well, let me answer your question this way: I basically feel that, within certain guidelines, the freer you keep the market the better, because I think a competitive and free market system can do a much better job than arbitrary and political decisionmaking.

But we recognize when a situation is arising, as we already have, where we get at dangerously low wheat and feed grain levels and we do have people starving, some restraints are in order. If I can offer a suggestion in this regard, I think there needs to be a lot more and better planning ahead.

Those of us in private industry, such as in my profession, were predicting a long time ago that we were going to have excess quantities of beef and critically short grain supplies, because we were looking at the weather, the cattle cycle and the demand forces.

The Government may have done the right thing, but they did it in the wrong way, if I can put it that way.

I think there needs to be better and more Government planning, and more openness regarding what the real facts are.

Senator CLARK. But given the short supplies of stocks on hand now, would you be opposed to the monitoring system, or to putting some kind of export licensing or control in that short supply situation?

Mr. HELMING. Well, of course, it is really not my place to make this decision.

Senator CLARK. No. I just mean your recommendation. We will not turn that over to you.

Mr. HELMING. I am a professional analyst.

Senator CLARK. Right, as a professional analyst.

Mr. HELMING. Well, I think we definitely need to monitor the situation. Whatever system you come up with, try to make it as fair and open as possible, and instead of abruptly changing the rules in midstream so often, let everybody know what the rules are as far in advance as possible, and if you feel compelled to place some restrictions on grain exports, let the free market, of course, within those rules, operate and do the job. That would be my recommendation.

Senator CLARK. In terms of better planning and having supplies on hand, why not a grain reserve; wouldn't that establish some latitude for picking up in surplus years and holding on in excess years? Wouldn't that be a logical planning tool?

Mr. HELMING. Well, as I have said in my statement here, you always have the economic versus the humanitarian and political side. I think there is a definite need for some well-thought-out and certainly a well-implemented emergency food reserve program. But now how you go about specifically structuring and implementing it, is another matter.

You can call it anything you want, but once you put grain into the hands of any government or any administration, the political pressures and consumer pressures that would obviously come about to use that grain reserve for political expediency or for consumerism.

Senator CLARK. Isn't that equally true with the commodity loan program?

Mr. HELMING. Yes, sir, there is no question about that. We had that problem in the 1960's and for that matter, earlier than that.

So I have some very deep reservations about such a food reserve being totally under the control of the government, where we can do one thing one day and do another thing the next. I think there is a lot to be said for getting the farmer involved and perhaps let him retain ownership of these supplies and let him store the grain on the farm under certain specifications and be compensated for the normal carrying charges and let him carry the burden, as well as the tax load, and keep the American public from having to pay that.

Again, I emphasize, and I guess it is pretty obvious that I believe in the free enterprise system, because I think it is the only one that will really work. Yet, on the other hand, I feel there is merit and a very definite need for an overall agricultural food and world reserve policy.

Senator CLARK. You believe in some kind of supply management, governmental supply management, that is the target price system and the commodity loan programs and so forth?

Mr. HELMING. No, I do not think I said that.

Senator CLARK. I am asking you.

Mr. HELMING. No, I think the best supply management program is just let the competitive and food market work.

Senator CLARK. In your statement, you talked about livestock prices going up and down as much as 100 percent.

Do you think that affected the free market supply and demand situation?

Mr. HELMING. I have several very specific comments to that. Basically I guess I should say yes. However, let's split it out from the farm level versus the retail level. In the case of the price of beef or for that matter, pork, but let's take beef, because it is a good thing to use as an example, all during 1973 and so far during 1974, the price fluctuated very little.

As a matter of fact, in many instances, it went up and indeed the wholesale to retail gross margin increased. Cattle prices fluctuated dramatically over the past 15 to 18 months wherein the price of beef at the retail level changed very little. In some instances consumer retail beef prices actually went up while farm prices were going down.

Retail beef prices have gone down some recently as you well know.

Senator CLARK. The difficulty of talking about a free open market system is that you allow people in our market who may want a strategic grain reserve——

Mr. HELMING. Or use it for economic warfare.

Senator CLARK. Exactly. How do you reconcile that with what you are saying.

Mr. HELMING. That is what I mean by the need for some type of monitoring system. I do not feel that is a problem within our country, but when we start trading with the Iron Curtain countries, or other industrialized nations, it potentially is a problem. That is part of the policy that needs to be developed.

I think you can establish some grain export parameters. You can say once you have *x* amount of grain, when you know what your production is, then up to a certain point you will let all the grain that is in excess go out, and beyond that point you won't. But I think that can be pretty well determined a year in advance and possibly modified a little and a monthly or quarterly basis.

In that case, everybody knows what the rules are and how to plan and let the market system work within those parameters.

Senator CLARK. As you see it, the United States does not have an overall food policy?

Mr. HELMING. No, we certainly do not, and I think it is high time to get one, but let the free market be your major guide.

Senator CLARK. Wherever possible.

Mr. HELMING. Wherever possible.

But your recommendation on the beef matter would not reflect that, would it?

Mr. HELMING. You asked me if I thought it was a good idea. I think it is a good idea.

Senator CLARK. In practice, but not in theory. You would see that as a violation of the free market system.

Mr. HELMING. Well, I think if you wanted to make the choice, if you make the determination there are people starving somewhere in the world and you feel compelled from a humanitarian standpoint to give them something to eat, you might well consider shipping them beef. In this case it would have to be canned. That is what I was referring to, that type of a program.

Senator CLARK. I see, not simply to take the supply off the market, but to feed people?

Mr. HELMING. Yes.

Senator CLARK. You have been very helpful and we appreciate your coming.

Thank you.

Mr. HELMING. Thank you.

[The prepared statement of Mr. Helming follows:]

STATEMENT OF WILLIAM C. HELMING, PRESIDENT, LIVESTOCK BUSINESS ADVISORY SERVICES, INC., KANSAS CITY, MO.

A. INTRODUCTION

I appreciate having been asked to testify before these two committees today and outlining some of the current views that my staff and I have on the key supply and demand factors and price prospects for livestock and grain. My name is William C. Helming, and I am president and majority shareholder of Livestock Business Advisory Services, Inc., which is a professional management and market consultation service for agriculture, headquartered in Kansas City, Missouri. In an effort to lend order to my presentation, I will review the following major subjects in sequence: The Grain Situation; The Livestock and Poultry Situation; The U.S. and World Economy; Conclusions; and finally, our recommendations.

B. THE GRAIN SITUATION

It goes without saying that livestock and grain prices and supplies are highly interrelated. It is easy to say that feed and forage costs influence livestock production, and this past year demonstrates just how devastating the change can be. Just having a return to normal planting, growing, and harvesting conditions, while avidly welcomed, is not a guarantee that livestock production and/or markets will return to either profitability or normality. Still, it is incumbent upon us to take a basic approach to the feedgrain and livestock sectors of the economy. The basic factors that influence these markets are, as they have always been, (1) climatological, (2) economical, and (3) political. We can only postulate normal weather patterns. However, you have experts who can give you the probabilities of abnormal weather, which will be either detrimental or beneficial to grain and livestock production in the future.

1. Climatological

While farmers in the United States will adjust their acreage intentions to suit their farming practices, their labor load, fertilizer supplies and prices, current market prices, and geographic location, there is no reason to assume any significant change in acreages from the past year. While preliminary surveys indicate substantial increases in wheat acreages, there is little to be gained by anticipating the formal survey of the Statistical Reporting Service report due out in another 13 days (i.e., December 23, 1974). We simply note that 1974/75 acreage increased 19% compared to the prior year. Total crop production, however, only increased 4%. Obviously, the important factor here is yield, and its response to unfavorable weather and disease.

The "all wheat" yield per acre during the past year was 27.8 bushels per acre, compared to 31.9 in 1973. It was higher than that in 1972 and 1971, and 1970 was only slightly below, being 31 bushels per acre. If wheat yields could return to 31 bushels per acre and if the acreage was 65 million acres for harvest, production in this country would exceed two billion bushels, compared to this year's actual production of 1.78 billion bushels.

The same kind of statement would apply to corn, where the yield in 1973 (91 bushels per acre) applied to the acreage for harvest of 1974 (63.7 million acres), would have provided a crop of 5.8 billion bushels. Even if that is not as high as the 6,700 million bushels first postulated for this past year's crop by the U.S.D.A., it would still be the highest production on record in this country. Trend yields are certainly far above 91 bushels per acre, but in our estimation there will be serious carryover problems of nitrogen fertilizer and also a healthy skepticism about ever-increasing corn yields for future years. Soybean production would approach 1,500 million bushels, but using the same line of reasoning. Although grain yields in the U.S. have increased significantly in recent years in response to improved plant breeding, technology and fertilizer applications, it is important to emphasize that a slight change in weather will have a very major impact on grain yields and production compared to last year.

2. Economic Factors

Farmers are clearly going to look at continuing higher production costs. Current grain price levels promote the increased production of all major grains and oilseeds, although, obviously, relationships between the grains would tend to promote one in favor of the other. Farmers' intentions to plant soybeans and corn are always influenced by the relationships between those prices, but every farm organization will have ample time from the March 1975 acreage intentions report to guide their membership; and the net result will be that the acreage relationship (allocation) between major crops will not change much.

The real economic problems relate to (a) what is happening to the livestock cycles both here and abroad and (b) the state of the U.S. and world economy. The number of grain consuming animal units in this country appears be to *dropping rapidly*, and in this regard, we have to take a look at the remainder of the corn crop year. It does not seem necesssary to review the latest Supply and Demand Statistics published by the Department. They are readily available to all and should be looked at in relationship to the impact of the recent World Food Conference.

There is no question that the consumption of all feedgrains must be reduced. This reduction will take place primarily by feeding less grain to animals. By far the largest amount of this reduction will take place in the United States. I also refer you to *Exhibit A*, which shows the dramatic drop in the stocks of wheat and feedgrains in the U.S. over the past fifteen years. The percentage decline between 1961–62 and 1975–76, in wheat and feedgrain stocks, amounts to 475% and 600% respectively.

I will go into more detail below on cattle, hog, and poultry numbers, plus the condition of the economy, but at this point in my comments, I want to point out that we have a high probability of *increasing grain production* in every category, while *reducing grain consumption* over the next several years, compared to this year's level of production. If we have normal and reasonably favorable weather conditions for the next three years, we believe then the prospects are very good for feedgrain and wheat prices to *trend lower* over the next several years compared to present levels.

3. Political Factors

In the years preceding 1972, the price mechanism relative to grain was supplemented by governmental intervention through price support loan mechanisms and resale prices. Since 1972, there has been another form of governmental intervention, and that is restrictions on exports. This is a very real restriction, no matter how it is camouflaged. Some of the onus may be removed from American officials, however, because many of our trading partners are willing to help through "gentlemen's agreements" to reduce grain imports into their respective countries.

The only conclusion that can be drawn here is that there will be a minimum, yet a reasonable carryover in each major grain at the end of their respective crop years. Postulating the same production figures outlined above, will result in a sharp increase in supplies, while at the same time grain consumption in this country, because of reduced grain consuming animal units and a poor economy, is going down.

There is the desire of every country with a shortage of grain supplies, to stockpile when surplusses reappear. Along with that is the worldwide inflation, that is reducing the purchasing value of every currency. The desire to hold goods, particularly non-perishable food-related commodities such as feed and food grains, will be enhanced by this country's and the world's economic situation now and in the next few years.

One cannot fail to comment about the effect of higher crude petroleum prices and their negative effect on this nation's and the world's economy. There is now general agreement that the U.S. economy is in a recession. There should be general worry as to whether this will progress into a depression. It will be inconceivable that only food prices would move upward, while all other prices are moving downward. Because of the need to do some stockpiling, it is worthwhile to state that it will take more than one year's good crops in the U.S. and most of the rest of the world, before the surplusses create the kind of problems that existed during most of the 1960's.

With the assumption that feedgrains will be in short supply until at least the next Northern Hemisphere harvest (the fall of 1975), then feeding ratios will continue to be adverse. Livestock cycles throughout the world have peaked at about the same time. Thus, the economic incentives for feed grain production will exist, while the domestic demand for feedgrains is reduced. If I can urge anything, it will be to *let the free market system and its concommitant profit incentives operate.* Nevertheless, we do not think that anyone can claim statesmanship, so long as there is starvation anywhere in the world, but particularly in this country, and we recognize the need for emergency reserves, granting that would be another modification of the free market system.

There is a very definite and real requirement to have incentives for production, and as long as price governs and does the rationing, no producer will continue to produce at ever decreasing prices. By the same token, prospective buyers would not continue an increase in their consumption at ever increasing prices. Likewise, there is no perfect balance between them, nor can you gentlemen in this room or anyone else create the climatic conditions that will guarantee the exact production needed to balance the supply and demand equations.

C. THE LIVESTOCK AND POULTRY SITUATION

The livestock and poultry industries have been going through the most severe cost-price squeeze and economic adjustment phase the industry has experienced in the twentieth century. Livestock prices have fluctuated widely—as much as 50 to 100 percent for cattle and hogs over the past year and a half. There are no signals that these stresses are going to be alleviated anytime soon, particularly for the cattle producer and feeder. Livestock and poultry prices and supplies have been directly affected both positively or negatively in the past, as they will be in the future by (1) weather, (2) forage and feedgrain supplies, (3) economics and (4) politics and government actions.

1. U.S. Cattle Supplies

Total beef cattle numbers (inventory) in the U.S. have been increasing at an accelerated rate from 1965 through 1974. We have been warning ever since February of 1973, about two years ago, that the *build-up* in beef cow and replacement numbers was *far too rapid* and would result in sharply increased cattle slaughter and feeder cattle supplies, plus significantly lower cattle prices, starting in the last half of 1974 and continuing at least through 1976. I draw your attention to *exhibit B*, which was also a part of my April 4, 1973 Statement on why farm and food prices increased during 1972–73, before the Joint Economic Committee on Consumer Economics chaired by Senator Hubert Humphrey.

I also made a very similar warning and statement regarding the serious problems that would result from the rapid build-up in cattle numbers during early 1972. This statement was published in the March 1972 issue of the *American Hereford Journal.*

We are now in the beginning stages of liquidating cattle numbers. The cattle cycle has temporarily peaked out. The liquidation phase will take at least two years and it likely will take three to four years, which is normal. Weather conditions over the next two to four years will be a major determining factor. Therefore, we expect *total cattle slaughter* and the resulting *per capita consumption of beef to increase sharply* between now and through 1978. I further draw your attention to *exhibit C,* which gives our estimates of cattle inventory, cattle slaughter and per capita beef consumption from 1974 through 1981.

It is very apparent that the cattle industry has expanded too rapidly, both at the cow-calf and feedlot level. In addition, costs of production, particularly the cost of grain, feedstuffs and money. Government wage and price controls during 1973 were also very disruptive to the livestock and poultry industry. They were a complete failure and were clearly counter-productive.

It is equally apparent that cow and feeder cattle prices will remain under pressure and may even move lower for the next two to four years. Therefore, the rancher is faced with continued losses for some time to come, until (1) the cattle inventory liquidation phase is completed and (2) grain and feed prices come down significantly.

The cattle feeder, on the other hand, has a somewhat better situation to look forward to. We can see cattle feeding becoming profitable again over part of the next three years, primarily because of (1) relatively low feeder cattle prices compared to fed cattle prices and (2) lower grain prices than we have now. The effective use of the livestock and grain futures market will prove to be very helpful and essential.

The current economics of the cattle business can be further illustrated as follows: There are normally *three* major and potential buyers of cattle and beef in the U.S. They are (1) the producer, (2) the cattle feeder and (3) the meat packer (food retailer and consumer). In contrast to the 1965–1973 period, the cattle producer is now a *seller*—not a buyer. The cattle feeder is now buying sharply reduced numbers of feeder cattle, whereas from 1968 through early 1973, the cattle feeder was buying practically every feeder animal that could possibly be fed. The meat packer, food retailer and consumer, as usual, are buying all the cattle and beef offered for sale. The big question is always—at what price will they buy the cattle and beef available, since it is a highly perishable commodity.

There has been considerable discussion recently about beef vs. grain. *First*, I want to emphasize again that a competitive and free market will do a much better job than some artificial government policy could ever possibly do in determining how much beef and meat the consumer will buy and at what price, vs. the direct consumption of food grains. *Second*, there are vast quantities of land and forage in the U.S. and throughout the world that have no other economic use or value, other than for livestock grazing and production. The beef produced from grass and forage fed cattle is nutritious and has at least as much protein as grain fed beef does.

With the exception of the U.S. and Canada, and to a lesser extent Western Europe, most other beef consuming countries in the world eat strictly grass and forage fed beef. Both from an economic and humanitarian standpoint, a very strong case can be made for developing policies that will *increase and encourage* the production of beef by maximizing the use and further development of grass and forage lands.

Let me draw an analogy for you. My thesis is that everyone should have proteins in their diet, just as everyone needs transportation. In this country General Motors recognizes that there are buyers of the highest priced luxury automobiles—the Cadillacs; and there are more and other buyers of lower priced automobiles—Oldsmobiles, Pontiacs, Buicks; and there are still more buyers of the least expensive lines of Chevrolets. They provide for one basic need—transportation—and many different kinds of buyers. Grain fed beef should command a premium—it is a luxury, not a necessity. In the same sense, grass fed or short fed beef can be compared to the middle range of the automobile line. There are also vegetable proteins whose per-pound price and vast availability, along with good utility, that can help satisfy the smaller budget.

Finally, I believe that there is a great need for some forward planning on the part of the Federal Government regarding cattle numbers. With out total cattle numbers at the highest level ever, we could experience a national disaster in 1975 or 1976 *if* weather were to become unfavorable enough to severely curtail the output of both forage and feed grains. Under such circumstances, our carryover stocks of both feedgrains and forages will be extremely low, and we now know that fertilizer supplies will be limited and high priced for at least 1975 and 1976. Therefore, many cattlemen and farmers will not be able to justify any significant expenditures on fertilizers, because of the very low incomes which will be derived from cattle. This would force even further cattle liquidation, because large livestock grazing areas in the U.S. depend heavily on rather large applications of nitrogen fertilizer.

If we were to suffer a drought-induced feedgrain and forage crunch over the next two years, the numbers of cattle that would have to be slaughtered would be staggering and far above the capacity to be consumed on a fresh meat basis. Therefore, we believe it would be most prudent for the U.S. Government to have some stand-by budget and plan available in the event of this kind of catastrophe so as to help transfer this extra supply of extremely high quality protein that is now "stored on the hoof" to some kind of canned, dried or frozen form, and thus be preserved for future use in either the U.S. or some other part of the world.

2. World Cattle Numbers, Hide Supplies and Beef Imports

Beef cattle numbers throughout the world have increased and peaked at about the same rate and time, as they have in the U.S. Therefore, there is a world-wide "beef glut." Because of the excessive supplies of milk and other dairy products in Europe, many dairy cattle are being slaughtered and converted to beef at the present time. Beef cattle inventory liquidation is occurring on a world-wide basis.

Due to the anticipated sharp increase in total cattle slaughter in the U.S. and in many other countries over the next two to four years, plus the current recession in the U.S., Japan and Western Europe, hide prices will tend to weaken further. Therefore, the drop credit value for slaughter cattle will tend to get weaker in the months ahead, which will, of course, adversely affect cattle prices. The demand and use of leather appears to be increasing some, however, because of the relatively short supply and sharply higher prices of many products previously made from oil through the petro-chemical industry.

Realistically, there is no significant outlet presently for American beef in any overseas location. The trade deficit balances resulting from the sharp increase in oil prices, plus inflation and liquidity problems in the countries of all potential overseas beef customers, have resulted in beef embargoes that are more restrictive than ever before in history. Such countries as Argentina, Australia, and New Zealand, however, will be directing increased supplies of their overseas shipments to this country, since it is the only available market left to them under present conditions. We will, in fact, be receiving additional shipments of beef *from* overseas instead of making shipments to them. Shipments of beef from Australia to the U.S. next year could easily be 25% to 50% *above* 1975 quota levels.

3. Pork and Poultry Supplies

(a) *Pork Supplies*—The hog producing business is somewhat intermediate between the poultry and cattle business. It has a longer cycle and start-up time than does poultry, but a much shorter time period than for cattle. During 1974, hog producers have reduced numbers to the point where we are now looking at sharply reduced hog slaughter and pork production during 1975 compared to 1974 levels. The amount of this reduction will be 10–15 percent for the year.

Most analysts tend to look at the annual pig crop consisting of a spring crop (December through May) and a fall crop (June through November). This is the traditional way it is presented and done. However, if you are really interested in the slaughter and consumption of pork, one should pair the fall crop with that for the next spring; for that, by and large, is the crop that will be available for consumption in any given year. In other words, the fall crop that we have just farrowed in 1974 and the upcoming spring crop for 1975, will be the hogs and pork that will be consumed or available for consumption by the U.S. during the calendar year 1975. When you consider this combination, each pig crop segment (spring and fall) represents the *fourth consecutive year of reduction* in the size of the pig crop.

The fall and spring pig crops will total somewhere between 79 and 80 million hogs, compared with over 102 million hogs from the 1970 fall pig crop and the 1971 spring pig crop combined and that were available for consumption in the calendar year 1971. This is something over a *20% reduction in four years* in the size of our annual pig crop as viewed from a fall and spring combination. Furthermore, this represents the *smallest pig crop since the 1927–28 period.* This 1974–1975 pig crop combination will probably not be greatly different than what we experienced in 1938–1939 and 1953–1954, but we will have to again go back to the fall of 1937 and the spring of 1938 to find a smaller crop than is in prospect for 1974 and 1975, which will be the pigs that are eaten in 1975.

It is my firm belief that most people have not yet fully appreciated the extent of this decline, and that is why I am emphasizing it before this committee. The swine industry has pretty well taken their financial lumps and made the necessary adjustment that is being forced by the reduced supply of feedgrains for domestic consumption. There is very little possibility that the available supply of hogs for slaughter in 1975 will change greatly from the figures I have indicated. There is some possibility that if grain crop production was trending toward the favorable side by the summer and fall of 1975 and grain prices were then declining from present levels, hogs would be fed to heavier weights and the supplies of pork increased to a limited extent. Average hog prices in 1975 will be above 1975 levels and will tend to be above cattle prices for most of 1975. However, because of the large supplies of beef expected for next year and a declining economy, hog price increases will be limited.

(b) *Poultry Supplies*: The poultry industry is very flexible. It has the shortest turnaround time, plus the most concentrated management control, plus the most sophisticated financing with a limited number of producers involved in the business. By and large, the poultry industry has absorbed its losses, made its poultry production adjustments, and is well on the way toward a relatively stable position. Poultry supplies in 1975 will be at least 8–12% below 1974 levels. There is still a modest amount of poultry and turkeys in storage, but this will be liquidated soon and production will level out at a sharply reduced level in 1975 until such time as the ratio between feed costs and broiler prices will support an expansion.

It seems quite unlikely at this time that this would take place before the latter half of 1975, and only then providing the prospect for feedgrain production for 1975 looks favorable. Average poultry meat prices in 1975 will be above 1974 levels.

D. THE U.S. AND WORLD ECONOMY

The U.S. economy is clearly in a recession now. Our judgment is that the worst is still ahead of us. We are trending towards a depression. I refer you to *Exhibit D.* We see the following key factors relative to our economy:

1. Consumer spending over the next 12 months, when measured by real dollars, will decline further. Consumers will likely become even more cautious in buying goods and services in the months ahead.

2. Reduced consumer spending will bring about a period of major inventory liquidation and production curtailment, resulting in increased unemployment for at least the next 6–12 months. Unemployment will reach the 7–10% area during 1975.

3. We are going into a period of *price deflation.* If the competitive free market system is allowed to function and a huge Federal budget deficit is avoided, inflation will not be near the problem over the next two years as it was for the past two.

4. There are no quick and easy solutions to the economic ills that now are plaguing this country. The recovery process and time period will take perhaps two to three years. Implementing wage and price controls in 1975 would, in my opinion, be a most serious mistake.

5. The U.S. economy, *at best, will be flat* during most of the year to come. We want to point out here that after the economic crash in 1929, the real damage was done from 1931 to 1933.

6. All of the industrialized countries of the free world are suffering from the same problems and to a more serious degree than the U.S. The United States Government will have to work diligently and in concert with the Common Market, Japan, and Russia in order to keep the major countries from avoiding financial collapse. The Arab petroleum-producing countries are taking so much currency out of circulation that the liquidity crisis is far from over.

7. If you need a bench-mark, watch for the collapse of a major U.S. firm. If that occurs, then any remaining confidence will be eroded and the economy will deflate.

8. All of the underlying pessimism presented here can be partially overcome by recognizing that the American economy, while stagnating and in a definite recession now, is still the strongest and most dynamic economy in the world.

There are two other points that I wish to mention regarding the economy. *First,* the livestock economy, like the housing and automobile economies, are now in a depression. If the livestock economies worsen further or if the agricultural economy in general declines further during 1975, the impact on the total U.S. economy will be very negative and perhaps catastrophic. The impact of farmers and ranchers buying less trucks, tractors and other farm equipment, fertilizer, etc., will have a significant and multiplying impact on the total U.S. economy. *Second,* although the consumer effective demand for red meat up until now has been very good—even surprisingly good—we find it hard to believe that this pattern of excellent consumer demand for meat will continue at the same pace, in face of a declining economy and increasing unemployment.

E. CONCLUSIONS

Following below are the major conclusions that can be drawn from the foregoing:

1. The economy of the U.S. and of other free world industrialized nations are in a major recession. The worst is yet to come. Unemployment will rise further.

2. If we have just normal weather conditions for the next three years, the prospects are very good for feedgrain and wheat prices to *trend lower* over the next several years compared to present levels.

3. The build-up in beef cattle numbers in the U.S. and other parts of the world has been too rapid. The cattle cycle has peaked and we are now in the beginning

process of cattle inventory liquidation. Beef cattle supplies will be up sharply over the next two to four years, compared to 1973 and 1974 levels.

4. The price recovery period will take longer for the cow-calf operator (2–4 years) than for the cattle feeder. The cow-calf operator faces continual financial losses for some time yet. The major determining factors regarding feeder cattle and cow prices will be (a) weather conditions and how long the liquidation phase actually takes, and (b) grain supplies and prices over the next several years.

5. We expect cattle feeding to show some moderate profits over a good part of the next three years because of (a) relatively low feeder cattle prices compared to fed cattle prices, and (b) lower grain prices compared to current levels.

6. Pork and poultry production in 1975 will be down, at least 8–12% compared to 1974 levels. Both average monthly hog and broiler prices are expected to be higher in 1975 than they were in 1974.

7. Wage, price, and export controls are counter productive and disruptive. Implementation of the same old controls would prove again to be a serious mistake.

F. RECOMMENDATIONS

1. Allow, to the fullest extent possible, the competitive and free market system to work. It is the only system that will work and that has passed the test of time.

2. Do not impose wage, price, profit and/or rent controls. This would be a serious mistake. Be patient and give our free market economy time to work.

3. The above recommendations are based on economics, not on humanitarian feelings, which we share with others. The humanitarian aspects must be looked at and provided for within reasonable budget restrictions and a realistic emergency food reserve policy.

4. Be prepared for a price deflationary trend in the U.S. economy in the months ahead, coupled with further inventory liquidation, reduced production and sharply higher unemployment levels.

5. Be prepared to implement a contingency plan promptly, in the event that there is a period of unusually dry weather in 1975 or 1976, to handle the unusually large and staggering quantities of beef that would be forced on the market as a result. These useful proteins could then be preserved for future use domestically or in other parts of the world, in a canned, dried or frozen form. Hopefully, the plan will not be needed.

EXHIBIT
BEGINNING STOCKS OF WHEAT AND TOTAL FEEDGRAINS 1961/2 - 1975/6
(Million Metric Tons)
Livestock Business Advisory Services, Inc.
715 Hereford Drive, Kansas City, Mo. 64105

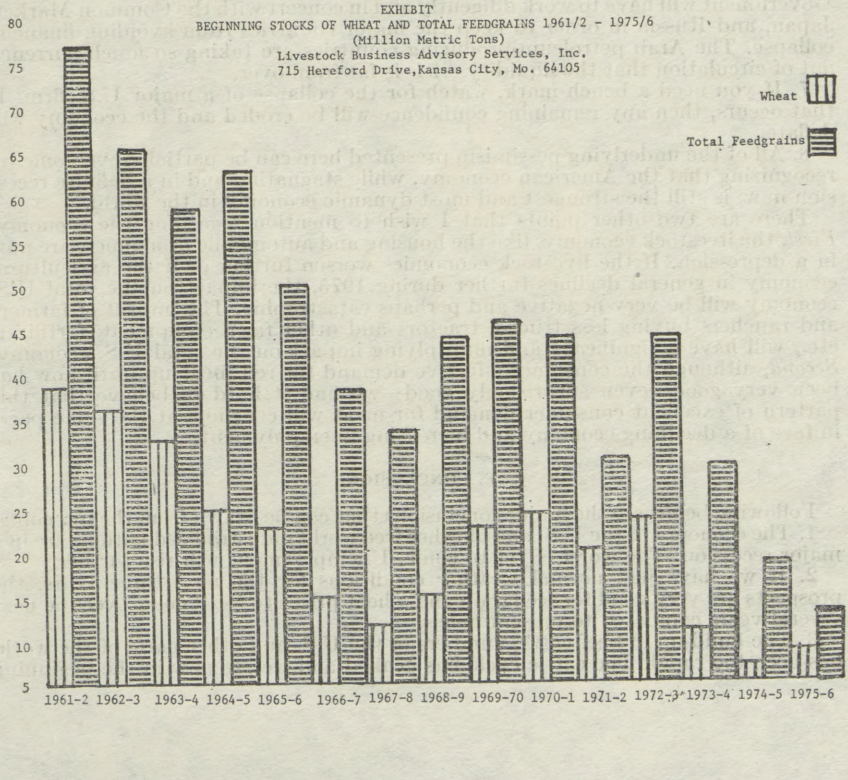

Exhibit B

The Build-Up Is Too Rapid

We interpret the USDA January 1, 1973 Cattle Inventory Report as *bearish* especially from late 1974 to 1976. In addition, it appears as though both pork and feed grain supplies will be substantially larger in 1974 compared to 1972 levels. Caution, restraint and positive action are the keys to a continued profitable cattle industry.

A 7% build-up in replacement heifer numbers, plus a 6% jump in beef cow numbers during 1972, spells trouble down the road. This sharp increase during 1972 in beef cow numbers is on top of previous significant jumps during 1970 and, 1971. The *increase* in beef cow numbers during 1972 was 2,295,000 head or 245% more than the increase of 930,000 head during 1971.

To further illustrate the trend towards building beef cow numbers, cow slaughter was lower in 1972 than in any of the *eight* previous years (except 1970) since 1964. At the same time, a trend towards holding back significantly larger numbers of replacement heifers has been obvious since 1970. Cow slaughter under federal inspection in 1972 was 5,400,000 head or more than *4% below* the 1971 figure.

We expect cow slaughter in the U.S. to start increasing during the 1974–1976 period, compared to the 1972–1973 levels. With a trend of increased cow slaughter between now and 1976, any increase in *beef imports* from foreign countries will have a pronounced depressing effect on domestic cattle prices during this same period.

This word of caution regarding too rapid a build-up in our cattle numbers may sound out of place in view of today's prices, but the commercial cow/calf operator is again faced with the important decision of how much to increase his herd inventory. It is a decision that will greatly affect the beef business for at least the next three to five years. We have now had *three* years of sharp increases in our beef cow inventory. With this trend continuing during 1973 and 1974, we believe that the favorable position which the cow/calf operator is in today will have eroded considerably by 1975. The results will be *lower cattle prices* than we have in 1973 and substantially *larger feeder cattle supplies.*

In the past few years, cattlemen have done an excellent job of efficiently producing a uniform supply of high quality beef which the consumer has come to readily accept. It is a case of regularly satisfying the consumer with predictable quality and uniform eating satisfaction.

To keep pace with the growing demand and consumer preference for beef, some growth in cow numbers is needed. The key question is how much growth is healthy and when do we reach the "too much" level?

We do expect personal incomes to further increase and therefore the demand for beef and pork to continue improving in the years ahead. However, the accelerated demand for meat during 1972 and 1973 has been caused in part by various government social reform programs resulting in a redistribution of income, allowing traditionally lower income groups to have more money to spend for beef and pork. For example, our government spent over $2 billion during 1972 in the Food Stamp program. In addition, there were two jumps in social security payments during the past 15 months of about 20% each. Furthermore, local, state and national welfare payments were at an all-time high in 1971–72.

During the 1974–76 period, it appears that these government programs causing accelerated demand and expenditures for beef and pork in 1972–73 will be *leveled off,* and in many cases, *reduced.* Therefore, the demand for beef and pork in the future will primarily come from increases in consumer personal incomes, population growth, and from whatever exports of pork and beef we are able to achieve to foreign countries, such as Japan. We believe, therefore, that it is unrealistic to assume that the demand for beef and pork will continue to increase at the same accelerated rates during the 1974–76 period as it did during the 1971–73 period.

Relating this to the cow/calf operator, all the indicators point toward an ideal steady growth rate in beef cow numbers of *no more* than 2.0% to 2.5% per year. This rate of growth would add about 820,000 to 1,000,000 head of new females to the breeding herd each year and keep supply and demand in a healthy balance for both the producer and the consumer. We believe that sound supply-management guidelines call for cow/calf operators to regulate their calving and replacement programs so that *beef cow numbers do not increase more than 2.5% per year* during the next three years. *They should start now.*

The trend of improved efficiency on the part of the U.S. cattlemen to obtain proportionately higher increases in beef tonnage from relatively small increases in the nation's cow herd, will continue for at least the next five years. Improved seedstock, better management, greater emphasis on fertility and the expanding feedlot industry all contribute greatly to having an adequate supply of beef available from a steady 2.0% to 2.5% per year increase in beef cow numbers.

The *dairy cattle* inventory in the U.S. has finally *stabilized.* For the first time in many years, *dairy herd* replacements are *now increasing.* This will result in even larger total beef supplies in the years ahead.

EXHIBIT C

LBAS ESTIMATE OF FUTURE BEEF SUPPLIES, (1974-81)

Inventory date	Cattle inventory numbers: All cattle and calves (Thousand head)	Cattle inventory numbers: All cattle and calves Percent of 1974	Cattle on feed (Thousand head)	Cattle on feed Percent of 1974	Year	Slaughter and meat consumption: Cattle and calf slaughter (Thousand head)	Cattle and calf slaughter Percent of 1974	Per capita consumption of beef and veal: Pounds per person	Per capita consumption of beef and veal: Percent of 1974	Weekly average F.I. cattle slaughter (Thousand head)	Weekly average F.I. cattle slaughter Percent of 1974
Jan. 1, 1974	127, 540	100. 0	13, 673	100. 0	1974	39, 000	100. 0	119. 5	100. 0	617	100. 0
Jan. 1, 1975	133, 000	104. 4	10, 250	75. 0	1975	43, 000	110. 3	126. 5	105. 9	674	109. 2
Jan. 1, 1976	136, 000	106. 6	11, 250	82. 3	1976	46, 000	117. 9	130. 0	108. 8	717	116. 2
Jan. 1, 1977	135, 500	106. 2	11, 500	84. 1	1977	47, 500	121. 8	130. 5	109. 2	734	119. 0
Jan. 1, 1978	134, 000	105. 0	12, 000	87. 7	1978	49, 000	125. 6	131. 5	110. 0	752	121. 8
Jan. 1, 1979	132, 000	103. 5	11, 500	84. 1	1979	47, 000	120. 5	126. 5	105. 9	728	118. 0
Jan. 1, 1980	131, 000	102. 7	11, 000	80. 5	1980	46, 500	119. 2	124. 0	103. 8	719	116. 5
Jan. 1, 1981	130, 000	101. 9	10, 500	76. 8	1981	46, 000	117. 9	122. 0	102. 1	721	116. 9

ASSUMPTIONS

1. Weather will be on dry side, but near the average.
2. Economy will enjoy moderate growth and prosperity over the majority of the next 7 years.
3. The Government will not arbitrarily limit domestic grain utilization.
4. Price of fertilizer will start to moderate by 1976 or 1977.
5. Population growth in the United States will continue to increase at approximately the present rate.
6. Beef imports will continue at approximately the level of 1973.

Exhibit D

The U.S. Economy in Perspective

The purpose of this special LBAS report is to review the present economic conditions of the U.S. economy. It is partly repetitious, because some of these problems were brought out at the President's various economic conferences.

The usual classic signs of a serious recession are all present: rising unemployment, building and burdensome inventories, a very heavy public and private debt load, and a widespread problem of liquidity.

Inflation, however, continues to be a serious problem as price levels on most goods and services move upward.

All of the industrialized countries of the free world are suffering from the same problems and to a more serious degree than the United States.

The dilemma is that classic economic theory holds that recession and inflation are not compatible, and that both should not exist at the same time. The real frustration that now confronts our leaders is that they cannot take anti-inflationary steps without encouraging recession. Conversely, they cannot fight recession without encouraging inflation.

Economists Fall Into Three Basic Categories: (a) Those who think that the lack of liquidity already has caused a recession and, therefore, the right move is to have the national economy accelerated by those steps you have read about: tax relief, propping up the housing industry with additional mortgage funds, creating national work projects to give income to the unemployed, increasing unemployment compensation, and increasing the money supply and reducing interest rates; (b) those economists who believe that inflation must be dealt with first—that it is "public enemy number one". Their remedies include: tax increases, forced savings, restricted credit, and a more stringent fiscal policy; (c) those economists who believe that the present situation is beyond repair; that, in fact, the U.S. economy will inflate into depression and that our economy is now in the beginning stages of a major price deflationary trend.

Out of the conflicting forces of recession and inflation that erode confidence, you can expect to find that:

(a) Consumer spending over the next 12 months when measured by real dollars will decline.

(b) Reduced consumer spending will bring about a period of inventory liquidation and production curtailment, resulting in increased unemployment over the next 6–12 months. It will likely exceed 7% before stabilizing.

(c) Short-term interest rates are declining and probably will fall some more in the next few months; however, there is little likelihood that long-term interest rates will show any significant changes because of the need to modernize and enlarge our present industrial and agricultural industries in the U.S.

The conclusion is that there are no quick and easy solutions to the economic ills that now are plaguing the country. Reducing inflation will take months and will be painful. Unless the operation is conducted very skillfully, the effort to halt inflation could very well trigger a severe depression. The U.S. economy will decline further before it shows any signs of recovery, and this will take at least 8–12 months.

Listed below are some prices related to gold which show perhaps more clearly than anything else how the dollar has deteriorated in value. It also indicates why the current demand for food grains has not been deterred by the higher dollar prices.

		Wheat		Petroleum		Vegetable oil	
	London gold	Price of commodity, metric tons	Ounces of gold required	Price of commodity, metric tons	Ounces of gold required	Price of commodity, metric tons	Ounces of gold required
1970	[1] $35	$60–65	1.80	$540	15.4	$333	9.5
1972	65–68	60–65	.95	614	9.2	400	6.0
1974	150	176	1.2	3,377	22.5	1,000	6.67

[1] U.S. official exchange rate.

The President has tied food and petroleum prices together. Both are in short supply. The petroleum shortage is man-made. Food, feed grains, and proteins are in short supply because of adverse planting and growing conditions throughout the world, along with uninhibited population growth trends.

The conclusion that might be drawn from the above is that the United States economy will, *at best,* be flat during most of the year to come. There is an inclination here to point out that after the economic crash in 1929, the real damage was done from 1931–1933.

The United States Government will have to work diligently and in concert with the Common Market, Japan, and Russia in order to keep the major countries from avoiding financial collapse. The Arab petroleum-producing countries are taking so much currency out of circulation that the liquidity crisis is far from over.

If you need a bench-mark, watch for the collapse of a major U.S. firm. If it occurs, then any remaining confidence will be eroded and the economy will deflate.

All of the underlying pessimism can be overcome by recognizing that the American economy, while stagnating and in a definite recession now, is still the strongest and most dynamic in the world.

If our economic guides are skillful and we are blessed with a generous amount of luck, the economy could have some further sharp decline in the last quarter of 1974 and the first half of 1975 and then start a recovery.

Now that the November elections are behind us, more specific government actions to deal with the stagnating U.S. economy may be forthcoming in the months ahead.

Senator Clark. The hearing will adjourn until 2 p.m. this afternoon.

[Whereupon, at 11:35 a.m., the committee was recessed to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

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

Senator McGovern [presiding]. The hearing will come to order. I want to make a couple of opening remarks and then we will call Mr. Frazier, who will be testifying for President Staley of the National Farmers Organization.

These hearings, as the witnesses and the members of the committee know, were called to deal with the current food supply and food price situation as it relates both to our requirements here at home and also overseas.

Some of us had the privilege recently of attending the World Food Conference in Rome where we were reminded again of the enormous importance that American agriculture is going to play both in meeting the needs of our own people and also in giving some measure of assistance to people around the world.

I have felt for a good many years that the food problem and the related problems of population constituted the most difficult challenge that faces the United States and people around the globe.

But while we are looking at some of those long-range problems that are going to require fundamental commitments on the part of our Government and other governments, and I think on a scale that we have not yet fully grasped, we should not miss the opportunity to take some emergency steps that would be helpful.

One of those steps that I am very much interested in is a bill that I have introduced with seven cosponsors in the Senate to provide for the purchase of from $1 billion to $2 billion in meat and dairy animals and products that would be donated through our existing domestic programs and made available in processed and canned and packaged form abroad.

That bill would have the effect of removing from the market a significant amount of the 4 million to 6 million head of surplus beef animals, and properly administered, an adequate share of the oversupply of pork, dairy, and poultry produce. It may not be the most efficient way to make available food assistance to hungry people, but pragmatically it fits the situation that now confronts us in the United States, which is an oversupply of meat animals at a time when there is a critical protein shortage on the part of low-income families in this country and in many parts of the world.

It is my understanding that this legislation is moving in the House Agriculture Committee.

It is gaining support from a broad spectrum of the public, from farm organizations across the whole idealogical spectrum, from labor unions whose workers are out of jobs, and from voluntary agencies seeking answers to the challenge of hunger. In short, it is the kind of interim answer that the Congress can provide during the few days remaining in the 93d Congress and in the days ahead.

It is my hope that testimony received today and on Thursday will be helpful to the committee in development of the response which our producers and consumers look to us to provide.

We cannot wait for others to act. It is our responsibility to provide some leadership and some action.

I would like to insert the text of the prepared statement I have on this subject and have that made a part of the record.

[The prepared statement of Senator McGovern follows:]

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

THE FOOD SITUATION: IS THE WORST YET TO COME?

The tinderbox that represents the food situation here and throughout the world is a series of paradoxes.

Producers of cattle, hogs, sheep, poultry and dairy products are sustaining record losses while high prices prevent consumers from buying as much as they would like.

Producers of grain, at least those who were not wiped out by too much or too little moisture, are looking at prices ranging from 110 to 150 per cent of parity—but see also the ever-present uncertainty of a collapse on top of record high production costs.

While still undetermined numbers of people throughout the world face starvation and malnutrition, good dairy cows go for $12 to $15, if there is a buyer who can afford to feed them.

But the cruelest paradox of all is the attitude of the United States Department of Agriculture. After more than 100 years of helping farmers and ranchers through hard times, its hands-off policies today tell families that if they can't make it on the farm, they would be better off looking for work in the cities. And in the cities the unemployed hear statements like today's from USDA: Another six months of food price increases at an annual rate of 15 per cent.

And the President tells the poor that they will have to pay more for food stamps, so Federal spending can be reduced without endangering the bloated profits of the military contractors.

In many respects, the farm situation today is not unlike that of the early 1930s in the farm belt. While $30 hogs do not appear like $3 hogs, neither does a $20,000 tractor seem like a $1,200 tractor.

The likeness is the cost-price squeeze; livestock producers are locked in a loss position from which they see no escape for two years or more.

When one remembers the farm insurgency of the 1930s, it is surprising that history has not repeated itself to a greater degree. We have seen angry farmers shoot calves and dairy cows and dump them into a ditch for the benefit of the television networks.

Thursday noon, a number of stockmen from my state will pay a call on the Department of Agriculture—with 50 head of cattle, a portion of which they would like to give to the Secretary to show the American people how severe their losses really are.

Thursday night, another group of livestock producers will be meeting in my state to try to mobilize their suppliers and their community business people with the realization that their economic fate, too, hangs in the balance.

There are disturbing parallels with the circumstances which led the mayor of Sioux City, Iowa, W. D. Hayes, to remark in 1932:

> This movement threatens to sweep the midwest like wildfire. It is a protest against an unbearable economic situation, a situation in which farmers can't even support families, let alone pay taxes and debts. This is a serious situation; it would be a mistake to minimize the dangers.

Too many people in the Administration, and perhaps too many of us in the Congress, tend to minimize the dangers in our present food situation.

If we continue to do so, it is at the greatest risk to our domestic economy and to our aspirations for stability and peace throughout the world.

We must not permit our family farms and ranches to be swept aside while corporate agribusiness prospers.

We cannot allow farmers and ranchers to be broken by high input costs while big oil profiteers go unchecked.

We cannot permit half a billion people to die for lack of food while oversupplies of meat and dairy products continue to deflate prices and bankrupt our producers.

Our food situation is a powder keg. The Administration appears content to back away even further. There is not much question where the buck stops. It is already here—in the congress.

Both congress and administration reacted to the crushing farm depression of the 1930s. This committee held hearings in twenty states in 1937—and it produced the Agricultural Adjustment Act of 1938, which has served as the basis of our farm programs ever since.

That period was a turning point for American agriculture. We are at or near a similar point today. We can leave our farmers and ranchers at the mercy of a "Market Oriented" agriculture which will crush them more often than it rewards them, or we can take action which will restore a larger measure of stability to our marketplace.

The choice, it appears to me, is between stable prices fair to all, and more of the chaotic market that hurts farmers and consumers and rewards only a few of those in between. Only the option of stabilization is really in the public interest.

The vehicles to achieve this end are before us. Chairman Talmadge has assigned the highest priority to revision of the farm program when the committee reconvenes early next year.

We must seize that opportunity to fashion longer-range solutions—increased price protection, development of a food reserve carefully separated from the commercial market, and improvements in our foreign food assistance mechanism.

But the bankruptcy courts will not await the thoughtful deliberations of the congress. We should act now on emergency measures.

One is the bill which I have introduced, with seven cosponsors, to provide for the purchase of $1 billion to $2 billion in meat and dairy animals and products, and for their donation through existing foreign and domestic food assistance programs.

This bill would have the effect of removing from the market a significant part of the estimated 4 million to 6 million head of surplus beef animals and, properly administered, an adequate share of the oversupply of dairy and poultry produce.

It would likewise make high-protein food available to those most in need—at least a partial solution to the parodox of poverty at both ends of the protein food chain.

It is my understanding that this legislation is moving in the House Agriculture Committee. It is gaining support from a broad spectrum of the public—from farm organizations across the ideological spread, from labor unions whose workers are out of jobs, from voluntary agencies seeking answers to the challenge of hunger worldwide. In short, it is the kind of interim answer which the 93rd congress can provide during the few days remaining.

It is my hope that testimony received today and on thursday will be helpful to the Committee in development of the response which our producers and consumers look to us to provide. We cannot wait for others to act; we must provide the answer.

Senator McGovern. Representing Mr. Staley is Mr. Frazier, who has been before this committee many times, and he will be here as a witness for the National Farmers Organization.

STATEMENT OF CHARLES L. FRAZIER, DIRECTOR, WASHINGTON OFFICE, NATIONAL FARMERS ORGANIZATION

Mr. FRAZIER. Thank you, Mr. Chairman.

First, I must explain I have just returned from the country. Mr. Staley was trying to get in here today and we are not sure what happened; either a plane was grounded or something unforeseen has prevented his arrival. But let me express his position, and with your agreement, I would like to put our prepared statement into the record and merely comment on some of our members' recent reactions.

Senator MCGOVERN. We will see that the entire statement is made a part of the record, Mr. Frazier.

Mr. FRAZIER. Thank you, sir.

I would like to point out we just finished our national convention in Memphis last week, with some 8,000 delegates and their wives present.

In our work in the resolutions committee and the floor discussions, I suspect that the one most difficult thing presented to the leadership in our organization for some type of immediate action was this problem of current prices on cattle and to some extent hogs and other meat animals.

For example, some of the delegates there from the good State of South Dakota, realizing that the whole economy might not justify it at this time, were nevertheless seeking some support from the rest of us for a moratorium against farm mortage forceclosures.

You are well aware of it but leaders in the executive branch may not be aware of the extent of the depression now threatening many livestock operators.

For example, while I was home at the farm over the weekend I picked up a simple sheet showing the sales at the St. Joe market in Missouri on December 4.

There is a listing here of some 240 animals that went across the block. Most are cows. Most of them are Hereford, Angus, or good crosses, with weights running from 850 to 1,100 pounds.

In other words, they were good quality cows and no doubt furnished meat that goes into the meat counters at the going price for choice. These animals were selling at $13 to $19 a hundred and over half of them sold in the range of $13 to $16.

Now, as we very well know, in terms of our present cost of operations out there on the farms, this is the equivalent of giving them away. That is exactly what we have been doing with vealers and small calves up in the dairy areas. In many cases calves that sold for $100 a year ago are bringing $15 now and in many cases small ones simply will not pay the sales expenses.

There simply is no market at that level. It seems to us, to put it succinctly, that it is quite ironic that we have hungry people in this country, that we have old people that are eating dog food, that we have people who cannot have meat and/or other high protein foods in their diets while we have good farm and ranch operators that are broke or rapidly approaching bankruptcy because of these low prices at the country level.

In my organization we certainly appreciate your efforts and those of your fellow Senators who are cosponsoring the bill S. 4160. We stand ready to help you in any possible way to move this legislation before the Congress adjourns this session.

We consider it most important that we undertake to get some immediate action on this bill if that is at all possible. We know the Department of Agriculture has facilities, the personnel, the CCC structure, the necessary funds and the ability to implement the purchasing actions.

They have the full capability to purchase and have slaughtered the necessary number of animals, or to purchase the meat as they wish in order to carry out a program of some value to all our people immediately.

Sir, I again thank you for the opportunity to appear and for your efforts to get this bill moving.

Senator McGOVERN. Mr. Frazier, I am interested in your comment about some of our members suggesting that we have reached the situation where it is so critical we might have to have a moratorium on mortgage foreclosures.

It occurs to me there is an interim step that might be considered that I think was put into effect in the 1930's even in the closing years of the Hoover administration. As I recall, interest rates were subsidized by the Federal Government, that is farmers were permitted to borrow from private channels, from banks, but the Government made it possible for those loans to be subsidized.

It would seem to me that that might be something that ought to be considered.

This fall I had occasion to talk to a lot of farmers who find it very difficult to operate on loans at the present level of interest.

I think this whole tight money policy is a disaster, and if not turned around is going to take us into a serious depression.

But do you think there is some practicality in subsidized credit for farmers somewhat along the line of REA loans?

Mr. FRAZIER. Yes, sir, it would seem to have some very practical aspects.

For example, I know you were disappointed as I was disappointed in the recent livestock disaster bill that became law; it did not provide some subsidy of interest rates for those operators who were eligible. The same principle is now involved as you describe it.

Such an action program, in fact, could be used for livestock people who are in most need; in other words, it could be designed as a program to assist those that are clearly facing financial disaster and would not necessarily have to be extended to the grain men who currently enjoy at least reasonable prices.

Senator McGOVERN. Some months ago we passed an emergency livestock credit bill. The original version of that bill carried a subsidized loan rate. I think it was 5 or 5½ percent.

Mr. FRAZIER. Yes, sir.

Senator McGOVERN. But in the course of the testimony, it developed that there really wasn't very much support for that. Even the livestock people who testified, as I recall, indicated they would be willing to pay the going rate provided the banks would make the loans.

So that is the way the bill was drafted.

But my impression is that the bill has not been used—that the interest rates are so high that people who are in trouble with their livestock operations just felt that taking out another big loan now at high interest rates was a way of compounding the eventual disaster, and at least in our state—I regret to say this because I was one of the principal authors of the bill—very few people made use of it. Has that been your observation?

Mr. FRAZIER. Yes, sir. It is my observation that only a few have found it even worth working on.

I must add, too, I was not among those advocating the high interest rate provision of the bill. We specifically asked for lower interest rates.

Senator McGOVERN. I went along with it because that seemed to be prevailing testimony that we had from livestock representatives, banks, and others.

They seemed to feel that it would not be workable to provide a different loan rate for those who came under this program from the prevailing market rate.

There is another suggestion that has come to my attention by one of the farm leaders in our state, suggesting the time has now come when livestock producers ought to consider requesting that they be put under the farm program, that a ceiling or a target price be set on beef and hogs the same as on grains.

Do you find any growing support for that concept?

Always in the past, the livestock people that have testified before this committee have said that they would be nervous about coming under a price floor.

Do you think perhaps attitudes are changing on that in view of the crisis that is on us now in the livestock industry?

Mr. FRAZIER. To be candid about it, Mr. Chairman, I suspect that a majority of all the livestock men probably would still resist being placed in what they regard as the farm program.

I know there are a number of them that are financially growing quite desperate, but that old spirit of independent action and free enterprise seems a worthwhile goal as long as they can stay alive and hang on, and perhaps it is.

Who am I to argue with them? But I do believe that a substantial number of the independent operators—those for example who are not involved with the deep pocket financing that we find in some of the big feed lots today or some of the corporate holdings that are running cow-calf herds—are sufficiently pressed along with the independent family-sized dairy operators, that they are looking to us for some remedy.

It is not necessary to run over the effect of increased dairy and meat imports and the other Government actions that we have had in the last 18 months that have tended to demoralize our markets in both milk and livestock. But I am quite sure that all of those actions have placed a number of these operators in a position of jeopardy. They still want to be independent, but feel the Government helped put me in this spot so it is fair to ask some help from the Government to get out of it. This seems to me to be their attitude.

Senator McGOVERN. Well, Thank you very much, Mr. Frazier, for your testimony.

I have more questions I would like to ask, but I see we have a rather lengthy witness list and we are running a little behind. So I thank you for your testimony.

Mr. Frazier. Thank you, sir, for trying to move with this bill. We appreciate it very much.

[The prepared statement of Mr. Frazier follows:]

Statement of Charles L. Frazier, Director, Washington Office, National Farmers Organization

Mr. Chairman and Members of the Senate Agriculture Committee, I wish to express our sincere appreciation for your interest in S. 4160. Attached to my statement before your Committee is the press release and more detailed statement filed only a few days ago before the House Subcommittee considering the same legislation.

Since time is of great importance, both in your legislative process and to dairymen and livestock producers who have surplus animals that must be marketed soon, I appear today to emphasize the urgency of acting before this Congress adjourns.

The news media carry reports on a daily basis relating the needs of starving people in various areas of the world, reflecting the need caused by over-population, drought and flood. We are all keenly aware of the fact that some of our old people and those existing on meager incomes in the United States are not able to buy enough meat to provide themselves with a balanced diet.

We just completed our annual national convention in Memphis, Tennessee. In fairness, I must point out that our members have grown weary of continuing rhetoric and debate concerning inflation and the serious imbalance that exists in the prices we receive for meat animals and those paid for meat at the retail counter. We are not staffed to prepare, and I do not come before you pretending to have, complete solutions for the many problems confronting Americans as a result of the runaway inflation that exists in this country today.

But I can tell you what needs to be done to save thousands of our farm units that are producing milk and livestock. We have to have more realistic prices for cull cows, veal calves, feeder cattle and hogs that now must move to market. There are many farms on which these animals cannot be fed through the coming months if the only prospect is continuation of current market prices.

From the consumers' angle, the survival of these units means a reliable source of production in the future. We are told that food prices are going up more at the retail level in the coming months. I regret this, because farm people buy a lot of food along with the production items they must buy for their farming and ranching operations. Nevertheless, I believe the question now is how do we keep the efficient family farm unit solvent and operating in those areas where we produce the meat and milk necessary to feed our own people at levels that we consider desirable from a dietary standpoint.

I have personally been confronted by literally hundreds of members in recent weeks who are saying to me: "We simply cannot pay up the bills, the taxes, and the current high interest rates and stay in the game unless these livestock and milk prices are increased." Incidentally, these are larger than the average size of independent operators in this country and they are quite capable. It is in the best interests of the country to prevent many of these operations from going into bankruptcy.

I urge you to bring out and pass S. 4160 as quickly as possible.

National Farmers Organization,
Washington, D.C., November 26, 1974.

Washington, D.C.—NFO members who shot and buried calves in Wisconsin did not like to do it, but felt it necessary to call national attention to the plight of the livestock industry, President Oren Lee Staley of the NFO told a U.S. House Subcommittee today.

"They did publicly, before television cameras, what is being done privately on hundreds of farms and ranches because the animals are uneconomic," Staley said. "As a result of the shoot, they were able to get a packing house at Dubuque, Iowa, to slaughter and freeze another 1000 calves. Some were sent to hurricane victims in Honduras by the government. Some went to charities in Chicago. However, that was a one-time affair. The packer could not afford to operate his plant free of charge every weekend, just as farmers can't give their products away and survive.

"Following that experience, the NFO national organization requested that there be no more calf shoots until Congress has an opportunity to enact a bill and let everyone share in buying up and using the meat from excess animals to prevent starvation here and abroad.

"We are gratified that H.R. 177443 has been brought to hearing speedily and we sincerely hope that the House Agriculture Committee will act on it immediately. Our producers are losing money everyday they hold calves or feeder pigs or milk cows. The products simply aren't bringing cost of production.

"Farmers like to produce abundantly for consumption. They would be very happy if their production helps prevent starvation anywhere in the world, but they simply cannot produce for nothing.

"They are ready and willing to produce whatever is needed if they are paid the cost of production plus a reasonable return, but they cannot go on unless they can receive fair returns. Hundreds of dairies and ranching operations already have been forced out of business. Thousands more face the same fate unless they get relief quickly. If the situation continues—if livestock operators continue to drain their resources by feeding uneconomic animals—our capacity to produce food is going to be diminished; the banks and creditors will insist that the uneconomic operations are closed down.

"The Subcommittee could do nothing more constructive than to report H.R. 17443 out for passage today to show producers that their government is moving speedily to improve markets for livestock and animal food products. Such a sharing by all citizens in the cost of food to relieve starvation will assure farmers of a reasonable return for their production and consumers of an adequate food supply in the future."

STATEMENT OF OREN LEE STALEY, PRESIDENT, NATIONAL FARMERS ORGANIZATION, ON H.R. 17443 BEFORE THE SUBCOMMITTEE ON DEPARTMENT OPERATIONS, HOUSE COMMITTEE ON AGRICULTURE—NOVEMBER 26, 1974

Mr. Chairman and Members of the Committee, first let me express our appreciation to you and to Chairman Poage for this timely hearing on the bill, H.R. 17443, introduced by Congressman Melcher of Montana and several other members of the House. It is noted that the bill has bipartisan support; co-sponsors represent both urban and rural districts. This is commendable and in keeping with the spirit of cooperation between producer and consumer interests.

This legislation is of crucial importance to all who are sincerely interested in the agricultural economy of our great country. Our dairymen and livestock operators have become increasingly alarmed in recent months—there have been recent hearings on proposals relating to milk prices and the farm-retail margins on meat before some of your subcommittees.

The Members serving on this Committee are very well informed on the current imbalance between the costs of production and the prices received for milk and livestock at the producer level. It is unnecessary to restate all of the factual material presented in earlier hearings. However, I would like to re-cap some facts to bring the total problem into focus and illustrate why we are here today.

Top quality hogs and fat cattle are currently bringing $37 to $38 per cwt. at Omaha. These prices are roughly $10 under the market of a year ago and, in the case of cattle, approximately $20 per cwt. under the reasonable prices received prior to that time.

Cull dairy cows in the major milk-producing areas are selling for $10 to $12 per cwt. Large vealers that brought $100 a head a year ago have sold in recent months for $12 to $15 at local sales points. Small vealer calves simply have no net sale value in these dairy communities. They often do not bring enough to pay the commission and other sale expenses. Although milk prices have shown a slight improvement in recent weeks, net returns on manufacturing milk still reflect an income below the cost of production.

I recently stated publicly that the NFO agrees that it is unfortunate that producers have to shoot calves to demonstrate to the public the very real producer frustrations concerning prices paid for milk and livestock. Our members do not want to destroy food when some people in the world are starving. It is equally disturbing that some persons seem to believe that producers should feel out these animals even though they are going broke and losing more money every day they keep the animals. I sincerely wish a larger number of our citizens understood that it is necessary for farm people to have some net income if they are to survive as producers of our food supply.

Regarding the use of surplus animals to feed the hungry, we were able to arrange for a packer to slaughter and process one substantial lot of calves that were freely given by producers for use as relief to the hurricane victims in Honduras. Even though our members resent the necessity of giving away costly animals since they themselves face bankruptcy and foreclosure in some instances, they nevertheless were willing to do this because farm people share with other Americans a common concern that starving people anywhere in this world should be saved by wise use of our agricultural abundance.

It should not be necessary, however, for producers to bear the sole responsibility of feeding the hungry. Nor should a very few packing house operators be asked to process and move the products at their own expense. As provided in H.R. 17443, this is an expense that all of us should share as taxpayers.

Let us turn for a moment to the feed grain situation and what may happen to our livestock and dairy industries in this country in the absence of legislation of this nature. The latest USDA estimate sets the 1974 corn crop at 4.6 billion bushels or approximately 18% below the average production level of the last three years. With an October 1 carry-over of about 481 million bushels, the country has available approximately 5.1 billion bushels of corn for the 1974–75 market-year. This is one-fifth less than the 1973–74 level and we are advised that the total feed grain available parallels the corn estimate. So there is about 187 million tons of feed grain available for all uses. We are not in danger of running out but the supply is tight when compared to past years.

We can only presume that less will be fed to cattle at current prices. As a producer I can assure you that all types of roughage have been baled for use this winter in the livestock counties that were hit by drought in the Midwest. I am not in fear that producers, given reasonable prices, will not maintain the herds and assure this country an adequate supply of milk and meat in the future. I feel it is equally true, however, that the cost-price squeeze will continue on livestock producers and dairymen through late summer of 1975. And a number of cattle must be considered surplus to our current needs. If we cannot have reasonable prices for the animals going to market, there almost certainly will be unwise disposition of breeding stock.

To say it another way—our cattle numbers are high (USDA estimates 138.3 million head or about 6% above a year ago). Feed costs are certain to remain at high levels; we are really faced with two alternatives: One would be rampant and disorderly reductions of numbers at prices threatening bankruptcy and foreclosures in the next few months followed by a shortage of breeding stock and a short supply of beef for the consuming public in the period following that marketing debacle. The second and desirable alternative is to remove at fair prices the cull cows, calves and feeders where ample feed is not available, as proposed in this legislation, H.R. 17443.

Even though livestockmen treasure their independence and prefer not to rely upon government, I find that most producers in our own organization, as well as others who have contacted me in recent weeks, believe it is only fair that the government assume some responsibility for this necessary adjustment in livestock numbers. After all, we have been subjected to unlimited imports of competing milk and meat products; our normal planning was disrupted by the ill-advised price control program actions in 1973; the merciless increases in the costs of fuel, fertilizers, machinery, interest rates and other costs of production have hit the livestockmen just as they have the row-crop farmers. Even now we hear more reports of the Government's intention to remove the remaining safeguards on the cost of fuel and permit still another rise in price on this important production input.

To sum it up, dairymen and livestock producers feel that they have about had it. For example, the recent decision by the Secretary of Agriculture not to increase the mimimum price for manufacturing milk in milk marketing orders and the lack of any meaningful action on the minimum milk price support level have added to their frustrations. Many of them are convinced that other segments of the economy have insurance against the ravages of inflation. There are union contracts with escalator clauses, administered prices on many items we must buy, and the sympathetic treatment afforded some industries by the established regulatory agencies of Government—whereas livestock, dairy and poultry producers are being called upon to produce and sell at prices well below the cost of production. They are not unaware of the fact that major national unions do not hesitate to strike for higher wages; they nod in understanding when it is reported the Chrysler Corporation was closing down 80 percent of their production because sales were dropping off. I wonder why the public does not expect Chrysler

Corporation to continue to make and sell automobiles at prices equal to 50 percent of those prevailing a year ago! They seem to think we should do so.

Gentlemen, these are the thoughts going through the minds of milk and meat producers today. Whether they remain in production will have a great deal to do with an adequate supply of food in this country in the future. A short time ago when a dairyman quit, other dairymen bought his producing cows—they were retained in the national herd, so to speak. Today when a dairyman quits, the cows go to the slaughter house. It is not an exaggeration to point out that once the barns, fences, equipment and the talent developed by years of experience no longer exist on a number of these units, they will not be brought back into dairy or livestock production. There may be a permanent shift to other types of agricultural production, but the effect on the supply of high protein foods for all of our people undoubtedly will be jeopardized for the future.

We endorse H.R. 17443 as an action needed to maintain our livestock herds and provide for adequate production in the future. These temporary surpluses of high-protein foods should be utilized at fair prices to feed the undernourished and needy people in this country and in those areas of the world where they may be needed to stave off starvation. We appreciate your interest at this time. We cannot afford to wait until 1975 for a decision.

Thank you for this opportunity to present our views.

Senator McGovern. Our next witness is Mr. Robert Lewis, national secretary of the Farmers Union.

STATEMENT OF ROBERT G. LEWIS, NATIONAL SECRETARY, NATIONAL FARMERS UNION

Mr. Lewis. Thank you, Mr. Chairman.

My statement, which is brief, refers to another document which I will discuss and which I would like to submit for the record at an appropriate point.

At the outset, let me say that my statement is addressed primarily to the longer range considerations which relate to the U.S. food situation and foreign commerce and food aid demand. But we do support the legislation that is pending to increase the consumption of food, particularly high protein foods, meats and dairy products, by the needy people of the United States, as well as abroad.

The Farmers Union endorsed an appeal by Father Hesburgh, the president of Notre Dame University some time ago to increase shipments overseas by 4 million tons of grain and we recommended that the food stamp program be modified at the same time to grant bonus stamps to all recipients of food stamps under the present program. This would enable recipients of food stamps to buy additional quantities of meat and dairy products.

Many of our needy people here in the United States are having a hard time getting adequate diets and this would be a good way to bring the current surplus of high quality protein foods, which we have now in an embarrassing abundance, to bear in helping to meet their nutritional needs.

I am not sure whether legislation would be required to do that. I believe the Department of Agriculture would have the authority to take that kind of action on its own initiative. But we strongly recommend it and hope this committee can add their voice and whatever other authority is needed to attain that goal.

I think it is beneficial, Mr. Chairman, to look at what has caused the present grave world food situation, so as to learn what to do to cure it, and to prevent it from recurring.

Today's world food shortage was made in Washington in 1971 and 1972 with depression-level grain prices for U.S. farmers.

If grain prices had been supported at parity, American farmers could easily have produced enough food to prevent today's starvation.

Unfortunately, the administration is continuing the same boom-and-bust, glut-or-famine policies that got us into our present trouble. This is sure to perpetuate insecurity in the world's food supply. It is also creating future shortages of meat and milk for consumers right here in the U.S.A.

The point of this historical review is what it can teach us about dealing with our present problems.

I am submitting for the record the report of a recent study by Farmers Union economists which shows the changing course of our food for peace program operations since their initiation 20 years ago.*

This report demonstrates that the United States has had ample unused food producing capability to have provided sufficient stocks to meet the current needs.

Indeed, the World Food Conference in Rome last month placed the needs for the hunger emergencies at about 7½ million tons.

In both 1973 and 1972, land sufficient to have produced far more grain than the quantity now needed was held out of production under Government programs.

It should be emphasized that much of the withheld cropland would not have been returned to production simply if there had not been the Government program to keep it out.

The low prices that prevailed in those years, because of the extremely low levels of price support, prohibited farmers from cropping much of that land.

It is low farm prices that has been the main contributing force to today's food shortage.

Unfortunately, the administration has not seen fit to correct this basic cause of food shortage.

The administration last week announced the lowest levels of price supports for grain crops since farm commodity programs were begun 40 years ago.

This is a sure-fire prescription for a calamitous "bust" in farm prices in 1975. That will be followed a year or so from now by even worse shortages of food than at present.

Milk and livestock prices are already down so low that thousands of producers are going out of business and shortages are close ahead.

The price support loan rate just announced for wheat in 1975 is only 33 percent of parity. It's only 40 percent for feed grains. Farmers can never survive if crop production returns to normal around the world next year, and prices drop to these low floors.

They are even worse than the depression-level prices in 1970 and 1971 and 1972 that reduced harvested acreage in the United States to the lowest point since the 1890s, and created today's world food shortage.

If we have good weather next year, we are sure to have huge temporary surpluses of grain, forcing prices down to the support floors. But when the surpluses are gone, thousands of family farmers will be gone, too, and then consumers will be in for another round of famine.

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*See p. 63.

Francis Gomme of USDA's Economic Research Service is quoted in today's New York Times as forecasting the winter wheat acreage planted for the 1975 crop at 72 million, up from 70 million this year. But he said others are forecasting acreages as high as 75 to 78 million.

This acreage will produce an enormous all-time record crop if yields are even at this year's below-trend level of 28 bushels per acre.

If production should return to trend, we might have almost a billion bushels more of wheat produced next year than we had this year.

At the normal trend production of 35 bushels per acre, 78 million acres would yield 2,730 million bushels. Any wheat crop that is at all probable from the 1975 harvest, if crop conditions are normal, is certain to create a staggering surplus for producers.

It is neither equitable nor in the long run practical for the United States to conduct its food and agricultural policies on such a reckless and unstable course as this is.

Our export markets have been damaged irreversibly by our inability to supply traditional customers dependably.

This has given a tremendous impetus to the financing of competing farm production enterprises in other countries.

Ironically, the United States Government itself is encouraging the oil exporting countries to invest heavily in new farming developments. In terms of world economic power and political influence, this is parallel to the Shah of Iran or the King of Arabia giving to the United States financial aid and technical help to develop competing energy sources.

Why does the United States of America undermine and handicap her preeminent food power? Why do we try to depress the prices and discourage the producers of our most effective asset in international trade, in world politics, even in national security?

This is a thoughtless and poorly conceived national policy, based on obsolete ideological doctrines and serving only the narrow special interests of the multinational commodity trading companies, who profit from the farmers in times of glut and bust, and who profit from consumers in times of shortage and hunger.

The Farmers Union recommends that Congress take charge and put a stop to the "boom and bust, glut or famine" approach that created the present food crisis.

Price support loan rates should be raised to 90 percent of parity, with target prices at full parity.

This will assure abundant food supplies at fair and reasonable prices for our own consumers, and for our commercial export customers as well as needy people in famine emergencies in other countries.

I am attaching a list of our specific proposals for a modernized agricultural and food policy to my statement, and request that also be put in the record with my remarks.

Senator McGovern. All right, Mr. Lewis, that will be done.

With regard to your analysis about what brought on the current food shortage, the lower prices on grain in 1971 and 1972, wasn't that also complicated by the very large purchases that were made by the Soviet Union, their decision to maintain large livestock and animal production in the Soviet Union and entering the market on an almost unprecedented scale?

Mr. Lewis. Well, Mr. Chairman, we have had droughts in the world before. We went through a comparable experience in the sixties when the Russians came into the market and bought large quantities.

There is nothing that has happened in the past 4 or 5 years that could not have been foreseen and allowances have been made to enable us to meet the challenge that did arise.

But what happened is that we discouraged our own farmers from producing at the same time we were coming into a situation where the United States desperately needed foreign exchange and was seeking opportunities to increase our sales.

The two hands did not seem to know what each other were doing. Our Government was going in opposite directions at the same time, and that's what caused the trouble. We could have provided adequate supplies; we could have had reasonable reserve stocks that would have been more than enough to have enabled us to meet those unusual requirements.

Senator McGovern. Doesn't that point up the need for a so-called early warning system on what supplies are going to be needed and projecting the world consumption, watching more closely the impact of growth, floods, trade patterns, and so on?

Mr. Lewis. I think the primary value of that kind of an early warning system relates to getting specific quantities in line to be shipped where needed.

We plant most of our winter wheat in this country in the month of September. Our spring wheat is planted in April or May.

There isn't any other time of the year that we can make adjustments to unforeseen needs that might develop during the crop season.

So what we need to do is to look ahead and maintain a production policy that enables us to meet whatever needs might arise if weather conditions do deviate from the average trends as the crop year progresses.

The weather in the Soviet Union is reputed to have been the worst in 100 years, but I do not think it was grossly worse than it had been just 10 years before. There has been bad weather in the U.S.S.R. a couple of times a decade for a long time. We have also had it in India several times in a decade.

I think we can accept as a reasonable likelihood that we are going to have similar experiences from time to time in the future.

We need to make allowances for them before the crop season starts. It is too late after planting time has passed.

Senator McGovern. Do I understand that the National Farmers Union has now come out in favor of putting livestock under the farm program, some kind of a price floor under cattle?

Mr. Lewis. Well, we have no specific recommendation that cattle be put under a price support system.

We do advocate use of meat when it is in abundant supply for feeding our own people and, to the extent that it is feasible, other people around the world.

We think, basically, that if the feed supply is stabilized as to price and supply, that the livestock industry can very substantially get a reasonably stable prospect for itself, and that whatever problems might remain or occur from time to time can be dealt with perhaps by shortrun measures such as increasing domestic consumption in school lunches and bonus food stamps or something of that kind.

Senator McGovern. I have a press release from the South Dakota Farmers Union along that line and I would like to ask that that be made a part of the hearing record.*

Mr. Lewis, the major thrust of your statement is that if we want to get more production, if we want to save the farm operators in this country we are going to have to do something about price support assurances.

There is a measure pending before this committee now that would reduce price supports from about $7.50 a hundredweight to $4.80 a hundredweight on rice. Wouldn't that be counterproductive to your concern about assuring farmers a fair price on their production?

Mr. Lewis. Yes, sir, it very definitely would be. I think it is a move in the wrong direction.

Senator McGovern. What about the possibility that has been suggested from time to time that we have the same kind of an overseas promotional effort on the sale of American beef and other products that has been so successful in the case of wheat and soybeans and cotton? Do you think that that would be a significant help to the livestock industry?

Mr. Lewis. I think that there is a very good potential for U.S. beef sales overseas if the world economy can be corrected and some of our major trading partners can feel sure in their prosperity continuing to advance.

If unemployment continues to rise in Europe and Japan, that opportunity could go out the window, and the opportunity to sell the soybeans and wheat we are now selling there could be seriously reduced as well.

Senator McGovern. These are kind of random questions, but they are ones that have been raised with me by correspondents or in conversations with people who have come to my office.

One question related to the possibility of barter on beef with countries who are now selling sugar to us, for example, the Philippines or Cuba, countries with supplies of sugar. Is it practical to think of barter arrangements?

Mr. Lewis. Generally barter arrangements are most likely to work when you are dealing with two surplus commodities so that both parties are anxious to find some way to expedite a sale.

In the case of sugar, of course, right now the world market price is almost out of sight.

The latest quotation I saw was world market sugar prices about 12 times as high as they were 2 or 3 years ago.

Senator McGovern. You do not see any real incentives for the sugar supporters to deal with in terms of beef exchange?

Mr. Lewis. I do not see that.

Senator McGovern. Just one more question.

We use the phrase "target price" in connection with the 1973 farm bill. I felt almost from the day that bill was adopted we probably made a mistake in using that phrasing. What we are really talking about is a ceiling price, is it not, rather than a target price?

A target, if I understand what it means to aim at a target, it means the most desirable objective, to hit the target.

But I think what we are really talking about in this bill is a floor price we hope we will never go to.

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*See p. 70.

Mr. LEWIS. I agree with you that it is not a good term. It overstates what it is. In the first place, it is unrealistically low. Moreover, it isn't even a price at all, because it is not the guarantee on what farmers can receive on all their production. It is the statistical instrument for computing the amount of payments the farmers would be entitled to get for part of their production if prices decline below that established price level.

But it does not accurately reflect the price the farmer can expect to get on his crop. A farmer can only count on getting that much total income on only two-thirds or half of his actual production, under normal circumstances.

Senator MCGOVERN. Senator Talmadge has said one of the first orders of business next year will be to look at various ways of improving our farm legislation, and I hope that one of the things we can do is strike that word "target" everyplace it appears in our discourse and substitute the word "floor" because I think it is a mistake in concept to speak about these very low, almost disaster level guarantees that are recommended in the bill as a "target."

It is not the target that I want us to have.

Mr. LEWIS. I agree with you, Senator. Furthermore, if you are going to be able to call it even a "floor price," then it must be made applicable to the entire production. By the time you wade through the small print in the government programs you find it applies to only two-thirds or half of your total production.

Senator MCGOVERN. Thank you very much, Mr. Lewis, for your testimony. We will see those supporting statements are made a part of the record.

Mr. LEWIS. Thank you.

[The prepared statement of Mr. Lewis follows:]

STATEMENT OF ROBERT G. LEWIS, NATIONAL SECRETARY, THE FARMERS UNION

Today's world food shortage was made in Washington in 1971 and 1972 with depression-level grain prices for U.S. farmers.

If grain prices had been supported at parity, American farmers could easily have produced enough food to prevent today's starvation.

Unfortunately, the Administration is continuing the same "boom and bust, glut or famine" policies that got us into our present trouble. This is sure to perpetuate insecurity in the world's food supply. It is also creating shortages of meat and milk for consumers right here in the U.S.A.

The point of this historical review is what it can teach us about dealing with our present problems. We ought to avoid repeating the mistakes that led to the present shortages and disruptions and distortions in our domestic agricultural industry, our own food supplies, in our commercial export markets, and in our food aid opportunities and obligations.

I am submitting for the record the report of a recent study by Farmers Union economists which shows the changing course of our Food for Peace program operations since their initiation 20 years ago. This report demonstrates that the U.S. has had ample unused food producing capability to have provided sufficient stocks to meet the current needs. Indeed, the World Food Conference in Rome last month placed the needs for the hunger emergencies at about 7½ million tons. In both 1973 and 1972, land sufficient to have produced far more grain than the quantity now needed was held out of production under government programs.

It should be emphasized that much of the withheld crop land would not have been returned to production in the absence of the set-aside program. The low prices that prevailed in those years, because of the extremely low levels of price support, prohibited farmers from cropping much of that land. It is low prices that has been the main contributing force to today's food shortage.

Unfortunately, the Administration has not seen fit to correct this basic cause of food shortage.

The Administration last week announced the lowest levels of price supports for grain crops since farm commodity programs were begun 40 years ago. This is a sure-fire prescription for a calamitous "bust" in farm prices in 1975. That will be followed by even worse shortages of food than at present a year or so from now.

Milk and livestock prices are already down so low that thousands of producers are going out of business and shortages are close ahead.

The price support loan rate just announced for wheat in 1975 is only 33 per cent of parity. It's only 40 per cent for feed grains. Farmers can never survive if crop production returns to normal around the world next year, and prices drop to these low floors. They are even worse than the depression-level prices in 1970 and 1971 and 1972 that reduced harvested acreage in the United States to the lowest point since the 1890's, and created today's world food shortage

If we have good weather next year, we are sure to have huge temporary surpluses of grain, forcing prices down to the support floors. But when the surpluses are gone, thousands of family farmers will be gone too, and then consumers will be in for another round of famine.

Francis Gomme of USDA's Economic Research Service is quoted in today's New York Times as forecasting the winter wheat acreage planted for the 1975 crop at 72 million, up from 70 million this year. But he said others are forecasting acreages "as high as 75 to 78 million".

This acreage will produce an enormous all-time record crop if yields are even at this year's below-trend level of 28 bushels per acre. If the U.S. wheat yield returns to the recent trend at about 35 bushels per acre, the size of the 1975 wheat crop will be staggering. Here are some comparisons:

1974—Actual (record crop)—70 million acres: 1,781 million bushels;

1975—Projected 78 million acres at actual 1974 yield of 27.8 bu./acre (lowest since 1967): 2,168 million bushels;

Projected 78 million acres at previous record yield of 33.9 bu./acre in 1971: 2,678 million bushels;

Projected 78 million acres at trend yield of 35 bu./acre: 2,730 million bushels.

Any wheat crop is at all probable from the probable planted acreage for 1975 harvest, if crop conditions are normal for what and other grains throughout most of the world, is certain to create a staggering surplus and collapsing grain prices and financial disaster for American grain producers.

It is neither equitable, nor in the long-run practical, for the U.S. to conduct its food and agricultural policies on such a reckless and unstable course as is now the case.

Our livestock, dairy, and poultry industries are already casualties of the "boom and bust, glut or famine" policy.

Our export markets have been damaged irreversibly by our inability to supply traditional customers dependably. This has given a tremendous impetus to the financing of competing farm production enterprises in other countries.

Ironically, the U.S. government itself is encouraging the oil exporting countries to invest heavily in new farming developments. In terms of world economic power and political influence, this is parallel to the Shah of Iran or the King of Arabia giving to the U.S. financial aid and technical help to develop competing energy sources.

Why does the U.S.A. undermine and handicap her pre-eminent food power? Why do we try to depress the prices and discourage the producers of our most effective asset in international trade, in world politics, even in national security?

This is a thoughtless and poorly-conceived national policy, based on obsolete ideological doctrines and serving only the narrow special interests of the multinational commodity trading companies, who profit from the farmers in times of glut and "bust", and who profit from consumers in times of shortage and hunger.

The Farmers Union recommends that Congress take charge and put a stop to the "boom and bust, glut or famine" approach that created the present food crisis.

Price support loan rates should be raised to 90 per cent of parity, with target prices at full parity.

This will assure abundant food supplies at fair and reasonable prices for our own consumers, and for our commercial export customers as well as needy people in famine emergencies in other countries.

Our specific proposals for a new and modernized farm and food policy are as follows:

The Farmers Union's Plan for Parity and Abundance

Following is the plan proposed by the Farmers Union to provide parity for farmers and an assured abundance of agricultural commodities for U.S. consumers and export customers:

1. Non-recourse commodity loans should be offered to farmers at 90 percent to 100 percent of parity, to establish the minimum floor under market prices. Stocks of commodities would accumulate in loan status to the extent that supplies were more than sufficient to satisfy the market demand at about the parity price. The producer could sell his commodity at any time during the marketing year by repaying the loan and paying the accumulated interest and storage charges.

2. Farmers should be eligible for price support loans on eligible commodities stored in any approved facility, whether on the farm, in the farmers' cooperative, or in other approved storage facilities.

3. Price support loans should be extended from year-to-year, at the option of the farmer. When a commodity loan is extended, the government should absorb the interest and storage cost for the prior year if the market price of the commodity has not reached 110 percent of parity.

4. When supplies in the market become short and the market price approaches 110 percent of parity, farmers would have an incentive to repay their loans and sell their stored commodities so as to avoid incurring the cost of continued storage. But it would not be necessary for the government to "call" loans. The farmer should be permitted to hold his commodity in extended loan status if he wished to absorb the storage and interest costs himself after the price reaches 110 percent of parity.

5. Commodities owned by the government should not be offered for sale into commercial markets at prices below the higher of the current market price or 115 percent of parity. If it should be considered necessary in order to assure that ample supplies would move into the market when needed, the Secretary of Agriculture could be authorized to enter into option agreements to buy the commodity from the farmer at a price of 115 percent of parity during the term of an outstanding initial or extended non-recourse loan. This would provide some flexibility to the government in meeting urgent requirements under exceptional conditions. But it would keep government-owned stocks totally insulated from the market so long as prices are below 115 percent of parity.

6. Voluntary or mandatory programs to restrain production of major farm commodities should be put into effect at any time that the Secretary of Agriculture determines that carry-over stocks of the commodity are likely to rise above the desired "reserve" level. Price supports should be maintained at 90 percent to 100 percent of parity. The minimum reserve should be established by Congress. The Farmers Union recommends that reserves be established at about 50 percent of the annual requirements for domestic use and exports in the case of food grains, 25 percent in the case of feed grains, and 35 percent in the case of cotton.

7. A new import control plan should be established which would eliminate practically all imports of any farm commodity when prices in the U.S. are below parity. A variable rate of duty, equal to the amount by which world market selling prices fall below 115 percent of parity, should be applied to any farm commodities imported into the U.S.

8. International agreements should be negotiated with other producing and consuming countries to provide for international cooperation to stabilize prices and supplies of agricultural commodities, particularly grains, dairy products, cotton, and sugar, through one or more of the following provisions:

(a) Minimum and maximum prices in world trade (the Farmers Union proposes a range of prices between 90 percent and 110 percent of parity);

(b) Commitments to assure supplies to importing countries, and to assure access to markets for exporting countries;

(c) Rules on the disposal or stockpiling of surplus domestic production;

(d) Limitations or prohibitions on the use of export subsidies;

(e) Cooperation among participating countries to manage the supplies put into the world market;

(f) Consultations between governments on the effects of national price support programs on world trade;

(g) Reserves of food and fiber, under the control of national governments but subject to international review, to assure importing countries of the reliability of exporting countries to meet their supply commitments, and to provide for national and international emergencies.

Nixon Food Policy Shift Created Shortage, Famine Threats, Farmers Union Economists Report

Washington, D.C., Oct. 28, 1974—Policy changes introduced by the Nixon Administration are directly responsible for the present world food shortage and threatened famines, a study released today by the Farmers Union reveals.

Little more than one-fifth as much U.S. food is now being shipped overseas for hunger relief as ten years ago.

While "Food for Peace" shipments were being drastically curtailed over the five past years, payments to U.S. farmers for holding cropland out of production were increased sharply, setting an all-time record of $3,566 million in 1972. In that year one acre was held out of production in the United States for every 4½ acres that were harvested.

Costs Taxpayers More

This shift in food policy has greatly increased costs to U.S. taxpayers. During the Nixon Administration's first five years, nearly $4 billion more was paid to farmers to prevent food production than it would have cost for the government to buy the same amount of food from farmers.

Last year alone, the government paid $1,163 million more to hold land out of production than the value of the lost production on the farm at market prices. The record was $1,181 million in 1971.

An enormous volume of potential food production was sacrificed during these five years which could have been used for providing adequate reserves and greatly-expanded food aid shipments. Assuming yields of only two-thirds of the actual national average for the grain best-suited to the various lands held out of production, the five-year total would have reached the equivalent of 8,609 million bushels of wheat. This is nearly a billion bushels more than the actual total harvests of 7,669 million bushels of wheat in the U.S. during those five years.

Enough for All Needs

The potential food that was sacrificed would have been more than ample to meet all the needs that have arisen in the present world food crisis, with ample reserves left over. In several years the prevented production approached the total volume of all food grains bought and sold by all countries in international trade.

If the food sacrificed during the past five years had been produced instead, much of it could have been bought and shipped abroad for food aid under the "Food for Peace" program at less cost to the U.S. government than was paid for not producing it, the Farmers Union study reveals. This excess cost reached $751 million in 1971 alone. Costs of the Nixon program ranged from a low of 60 percent to a high of 136 percent of what it would have cost to provide equivalent quantities of farm commodities for "Food for Peace" shipments if they had been produced.

Farmers Union Opposes Policy

The Farmers Union has objected repeatedly to "the erosion of the Food for Peace program" during recent years, as well as to other aspects of the Nixon farm and food policies.

The Farmers Union recommends that farm prices should be stabilized at 100 percent of parity. When "surpluses" occur, they should be insulated from the market in non-recourse price support loan status until prices rise to 110 percent of parity. This would provide an "ever-normal granary" of reserves to protect consumers and export customers. Farm production would be curtailed under the Farmers Union plan only when reserves have reached reasonable levels.

In hearings on renewal of the Food for Peace Act on April 3, 1973, Robert G. Lewis, National Secretary, urged that shipments "be increased, insofar as supplies are available, to a scale approximating the full levels of expenditure authorized by Congress." The Nixon Administration held the value of Food for Peace shipments down to only one-third to one-half of the amounts authorized by Congress.

Urges Use of Food for Development

Lewis urged long-term food aid agreements with hungry countries designed to lead to "an enduring pattern of commercial two-way trade wherein U.S. farm commodities can be exchanged for goods and services from the food-importing countries".

He also suggested that food from the U.S. be sold for local currencies in the hunger areas, with the proceeds used "for paying wages in useful public works projects, in order to promote the expansion of demand for food within the receiving countries".

"Food for Peace" Dwindles

The Farmers Union study shows that the Nixon Administration immediately slashed the volume of Food for Peace shipments by one-fourth in its first year (1969). The volume dwindled to an estimated 2.8 mil. tons in 1975, the smallest since the program was initiated by the Eisenhower Administration 20 years ago.

The Nixon Administration also boosted cuts in annual food production. The peak of 65.9 million tons in grain equivalent of prevented production came with the peak spending in 1972. After the world food crisis developed beginning in that year, annual reductions tapered off.

The shift in food policy was made by the Nixon Administration pursuant to discretionary authority in the basic agricultural and food aid legislation. These laws were amended in 1970 and again in 1973, but the changes did not basically alter the discretion of the Executive Branch in determining the sizes of the food aid and crop reduction programs, and Secretary of Agriculture Earl Butz and other Administration officials lauded both new Acts as moving in "the right direction".

Decline Started Under Johnson

The decline in food aid shipments, accompanied by increasing payments for cutting U.S. food production, began under the Johnson Administration in 1965. The Farmers Union study revealed the little-known fact that total U.S. food aid shipments during the famine emergency in India in 1966 and 1967 were far smaller than in the pre-famine peak year of 1964. Indeed, shipments during each of the two famine years were smaller than in any previous year of the Kennedy-Johnson Administration or the last year of the Eisenhower Administration.

The study revealed that it was the Eisenhower Administration which has most strongly favored Food for Peace over paying to prevent food production.

During the five Eisenhower years when both types of programs were in effect (1955–60), the value of Food for Peace shipments averaged three times higher than the payments for preventing production.

During the eight Kennedy-Johnson years, the value of Food for Peace shipments each year averaged only two-thirds as high as payments to prevent production.

In the five years of the Nixon Administration, the original ratio was more than reversed. Payments to prevent production had skyrocketed to more than three times the value of average annual Food for Peace shipments.

Food for War Increased

But even this does not fully measure the actual cut that has been made in shipments of food for humanitarian and economic development purposes. By the last year of the Nixon Administration (1973), nearly one-third (31%) of the total value of Food for Peace program shipments went to support war efforts in Vietnam and Cambodia. The Senate Nutrition Committee reported that over half of the total went to these two and other military-related recipients such as Israel and Jordan.

The Farmers Union's estimates of the grain production that was prevented under government programs are based on acreages for which diversion payments were made each year times two-thirds of the actual national average yields during the year for the grain crop best suited to the various types of land in the various programs. These estimates may over-state the volume of prevented production, and commensurately under state the comparative cost of having instead bought and shipped for food aid the amount of grain that would have been produced.

Actual production on land released from these government programs in 1973 and 1974 has been less than the two-thirds of national average yields assumed in the estimates.

Spending, Production Cuts Peaked in 1972

The record of $3,566 million in payments for not producing food matched the record estimate of prevented production of 65.9 million tons in 1972. Simultaneously during that year, the Nixon Administration undertook strenuous negotiations with the Soviet Union and China to expand grain sales to those countries.

The Farmers Union study is based on official U.S. Department of Agriculture data. For simplicity, prevented production on land diverted from cotton is estimated in terms of "grain equivalent" based on national average yields of corn, for which most cotton land is suitable. Prevented production on land diverted from miscellaneous crops and hay is based on national average yields of oats.

The Farmers Union's study was directed by Robert G. Lewis, who is the organization's chief economist as well as National Secretary.

(A series of tables detailing the findings and estimates of the study is attached.)

TABLE I.—OPERATING RESULTS OF GOVERNMENT-FINANCED FARM COMMODITY EXPORTS AND ACREAGE DIVERSION PROGRAMS, 1955–74

Year	Acres idled by farmers as basis for Government payments (millions)	Estimated production of grain from idled acres if grown and harvested (million metric tons)[1]	Market value at farm if crop of grain had been harvested from idled acres (millions)[2]	Payments to farmers agreeing to not produce crops on idled acres (millions)[3]	Value of U.S. farm commodity exports under Government-financed programs Calendar years (millions)[4]	Quantity of U.S farm commodity exports under Public Law 480 programs Calendar years (million metric tons)[5]
1955					$1,118	2.4
1956	13.6	8.0	$405	$261	1,711	5.3
1957	27.8	15.0	654	654	1,536	7.4
1958	27.1	19.6	864	810	1,233	8.2
1958	22.4	11.3	464	324	1,207	8.4
1960	28.7	15.9	625	367	1,461	12.9
1961	53.7	41.4	1,762	1,104	1,483	11.1
1962	64.7	48.5	2,101	1,440	1,480	11.7
1963	55.7	42.5	1,825	1,382	1,520	14.2
1964	54.9	42.0	1,901	1,951	1,644	15.7
1965	55.9	52.0	2,230	2,115	1,349	13.5
1966	62.5	56.6	2,785	2,946	1,353	12.1
1967	40.2	42.8	1,774	2,738	1,263	10.6
1968	48.9	54.8	2,232	3,090	1,189	10.4
1969	57.6	60.5	2,736	3,417	1,020	7.6
1970	57.1	53.0	2,774	3,352	1,021	8.2
1971	37.4	39.6	1,654	2,835	982	6.7
1972	62.1	65.9	3,346	3,566	1,107	7.2
1973	19.5	15.3	1,218	2,381	750	3.0
1974	0	0	0	0	750	[6] 2.8

[1] Computed at ⅔ of U.S. average yields per acre during year of each crop to which reductions in acreage harvested are attributed. An equivalent based on average yields of corn during year is shown for acreage diverted from cotton; and an equivalent based on average yields of oats during year is shown for "other cropland" diverted primarily from tame hay, and some soybeans, flaxseed, dry edible beans, rice and tobacco.

[2] Estimated production (from 3d column) times U.S. average price per ton received by farmers for corn at the farm during the year. Prices of the various grains, including the price of wheat less certificates, usually average close to the price per ton of corn.

[3] All payments to farmers conditioned on their agreement to withhold designated farmland from production during the calendar year (corresponds generally to crop year). Wheat certificate payments are included.

[4] Calendar years 1955–73 from annual report on Public Law 480—September 1974. Calendar year 1974 preliminary from FAS-USDA.

[5] Calendar years 1955–73 from USDA's annual statistical report on Public Law 480 shipments, SDS-1-74, March 1974 and earlier reports. Data for Public Law 480 only, excluding relatively small quantities shipped under other Government-financed programs.

[6] Projections, based on data from FAS-USDA on actual shipments during 9 months for title I and 6 months for title II of Public Law 480.

Sources: U.S. Department of Agriculture data except as noted.

TABLE II.—COSTS TO U.S. GOVERNMENT TO AVOID OR DISPOSE OF FARM SURPLUSES BY DIVERTING LAND FROM PRODUCTION COMPARED TO EXPORTING WHEAT OR FEED GRAINS UNDER PUBLIC LAW 480 (FOOD FOR PEACE), 1962–73

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
1. Total payments to farmers on condition of diverting cropland from production (millions) [1]	$1,440	$1,382	$1,951	$2,115	$2,946	$2,738	$3,090	$3,417	$3,352	$2,835	$3,566	$2,381
2. Production on all diverted acres, assuming ⅔ national average yields of grain crop diverted or of most productive grain alternative (million metric tons)	47.9	42.5	42.9	51.4	56.8	42.8	54.8	60.5	53.0	39.6	69.1	18.9
3. Cost of payments per metric ton of assumed diverted production of grains (per metric ton) [2]	$30.06	$32.52	$45.48	$41.15	$51.87	$64.00	$56.39	$56.48	$63.25	$71.59	$51.60	$125.97
4. Cost per metric ton to U.S. Government to export feed grains under title I, Public Law 480, at ratio of 2 corn to 1 sorghum (per metric ton) [3]	$49.51	$50.70	$52.68	$54.20	$54.09	$48.82	$48.24	$50.60	$57.69	$52.75	$84.25	$99.60
5. Cost per metric ton to U.S. Government to export wheat under title I, Public Law 480 (per metric ton) [4]	$83.38	$88.89	$86.69	$73.84	$76.66	$63.95	$56.23	$56.60	$62.84	$64.31	$85.98	$178.20
6. Cost of payments for diversion as percent of cost to export feed grains [5]	61	64	86	76	96	131	117	112	106	136	61	126
7. Cost of payments for diversion as percent of cost to export wheat [6]	36	37	52	56	68	100	100	100	101	111	60	70

[1] Includes wheat certificates.
[2] Line 1 divided by line 2.
[3] FOB gulf ports for No. 3 yellow corn and No. 2 yellow milo, per FAS–USDA. Price data for 1971 through 1973 are for fiscal years 1972 through 1974. Data for fiscal 1974 are preliminary. Cost to United States of food for peace shipments under title II (donations) includes most ocean transportation costs to destination ports.
[4] Net cost to buyer FOB gulf ports, No. 2 HW (ord) wheat plus export payment and less cost of wheat certificate: Wheat Situation, ERS–USDA, various issues (see footnote No. 3).
[5] Line 3 divided by line 4.
[6] Line 3 divided by line 5.

Sources: U.S. Department of Agriculture data.

TABLE III.—VALUE OF U.S. AGRICULTURAL EXPORTS UNDER GOVERNMENT-FINANCED PROGRAMS TO VIETNAM AND CAMBODIA, AND TO ALL COUNTRIES, FISCAL YEARS 1955–73

[Dollar amounts in millions]

Fiscal year	Cambodia	Vietnam	Total for 2 countries	Total for all countries	Percent of all shipments to Vietnam and Cambodia
1955	(1)	[1] $1	$2	$1,118	Neg.
1956	(1)	[1] 18	19	1,711	1
1957	(1)	[1] 32	33	1,536	2
1958	(1)	[1] 14	16	1,233	1
1959	$1.2	24	26	1,207	2
1960	1.2	20	26	1,461	2
1961	2.9	26	30	1,483	2
1962	1.0	34	35	1,480	2
1963	.9	36	37	1,520	2
1964	Neg.	43	45	1,644	3
1965	Neg.	49	50	1,349	4
1966	Neg.	94	95	1,353	7
1967	Neg.	176	176	1,263	14
1968	Neg.	148	153	1,189	13
1969	Neg.	103	105	1,020	10
1970	Neg.	129	131	1,021	13
1971	.8	126	128	982	13
1972	9.5	117	128	1,107	12
1973	28.9	171	206	750	27

[1] Export data for Vietnam and Cambodia were combined for fiscal years 1955–58.

Note.—Data rounded to nearest half-million. "Neg." is under $500,000 and under ½ of 1 percent. Totals may not add correctly due to rounding.

Source: Economic Research Service, U.S. Department of Agriculture.

TABLE IV.—ACREAGE DIVERTED UNDER VARIOUS GOVERNMENT PROGRAMS, 1961–73, BY CROP DIVERTED, AND ESTIMATED AVOIDED PRODUCTION OF DIVERTED CROP

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Corn:													
Yield (lbs per acre) [1]	3,472	3,595	3,786	3,506	4,094	4,038	4,402	4,402	4,698	4,009	4,860	5,426	5,118
Acres diverted (millions) [2]	23.7	24.6	21.0	25.0	26.2	26.5	19.3	28.2	29.3	27.7	15.5	25.5	7.1
Production avoided (million metric tons) [3]	37.7	40.1	36.0	39.8	48.7	48.5	38.6	56.4	62.6	50.5	34.2	62.8	16.5
Grain sorghum:													
Yield (lbs per acre) [1]	2,447	2,470	2,458	2,335	2,890	3,142	2,822	2,962	3,097	2,839	3,018	3,399	3,293
Acres diverted (millions) [2]	10.0	8.8	7.7	9.0	9.2	9.6	6.2	8.8	8.5	8.1	4.7	7.9	2.6
Production avoided (million metric tons) [3]	11.1	9.9	8.6	9.5	12.1	13.1	8.0	11.8	12.0	10.4	6.4	12.2	3.9
Barley:													
Yield (lbs per acre) [1]	1,469	1,685	1,685	1,819	2,088	1,829	1,949	2,093	2,131	2,045	2,189	2,093	1,934
Acres diverted (millions) [2]	1.6	3.9	4.0	4.7	4.5	4.6	.7	.6	4.7	4.0	.1	5.0	1.5
Production avoided (million metric tons) [3]	1.1	3.0	3.1	3.9	4.3	1.7	.6	.6	4.6	3.7	.1	4.7	1.3
Wheat:													
Yield (lbs per acre) [1]	1,440	1,506	1,518	1,578	1,614	1,578	1,554	1,710	1,842	1,860	2,028	1,962	1,812
Acres diverted (millions) [2]	3.2	13.6	9.9	6.9	8.7	10.0	1.5	1.4	11.8	15.9	13.7	20.3	7.7
Production avoided (million metric tons) [3]	2.1	9.2	6.9	4.9	6.3	7.2	1.1	1.1	9.9	13.4	12.6	18.1	6.3
Oats:													
Yield (lbs per acre) [1]	1,350	1,440	1,446	1,379	1,606	1,430	1,578	1,715	1,696				
Acres diverted (millions) [2]	3.9	3.6	3.3	2.4	1.9	1.8	1.6	1.3	.6				
Production avoided (million metric tons) [3]	2.4	2.4	2.1	1.5	1.4	1.2	1.1	1.0	.5				
Cotton:													
Acres diverted (millions) [2]	.7	.6	.6	.4	.4	5.2	5.5	3.8	.4	.3	2.4	2.1	
Production avoided (million metric tons equivalent of grain) [4]	1.1	1.0	1.0	.6	.7	9.8	11.0	7.6	.8	.6	5.3	4.9	
Other cropland:													
Acres diverted (millions) [2]	10.6	9.7	9.2	6.5	5.0	4.8	5.4	4.8	2.3	1.1	1.0	1.3	.6
Production avoided (million metric tons equivalent of grain) [5]	6.7	6.3	6.1	4.1	3.6	3.1	3.9	3.7	1.8	.8	.8	.9	.4
Total acres diverted (millions)	53.7	64.8	55.7	54.9	55.9	62.5	40.2	48.9	57.6	57.1	37.4	62.1	19.5
Production avoided (million metric tons):													
At full national average yields	62.2	71.9	63.8	64.3	77.1	85.2	64.3	82.2	92.2	79.4	59.4	103.6	28.4
At ⅔ national average yields	41.4	47.9	42.5	42.9	51.4	56.8	42.8	54.8	60.5	53.0	39.6	69.1	18.9
Corn price, on farms, per metric ton [6]	$43.48	$41.18	$43.77	$46.18	$43.77	$50.21	$41.37	$42.55	$44.52	$52.40	$41.76	$61.81	$93.70
Value of production avoided (millions):													
At full national average yields	$2,698	$3,176	$2,792	$2,969	$3,375	$4,278	$2,660	$3,498	$4,104	$4,160	$2,480	$6,404	$2,661
At ⅔ national average yields	$1,796	$2,116	$1,860	$1,981	$2,250	$2,852	$1,774	$2,232	$2,736	$2,774	$1,654	$4,269	$1,771

[1] U.S. average yield of the specified grain for the year, in pounds per acre, as reported by U.S. Department of Agriculture.

[2] Acres (millions) diverted from production of the specified crop as a condition of Government payments under the feed grain, wheat, cotton, set-aside, and probable acres of each crop diverted under soil bank and cropland adjustment programs.

[3] Production (millions of metric tons) of specified grain that would have occurred if the acreage diverted from the specified grain had been harvested, assuming national average yields.

[4] A production "equivalent" expressed in metric tons of grain is computed for acreage diverted from cotton assuming national average yields per acre of corn. Land used for production of cotton is usable alternatively for production of corn or sorghum, and would be of approximately average productivity for the area if devoted to those grain crops.

[5] A production "equivalent" expressed in metric tons of grain is computed for "Other Cropland" under the soil bank and CAP programs, diverted primarily from production of tame hay, and also some soybeans, flaxseed, dry edible beans, rice, and tobacco, assuming national average yields per acre of oats.

[6] Average price received by farmers for corn at the farm during year, per metric ton: SRS/USDA.

[The following material was referred to on p. 60.]

SOUTH DAKOTA FARMERS UNION,
Huron, S. Dak., December 4, 1974.

HURON.—Ben Radcliffe, president of South Dakota Farmers Union says it is time for cattle producers to "bite the bullet" and ask to be included in the federal farm program.

"The present disastrous cattle price level, with equally bad projections for as long as two years, coupled with skyrocketing costs puts livestock producers on a sure collision course with disaster unless some corrective action is taken soon," Radcilffe said.

Cattlemen historically have rejected the concept of a federally guaranteed price floor under beef even though dairymen and crop producers have benefited from the program for many years. This division of farm producers, says Radcliffe, has often made it difficult in the past to get congressional approval of good farm legislation.

Radcliffe said mass cattle kills and demonstrations will call public attention to the problem but will not solve it. He said reducing imports and investigating price spreads are only short term peripheral approaches. "The only satisfactory answer to the problem is a fair price with a minimum price guarantee," he said.

Radcliffe said the Farmers Union will be working with the New Congress to get livestock and livestock products included in the present Target Price farm program with target prices for fed cattle at no less than 50 dollars per hundred weight. He urged livestock producers who support a realistic livestock price program to contact their Congressman and let them know about it.

Senator McGOVERN. Is Mr. Arndt here?

Mr. Arndt is the vice president of the National Corn Growers Association.

We are happy to welcome you to the committee, Mr. Arndt.

STATEMENT OF RUSSELL L. ARNDT, VICE PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION, LA CROSSE, IND.

Mr. ARNDT. Thank you, Senator.

I am also a farmer from La Crosse, Ind., slightly over 1,000 acres of corn and soybeans, and also we are swine producers.

I have for your information the National Corn Growers Association computation of corn production between October 1, 1974, and October 1, 1975. We will be down to about 340 million bushels, if our projection is correct, at the end of next summer.

We realize that livestock numbers are being reduced and we are concerned about this because this will in effect reduce the demand for grain from the 1975 crop.

Therefore, we are in accord with your bill, S. 4160, to help livestock producers who are now in serious trouble.

I also have at the bottom of that page a comparison with the corn supplies available and the usage for the previous crop, this shows a carryover of 481 million bushels as of October 1 of this previous year, which, incidentally, was the smallest since 1948, and it appears the carryover we will have by October 1, 1975, will be one of the lowest in some time and it is at what we call the pipeline vacuum point.

In other words, it is practically impossible to draw any more corn out.

You cannot sweep the bin anymore.

I also have for you an estimate made on the cost of producing corn in Iowa now. I think you have a copy of corn following soybeans and I have one here on cost of corn following corn. The costs have risen tremendously. Fertilizer is one of the major costs that is not only rising but it is extremely difficult to even find a supply.

We are concerned that a good deal of the fall tillage has been done in the farm belt in preparation for the corn for this coming year, has taken place without the application of fertilizer because it was not available, and also fertilizer that was spread was not spread in the amounts of previous years because of the increase in price.

Farmers took a look and decided they could only spend a certain dollar projection for fertilizer and therefore reduced the pounds per acre and spent, rather, so many dollars per acre for the application of fertilizer, and this will be felt in the production of the 1975 crop.

We see a number of shortages in the machinery, and also at this particular time herbicides and insecticides are looming as one of the problems in the area of farm production.

I think you will notice that costs are rising also for machine operations and the cost of machinery is up some 40 percent this year in general along with fuel and many other things.

I also have included our newsletter of December 1974, which in effect we are saying that we feel some additional measures are necessary in conservation of fuel, both in this country and abroad, so that we can have more dollars to spend for food rather than to have these dollars consumed by the purchase of fuel.

At this time I invite any questions you may have concerning these documents.

Senator McGovern. Thank you, Mr. Arndt.

Approximately what percentage of our corn in the United States is just fed to hogs, let's say poultry and hogs?

Do you have a curbstone figure?

Mr. Arndt. I do not have it.

Senator McGovern. It is a large percentage?

Mr. Arndt. It is a large percentage.

We feel our domestic use is certainly No. 1 in terms of livestock. It is extremely important to us as corn producers. This is No. 1, and we also know that there are serious financial problems in the livestock industry.

Senator McGovern. One of the crop-forecasting journals or agencies today issued its 1975 crop estimates. They are estimating we will have a 6-billion-bushel crop of corn in 1975. If that materializes, given the liquidation of poultry and hog numbers, does that concern you about what the impact may be in terms of corn prices in 1975?

Mr. Arndt. It certainly does.

Senator McGovern. If we had a crop on that level, roughly at a 6-billion-bushel crop, and recognizing the continued liquidation of poultry and hogs, what is your reaction?

Mr. Arndt. We have had a projection of 6.1 that we have considered. This is right in the same ball park of a 6-billion crop. If you go back to these figures, we just mentioned a few minutes ago where we show usage down in the 4 and 5 billion area, this simply means we will have a surplus of corn, providing supports are not increased by a substantial amount, certainly more than is indicated now, on the basis of the other countries' ability to purchase it.

This will result in substantial reduction in the price of corn, perhaps even to the point of being below some of the cost figures that I have just indicated on the sheet. And this is another reason why we feel that the target price as now set up is unrealistic.

I would also like to point out that the base in unrealistic. They are tied to 1959 and 1960.

We have had a tremendous change in technology and farming methods. Farmers have new barns and houses and our machinery has changed and our whole concept has changed, but we are still tied to 1959 and 1960 bases, which is very unrealistic, and this is used for the purpose of figuring price support loans and the money that would be used to financially bail out the farmer in these particular cases or in the case of the target price to even figure it.

This is one area we feel needs correction.

If the farm target price, were to be changed, if it is to have any meaning, then it must go hand in hand to some base change.

Senator McGOVERN. You refer in your testimony to the problem many farmers had in getting adequate supplies of fertilizer. Senator Curtis and I conducted hearings on that subject earlier this year in Omaha and listened to a great many witnesses. Some of them argued that, at least for a year or so, we could get by with reduced inputs of fertilizer—that the soil was filled up to a point that a year of reduced fertilizer input would not result in serious losses. How do you react to that now that we are near the end of 1974?

Mr. ARNDT. If soil tests are made and if the soil tests indicate that the P and K tests are in the very high range, then it is possible to reduce the amount of P and K for a year and not have a substantial decrease in the yield. However, with nitrogen it is an entirely different problem. Nitrogen must be added to the soil each year because it is water soluble and it moves with the water and the amount of nitrogen that is not used by the plant during that particular crop year is lost during the fall and winter season with the movement of water and leaching.

Only the natural nitrogen that may come from the decomposition of the material in the soil is then available for the following crop. So this is very critical and our end production of nitrogen now indicates it will be about the same as last year.

Perhaps we are talking about 1 or 2 percent either way up or down, but certainly not enough.

Senator McGOVERN. Is the Corn Growers Association projection of the 6.1 billion crop corn in 1975 predicated on the assumption you are going to have adequate supplies of fertilizer?

Mr. ARNDT. That is based on an average weather assumption with average fertilizer rates; yes, sir.

Senator McGOVERN. Senator Curtis, any questions?

Senator CURTIS. No questions.

Senator McGOVERN. Thank you very much, Mr. Arndt.

I am going to call on Senator Curtis to present our next witness.

Mr. ARNDT. May I add one other thing?

There was one other document that I did not point out. We have a strategic grain proposal document and it was one of the documents included in the three of four that you were given. We do not offer this as any gospel or as a total solution but merely as a start, to work on to structure some strategic grain program that might be acceptable both to grain farmers and to livestock producers and avoid some of the problems thay have occurred this year as a result of bad weather in the grain crop.

Senator McGOVERN. Thank you, Mr. Arndt.

The committee will be glad to make that a part of the hearing record and we will take a look at it.

[The material referred to above follows:]

NATIONAL CORNGROWERS ASSOCIATION'S COMPUTATION OF COST OF PRODUCTION OF A BUSHEL OF CORN AS OF DEC. 1, 1974 ON AN AVERAGE 500 ACRE CORN BELT FARM HAVING AN AVERAGE YIELD OF 125 BUSHELS PER ACRE (CORN FOLLOWING A PREVIOUS CROP OF SOYBEANS)

	Machine cost per acre	Labor hours per acre
1. Growing costs:		
Spreading phosphate and potash, fall 1974	$0.75	$0.10
Chisel plowing (fall 1974)	4.40	.20
Field cultivating (spring 1975)	2.45	.07
Applying nitrogen (anhydrous)	2.20	.12
Levelling with crustbuster	1.70	.05
Planting with 8 row planter	3.30	.14
Rotary hoeing	1.15	.06
Cultivating once with 8 row cultivator	1.25	.10
Herbicide spraying	1.00	.05
Wagons and flatbed trailers: shop equipment; pickup use; other equipment	2.10	.02
Total	20.30	.91
2. Cost of labor to grow the crop: 2 men at $9.52 per hour equals $19.04 labor cost per hour, 0.91 hours by $19.04 per hour equals $17.33		$17.33
3. Seed, fertilizers and chemicals (No machine or labor cost included as that has been covered in No. 2 above):		
Seed Corn		10.86
Fertilizer:		
120 lbs. nitrogen at 19½¢		23.40
60 lbs. phosphate at 24¢		14.40
60 lbs. potash at 8¢		4.80
Lime at $7.87/ton spread		3.93
Total		46.53
Herbicides, Bladex plus other herbicide		13.20
Insecticide, Furdan 10 lbs. per acre at 40¢		4.00
Total		74.59
4. Harvesting and storage (Machine, labor, equipment and material costs are combined):		
Combining (corn grown in 30-inch rows)		14.20
Hauling 125 bushels per acre at 56 per busels		6.25
Drying 125 bushels per acre from 24 percent to 14 percent at 15¢ per bushel		15.00
Storage of 125 bushels at 1½¢ per bushels per month for 7 months		13.12
Total		48.57
5. Real estate taxes		10.60
6. Farm operating overhead:		
Liability, workmen's compensation, casualty and hail insurance; Legal and accounting expenses; Tax reporting; Phone and other office expenses; Dues and subscriptions; Travel costs for investigating purchase of new machinery, to obtain repairs and on other farm business; Farm short courses. Hauling supplies from distributors to point of use		10.60
7. Land capitalization cost: $1,350 per acre at 8½ percent per year		114.75
8. Total cost per acre		292.14
9. Cost of production per bushel on 125 bushels per acre yield		2.34

National Corn Growers Association's estimation of production and use of U.S. corn supplies between Oct. 1, 1944 and Oct. 1, 1975

	Bushels
U.S. corn carryover on Oct. 1, 1974 (smallest since 1948)	481, 446, 000
Estimated 1974 total U.S. production for corn as grain	4, 621, 248, 000
Total estimated available for domestic use and export Oct. 1, 1974 to Sept. 30, 1975	5, 102, 694, 000
Now deduct anticipated usage Oct. 1, 1974 to Sept. 30, 1975:	
Livestock and poultry consumption in the United States	3, 479, 694, 000
Food and industrial use in United States	450, 000, 000
Exports	833, 000, 000
Total usage Oct. 1, 1974 to Sept. 30, 1975	4, 762, 694, 000
Estimated U.S. corn carryover Oct. 1, 1975 (pipeline vacuum point)	340, 000, 000
The above compares to this past year as follows:	
U.S. corn carryover on Oct. 1, 1973 (smallest since 1952)	709, 500, 000
1973 total U.S. production for corn as grain	5, 543, 500, 000
Total available for domestic use and export Oct. 1, 1973 to Sept. 30, 1974	6, 253, 000, 000
Now deduct anticipated usage Oct. 1, 1973 to Sept. 30, 1974: 1974:	
Livestock and poultry feed	4, 156, 421, 000
Food and industrial use	430, 000, 000
Exports	1, 185, 133, 000
Total usage Oct. 1, 1973 to Sept. 30, 1974	5, 771, 554, 000
U.S. corn carryover Oct. 1, 1974 (smallest since 1948)	481, 446, 000

NATIONAL CORN LETTER,
NATIONAL CORN GROWERS ASSOCIATION,
Boone, Iowa, December, 1974.

WE CONCUR WITH USDA'S NOVEMBER 1 FORECAST OF U.S. CORN CROP AT 4,621,248,000 BUSHELS

Balancing out crop conditions across the nation now that final yields by farmers are generally known, and taking into account USDA's Oct. 1 estimated corn carryover from the old crop of 481 million bushels which we believe was too high, the 4.621 billion bushel crop forecast by the government as of Nov. 1 should put total supplies just about on our target. The 481,446,000 bu. carryover added to the 4,621,248,000 bu. new crop makes total supply availability for the present crop year beginning Oct. 1, 5,102,694,000 bu.

NOW THAT ALL THE BULLISH CROP NEWS FOR 1974 HAS BEEN PUMPED INTO THE MARKET AND IS FULLY KNOWN, DEMAND FOR THE CROP FROM HERE ON BECOMES THE MAIN PRICE DETERMINANT

Anyone exposed to national and international news in recent months knows that the economic outlook for both the industrialized and developing nations is extremely poor. The only ones with smiles are the countries exporting oil and they may be living in a fool's paradise not realizing that the wreckage of their customers may mean dark days for them too, perhaps even war. Certainly the inflation of the watered currencies they are taking in exchange for their oil is rapidly losing its value. Your editor has been in Western Europe twice this fall and other NCGA directors in other countries around the world. Their observations and those of our U.S. Feed Grains Council offices around the globe tell the same story—Livestock and poultry operations have operated at a loss for so long now that they are finally being shut down right and left. As we've said before, either livestock prices here and overseas have to come up or feed grain prices go down.

We Are Constantly Asked by Members, What Should I Do About Selling My 1974 Corn?

If you're a gambler, we'd say, sell some now on rallies and hold the rest until next summer or at least until an upturn into the $4 range occurs. We consider $4 a remote possibility now unless growing weather for the 1975 crop turns bad next year. If you're a conservative, then lock up these good prices by selling some or all soon. Last month we said the price high for this crop could be made early in the winter and we now believe more firmly than ever the market will tend to trail off as the year progresses. The old axiom, "A short crop has a long tail" is still true.

Rome Food Conference Conclusion: Gas Rationing and Keeping Peace in Middle East Essential to Holding Our Overseas Corn Market and Halting Worldwide Hunger

Although the conference itself was a success, the ability of the world to carry out its aims in relieving world hunger will depend upon the maintenance of peace in the Middle East, and the U.S. and other world powers being willing to accept gasoline rationing. Failure of either one to occur would spell the doom of hundreds of millions of people now starving or on the brink of it.

We believe that unless the U.S. and other oil deficit nations go onto rationing soon to stop the huge outflow of funds for oil imports, their economic condition will worsen much more than now anticipated. Italy itself is already bankrupt and only kept afloat by credit advanced by her friends. Germany recently loaned her $2 billion which will last about two months. Worse still, the developing nations that can least afford to pay the high oil prices will be bankrupted too. Most of them are on the verge of it now and many of them are the ones suffering from famine. This will leave them unable to buy grain.

The U.S. is currently the only big power outside Russia that could exist on its own oil supplies if rationing were instituted but by doing so, it, as the world's most affluent nation, could help to hold up the other industrial powers if they went on stringent rationing too. We believe the U.S. and the other industrial nations must come to rationing eventually if they are to save themselves economically, and so the sooner the better. Not only will it stop the immense outflow of wealth to the oil exporters and through less purchases perhaps reduce world oil prices, but it would cut crop fertilizer costs to the developing nations who need it so badly to increase food production for their hungry people. Fertilizer in many parts of the world is made from oil.

Many world representatives in Rome were glum on the prospects for establishing peace between the Arabs and Israel. They pointed out that the massive build up of armaments by the Arab powers was stimulated by the oil money now available to them for arms purchases. Their object in the next conflict is to crush Israel once and for all. Diplomats doubt if the U.S. can talk them into peace if war breaks out again. War would wreck the accomplishments of the food conference.

It is true that the failure of the U.S. to authorize another 40,000,000 bushels of food grains for the present food emergency situations in India, Bangladesh and the south Sahara nations created justified disappointment and criticism in some conference quarter, but calling the conference a failure was completely wrong. Anyone who expected immediate and wide-ranging results was bound to be disappointed.

The adoption of the resolution to bring into being the new World Food Council under U.N. jurisdiction in Rome represented a giant step forward in facing up to and going to work on the problems of growing and distributing sufficient quantities of the right crops to meet a growing world's food needs both immediately and in the longer term. It was a solid start.

Representatives from the one hundred thirty nations were placed on three major conference committees. Committee Number One dealt mainly with the means to increase food production and improve nutrition in the less developed countries. This covered a wide variety of subjects ranging from assistance programs for crops and livestock to improving storage, marketing and transportation systems. The committee reported out and the conference adopted the establishment of the International Fund for Agricultural Development to achieve the desired aims.

Committee Two dealt with setting up the mechanics of world food security. This included an early warning system of crop shortages as they develop due to adverse growing conditions. Such a system would then allow the World Food Council to draw upon special world food reserve stockpiles and begin to move them into position to meet the emergencies before starvation becomes widespread. About a dozen major grain producing and consuming nations agreed to meet at the end of this month to negotiate an international system of grain stockpiles to guard against shortages and to stabilize supplies. The grain reserves would be managed by the individual producing countries and held by them also.

Committee Two requested an immediate emergency commitment of approximately 400,000,000 bu. of grains for each of the next three years to bring quick aid to the present starvation areas of the world. About 70% of this figure was reached but when the larger producing nations were asked to commit themselves for the additional amount needed, it was at this point that the U.S. said it had done enough for the time being. Australia and Canada placed pressure on the U.S. position by pledging 60,000,000 bu. more on their part but President Ford said that such action by the U.S. would be inflationary and the U.S. position was not altered. Many at the conference pointed out the U.S. is spending $90 billion on its military budget this year and could afford to furnish the 40 million bushels of grain by just a fractional cut of such spending. We agree.

Committee Three had the most difficult task of all in coming up with recommendations concerning changes in world trade agreements relating to agricultural products. The U.S. and other developed countries wanted to adhere to negotiating within the world framework of the presently existing organization known as "General Agreement on Tariffs and Trade" whereas the developing nations wanted tariff barriers removed or softened for them to give them better opportunity to sell unfettered in world markets and to buy from abroad cheaper in order to encourage their fledgling and faltering economies. Having failed to come to agreement by the conference's end, a "Contact Committee" made up of representatives of the nations involved was appointed to hold a separate trade meeting shortly to adjust their differences of opinion and find agreeable common ground.

One of the most interesting developments of the conference was the constructive positions taken by Arab oil producing states on various issues involving commitment of money. Kuwait for instance reported it had upped its own agricultural development fund which was originally available only to Arab nations from a start of $50,000,000 in 1962 to a present level of $3.4 billion and has just recently authorized a borrowing authority for it of an additioal $10 billion, making the fund's capability a total of $13.4 billion. This compares to our U.S. Commodity Credit Corporation borrowing authority of $14.5 billion. In addition, Kuwait is making the fund available to any needy nation in the world that will use it for constructive agricultural development plans.

The 3 NCGA representatives had opportunity to discuss with representatives of the U.S. State Department, USDA and others from the U.S. the corn association's proposed billion bushel stratigic corn reserve program and found good reception for it. Goeppinger spent last week in Washington conferring with three White House officials as well as at the State Department and USDA concerning the reserve. In Rome the U.S. committed itself to establishment of grain reserves and now it is just a question of what form it should take.

We believe it should be held by U.S. farmers who would determine themselves when they would sell, to whom and at what price. The billion bushels would be established under a 5 year corn loan at 3% interest.

Corn exports 10–1–74 to 11–22–74 were 113,213,000 bu. vs. 168,697,000 bu. a year ago.

Corn yield contestants: harvest report deadline of Dec. 15 will be adhered to. All signatures must be notarized and seven point check list completed.

Merry Christmas and God's richest blessings to all readers

A Strategic Grain Reserve Proposal That Keeps the Grain and the Power To Sell It Completely in the Producers Hands

1. Proposal eliminates the main point of criticism and difference of opinion between many farmers and farm organizations, namely government control of sale of any of the grain in the reserve.

2. This outline of the idea will deal only with corn. It can, however, be made applicable to other grains and soybeans.

3. From a political and practical standpoint, a proposal that eliminates necessity for passage of any additional U.S. farm legislation over and above what is now already on the books has great merit. This will save an immense amount of time and avoid any diminution of the program that might come about as the result of political bargaining or compromise.

4. This proposal requires no change in the present farm law and can be smoothly operated within the framework of it.

5. First, the U.S. Government would determine how large a corn reserve would be desirable. For sake of simplicity let us say that a figure of one billion bushels is chosen. That would amount to about two months present average consumption of our crop which consumption will ordinarily be between 5.6 and 6.0 billion bushels.

6. Ever since 1933 when the first corn loans were made, they have all been "Non-Recourse" loans. Under this type of loan the borrower is not held responsible when the loan comes due for repayment of the principal and interest should the corn's market value be less than total of amount due in dollars. When the loan is due, all he need do to pay the loan off is deliver to the Commodity Credit Corporation the number of bushels of corn of the grade specified as security for the loan, regardless of what the corn will bring on the market at time of delivery of the corn to the CCC.

7. A corn loan made "With Recourse" would require the borrower to pay the loan off in cash when due, including principal and interest. The corn would merely represent the security behind the loan during the loan period.

8. This proposal would set up a structure which would use both types of loans.

9. Since the present 1973 farm law states that the U.S. Secretary of Agriculture shall make available to producers loans on each crop of corn at a level of not less than $1.10 per bushel nor in excess of 90% of parity, it would appear that he could do the following after the size of the corn reserve desired had been decided:

A. Announce that a "Recourse Corn Loan" would be available to all corn producers participating in that year's voluntary Feed Grain Program on a first come first served basis on the first billion bushels that were offered for loan. The loan would be made at 90 percent of parity. With current parity $2.73 per bushel, this would put the loan at $2.45 per bushel. The CCC would make the loan at 3 percent interest and the loan would not be due until the end of five years. During that time, the farmer would have the right to pay off the loan at any time in cash and sell the corn on the open market or do with it whatever he wished. Only the market price level would tell the farmer when to sell, not the government or the Secretary. The farmer would get the low interest 3 percent loan but would have to furnish the storage for the corn, either on his farm or elsewhere. He would rotate the corn under the loan in order to maintain quality if he so desired.

B. At the same time that the Secretary announces the "Recourse Loan" at 90 percent of Parity he announces that the regular corn loan will continue as a "Non-Recourse" corn loan available to farm program participants but at a level of 75 percent of parity, not $1.10 as it has been and is now, 75 percent of present parity is $2.05 and with the loan at this figure, it would protect the "Recourse Loan" borrower with a floor under the corn market not too far away from his $2.45 loan. No reseal program would be offered to the "Non-Recourse" borrowers. In addition, should the CCC take possession of any of this $2.05 loan corn in satisfaction of the loan in case the corn market hung close to that figure for a full year and the price wasn't attractive enough to make the farmer sell and pay off the loan, the CCC would not be able under the present law to sell any of the takeover corn for less than 115 percent of what they took the corn in at. On the basis of a $2.05 loan takeover this would limit CCC resales to a minimum of $2.36 per bushel.

C. Since the Secretary is authorized under the current law to limit the acreage planted to feed grains on the farm to a percentage of the farm's acreage allotment, he can utilize the law to keep production well in balance with consumption and thus prevent a large takeover of corn by the CCC of the "Non-Recourse Loan" corn at the $2.05 level. This would make the Strategic Reserve Corn the largest segment of grain available to the market in case of need.

10. By having five years before the corn under loan in the Strategic Reserve must be paid off, the man who borrows at the $2.45 level has an opportunity to cash in on a substantially higher market than $2.45 during a period of shortage which is quite likely to take place some time over a five year period. The man with the $2.05 loan can only speculate one year at a time or pay off the loan at the end of the first year and "buy his corn back" if he wants to continue to hold the corn. To stimulate use of the higher loan in order to get corn put in the reserve, the interest rate on the "Recourse Loan" would be only 3 percent versus around 9 percent on the "Non-Recourse" loan, but the producer would have to pay all storage costs for the period he holds the grain, which could be up to 5 years.

11. There are undoubtedly some facets of this proposal that have to be thought out by farmers and others closely associated with corn agriculture, but by and

large it offers farmers a way to avoid any government control of the sale of the corn in the reserve. Thus, it seems as though it provides the necessary common ground of agreement which does not exist now among politicians, farmers and farm organizations on the matter of a corn grain reserve.

JOHN W. CURRY,
President, National Corn Growers Association.
WALTER W. GOEPPINGER,
Chairman of the Board, National Corn Growers Association.

Addendum: Corn Sealing History: During the last 11 years the least that has been sealed is 216 million bushels of 1965 corn. The most was 952 million bushels of 1971 corn which was a large crop after the short crop of the corn blight year of 1970. Next highest was 467 million bushels of 1967 corn which followed the drought year crop of 1966. Average for the 11 years has been about 389 million bushels of corn put under seal per year.

Senator CURTIS. Mr. Chairman, our next witness is Mr. Ray Davis.

Mr. Chairman, I would like to have the record show Mr. Davis is not a newcomer before agricultural committees of the Congress. He is a wheat farmer in Nebraska, president of the National Association of Wheat Growers, he is well qualified to represent them and to make a statement on their behalf.

His testimony is always helpful and beneficial and Mr. Davis, we welcome you at this time.

You may proceed.

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

Mr. DAVIS. Thank you, Senator.

I have just come into Washington from the wheat country. I have been attending wheat meetings around the States.

I would like to submit my statement for the record. I am not going to read it verbatim.

I did want to point out to the committee that last year we produced a record wheat crop in the United States, the largest crop ever produced.

Even though we increased our acreage about 20 percent, we did not really get the production we thought we would have, and this is primarily due to weather.

One of the things I am concerned about this year, and as the gentleman from the corn growers mentioned, we had many, many farmers that did not fertilize. I think probably in wheat we could get by this year without it, but I would certainly hate to see it continue.

There will probably be a slight reduction in the yield overall. But with the increased acreage it does appear likely, with normal weather we are going to hit a wheat crop, 2 billion, maybe 2 billion 2, or 2 billion 3.

I am sure that, Mr. Chairman, you, if anybody, are well aware that wheat growers have been active for 20 years in developing export markets, and we have to export about 75 percent of this crop to stay in business.

Many producers that I talked to at our recent State conventions asked me to point out whenever I go to Washington, that we are producing for an export market, not a domestic market.

If we had to depend on a domestic market, we would all be out of business. I think we want to certainly realize that.

Also, they asked me to point out to the committee the tremendous amount of foreign dollars this brings into the United States, this tremendous export of grain. We are willing to increase our production and we hope to, but we certainly need to take a look at the present farm program at the support levels and target prices.

I would be very happy to submit this statement for the record and respond to any questions that you might have about the wheat situation.

Senator McGovern. Thank you, Mr. Davis.

I couldn't agree more with your concern about the Congress taking a look early next year at the support levels and the target price concept as it relates to wheat and other grains.

I think most members of the committee recognize that what we did in 1973 has to be updated.

It seemed like a good bill at the time, and I think it was, but with the cost of production skyrocketing as it has and all the other complications that face farmers, the need for increased production, the requirements of our own people, and as you have said, our export opportunities, we do need to update that program.

There was a proposal that was debated very heatedly at the Conference in Rome attended by a number of this committee on either side of the aisle, in which the delegation signed a telegram to the President urging that we add another million tons of grain to overseas assistance. If we are going to continue on that road, and I think we have to as long as world hunger is as pressing as it is, there comes a time we will have to get some help from other countries in paying for that grain.

Farmers cannot be expected to give it away and our Government cannot be expected to give it away on a massive scale.

I do not think we have the responsibility to feed the world, but assuming that arrangements can be worked out with other countries to assist in the payment for grain that would be used for humanitarian purposes abroad, do you think the wheat growers of this country are ready and willing to respond to a challenge of that kind?

Mr. Davis. We have had some very serious discussions in our State meetings and we are going into our national convention in Amarillo in January with many resolutions in favor of some type of a reserve.

How this policy will finally come out it is impossible for me to say, but I do know that the wheat producers favor some type of international reserves.

They don't believe the United States should carry the whole load.

They also feel like, as far as the domestic reserves, it would be too depressing on the market.

When you produce more than three times the need in the United States, it really is not necessary to have a domestic reserve policy on wheat.

As far as international reserve, I am sure they will go along with something like that.

We feel all countries should contribute to something like that.

Senator McGovern. Well, I agree, especially when you look at the enormous transfer of currency from the Western World into the oil supporting countries that we have every right to call on them to help in the commodities that we might make available worldwide.

We might have a greater capacity, but they have the capital to help pay the American farmer for producing that grain that we are going to make available to hungry people.

I think we have come to that point in our overseas efforts where we have to begin depending for help on other countries if we are going to continue this food assistance program.

Senator CURTIS. In reference to reserves, do you not feel that if reserves are to be maintained, that that burden should fall on users and processors and not as it has in the past, fallen entirely on the producers of wheat.

Isn't that correct?

Mr. DAVIS. Yes, that is true.

We feel that a reserve should not be used against the farmer to lower prices and should be paid by all the people.

Senator CURTIS. If it is carried individually by farmers or part of our farm program it defeats the very purpose of the farm program to maintain an adequate income for the farmers.

If private enterprise, processors and others choose to establish a reserve it does several things: They no longer depend upon the Federal Government to maintain a reserve if we can buy at depressed prices. They also would be inclined to add to the reserves at the time there were dips in the market so there would be somebody coming in and buying when prices commenced to sag.

But it would be quite a change for the country because everybody has been used to buying grain at substandard prices because they were in such huge surpluses and the Government's granaries were bulging and they had to get rid of it.

How long ago was it, approximately, that our wheat production was in the neighborhood of a billion bushels? Twenty-five years ago?

Mr. DAVIS. Several years ago.

Senator CURTIS. But it has more than doubled in the last 20 or 25 years?

Mr. DAVIS. Yes.

Senator CURTIS. What is the price now to farmers for the wheat in your area?

Mr. DAVIS. About $4.25.

Senator CURTIS. What was the high point in the last year or so?

Mr. DAVIS. $5.56, I believe.

Senator CURTIS. When it got up there, it would fluctuate up and down?

Mr. DAVIS. Yes.

Senator CURTIS. What was the price of wheat before this expanding of exports was undertaken in a big way?

Mr. DAVIS. Oh, somewhere around $1 a bushel.

In fact, I sold wheat not too long ago for 99 cents. That is about 3 years ago.

Senator CURTIS. We are going to have to run for a vote on the floor, but I can recall that we used to debate wheat legislation at a time when in round figures we had about 1 billion bushel production and we were consuming about 600 million bushels so we were exporting 40 percent.

Due to the high efficiency of the American wheat producers, we have more than doubled that and are adding to the Nation's exports, considerably, to 75 percent.

Your paper is very worthwhile.

Senator McGovern. Thank you, Mr. Davis, for your testimony.

[The prepared statement of Mr. Davis follows:]

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

Mr. Chairman and members of the subcommittee, the National Association of Wheat Growers appreciates this opportunity to appear before you and contribute to your review of the "U.S. Food Situation and Foreign Food Demand." My name is Ray Davis. I am a wheat producer from Potter, Nebraska, and president of the National Wheat Growers Association.

Wheat producers harvested a record 1,781 million bushel crop this year, 4 percent more than 1973. This expanded production came on 20 percent more acreage, and, had yields followed the trend of previous seasons, there is little doubt that the crop could have hit the 2.2 billion bushel target initially foreseen by the U.S. Department of Agriculture. Unfavorable weather, however, cut overall output, and total availability for the 1974–75 marketing season amounted to 2,032 million bushels, about 6 percent less than we had on hand for export, domestic use and carryover in the previous year. Reductions in domestic wheat usage are expected in 1974–75, but we feel exports will be bumping up against last year's record 1.2 billion bushel level and that we could end the marketing season on June 30, 1975, with a carryover slightly under last year's 249 million bushel level. Just how much supplies will dip below this mark will depend largely on U.S. food aid policy and the ability of our marketing and transportation systems to clear the amount of grain that has been committed. So far, only 460 million bushels of wheat have been exported. This means that 60 percent of anticipated exports must be shipped between now and the end of June. While not an impossible task, it is certainly not too early to become conscious of the demands this places on our grain movement system.

This brings me to a point that cannot be overlooked. We proved to ourselves last year—despite the hysteria over supplies and unfortunate and ill-conceived cries of "$1-a-loaf" bread—that the U.S. simply does not require a carryover as large as one or two years' normal food use to meet domestic requirements into the new marketing season. Additionally, the fact that the farm value of wheat in a loaf of bread dropped 30 percent between January and June of this year while the retail price of bread rose 10 percent indicates that tight supplies do not produce the price consequences many have been led to expect.

Now, I would like to turn to the 1975 wheat crop and supply prospects for the marketing season ahead. Given a return to normal weather conditions, there is every reason to believe that next year's wheat crop will be at least as large as the 2.2 billion bushel harvest USDA originally forecast for 1974. We believe that winter wheat acreage alone will be 4 percent or more above the 52 million acres seeded in 1973. We do not expect acreage in the traditional wheat areas to expand greatly. Most of the added acreage will come from out of corn, and cotton production. Overall, yields will be well above this year's short level of 28 bushels per acre.

In this regard, I want to pass on to this committee the concern that wheat producers have over the potential 1975 crop and the marketing situation that lies ahead. Wheat growers have a strong economic interest in export markets because annual production exceeds domestic food use by about 75 percent. They also know that the U.S. "isn't the only game in town" when it comes to wheat production and that chances for adequate market prices could be wiped out if a record harvest here were met by higher crops overseas. Consequently, knowing that their income must come from the marketplace, growers fear policies which would halt or retard exports. Under the inadequate loan and target price programs currently in effect, restraints on exports or similar market interference would be disastrous for grain producers.

I don't think there is any question that had the quantity and quality of the 1974 world wheat crop met normal expectations we would be considering a very different set of problems than we look at today. Presently, one of the major worries concerns the distribution of available wheat stocks among our commercial and aid markets. On the other hand, had good or normal conditions existed for most of the world crop, grain producers might very well be in the same kind of position that the livestock industry is suffering through today.

This is exactly what our producers fear most. They look to the future and see growing uncertainty coupled with increasing risks.

Growers have been able to strengthen their economic footing over the last several years, and we are all proud of this fact—even though improved returns were long overdue by the time they finally arrived. These gains have been a direct result of strong export performance and improved producer marketing. A reversal of supply conditions, however, could easily drop demand to the point that currently successful marketing practices would fail to result in either adequate returns or market price stability.

In summary, it is our view that the demand for wheat will continue to run steady through the balance of the current marketing year which ends on June 30. Supplies will be tight, but we should have learned from last year's experiences that we don't need a whole year's domestic supply of wheat on hand to have an orderly transition between the closing crop year and the new harvest.

Looking into 1975, we believe that a return to normal wheat yields on projected acreage will produce a crop that could well exceed the 2.2 billion bushel mark. In this event, wheat producers could easily be thrown into a different marketing situation which could give rise to supply and price problems reminiscent of the past.

I want to add at this point, that wheat producers are not unaware of the changing signals in the marketplace and state grower organizations have been analyzing and reacting to these developments at their annual policy-making conventions. Policy hammered-out at these meetings will be taken, in January, to the National Association of Wheat Growers convention in Amarillo, Texas, where national policy will be formulated, and approved.

Mr. Chairman, I have appreciated this chance to present the views of our Association, and I will be pleased to respond to any questions you or members of your committee might have at this time.

Senator McGovern. Mr. Jackson, Senator Curtis and I have to answer a rollcall on the Rockefeller nomination so I suggest we recess until about 3:30 and then we will pick it up again.

Can you wait that long?

Mr. Jackson. Yes, sir.

Senator McGovern. All right.

We will be back at 3:30 or before.

[Recess.]

Senator McGovern. I'm sorry, Mr. Jackson, we were tied up over there after that vote and could not break away. I appreciate your patience.

STATEMENT OF RALPH JACKSON, EXECUTIVE VICE PRESIDENT, AMERICAN SOYBEAN ASSOCIATION, HUDSON, IOWA

Mr. Jackson. My statement, Senator McGovern, is rather brief.

Before I enter into it, I want to commend you for your strong statement on continuing marketing development funding.

I believe it was in the October 1 Congressional Record. I thought it was very appropriate and the American Soybean Association supports that wholeheartedly.

Senator McGovern. Well, I think that has been a very good program over the years. I used to work with it more closely when I was in the food-for-peace operations in the early 1960's, but I do think it is a very important program and ought to be continued.

Mr. Jackson. We realize we have what I call misguided consumerism during periods of temporary short supply and continued—we cannot destroy the mechanism for market development during this period, because we can very well be back in periods of surplus again in short order.

In getting into my prepared statement, I would like to say in time of crisis, whether that crisis is real or imagined, there are always proposals and counterproposals designed to solve the problems.

These proposals run the gamut for total Government involvement to no Government at all.

We should all face reality and realize that the U.S. Government policies and actions play an important role in determining future agricultural production, and even the efficiency of production. We must also realize that Government involvement in agriculture is sometimes good, but sometimes bad.

We think soybeans has been a success story.

Soybean production by U.S. farmers has grown at a phenomenal rate. We produced only 555 million bushels in 1960, but more than doubled that to over 1.2 billion bushels in 1974. Soybean farmers have demonstrated that they will produce all the soybeans necessary if given the proper incentives.

The one incentive that has caused a greater increase in production than any other has been the ability to sell the results of his production at a profitable price on the free market.

It has also been demonstrated that farmers will not respond as readily to demands for increased production by the Government. The last two crop seasons make a perfect example. First of all, the farmer surveys his alternatives just as any other businessman.

In the spring of 1973, we had a carryover of only 60 million bushels of soybeans, and the price was excellent when compared to corn and other alternate crops.

The result was a 24-percent increase in production. This past crop year, the farmer was faced with the possibility of 200- to 240-million-bushel carryover and it appeared that the price of corn would make corn more profitable per acre than soybeans.

The result was less soybean acreage and more corn planted. The farmer was responding to the call of the marketplace, and not the demands or wishes of Government officials.

Mr. Chairman, in a moment I will survey the outlook for soybean production in the near future, but first, I think it is appropriate to look at the psychology of the soybean farmer.

What makes him tick? What stimulus does he respond to, and what should the U.S. Government do if it wishes to encourage more production of soybeans?

First of all, the soybean farmer, like any other farmer, is very independent. That is a primary reason why he farms rather than working in a factory. He prefers to set his own goals, to determine his own destiny and his own station in life a few years down the road.

He sets his own time frame in which to reach these goals by deciding whether to buy more land and machinery with this year's profits, or to invest that money in improving his own way of life immediately.

He is very protective of these freedoms, and the closer in time he gets to exercising these freedoms, the more protective he becomes.

For example, he prefers to determine when and where to market his products and has taken positive steps to maintain that freedom.

He grew tired of selling the results of his labor at depressed prices during harvest time and then seeing the price reach higher levels a few months later.

U.S. farmers constructed onfarm storage for 70 million bushels of soybeans in 1971. Additional storage for 169 million bushels was added in 1972 and 65 million bushels in 1973.

The farmer not only built that storage, he is using it to his own advantage, thus improving the orderly flow of commodities to the market.

In January 1972, only 398 bushels of soybeans were stored on the farm compared to 616 million bushels in January 1974.

The soybean farmer is taking one more step in his search for freedom to market when and where he wishes.

He is contributing his own funds to an aggressive and farmer-controlled market expansion effort overseas. He realized the need for this in 1969 when prices were extremely low and we had 324 million bushels or one-third of that year's production unsold at the end of the marketing year.

Soybean farmers started a checkoff program of one-half cent per bushel and took greater control of his own destiny by assuring himself of an adequate market for all the soybeans he wanted to produce.

The soybean farmer decides where this money will be spent, and after a survey of potential for market development both here and abroad, he decided to increase the demand for exports.

The question in some people's minds is not whether he was successful, but was he too successful in increasing exports.

There are some outspoken critics who in their misguided efforts to protect the American consumer have forgotten that the American consumer cannot have his cake and eat it too. Soybean exports last year were valued at over $9 billion—exactly the cost of the fuel oil we had to buy from other nations.

We must export those commodities which we can produce more abundantly and more efficiently than other nations. Without exports we could not long afford to purchase those commodities, such as oil, that we do not produce as efficiently nor abundantly at home.

The soybean grower is also investing approximately $1 million of his own funds in production research so he can produce soybeans even more efficiently.

One project they have funded has resulted in a new combine attachment that will save approximately 1.5 bushels of soybeans per acre.

We are working now to get this attachment on the production lines, because it could have meant an additional 78 million bushels, or $624 million worth of soybeans harvested this past season.

If the Federal Government desires to assist the soybean farmer in producing enough soybeans to fill the needs of the world, here is an excellent opportunity. Instead of loaning millions of dollars to assist farmers in Paraguay in soybean production, invest that money in soybean production research in this country.

The stated purpose of the AID loan is to help feed the poor people of Paraguay. However, that nation does not consume all the soybeans it produces now. Paraguay exported 53 thousand tons of soybeans in 1973 and 88 thousand tons in the first 9 months of 1974.

These soybeans entered the world market in direct competition to American soybean farmers.

They were not used to feed the poor people of Paraguay.

As indicated before, the American soybean farmer is dedicated to controlling his own destiny. He is just as dedicated to producing all the soybeans needed, if given the chance, the freedom and the incentive.

He severely questions the wisdom of our Government's request for more production when at the same time tax funds are sued to subsidize production by competitors.

He severely questions the wisdom of his own increase in production when the Government takes steps to alienate 50 percent of his market. I refer here to the export embargo on soybeans and the current method of controlling exports.

In my opinion the embargo was the worst thing the Government ever did in destroying our confidence as a supplier.

The soybean farmer has invested his funds in developing these overseas markets and cannot help but be hurt by such actions.

For example, Joseph Ertl, the West German Minister of Agriculture recently urged German feed manufacturers to make more long-term contracts with Brazil to assure that the German demand for soybeans can be met.

I quote Mr. Ertl, "The Americans should not be surprised by this because they are losing more and more credit as a reliable trade partner."

We shipped 95 percent of all the soybeans imported by Germany in 1971, while Brazil shipped only 3 percent. In 1974, our share has dropped to 81 percent while Brazil increased to over 18 percent.

The American soybean farmer has taken positive action by increasing demand and production instead of limiting production by Government decree.

He has taken the positive action of assuring himself a market rather than the negative action of export controls. He has taken the positive action of increasing the funds for production research, rather than the do nothing attitude of sitting back and allowing someone else to fund vital research projects.

He has taken the positive action of providing storage of soybeans under his own control rather than the negative action of establishing a Government-held grain reserve.

He took this latter action because of his independent nature. If he invests his labor and money in producing this commodity, he feels that he has a right to determine when and where and at what price he will sell.

Any attempt to forecast the production of soybeans for the future is clouded by inconsistency in Government action. For example, the call for increased production is not enhanced by the present system of export controls.

Farmers will produce more soybeans next year if their prospective selling price is favorable in relation to corn, cotton and other crops that are basically consumed in the domestic market. The price of soybeans must improve in relation to these crops, however, export controls are dampening demand for soybeans and holding the price at less profitable levels compared to other crops.

If the Government desires an increase in soybean production, then necessary steps should be taken to remove the aforementioned inconsistencies.

The desire for increased production should be balanced with removal of export controls, an increase in research funds, and removal of soybeans from the plan for a Government-controlled grain reserve.

Thank you, Mr. Chairman.

Senator McGovern. Thank you very much, Mr. Jackson.

It is my understanding the Department of Agriculture has terminated the soybean loan program.

I would be interested in your reactions on the possible implications of that with soybean producers.

Mr. Jackson. I came fresh from a national board meeting where this was thoroughly discussed. We are not for acreage controls. We have never been under acreage controls but we do feel we need this minimum floor level as a measure against disaster and as a measure which will enable lending institutions to have some basic security in making loans to soybean growers.

It does tend to discriminate against soybeans as opposed to corn and cotton and some other crops. We would like to have it restored.

Senator McGovern. To what extent are Brazil and other soybean production areas outside of the United States expanding their production?

Mr. Jackson. Brazil has doubled their production in the last few years. USDA estimates are that they will produce approximately 330 million bushels this year. The Brazilian crop has been planted and will be harvested next spring. Other estimates on Brazilian production go as far as 400 million bushels which is more than some of our major producing States such as Illinois and Iowa.

Senator McGovern. Do you think that this expanded production is a direct outgrowth of the price increases?

Mr. Jackson. Yes.

Of course, price is a big factor.

The Brazilians are a double crop farmer. They plant wheat and soybeans and their production is expanding very rapidly.

If they can develop better transportation facilities we think their potential is rather unlimited for expanding. We do not object to this as long as it is in a free market situation.

We do object to AID programs that assist countries that would be supporting nations in direct competition to the United States farmer.

Senator McGovern. I was interested in what you had to say about the unfortunate impact on the embargo on the sale of soybeans.

I am not sure that most Americans really realize what a devastating blow that was to the Japanese. Could you just elaborate on that a little bit in terms of what the impact was as it was related to you and your association?

Mr. Jackson. Yes.

I happen to have had what I guess was the unfortunate experience of being in Japan the day the embargo was announced.

I do not mean to sound dramatic, but it almost created a panic situation. Housewives were rushing to buy large containers of vegetable oil. When asked through a translator, why was she buying so much, her answer was, America is cutting off our food supply. This action tended to destroy years of effort in working with the Japanese, assisting them in developing our markets and at the same time helping them get to a better protein diet.

That had the effect of destroying their confidence in us. They no longer consider us a reliable supplier and are investing funds in other countries to try to develop production.

Senator McGovern. I think it is hard for our people here to understand what a harsh and shattering blow it was to our relations with the Japanese, not only the fact that we did it, but the abrupt way that it was done after contracts had been formed.

Mr. Jackson. This was a terrible mistake, in my opinion.

I think that the Administration was misguided in this and ill advised in placing an embargo on when it really was not needed.

As it turned out, there was an adequate supply of beans to fill the needs.

Senator McGovern. I appreciate your testimony, Mr. Jackson, and also your patience in waiting us out this afternoon. I'm sorry for that delay, but we do appreciate your being here to testify in person.

Mr. Jackson. Thank you, sir.

Senator McGovern. Our hearing will reconvene on Thursday morning at 10 o'clock.

[Whereupon, at 4:15 p.m., the subcommittee was recessed, to reconvene at 10 a.m., Thursday, December 12, 1974.]

U.S. FOOD STABILIZATION AND FOREIGN COMMERCIAL AND FOOD AID DEMANDS

THURSDAY, DECEMBER 12, 1974

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

The subcommittee met, pursuant to notice, at 10:15 a.m. in room 1318, Dirksen Senate Office Building, Hon. Hubert H. Humphrey, presiding.

Present: Senators Humphrey, Curtis, Young, and Dole.

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

Senator HUMPHREY. We shall proceed with opening the hearings. I have a brief statement to make, Mr. Secretary, and I will try to paraphrase it, so we don't take too much of your time.

This is the second day of our hearings of the two subcommittees, one on Agricultural Production and Stabilization of Prices, the other one the Foreign Agricultural Policy Subcommittee of the Senate Committee on Agriculture and Forestry.

Today we are faced with one of history's cruelest ironies. On one hand we have people facing starvation throughout the world, while our farmers are fighting for their own survival.

Estimates of the severity of the crisis abroad vary, but one figure used is 10,000 deaths per week. It is hard to provide a firm estimate because of related deaths through disease and malnutrition, and the difficulty in collecting accurate information.

In the last 2 years, the developing countries have had to face a tripling and quadrupling in the costs of imported food and the fertilizer and fuel needed to produce additional food.

Reduced agricultural production, changes in food policy in the Soviet Union, and rising standards of living in the more affluent countries in recent years have served to wipe out a substantial grain reserve held largely by Canada and the United States. This reserve provided a stable agricultural economy with prices often, however, actually below the cost of production for consumers.

Between 1961 and 1972 we maintained a grain reserve of roughly 120 to 140 million metric tons. In addition, some 60 to 70 million acres of land were held from production.

Today, for all practical purposes, we have no reserve, and all of our land has been put into production.

On a world basis, we reached a three-week food supply in the spring of 1974.

Meanwhile, our own farmers have been facing horrendous increases in production costs which are driving thousands out of business.

Over 3,000 dairy farmers have been forced out of production this past year in both Minnesota and Wisconsin. Dairy farmers in these States estimate that they are losing over $2 per each hundred pounds of milk they produce.

Prices for milk have not kept up with costs of twine, hay, fertilizer, and machinery. Some of these items have increased by as much as 300 or 400 percent in the last year.

Beef producers are facing mass liquidations as feed and other costs have gone up, while the sale prices for cattle have gone down by about 25 percent in the last year.

The domestic and international issues are clearly joined today at this hearing: How do we respond to the problem of world hunger? And how do we keep our farmers in business so that they can make their necessary contribution to the United States and the world's food needs?

The size of our pig crops for this fall and spring combined will be the smallest in nearly 47 years. Poultry supplies in 1975 will likely be some 10 percent below 1974 levels.

The answer is that we must take a hard look at our own agricultural policies and priorities. We have operated for a long time without a national food policy, banking all the while on good weather, luck, and continued abundance.

Rhetoric is no substitute for a policy. Further study simply puts off the hard decisions a little longer.

On the international level, we have to consider both the short and the long term needs and possibilities.

Secretary Kissinger sounded the right theme of interdependence at the World Food Conference when he concluded in his opening speech:

> Our responsibility is clear.
>
> Let the nations gathered here resolve to confront the challenge, not each other.
>
> Let us agree that the scale and severity of the task require a collaborative effort unprecedented in history.
>
> And let us make global cooperation in food a model for our response to other challenges of an interdependent world—energy, inflation population, protection of the environment.

To date, we have not really taken up this challenge. Our Government has been debating internally whether it should provide $800 million, $1 billion, or $1.4 billion in food aid during the current fiscal year.

And should we increase our food aid to meet the humanitarian needs? Present plans are to ship more than two-thirds of our entire Public Law 480 program for political rather than humanitarian purposes. It is quite clear that our Government would prefer to play ivory tower politics with our food assistance than be disturbed in terms of responding to the world food needs.

It also is evident that the administration would rather talk about long-range solutions rather than face the need of responding to the millions of people facing starvation and malnutrition.

The same negative leadership which has allowed our domestic agricultural economy to deteriorate has been most reluctant to provide strong leadership on the world food front.

In spite of this reluctance, we must provide leadership on both fronts. The Congress, farmers and concerned citizens must support the effort.

First, we need to enact legislation to provide our farmers a fair return through increased price supports and Government purchases.

Second, we should urge our Government to find ways of increasing its food aid commitment beyond present plans in concert with other nations.

The needs are likely to grow by springtime. To date, we have been extremely reluctant even to indicate that we are concerned and are negotiating seriously with other nations.

Third, we need to make a serious effort to follow up the work of the World Food Conference with respect to the longer range solutions to the world food needs.

If we today faced a military confrontation of the same dimensions as the food crisis, we would respond on a crash basis.

We have no difficulty in understanding and responding to a military security challenge, but food security is not yet understood as a serious need and requirement.

Instead, we seem weary and unwilling to use our imagination to respond. There are many things which we could do if we appreciated the dimension of the world security threat and had the will to act.

We have ample supplies of wheat, rice, meat, and nonfat dry milk, which we could and should utilize.

The developing countries must be urged and assisted in trying to get ahead of their basic food and population survival struggle.

To follow up on the World Food Conference, I am today introducing a resolution calling on the administration to establish a high-level food coordinator.

This person would build on the very effective work of Ambassador Edwin Martin in preparing for and participating in the World Food Conference.

It would be unfortunate to allow the Rome initiatives to slip through our fingers by scattering the work throughout the bureaucracy.

This person also would have to deal with the immediate food aid need which the Government has tried to ignore.

I call upon my colleagues and all concerned Americans to support this initiative.

The time to respond is growing short. I would be the first to point out the past generosity of our citizens.

But today we face a new battle, and we need new ideas and above all a renewed dedication.

I ask you all to join me in this effort.

Senator Huddleston has a statement.

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

Senator Huddleston. The purpose of these hearings is a simple but at the same time complicated one—to assess the current food and fiber situation both at home and abroad.

At this particular time, four situations mandate that we take a detailed and careful look at where we are. First, the 1974 harvest is more or less complete, and we are in a better position than before to know exactly what U.S. supplies are. To complicate the situation, however, the picture is a mixed one. Our stocks of wheat are about one-fifth of the level of the early sixties. Feed-grain stocks are less than 10 percent of the amounts of that period. We do, nevertheless, expect adequate rice production, and there are surpluses in other commodities.

Second, food prices remain a problem here at home—a frustration to every housewife in the land. A recent Federal Reserve study identified food costs as the single most significant factor in inflation. USDA projections now suggest that food costs will rise between 14 and 15 percent this year—and that the first half of 1975 may find food prices rising on a fairly broad front.

Third, many producers are on the brink of disaster. The cost of production items—which has risen 17 percent in this year alone—has forced livestock, dairy, poultry, and hog operations into a cost/price squeeze which could literally put hundreds of animal protein farmers out of business.

Fourth, foreign demand, both in terms of commercial sales and humanitarian aid requirements, remains strong. A world which doubles its population once every 30 years places more and more pressure on its food base. Natural disasters, poor weather conditions, and shortages of certain imputs impose constraints on production. Five countries—Bangladesh, India, Pakistan, Sri Lanka, and Tanzania—are viewed as having extremely serious food shortages, and another 20 countries are seen as having lesser problems.

Thus, four different yet highly interdependent situations govern our ability to meet food requirements both at home and abroad in the months to come.

The fact that the United States has short supplies of most commodities at this time clearly limits our ability to respond to world needs. At the same time, it necessitates the most efficient and effective use of those supplies that we do have so that we can meet our own needs and can make the most meaningful contribution possible in other lands.

On the international level, it will do no good to fall back on rhetoric to the effect that we have already given large amounts in the past. A starving infant knows nothing of the past. Talk of yesterday's contributions does not fill the stomach of today's hungry man.

Nor should we argue that we should not give more because no one appreciates it anyway. Gen. George C. Marshall, in asking the Congress for money needed for the Marshall plan, noted that you cannot expect gratitude for such efforts. This has been adequately demonstrated with time. But it is not the American way to ignore others' adversity or to turn away from need, and it is easy to understand the instabilities which can result from a lack of that most basic of items, food.

At the same time, we recognize the frustrations of the American housewife and the American worker as the standard of living they labored so long and so hard to achieve is eaten away by the tax of inflation.

We hope, consequently, that these hearings and the many expert witnesses who are advising us during them will offer us an understanding of what we have and how we can best use it as well as recommendations for the solution of competing demand over limited supplies. Always, however, we must remember that the economic viability of the productive base of agriculture must be preserved, that the American consumer must be provided for at a price he can afford, and that our foreign food assistance must be used in a way in which it will do the greatest good.

Senator HUMPHREY. May I say a word for our Secretary here. I was just home Wednesday night. We have a major dairy catastrophe in our State. I don't know what I am going to do to impress upon the Department of Agriculture that something has to be done, unless you want to see a mass liquidation of our dairy herds.

Our farmers are literally up in arms. I don't know if you are familiar with the meetings that have been taking place out in Minnesota and Wisconsin, but they are ready for streak action and they are not fooling.

I would remind you when I was a young man, there were seven Federal judges hanged, five of them in that beautiful State of Iowa, because the farm economy went belly up. It didn't happen in Detroit or Cleveland; it happened right out on the nice cornlands of Iowa.

I surely am not advocating any such kind of action, but I think the Department of Agriculture needs to be aware of the fact that people who are losing their life's savings are not going to take it easily. They want some action. If you were there, Mr. Secretary, you would understand this. For the life of me, I can't understand why the Department doesn't obey the law. Isn't the law 80 percent of parity?

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

Mr. YEUTTER. Yes, sir, Senator, to be established in April 1 of that year.

Senator HUMPHREY. Why isn't it maintained? What is the use of having 80 percent in the law if it isn't goint to be maintained.

Mr. YEUTTER. Senator Humphrey, all I can say is obviously one can change the rate every day of the year, but administratively——

Senator HUMPHREY. But is a minimum of 80 percent of parity, not less than 80 percent of parity.

I just have to bear down on you as I do this because you are an official of the U.S. Department of Agriculture. My regard for you as a person is very high, and as an official it is also in the same category, but something has to be done. If we don't do anything else at this hearing but stomp our feet, that is what we are going to do, because I have to go home on Saturday again. Do you want to come along with me?

Mr. YEUTTER. I was out there about 2 weeks ago in Minneapolis.

Senator HUMPHREY. Do you want to come to southern Minnesota with me?

Mr. YEUTTER. I am willing to go anywhere to talk to our constituency. We are aware it is presenting a difficult problem. No one doubts that. The question is what should be done about the problem.

Senator HUMPHREY. I am not asking you to do anything now except abide by the law, and if that law says less than 80 percent, then I am wrong, but if it says not less than 80 percent, then you are wrong.

I think you have to take this message back to the Department. You know, you can keep putting people off all the time, but I just can't do that. There are now 7,000 farmers in Minnesota that have gone out of the dairy business. About 4,900 dairy cows have been liquidated up to October 1, and you can't sell them any more. You have to pay somebody to come and pick them up.

Mr. YEUTTER. With the price of beef, obviously——

Senator HUMPHREY. Dairy cattle are not what they call prize beef, you know.

Well, enough, I suppose, but what frustration this damned town gives you.

I have a couple of matters here that I am going to comment upon as we go along.

I have just received here, dated December 11, a copy of a check and statement we received from the sale of calves weighing between 95 and 100 pounds. How long will the farmer stay in business if his prices remain constant when everything else has more than doubled in price? We would appreciate action on this matter. They got 25 cents a pound for the calf.

Mr. YEUTTER. Yes, sir.

Senator HUMPHREY. Right down the hall we are holding hearings on the food prices, before the Joint Economic Committee. I am chairman of the Consumer Economic Subcommittee. People appearing before that subcommittee are screaming about high prices for beef. That is what they are hollering about this morning. They are talking about high prices for bacon. It is $1.19. That is what my wife paid for it in this city yesterday. You go out my way and they are going broke. But when I read the paper, there is no crisis.

Go ahead, see if you can make me feel better this morning.

Mr. YEUTTER. Well, Senator Humphrey——

Senator HUMPHREY. I read my mail. And I get barrels of this mail, barrels of it. I see Mr. Hackel over here from the Minnesota Farmers Union, a nice group of people. The NFO people, all of them, are talking about this same thing. They are a big agricultural State. I have to tell you that the Department simply has to take cognizance of this and not hide behind those walls under civil service. You and I have our income coming in, but I tell you these people are my constituents, and when somebody gets $2.50 for a 100-pound calf and pays $2 to haul it to market, something is wrong—expecially when you go to a restaurant and pay $9.95. You would think there is platinum dust on it. You go and buy a steak. It is for the rich. It is a choice piece of meat.

I see my friend, Mr. Bell, sitting there. I am trying to impress you that something is amiss, and I don't think anybody over there understands it. I think we look on it as an academic subject, discussing the national averages which don't mean a thing. What happens is what happens individually.

Mr. YEUTTER. Senator, this is not so. We don't look at the dairy situation from an academic standpoint. I have been a farmer all my life and to suggest that I take an academic outlook on that kind of situation is just unfair.

Senator HUMPHREY. What kind of outlook do we have?

Mr. YEUTTER. We are trying to take a realistic outlook at a very difficult situation for which all of us must be very sympathetic. I believe I am just as sympathetic with the economic plight of the U.S. dairy farmers as you are.

Senator HUMPHREY. I think you are sympathetic but you have the power to do something about it. I have to sit over here and consider legislation. You have the power to set those supports at the not-less-than 80 percent.

Mr. YEUTTER. Yes, sir. Senator Humphrey, that subject has had a lot of discussion in recent weeks.

Senator HUMPHREY. I know you discuss it and there are tears, but what happens?

Mr. YEUTTER. This subject has been discussed at the very highest levels of government on many occasions in the last several months. It is not an easy issue to handle for the simple reason that there are no easy answers.

Senator HUMPHREY. I know that there are no easy answers, but there are some answers and the answer is what the Congress wrote.

Mr. YEUTTER. Senator Humphrey, one could provide a short term answer that you seek, which is simply to make an adjustment to 80 percent of the parity——

Senator HUMPHREY. Which is a minimum.

Mr. YEUTTER. If we do this we will obviously accumulate a good bit more product in governmental stocks. This will obviously place the dairy industry that much more dependent upon the Federal Government for its livelihood. One must seriously evaluate whether that is not long-run best interest of the dairy farmer.

Senator HUMPHREY. If I have a choice between the Government taking the rap for my dairy farmers there is no problem at all, none at all, because we can use the food.

We imported just recently a whole lot more cheese.

Mr. YEUTTER. Last spring.

Senator HUMPHREY. More recently than that. We imported a bunch of cheddar recently.

Mr. YEUTTER. There is some cheese coming in under the present law, but in terms of the large additional increments that were authorized during the times shortages were on the last of those increments came in last spring.

Senator HUMPHREY. Every one of those farmers out there know much more about it than I do. I get it in the mail and on a brief visit back home. I have told these farmers that I would literally raise cane around here to get some action. I am not asking you to take an executive action that the law doesn't provide. I am asking you to abide by the law, just plain abide by the law!

Mr. YEUTTER. As to whether it is abiding by the law or not, Senator Humphrey, all I can say on that point is the Office of General Council at USDA rendered an opinion on this.

Senator HUMPHREY. Get a new lawyer! I know that I sound very abrasive this morning, but listen, I have had a bad week with my farm friends. I have to go home on Saturday again, and I am not going to go home and tell them that I didn't say something to you. I have witnesses here from my home State. They watch me. I run for office. I have to be responsible to them! I don't have something here that I can hide behind and I am not saying that you do, but I am saying in the Department the decisions have been made despite the hearings in Chicago on fluid milk, despite the testimony, despite the fact the Senate passed the Aiken Resolution—and Aiken is no radical. We passed that asking you to fulfill the commitment under the law until we change this law, and we don't get any action. I don't know what I am going to do. I have written to the President, I have written to the Secretary. I have a bill to correct this.

Look, Mr. Yeutter, I know you are an able man, but I have to speak to you as candidly as you do, not out of personal bitterness or anger, but out of general frustration, because the dairy industry in Minnesota is what the automobile industry is to Detroit; and I just can't be a Senator down here and see this thing be liquidated.

Mr. Yeutter. Senator, we appreciate that. That is the way the system is supposed to work. We don't object at any time to your conversing with us abrasively or nonabrasively.

I want to add that I have talked to a lot of dairy farmers in recent weeks and I met with several hundred up in New York State and spent nearly 4 hours with them talking to them and answering questions, and I have met with many, many other individual groups. One of the problems is, to terminate this part of the discussion; the major problem is the consumer demand and the economic situation we have today is very much diminished and consumption is down dramatically. The only long term solution to this problem is obviously getting the economy rolling again, so people will have some money in their pockets to buy milk. We can deal with it on a short term basis in the manner you suggest or in other ways, but that is not a solution to the problem.

As a dairy farmer, I have to live through the shortrun if I am going to make it through the longrun.

Senator Humphrey. I thank you very much for your listening to my outpouring here; but go ahead with your testimony.

Senator Curtis, do you want to comment?

Senator Curtis. You say the milk consumption is down?

Mr. Yeutter. Yes, sir.

Senator Curtis. Markedly or just a little bit?

Mr. Yeutter. Rather dramatically here recently, Senator Curtis, because of the decline in purchasing power of the economy.

Mr. Ahalt can provide you a couple of statistics.

STATEMENT OF J. DAWSON AHALT, STAFF ECONOMIST, U.S. DEPARTMENT OF AGRICULTURE

Mr. Ahalt. Senator, fluid, per capita fluid consumption of milk in 1974 is totalling about 247 pounds per person.

Senator Curtis. At the present time?

Mr. Ahalt. In 1974. In 1973 it was 259 pounds. If you compare that with 1957–59 average it was 337 pounds. So we are down almost a hundred pounds since the late fifty's on fluid.

Senator Curtis. That is per capita?

Mr. Ahalt. That is per capita.

Senator Curtis. Is there a population factor?

Mr. Ahalt. Yes, population increase about 1 percent per year.

Production of total milk—I was first speaking of fluid—the same trend is evident in the total production. In the manufactured production, with exceptions of cheese and some of the low fat items, the recent trend is down. It is a long term decline.

Senator CURTIS. Up until recently, and it is the most severe unemployment, still in spotted form for instance, the automobile industry has had it and so on. When you refer to the lack of purchasing power, isn't it actually the inflation and the additional compensation for the producers that would show up in these statistics.

Mr. YEUTTER. Senator Curtis, what we are in today is what some economists would call stagnation, which is the problem you pointed out along with recession. Both of them are factors in this picture.

Senator CURTIS. Is there resistance to housewife buying milk and dairy products because of price, right now?

Mr. YEUTTER. I suppose the answer to that, Senator Curtis, is "Yes" in a general way. Certainly the demand for milk is relatively inelastic, which means that price does have an affect—not a terribly significant affect, but does have some affect. We have some rigidity in the milk marketing structure priced at the retail level, does not fluctuate greatly as most food items. So what this means is that while the dairy farmer is having a rather difficult time, this is not being reflected in any significant price decline at the consumer level and hence the consumer consumption is following the long term trend basically, which is down.

Senator CURTIS. It is reliably estimated that if the milk support price was increased that it would affect consumption?

Mr. YEUTTER. Well, it certainly would affect it to some degree, Senator Curtis.

Senator CURTIS. But you have no estimated yardstick on that?

Mr. YEUTTER. One could make projections very readily. We would be glad to put some in the record if you would like us to do so. Even if the demand is rather inelastic, demand would have some affect on consumption and we can give you figures.

Senator CURTIS. Is this decline in the consumption of dairy products, is that clear across the board? Is there an increase, for instance, in powdered milk purchases?

Mr. YEUTTER. In terms of our purchase under the support program——

Senator CURTIS. Individual shopping.

Mr. YEUTTER. Cheese has become a relatively popular item, so cheese is doing quite well, Senator Curtis. The other dairy products are experiencing difficulty.

Senator CURTIS. What I am trying to get at, in these periods of high inflation that is hurting everybody, are the housewives passing up the fluid milk and using less milk and using more dried milk? Do you have any hard figures on that?

Mr. YEUTTER. They are passing up both, Senator Curtis. I don't believe there is much evidence of a switchover from fluid milk to nonfat dry milk, because demand has been weak for both. Fluid milk consumption is down. I believe nonfat dry milk is down, also.

Mr. AHALT. Nonfat solids have not declined very much. There are some longer run trend factors that are affecting this in addition to the economics.

Senator CURTIS. What is that?

Mr. AHALT. Well, I think one is the changing diets of people. We don't exert—work in physical kinds of jobs that people did 30 or 40 years ago so we don't consume as much milk and dairy products directly.

There is also the concern that some people will have about animal fat in the diet, and that has been a factor here.

Senator HUMPHREY. Have you prepared in the Department any comprehensive analysis of what is happening in the dairy industry—especially with respect to diet, dietary changes, on the relationship of price to the consumer demand and the impact of inflation? Do you have a dairy outlook picture?

Mr. AHALT. Yes sir, we do, and we would be glad to make that available to you.

Senator HUMPHREY. Could we have that? I think it would be good to have such a report. It would be helpful to me.*

Mr. YEUTTER. Senator Curtis, on this consumption issue, it is interesting that consumption does become a matter of personal priorities and when one compares milk with beer, for example, the consumption of beer in this Nation has skyrocketed and continues to do very well even in the economically depressed conditions we have today whereas the consumption of milk has been on this long term downward trend. In other words, when the pcoketbook gets tight we still seem to be able to find the money to buy some of these other fluid items whereas we don't find the money to buy milk.

Senator HUMPHREY. And sweet drinks, sugared drinks?

Mr. YEUTTER. Yes, those do very well, notwithstanding the high price of sugar.

Senator CURTIS. You referred to the legal opinion?

Mr. YEUTTER. Yes.

Senator CURTIS. Would you give us in essence what that was?

Mr. YEUTTER. Yes, that says the obligation of the Secretary of Agriculture is to fix the level of price support on an annual basis once each year, that is on or before April 1. Once that level is established there is no obligation on his part to change it prior to the decision for the next—for the ensuing year. In other words, it is a one time decision.

Senator CURTIS. So the issue is whether or not the Secretary is mandated to upgrade the support when those prices that determine parity shift during the year?

Mr. YEUTTER. That is correct, and the legal opinion is that it is not mandatory that he do so. He does, however, have the option to do so.

Senator HUMPHREY. Yes, and they have done so in the past.

Mr. YEUTTER. It hasn't been done in recent years, but that has been done sometime in the past.

Senator CURTIS. What does the price of milk obtained by dairy farmers now compare with a year ago and 2 years ago?

Mr. YEUTTER. The price itself is considerably higher today, Senator Curtis than a year ago or 2 years ago.

Perhaps Mr. Ahalt has the specific figures.

Mr. AHALT. Yes.

*See 1975 U.S. Agricultural Outlook—Committee Print, U.S. Senate Committee on Agriculture and Forestry, p. 202.

The price in the third quarter, Senator Curtis, for all milk averaged $7.71.

Senator CURTIS. For what year?

Mr. AHALT. 1974.

Senator CURTIS. $7 and ——

Mr. AHALT. 71 cents.

Senator CURTIS. That is per hundredweight?

Mr. AHALT. In the same period of 1973, July–September it was $7.19.

Senator CURTIS. What was it a year before that?

Mr. AHALT. I only have the annual figure for 1972, $6.07.

Senator HUMPHREY. And in 1972 what was the price of corn, what was the price of the feed as compared—I mean, these prices have been related to the cost of production. That is the problem.

Mr. YEUTTER. Yes, obviously the input costs are much higher than they were a year or 2 ago, of course, it is the dilemma in which the farmer finds himself, notwithstanding the consumer-demand situation, milk prices are still holding at a relatively high level. The problem, the excuse comes with the fact that the dairy farmer's costs have risen so much in the last couple of years. That will correct itself, as you know, Senator Humphrey, assuming we get something approaching normal weather next year, if we get an average crop in 1975 on the acres that will be planted next year, the price of feed grains and soybeans will be considerably lower next fall than they are today, and this will be beneficial to those dairy farmers in Wisconsin and Minnesota and all over the country. The problem they face is that they must live through relatively high input costs from now until next October. So they have about another 10 months to absorb these costs.

Now, if weather conditions next spring and early next summer are normal that we will see a weakness in those feed grain prices, perhaps as early as midsummer, there will be a downward trend as we move towards harvest season. They will benefit from that downward trend, but probably not until about midyear. That is my personal judgment. I don't know whether Mr. Ahalt expects that or not.

Senator HUMPHREY. I understand soybeans are going to be in terribly short supply if the estimated plantings in soybeans are anything according to what you hear. You are going to have much fewer acres in soybeans which would suggest we are going to have a short supply.

Mr. YEUTTER. They are bound to be very short, Senator Humphrey, all year long. Again, if there is a downtrend in prices, as I expect there will be, it will be due to the anticipation of a larger crop coming up next fall, again assuming weather conditions.

The crop in the Southern Hemisphere could have some impact on this, too. If we get good crops in that hemisphere there may be some easing in our prices here in this country as early as next spring, but probably not a significant change because the Southern Hemisphere crops are not all that large. More than likely we will not see a significant easing of prices here in this country until probably the middle of next year.

That is beneficial—those kinds of trends if they occur will obviously be helpful to the dairy farmer and livestock feeder and broiler producer and turkey producer. They will obviously not be desired by the grain producer who is selling these products.

Senator HUMPHREY. I know. We have that problem.

Senator CURTIS. I am not suggesting at all that the dairy people aren't in a very bad bind. The producers of beef cows have seen all of their costs increase while prices have continued to decrease. That has been steadily down. We had some testimony on that. Of course, that affects the dairy producer when he sells his cattle and calves.

Mr. YEUTTER. Senator, this is one of the most difficult problems today. A year ago that dairy farmer, Senator Humphrey, if he wished, could liquidate his herd and probably do so at a profit and then he could sell those calves at considerably what they cost him, because those cows were very much in demand for beef, if not for dairy, beef prices were so high at that time.

Today, he has an entirely different situation because he cannot liquidate at profit because the price of low quality beef is depressed.

It is simply reflecting, as you point out, Senator Curtis, beef prices have gone through the squeeze of 1973——

Senator CURTIS. I think a big factor is the livestock prices.

Mr. YEUTTER. Yes; that is correct.

Senator CURTIS. Because his return, as the Senator pointed out on the sale of calves, and one thing and another, is down so terribly, when it is bad enough to have a price that holds when prices are going up. But it is much more severe if you have a downward price.

I believe that young calves that we were selling a year ago, 15 months ago, maybe \$60 to \$70, and now sometimes they don't get a bid, maybe it is \$20 or \$25, choice and prime steers were selling for \$60, \$57 or \$56, and the market these days—if it hits 40 is good.

Mr. YEUTTER. Yes.

Senator CURTIS. And many times it doesn't.

Mr. YEUTTER. That is correct.

The cattle feeder has a much better situation today than he did last spring, Senator Curtis. Last spring it was disastrous when those men were losing as much as \$200 per head, some, more. That situation has improved simply because of the price of food.

Senator CURTIS. The problem is backed up on the ranchers.

Mr. YEUTTER. The problem is transferred to the cow-calf man who is now getting 30 cents perhaps. That will turn around and also probably by next fall, and so for the man who raises just one calf crop per year as most ranchers do will have a decision for 1974, better for 1975, assuming we will get a better crop, because we see some weakening in grain prices and some strengthening in feeder cattle prices. So there is a little light at the end of the tunnel for that cow-calf man and some ready evidence for the cattle feeder, although not a whole lot.

Senator HUMPHREY. Do you have prepared testimony this morning?

Mr. YEUTTER. I have no prepared testimony, Senator Humphrey, because we were really not sure, Senator Humphrey, where you wanted to focus the hearing. I would be pleased to give an overview or if you wish to go into questions.

Senator HUMPHREY. What is the reason for the Department's decision not to have a price support for soybeans beginning with the 1975 crop?

Mr. YEUTTER. The loan level?

Senator HUMPHREY. Yes.

Mr. YEUTTER. Simply because the program has had little usage through the years, more some years later than that has recently. There isn't a lot of demand for loans of course, when the market price is far beyond the loan level. That is part of the reason.

The other factor involved is that some months ago we decided that we should not have subsidized interest rates on the loan program. There really wasn't an intent in past years to have an interest rate subsidy here, or at least I am not aware that was the intent, but it occurred a great deal. We decided some months ago that that was really difficult to defend and if we have a loan program it ought to bear ordinary commerce interest rates. So we instituted a system that provided that. In doing so, of course, the demand for loans has declined, because some of the reasons some farmers were taking out loans is they were taking advantage of that loan situation that was present. So as a consequence of that, particularly soybeans, loan activity has diminished significantly. We didn't feel we could justify keeping that program in existence.

Senator HUMPHREY. What is the interest rate now?

Mr. YEUTTER. It varies every month, depending upon the cost of the Government borrower, but it must be about 9 percent now.

Senator HUMPHREY. What was the commodity credit interest rate extended to the Soviet Union?

Mr. YEUTTER. That was back in 1972, 6⅛.

Senator HUMPHREY. They still have a drawing account, do they?

Mr. YEUTTER. They are still paying off some of those loans that they accepted at that time or they were granted.

Senator HUMPHREY. Have they used all the loan?

Mr. YEUTTER. No; they have not. They still have, I believe, about 180 million of credit available to them if they wish to use it. But the reading we get is they have no desire to use it because those rates are now at 9½ percent and they consider that interest rate to be too high.

Senator HUMPHREY. I saw in this morning's paper, the Post, an article entitled, "The 1975 grain program minimum." The headline doesn't always tell you what is in the story.

Mr. YEUTTER. I have not read it.

Senator HUMPHREY. By Dan Morgan of the Washington Post. It says Secretary Butz has decided against increasing the allotment acreage for the 1975 feed grain program next year in the hopes that farmers will plant more anyway. It says the decision is being questioned. It is a message to farmers that the Government is unwilling to underwrite the risk of surplus production in 1975. Department of Agriculture officials and other farm analysts discussing the program say it is a minimum inducement, and that they doubted it would greatly affect the size of the 1974–75 crop provided prices stay high.

You have indicated today if we get any where normal production; those prices ought to come down.

Mr. YEUTTER. Some.

Senator HUMPHREY. I hope they are reasonably good prices. Farmers can't afford to take too much drop in their prices.

Why do you see fit to take away this minimum protection, particularly when the President asked for an all-out production drive in agriculture.

Mr. YEUTTER. To what?

Senator HUMPHREY. Let me just read the story here again. It says here under the Government's minimum price support program for feed grains the Government decided against increasing allotment for feed grains. The story goes on to point out that as of November 27, the Department said the national acreage allotment for corn, sorghum and barley would stay at 89 million acres, the same as 1974. That means the amount of acreage that would be included for possible payment purposes.

Mr. YEUTTER. Under the disaster programs is really where they become relevant.

Senator HUMPHREY. The Department reduced the 1975 national allotment. While individual farmers are free to plant beyond their acreage, there is a greater element of risk. In the case of corn the Government does not guarantee them for the grain they produce beyond their allotment. What is the reasoning behind all this?

Mr. YEUTTER. It is really very simple. We see no likelihood whatsoever that price of grain will drop down to either the target price levels or the loan levels in 1975. We hope those prices will not decline to that degree. We believe there is really no probability whatsoever they will do so, so the allotment figures are really irrelevant.

If that be the case, if those price levels do stay much beyond the target, then the only relevancy at all to those figures, the allotment figures is on the disaster program, in other words, how much may they be paid in the event of a drought like we had this year. That is not a major factor.

Senator HUMPHREY. What you are really doing is saying to the farmer that he assume the risk, that we don't want to assume it at the Government level? Isn't that what you are saying? I recognize these prices are low. I hope my colleague from Kansas and all of us are going to join together to get those prices up to a responsible and reasonable level, because a $1.38 price corn is not a reasonable target price, it is a disaster price, and $2 a bushel for wheat is hardly a target price. That isn't even a safety net. That simply means you only break your neck, you don't sever your own spine at the base and the top, just one place.

What I am getting at is what you are really saying, you are telling the farmer that he is to take the risk because the risk is not too serious in that you expect high prices. Let's assume we will get quite a liquidation of hogs, poultry, and cattle, which we are getting. And then assume we get a bumper crop. What do you think will happen to the price of grain?

Mr. YEUTTER. Certainly it will go down, Senator Humphrey. This will be good news to your dairy farmer.

Senator HUMPHREY. There is no one who says to the corn farmer or the wheat farmer, "we want you to go down the drain in order that we get cheap feed." We are looking for a balance. I am concerned about getting another short crop as well as the carryover that would accompany a big crop—with animal numbers down. In the latter case we could have a very substantial carryover of corn, and if the world market's demand is not up because of problems of recession and inflation, we could have a very serious drop in corn prices.

Mr. YEUTTER. We don't see that as a significant question in the next couple of years, Senator Humphrey, because stock levels are so low. Beyond that I would just simply say we can't have it both ways. We can't complain about the prices being too high for grain farmers and too low for dairy farmers.

What one must seek is a level of prices that will permit both grain farmers and dairy farmers to do well.

Senator HUMPHREY. Right. I have always felt that when the Government makes an appeal to farmers for all-out production, that some assurance of minimum protection to that producer is helpful. It really gives him the encouragement he needs to make the gamble, because it is a big gamble, because the cost of planting is very heavy. I have serious questions here which may help to develop that case.

Mr. YEUTTER. May I make one comment to that?

I have no objection to having insurance features available to farmers, and I think that is helpful. I would say insofar as 1975 is concerned, Senator Dole, in your country and mine, I don't believe there is a wheat farmer who will make a projection for 1975 either on the basis of production levels or——

Senator DOLE. They will make it on the market price.

Senator HUMPHREY. I want to emphasize the cost of production has gone up at an astronomical rate and there is no indication it is going to come down.

Mr. YEUTTER. Therefore, when you ask for all-out production it seems to me from a psychological point of view it may not have any impact at all. From a psychological point of view the Government ought not be backing away from whatever minimum protections this is to offer. It should give a sort of a universal coverage here. Insurance coverage isn't very much at those target prices we have, but at least it is something.

Senator HUMPHREY. Mr. Secretary, give us your latest 1974 production for corn, soybeans, other grains, wheat and rice, particularly these: corn, soybeans, wheat and rice. If you have anything on barley and rye and oats and so forth, that is fine.

Mr. YEUTTER. I can read them very readily.

These are December 1 estimates on some crops, November 1 on others.

Corn, 4.621 billion bushels; grain sorghum, 609 million bushels; barley, 308; oats, 621; which gives a total for all the feed grains of—and this is tonnage rather than bushels—we need to get the United States on the metric system—about 149 million metric tons.

Senator HUMPHREY. But the bushels, when you said 4.621 billion; is that November or December figure on corn?

Mr. YEUTTER. That is on the November figure. There is no December figure on corn. The final figures on corn will come in January.

Senator HUMPHREY. The grain exchange out our way tells us that the figure may drop, the corn figure. Do you have anything to say to that?

Mr. YEUTTER. It might drop slightly, Senator Humphrey.

Senator HUMPHREY. 100 million, 75 million bushels or more?

Mr. YEUTTER. I would hate to prognosticate. I would expect if there were a change in the corn sector more on the quality than the quantity.

Senator HUMPHREY. The 609 million bushels for grain sorghums, is that a good crop or bad crop?

Mr. YEUTTER. That is a severe reduction from a year ago, because a great deal of the grain sorghum is grown out in Senator Dole's country and mine, the Western Great Plains, and this is where the drought was most severe, so it is about 35-percent reduction from last year.

Senator HUMPHREY. Barley and oats, how do they range?

Mr. YEUTTER. Barley is down from 1973 also rather significantly. Oats is down somewhat, but only on a rather——

Senator HUMPHREY. So both of our feed grains are down in estimates and actual crop?

Mr. YEUTTER. In totaling them all together, we are down about 20 percent from last year.

Senator HUMPHREY. Do you have carryover figures on those? What is your estimate—I suppose we would want carryover as of the end of the crop year.

Mr. YEUTTER. We came into this crop year, Senator Humphrey, October 1, with a carryover of about 22.2 million tons. We will go out next year, based upon our present estimates of domestic consumption and export and so on, feed use and so on, of about 11 or 12 million tons.

Senator HUMPHREY. So it is about 50-percent reduction?

Mr. YEUTTER. So we will reduce somewhere around 10 million tons.

Senator HUMPHREY. With that 11 million ton carryover, how much feeding time is that, let's say, for the poultry animal feed; how many weeks' or months' feed is that?

Mr. YEUTTER. I couldn't tell you offhand, Senator Humphrey. Maybe someone else can. But is is really not a very relevant figure. In fact, I am disturbed when people use this 27-day food supply sort of figure, because they do not take cognizance of the time period involved. One must recognize that that carryover figure is on October 1, rate the following morning and actually in September——

Senator HUMPHREY. That is a relevancy because you have a pattern of the day and the time that you estimate your carryover.

Mr. YEUTTER. That is right.

Senator HUMPHREY. So that each year you have a pattern that you follow as compared to the last year.

Mr. YEUTTER. That is right.

Senator HUMPHREY. I have been told, for example, that 45 million ton feed grains was—let me see, about enough for 5 months?

Mr. YEUTTER. We would have to calculate it out.

Our domestic usage of feed grains this year is expected to be about 125 million tons for the year, so that would be about 10 million tons per month, so that would be about a month's carryover.

Senator HUMPHREY. You have about a month's supply?

Mr. YEUTTER. Yes.

Senator HUMPHREY. You would say that is pretty tight, wouldn't you?

Mr. YEUTTER. That is pretty tight, but again we must keep it in perspective that that doesn't mean the Nation is going into starvation, because a crop is coming in immediately.

Senator HUMPHREY. But again, so long as we don't fool ourselves with statistics, so long as you use a certain base point as to what your carryover is, you have to say if there is only 1 month's supply on October 1, 1975, and you have, let's say, a normal crop in the crop year of 1975, you are not going to be picking up too much extta to fill in there.

Mr. YEUTTER. That is right.

Senator HUMPHREY. So what I am getting at is there may very well be a rather tight supply for the coming year?

Mr. YEUTTER. Absolutely. It is fair to say that those are what I would call minimum carryover levels.

Senator HUMPHREY. Now, on demand—these are estimates again. This information is very helpful to us.

Can you give us your demand estimates for the current marketing year for the domestic market, No. 1; the foreign commercial market; and the foreign food aide program in those same major crops, such as feed grains, soybeans, wheat, and rice. You don't need to go into the barley and oats. I suppose grain sorghum is often used in aid.

Mr. YEUTTER. We lump all feed grains together.

Yes, I can do that. In terms of feed grains, which is the most critical of all here, because that is the one in which the supply situation has declined the most as compared to 1973, present consumption estimates as I just indicated for feed, domestic feed use from a range—would be in the range of 125.5 million tons up to 126.2 million tons. In other words, about 125 million tons. As you recall, that relates to a total supply this year of about 188 million tons.

For food use and to seed and other minor uses, about 17 or 18 million tons, which means a total domestic use for all these various purposes will be about 143 to 144 million tons.

Senator HUMPHREY. Out of 164 million crop.

Mr. YEUTTER. Yes, out of 164 million production coupled about the 22 million carryover coming in from the previous year.

Exports are now estimated at about 30 to 32 million tons. That would include both food aid, Public Law 480, and commercial exports.

Senator HUMPHREY. Now, you are on feed grains yet?

Mr. YEUTTER. This is entirely on feed grains.

Senator HUMPHREY. How much was your domestic consumption, 140?

Mr. YEUTTER. Total domestic, about 143 to 144.

Senator HUMPHREY. Let's say 144, and your exports are——

Mr. YEUTTER. Thirty to thirty-two.

Senator HUMPHREY. You have 175 million tons with 164 million ton crop with a 22 million carryover drawn down to what you said of about an 11 or 12 million carryout up to October 1, 1975.

Mr. YEUTTER. Exactly.

Senator DOLE. What period of time?

Mr. YEUTTER. October 1 through September 30, Senator Dole. The 11 or 12 million carryover would be September 30 of next year.

Senator HUMPHREY. That is on feed grains.

Your crop year in wheat is in June, isn't it?

Mr. YEUTTER. Starting July 1, and running through June 30.

Senator HUMPHREY. We will run down the line here a minute. What about soybeans first?

Mr. YEUTTER. Soybeans—again, this would be September 1 through August 31. The production estimate is 1.244 million bushels. That is again a November 1 estimate. We will not have a final estimate until January. It is 1.244, which is a 20-percent decline from a year ago, just as with feed grains.

Senator HUMPHREY. That is in quantity.

Mr. YEUTTER. In quantity.

Senator HUMPHREY. Haven't we got a quality problem in some of this?

Mr. YEUTTER. To some degree, probably a lesser problem than with corn, but there is some problem. The early frost had an adverse impact on quality of both feed grains and soybeans. The carry-in of this year was 172 million bushels, using production of 1.244. That leaves a total supply of 1.416.

Senator HUMPHREY. Alright.

Mr. YEUTTER. The estimated usage, then, domestically for crushings would be 750 to 780 million bushels. Then seed and feed and so on, about 91 million, which means total domestic use would be about 841 to 800——

Senator HUMPHREY. About 850 million average out.

Mr. YEUTTER. Exports somewhere between 485 and 515, somewhere around 500 million bushels, which gives a total usage of about 1.35, and then again, like with feed grains, a drawdown and carryover to about 60 million bushels.

Senator HUMPHREY. That is tight. That carryover is——

Mr. YEUTTER. That is very tight.

Senator HUMPHREY. Very, very tight on beans. I really want to call to your attention the reports that we are getting of the planting estimates in beans which tells me that next year we could be in an unbelieveable situation on soybeans. The acreage which goes into beans is less. I know the price of corn has enticed soybeans over because you get those good yields with any kind of weather. But this could be a major problem for us, and I think you have to look ahead on what you are going to do about exports. We don't want an embargo again which would require cutting across contracts. I think you have to say anywhere between 40 million and 60 million carryout.

Mr. YEUTTER. Perhaps 40 to 80.

Senator HUMPHREY. But you also have a quality problem, and if you have any kind of demand along what you had this year, you are going to be in an incredibly difficult situation—in fact, an impossible situation Because here again, to go back to your earlier statement, this is a feed item for our cattle, hog, and poultry producers. This means that price is not going to come down. It means soybeans will be in terribly short supply, and the possibility of any substantial reduction of costs for feed, I think, are diminished, and in fact they may very well evaporate.

Mr. YEUTTER. There are a few factors which deserve mentioning. What about price of soybean meal to cattle producers and dairy producers? Interestingly enough, soybeans have two basic products, oil and meal. What is holding the price up is oil. Soybean oil is high. In fact, companies are finding it difficult to move soybean meal. That is dropped rather dramatically. So we have ample supplies of soybean meal and that is helpful, of course, to the livestock producer.

Beyond that, I personally believe it is much too early to determine what we will see in the way of soybean plantings next year. With the price of cotton as depressed as it is at the moment, I think we will see a lot of cotton land into soybean production.

Senator HUMPHREY. When do we get a better look at that—what time of year?

Mr. YEUTTER. Plantings are due in January.

Senator HUMPHREY. And even that is not too accurate.

Mr. YEUTTER. No, it certainly is not. What farmers are going to do, Senator Humphrey, as you know, just before planting some time or about the time they do their spring work—next March—they will look at December price of soybeans and the December price of corn and make their judgments then as to how many acres they produce and whether they grow corn or soybeans or sugar beets or whatever other crops.

Senator HUMPHREY. My feeling is that a price support program for beans to encourage that production is a very helpful tool. I realize that in recent years the market price has been above any support level. But there were years back when Senator Eastland and I sat on this committee, back in the 1950's, when we were trying to get greater production of soybeans, when we did use the support level to give that kind of assurance. I remember when we were trying to get 10 million more acres into soybeans, and thank God we did. We used the tool of the price support level.

Mr. YEUTTER. You know, we would rather use the tool of an attractive market.

Senator HUMPHREY. Of course, that is true. My point is that we also need something besides market price. You need production. You have to have production. You can get a high market price if you just tell the farmers not to produce very much soybeans. That will get the price clear up there but they won't sell much and you won't have many cattle or hogs or chickens.

Mr. YEUTTER. If the price is there, he is going to produce the soybeans. If it is not, he will produce something else. Of course, that is the way we want the free enterprise system of this country to work.

Senator HUMPHREY. Don't get too involved with that free enterprise system. I notice the automobile companies are all for free enterprise but they don't reduce the price of the car.

Mr. YEUTTER. Of course, the safety factor available to anybody next spring is the December price of soybeans. If next March or April, when he is getting ready to plant soybeans, if he can hedge those beans at $9 on the Chicago Board of Trade, he can do very well.

Senator HUMPHREY. I have heard you talk about hedging and the futures business, but the average guy won't do this.

Mr. YEUTTER. He will, Senator. He will and he must.

Senator HUMPHREY. Thank you very much. I want you to get this record. We will be back reading it to each other. I told you last year about your crop problems because I thought weather predictions suggested difficulties.

Mr. YEUTTER. I recall that, Senator. You are a better meteorologist.

Senator HUMPHREY. I am not a meteorologist. I am 62 years old, older than you, and I have gone through a depression. I feel it on the back of my hands and I don't feel good right now. And when these things start to happen, you begin to sense a pattern. I think it is foolish to place it close to the line.

I have the same problem that most Senators have, but even more so in my State. We have grain producers. We produced soybeans, corn, and more wheat this last year then any other time. We moved in on Kansas! We are one of the largest poultry and egg producers. And we produce a lot of hogs. I have to go home and meet with people who say to me "get those prices up, Humphrey." And then I go to the dairy people and hear them say get those feed grain prices down.

Mr. YEUTTER. Please don't downgrade the importance of hedging because that is a tremendous marketing tool for farmers they need to learn how to use.

Senator HUMPHREY. I agree they have to learn it, but they haven't learned it yet.

Mr. YEUTTER. They won't learn it overnight. They won't learn it tomorrow morning. It is an educational prospect. Farmers have concentrated on production for so many years many of them have forgotten how important marketing is.

Senator HUMPHREY. Do your agents go out and teach farmers how to use future markets?

Mr. YEUTTER. No.

Senator HUMPHREY. Maybe we ought to call them and ask them to do this.

Mr. YEUTTER. I agree.

Senator HUMPHREY. In our State, we have an excellent banking system and they really serve the rural people. They provide the credit. Without them, there is just no hope. In order to hedge, you have to have a little money.

Mr. YEUTTER. That is right.

Senator HUMPHREY. I wonder whether or not we are doing the job we need to in educating farmers through the county extension service, through the ASC, through the local banker.

Mr. YEUTTER. We are not.

Senator HUMPHREY. I don't downgrade the importance of this hedging, but I think the farmers have to be more sophisticated in how to use future markets! We have to get to the tools available in the market place. Therefore, I would urge you to have a meeting to see what can be done within the USDA to bring this message out to our farmer producers and the banker associations. They have an excellent group. Our independent bankers association does a very good job with this. I don't know how much good will come out of it. but it surely won't hurt. You have some experts in ERS and some of your marketing people that can be helpful.

Mr. YEUTTER. I couldn't agree more. The universities are doing more than they have in the past and the commodity exchanges in futures are doing more, but unfortunately they have just begun to scratch the surface and they themselves do not understand the futures.

Senator HUMPHREY. That is my point.

Mr. YEUTTER. What will happen in my judgment is that within 10 years at the most I believe that most country banks will require hedging of a very great majority of this agricultural customer. In other words, they are simply not going to loan the farmers unless they hedge. The dollar in investment today is so great neither the farmer nor the banker can afford to take that risk.

Senator HUMPHREY. I will give you a suggestion, you get that department revved up in the area of farmer financing. There has been an overreliance on Government tools. There is no use to talk about them in theory.

What is your carryout figure on wheat, now that we have philosofied here?

Mr. YEUTTER. Yes, the carryout coming in to this crop year was 249 million bushels. Carryout was 249 million as of July 1, of this year, production of this year is estimated at 1.793. That is a December 1, figure.

Senator HUMPHREY. What was the carryover?

Mr. YEUTTER. 249 million bushels. Production of 1.793 million, and imports of 2 million bushels, very nominal, of course. Giving a total supply of 2,044 million bushels.

Estimated domestic usage is in the 690 on to 740 million bushel range, in other words, about 700 million bushels.

Senator HUMPHREY. 725?

Mr. YEUTTER. Yes.

Exports are very strong, about 1.1 billion, which means that total domestic and export usage would be about 1.8 billion, or just a little more.

So stock levels, then, will go to about 220. They will have dropped just slightly.

Senator HUMPHREY. Now, that includes your Public Law 480 commitments?

Mr. YEUTTER. Yes.

Senator HUMPHREY. At the present levels?

Mr. YEUTTER. Dick, do you have the exact Public Law 480 figure for that estimate?

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

Mr. BELL. The export forecast is a range from 1 billion 50 million to 1 billion 150 million bushels, and included in that is an allowance for somewhere between 100 and 150 million bushels of Public Law 480.

Senator HUMPHREY. Let me see now——

Mr. BELL. It would be 2.7 to 3.7 million tons.

Senator HUMPHREY. You are citing the same figure that we were talking about before. We were talking 3.3 million tons as sort of a base figure on Public Law 480 on wheat?

Mr. YEUTTER. Yes, that is right.

Mr. BELL. Last year we exported 3 million tons of grain under Public Law 480, including only 1½ million tons of wheat. Then there was 600,000 tons of rice and some grain sorghum and corn.

Senator HUMPHREY. Now, what you are saying is that there is anywhere between 2.7 to 3.5 million tons. So you are really around 3 million tons of wheat that you have scheduled for Public Law 480. That doesn't include the other feed grains or rice.

Mr. BELL. That is right.

Mr. YEUTTER. The reason there is a range, Senator Humphrey, as you know, is that final decisions on Public Law 480 has not yet been made.

Senator HUMPHREY. That 200 million bushel carryover, Mr. Bell and Mr. Yeutter, does that take the higher figure of the Public Law 480?

Mr. YEUTTER. The higher figure would pull it down to about the 200 figure, the lower at 250 million.

Senator HUMPHREY. I had a talk with Tom Henderson at the State Department. He was asking whether 200 million bushels was a safe

46-268—75——8

level. I told him that was about a minimum level. I did not think we ought to drawdown much more than that. What is your estimate?

Mr. YEUTTER. I would say that is a fair statement. Those minimum carryover levels are always debateable because one can live with a level still higher than that, but one begins to get dislocations in the economy when that happens.

We have been using the figure of 225 to 250 million as our calculations of a minimum carryover, but with some flexibility there. In other words, we don't think it would be at all catastrophic to pull it down to 200 million, but one must recognize the more one pulls it down the more strain one puts on transportation.

Senator HUMPHREY. The process of moving has to be taken into consideration.

I understand you still haven't come to any decision yet. There is still some negotiation as to whether you will be at the higher figure or the lower figure, or somewhere in between.

Mr. YEUTTER. It is in the decisionmaking process, Senator Humphrey, at a very high level.

Senator HUMPHREY. At a very high level. That is a nice way of saying you are not going to make it.

Mr. YEUTTER. We have made our own views known, Senator Humphrey, but this happens to be a decision that will not be made at the Department of Agriculture, as you know.

Senator HUMPHREY. Are our people in Rome handling emergency food aid or is that over?

Mr. YEUTTER. Dick Bell was there.

Mr. BELL. It is finished.

Senator HUMPHREY. Did you come to any final decisions there?

Mr. BELL. There were two parts of that exercise, Senator Humphrey. The first one had to do with whether or not there was enough availability to meet the recovery. The conclusion was there was enough grain to do that. The other one was financing, and that is still being worked on.

Senator HUMPHREY. Senator Dole had a question here.

Senator DOLE. I would like to ask whether or not there can be any utilization of livestock and poultry products under Public Law 480. That is an area that we hope to explore during these hearings and one that I visited Secretary Butz about and an area that might offer some relief to the domestic industry if it didn't take too long to crank it up.

I understand the authority for such programs is not really like an authority; is that correct?

Mr. YEUTTER. That is correct.

Senator DOLE. Are we doing anything insofar as livestock, poultry in Public Law 480 now?

Mr. YEUTTER. No, sir, Senator Dole. There are many problems in doing so which I will be glad to elaborate if you wish.

Senator DOLE. I understand many of the problems, but it seems to me you could preserve it in some way, can it, blend it with blended foods. What about market promotion for livestock and poultry, are we doing that more extensively now?

Mr. YEUTTER. Well, that is a subject rather dear to my heart personally, Senator Dole, and is a result of my background, with which you are familiar.

In my judgment we haven't done nearly enough in market development for livestock and poultry products, including live animals, over the last 20, 30, or 40 years, nor are we doing enough today.

I brought this issue rather individually to the attention of people in the livestock industry, and they are now holding some meetings, including meetings of the board of directors of packer organizations to see if they might not stimulate some endeavor in this regard. I believe this is a high priority in market endeavor. I would like to see it moved.

As you know, Senator Dole, the wheat industry has done well in this for many years. Those efforts have paid off in big successes for U.S. agriculture. We just haven't done that in the livestock area. We have nothing comparable to the feed grains council and I believe we should have. We have several producer crganizations in pork and beef, at least three major packer associations. There is a group comparable to the grains groups that could be formed in the livestock and poultry area, and with relatively limited financial burden on the part of any one of those organizations could in my judgment put together a rather impressive marketing development effort, and we are ready and willing to work with them if they will do that.

We have met with some of those representatives in the last few months, and the organizations are bringing this back to the attention of their boards to see if they are willing to cooperate in such an endeavor. I hope they do.

For example, Senator Dole, I am convinced there is a strong market out there for top-quality U.S. beef products that we are just not realizing today. We have some individual firms selling beef on the world market, but the organizations themselves are not promoting it to any significant degree. In comparison to the feed grains council, Senator Dole, we do not have one single market development office in the world devoted to livestock and poultry products except for tallow and offal. There is not one single individual working full time in the world in this marketing effort. We need to correct that.

Senator DOLE. I concur. It is an effort that we need to develop and it might help us through some of the ups and downs in the livestock and poultry industry.

But getting back—maybe it is not even practical to think about livestock and poultry under Public Law 480 at this time. Maybe it is practical. Maybe Dick could comment on that.

Mr. YEUTTER. The problem there, Senator Dole, is one of providing the most possible nutrition to the recipient people for the dollars available. As you know, we have budget problems in the Public Law 480. We have a budget authorization this year, an allocation of about a billion dollars and a billion dollars today does not buy a lot of nutrition, even with wheat and feed grains and rice. It would buy a whole lot less in livestock products because they would have to be processed products sent to countries that do not have the facilities to hold fresh or frozen products at all. So what one must provide is a canned meat product that does not require any kind of refrigeration, and that becomes an expensive proposition.

Senator DOLE. Dr. Glenn Beck vice president of Kansas State University indicated there might be some blend of some kind with a combination of grain and beef or other livestock ingredients, and of course Kansas State would be very happy to undertake the research on that. If you have any funds I would be glad to arrange for that. But in any event, those are possibilities.

I want to develop that further and while I can't do it this morning but I shall in future conversations with the Department.

Second, just for my own information, is there any inclination in the USDA to join the chorus of those who are asking for wage and price controls?

Mr. YEUTTER. No, sir; no, sir. Wage and price controls, Senator Dole, as you well remember, were disastrous for agriculture, particularly the beef cattle sector, which is a major——

Senator DOLE. They had that extra bonus there, courtesy of the administration, which finished off a few who were surviving by maintaining controls on meat after relaxing others.

Mr. YEUTTER. As you well know, the Department of Agriculture did not agree with the decision that was made at that time.

Senator DOLE. I understand that.

Senator HUMPHREY. Bob, let me cut in on this because I feel you are on something that we need to explore.

You know, I thought about a food stamp that was essentially a meat stamp. Meat is a good protein, it is a good diet. Instead of just giving them general food stamps, which I have seen them use for other purposes than what it should be used for, why not have a special kind, a special colored food stamp in which you can purchase red meat or poultry. Now, I think that would do a great deal to facilitate the consumption of the meat products, and of course, it is the best food in the world. I have gone to these stores. My wife has seen them use food stamps and they will be buying up all kinds of things that have very much less nutritional value. I know somebody will say you are trying to direct what a person's diet ought to be. But at least it seems to me that knowing that protein products have a high protein value it would seem to me we might be able to help on this.

Senator DOLE. Senator Curtis has a bill that would do that pending now.

Senator HUMPHREY. Let's get it in our committee and get it out, so long as you include some chickens on it.

Mr. YEUTTER. How about nonfat dry milk?

Senator HUMPHREY. I have a way for you to get rid of that nonfat dry milk but you won't listen to me.

Mr. YEUTTER. As a matter of fact, we have suggested that ourselves, Senator Humphrey.

I would say on that point, I had the food stamp program under my jurisdiction for a considerable period of time. It is no longer under my jurisdiction. That issue did not come up while I had those programs under my wing, but it is my understanding that it has surfaced in past years, and each time that it did there was a tremendous furror from the food stamp recipients that the government was attempting to tell them what to eat.

Senator HUMPHREY. That is generally from a handful of people that have to have something to furror about.

Senator DOLE. I just mentioned that the bill is under consideration. I am not, certainly, cosponsoring that. I have the same fear that you would be dictating diets, and that is something that would need careful consideration.

I have a series of questions that I would like to submit, Mr. Yeutter. They are not all that earth shaking, but they will assist in clarifying several matters.

Mr. YEUTTER. I hope the answers will look good when they are printed.

Senator DOLE. In regard to market development or promotion as livestock and poultry is concerned, I share the same concern as Senator Humphrey, he is about to go through what I have just finished, and that is an election, and I survived, a member of the survivors club, and we meet frequently. But in any event, the dilemma is clear, as any Senator knows when his livestock men and other constituents are concerned about the high price of grain. I haven't had many wheat farmers write to me and say they think the price of wheat is too high. So I predict a year from now we will be having hearings on grain prices. You will probably be here or some other sturdy volunteer from the USDA and we will be trying to figure out what has happened to grain prices. There probably will be this balance Senator Humphrey has talked about.

But the worst possible thing that could happen would be to invoke wage and price controls and unless there is some specific catastrophy—that is bad enough to justify such drastic action but there has to be some total exemption for agricultural products and not any special treatment or controls for the livestock industry.

Finally, before I go, has there been an increase in shipment of wheat under Public Law 480 because of the shortage of other feed grains.

Mr. YEUTTER. That is correct, Senator Dole. In fact, as Mr. Bell mentioned, we used only about a million and a half tons of wheat last year and it looks like this year a minimum of 2.7 million tons and perhaps as high as 3.7.

Senator DOLE. After listening to those figures, which I think are very important, I really don't see how the grain prices will be anything but strong in any of the coming year. It appears stocks of everything will be drawn down to almost bare minimums. I don't see any relief for the dairy farmer in feed costs or anyone else based on the information you have provided.

Mr. YEUTTER. As I said, Senator Dole, I don't see that relief, either, during the first half of 1975, because all of these market facts are already in existence. There are policy factors, both in the commercial sector and in PL 480 in these grain markets. If there be relief it will come by virtue of good weather conditions that develop during the spring and will have an impact on the market as we move closer to the harvest season.

Senator DOLE. Are these projections based on optimum weather? Do they allow for certain areas of drought, or are they average figures? It seems to me like the figure for wheat is very high, wheat, 1.7 billion; is that right?

Mr. YEUTTER. We were just talking about last year's production, We have not made any projections for next year, Senator Dole. What we are really evaluating here is only the useage of last year's crop.

Next year, obviously, if we get adverse weather conditions again there will be enormous price pressures in the dairy and livestock and poultry sectors. If we get better weather conditions, normal, or something in excess of normal, then there will be some icing.

Senator DOLE. Finally, will there be an announcement next week on any increased food aid? Is that coming this week?

Mr. YEUTTER. It should come sometime within the next few days, Senator Dole. Whether it will come this week or not depends on the present floor schedule.

Senator DOLE. Are there several operations floating around, 4.7, 5. something?

Mr. YEUTTER. Those operations may not have been represented with total accuracy in the newspapers on Monday morning, but they were generally accurate.

Senator DOLE. Which one would be adopted?

Mr. YEUTTER. That is a decision that, as I said, is made at a very, very high level of government higher than the Department of Agriculture. So it would be presumptious of me to indicate which one will be selected.

Senator DOLE. Probably the second one, 4.1.

Senator HUMPHREY. I think between 4.1 and 4.5, something like that. Let's you and I wager.

Senator DOLE. I think that would be in the ballpark. We can recommend that jointly and it would surely to be——

Senator HUMPHREY. What happens?

Senator DOLE (continuing). Probably lost.

I will submit these questions and ask your response for the record and also on the possibilities of utilizing livestock and poultry products in Public Law 480. I know that the basic Public Law 480 principle is humanitarian, but it also is used to move surpluses, and there is a surplus of beef and poultry these days, and using it would provide some relief. Maybe it is something we may be looking at 8 or 10 years from now.

Mr. YEUTTER. Thank you, Senator Dole. We will be pleased to respond to the questions.

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

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., January 8, 1975.

Hon. BOB DOLE,
U.S. Senate.

DEAR SENATOR DOLE: This is in reply to your request for answers to several questions concerning the programming of beef and other animal products under Public Law 480. We are attaching your questions with our replies. We hope they will be useful to you in further understanding the problems in such programming.

As I indicated to you in my recent appearance before you and Senators Humphrey and Curtis, the Department is very aware of the problems now facing the meat and milk industries. We are seeking ways to help relieve the situation.

I appreciate the opportunity the hearings provided for us in the Department to discuss this subject with you. If we can be of any further assistance, please let us know.

Sincerely,

CLAYTON YEUTTER,
Assistant Secretary.

Enclosure.

I know you are well aware of the situation beef producers are in, and the Department has taken steps to help—like the purchase of beef for school lunch. I can also appreciate the cost factors and other real problems involved in trying to program beef and other animal products under Public Law 480.

Question 1. How many nations would readily accept meat and poultry as part of their diet under Title II donations if shipment of such products in a canned or frozen state were economically feasible?

Answer. There are probably many countries which would accept meat and poultry under Title II programs if it were feasible to supply them. However, such items are high risk ones, i.e., the logistics of providing such commodities are very difficult. Past experience in this type of programing has been very bad. At present maternal/child health programs are the first priority under Title II; generally these would not be able to use meat and poultry. Food for work projects and some higher-grade school feeding projects would be the only presently established channels for using such commodities. But even in these, spoilage and waste would be very high. In Title II recipient countries, meat and poultry are normally luxury items consumed only by the rich; Title II programs, however, are designed to reach the poor people in the society.

Question 2. On the other hand, what do you think could be done in developing some acceptance of our beef by providing processed food with beef flavoring, or poultry flavoring for that matter?

Answer. This idea may have some possibilities. We have a group established within the Department, the Processed Foods Committee, which reviews new proposals, such as providing processed foods with beef or poultry flavoring. AID also participates in this Committee. We will forward your suggestion to that Committee for their review and consideration.

Question 3. Could you tell us a little more about what USDA is planning for such work?

Answer. The Foreign Agricultural Service had made limited efforts to develop export markets for U.S. beef over the years. In mid-1974 FAS officials met with officials of several meat and cattle organizations to explore the establishment of a broad industry group to promote sales of U.S. meat abroad. These organizations are now discussing with their boards of directors a method of getting such an organization off the ground. Meat industry firms also continue to participate in the various FAS sponsored activities such as exhibits, sales teams, and the Trade Opportunity Referral System.

Question 4. What is the status of food grains for P.L. 480—are we doing more this year in wheat and rice where our supply situation is better?

Answer. Yes, we are planning more activity in wheat and rice in view of their better supply situations. As you know, we have moved on a quarterly basis so far this fiscal year because of inflation problems, budgetary constraints, and uncertainties in commodity situations. Nonetheless, we have authorized a total of $650 million in Title I and Title II programs so far. We are expecting a decision soon to establish a budgetary level for the entire year. Specifically, we have already authorized 1.9 million tons of wheat againt shipments of 1.5 million tons all of last year. We have already authorized 500,000 tons of rice as against 600,000 tons shipped last year.

Question 5. Are you considering additional purchases this fiscal year of processed or blended feedgrain products? Are you also considering more programing of raw grain for food?

Answer. We have been continuing to make purchases of processed/blended feedgrain products. So far we have authorized eight months of operations using these products. Although a final decision has not yet been made, we do expect to make available a limited amount of additional feedgrains, most of which will probably be programed as processed products. Out of the final total feedgrain availability, we may program some additional whole feedgrains for food; this would probably be grain sorghum for the Sahel region of West Africa. We are, of course, planning larger programing of wheat and rice as indicated in question 4 above.

Senator HUMPHREY. We will try to run along through here. I got so involved with you this morning, Mr. Secretary, I am afraid I have been unmindful of the other witnesses, even though I will be here to take testimony. I do want to thank you.

I thought we needed this discussion.

Mr. YEUTTER. That involvement is always a pleasure.

Senator HUMPHREY. We didn't get the figures on rice. I know that is in a much healthier supply situation.

Mr. YEUTTER. Yes, that is the only one in which we really have something that one might truly denominate a surplus, I suppose, or at least—that even may be too strong an evaluation of the situation.

At any rate, the beginning supply, Senator Humphrey, on the year which starts to August 1, was 7.8 million hundredweight. Production is now estimated to be 114.1 million hundredweight, giving a total supply of 121.9 million hundredweight.

Domestic usage is strong this year, so the demand is up, 37 to 38 million hundredweight. The commercial export market is also strong, and of course it is quite likely that Public Law 480 exports will be substantially above a year ago, irrespective of which operation is selected, and therefore we are estimating a range of export, both commercial and food aid, of about 67 to 72 million hundredweight. That gives total domestic and export usage about 105 to 110 million hundredweight, and an increase in carryover stocks, then, from the present 8 million hundredweight or thereabouts up to a range of 11 to 17 million hundredweight.

Senator HUMPHREY. Those figures look rather encouraging on rice. When do we get rice planting intentions?

Mr. YEUTTER. Well, I am not sure whether rice is included in January. So we would not know except in a general way.

Senator HUMPHREY. Are you familiar with the Alexander bill in the House?

Mr. YEUTTER. Yes, I spent many, many hours on that bill, Senator Humphrey.

Senator HUMPHREY. I have a companion bill in the Senate.

Mr. YEUTTER. We are truly pleased. I hope we get rice legislation passed in this section, and in my judgment it is exceedingly important we do so. There is a strong probability in the absence of that legislation we will have to apply restrictive quotas on rice for the coming year. It seems to me this places the Government of the United States in an absolutely incongruous situation. How can we face a hungry world, many segments therefore being heavily dependent on rice consumption in an attitude of our own production.

Senator HUMPHREY. I will be talking to you because I am interested in getting the intentions of the Senate committee, although I know it is very controversial.

Mr. YEUTTER. Yes.

Senator HUMPHREY. You have given us some information here, the total feed grain supply and your carryovers or carryouts. Could you tell us now how such demands will likely impact our Nation's livestock, poultry, hogs and dairy industry in terms of feed grain prices and rates of liquidation. You commented on this in part, but I am going through a scenario here regarding our production, carryins, exports and then the carryouts. What do you think is really going to happen? You heard what Senator Dole had to say.

Mr. YEUTTER. All right. I will make some general comments and they ask Mr. Ahalt to provide some statistics.

Clearly the livestock industry of the United States will have to adjust to the much higher price levels in the feedgrain and soybean areas. Markets all over the world must adjust and are adjusting. It varies from country to country and area to area. But concentrating only on the U.S. for the moment, we have already begun to see an adjustment in the poultry sector. The turnaround is much more rapid the cycle is shorter, obviously. So that adjustment is already taking place and broiler production is beginning to decline. Turkey production will also decline, and you have quite a number of turkeys grown in Minnesota.

With the broiler industry actually now moving back into the black slightly, which is encouraging, the turkey industry still being in the red because of their very high carryover coldstorage locks, Dawson can give specific figures but I believe specifications of broiler production will be down 10 to 15 percent in the coming year.

Senator HUMPHREY. Is that about right?

Mr. AHALT. Yes sir.

Mr. YEUTTER. On the pork side the adjustment comes more rapidly than with cattle, not as rapidly as broilers. This will show up in the amount of pork marketed in 1975. Again, I believe magnitudes are something in the event of 10 percent in the coming year on pork.

Mr. AHALT. The cutback could run slightly larger in the first half of next year, we are seeing a substantial adjustment.

Mr. YEUTTER. On the beef sector, of course, we have a much more different situation because beef is a much larger industry than the others, and we have just gone through a long buildup of beef cattle supplies in this country. We have now reached the peak of the cattle cycle and it is unfortunate that the cattle cycle has peaked at a time of very inadequate and declining consumer demand.

Senator HUMPHREY. I have a chart here, which is included in the statement of the Livestock Business Advisory Service of Kansas City, by Mr. William C. Helming, president of that organization. Exhibit C on cattle inventory numbers, dated January 1, 1974, all cattle and calves, amounted to 127,450,000; January 1, 1975, 133 million; January 1, 1976, 136 million; then January 1977, estimated 135.5 million.

So what you have here as I see it, for the future is trouble on the range.

Mr. YEUTTER. No question about that, Senator Humphrey. It is already happening.

Senator HUMPHREY. It is likely to be a problem for a couple of years.

Mr. YEUTTER. Absolutely.

Senator HUMPHREY. Unless those numbers can somehow be commercially liquidated without disastrous consequences, the cow-calf man is in trouble.

Mr. YEUTTER. The liquidation has begun to occur already, of course, stimulated by the drought conditions in a lot of the grassland areas out in the great plains. As a consequence we are seeing a much larger percentage of cattle coming to slaughter today being grass cattle rather than fat cattle. That will continue into 1975, how rapidly depends on weather conditions. If we have another drought in 1975 there will be extensive liquidations. If it rains next spring through the great plains area the liquidations will slow down.

Senator HUMPHREY. Then you have to finance it. The financial condition of the cow-calf operation. Everything we are talking about here requires massive financing.

Mr. YEUTTER. Absolutely.

Senator HUMPHREY. This is a major problem in the agricultural sector today. Liquidations can come not only because of drought, not only because of feed prices, but because of the inability to finance. Even the hedging that we were talking about a while ago requires a new type of financing.

We are asking these farmers to put in big crops, big seeding for small grain, and so forth with its accompanying tremendous cash outlay. The risk in doing this is unbelievable, especially the uncertainties of weather. If anything goes amiss, I am telling you, you really have a problem.

So again, I just want to say this is why I feel that these Government protections are so similar to what we were talking about earlier regarding the allotments. The Government can provide protections through allotments. They encourage farmers to produce. Then the Government says there is going to be good market prices, so you don't have to worry. Plant your allotted acres and we also want you to plant those acres not under allotment. But, in the case of any plantings not under allotment the farmer must assume all of the risks. What it boils down to is a budget. The Department has to make estimates as to what its budget requirements are. If the Government can keep these allotments down, then it minimizes its payment exposure liability. So I want to just put up the warning flag right now that it is a whole lot better to have a policy by the Government that may require some modest payment than to have a substantial number of these operators going down the tube through financial insolvency.

Mr. YEUTTER. I just reiterate it again, Senator Humphrey, that that farmer can protect himself as much more effectively through hedging or—he has the privilege of doing so or the opportunity to do so if he wishes to avail himself of that opportunity.

I was just in your State a couple of weeks ago and went on to North Dakota. I was with a North Dakota wheat farmer who had hedged most of his crop at Minneapolis—actually forward contracted rather than futures.

Senator HUMPHREY. But that is not a standard. That is a rarity.

Mr. YEUTTER. He contracted at $5.20 a bushel.

Senator HUMPHREY. I have to say that the scales in the farm population for this are at minimum levels. It isn't that they can't learn it or will not.

I would like to ask you to have the ERS do a little job, for our hearing record; namely, do an analysis for us regarding price levels, the supply, the carryouts and so forth. Also have ERS include information as to the import that various levels of exports of grains and beans would have on U.S. livestock and poultry production. And, have all of this submitted for the record. Do you get my point?

Mr. YEUTTER. Sure.

Senator HUMPHREY. Can you give us any indication of anything further we have had in light of your current estimates on corn and soybean export bookings on liquidation, animal and poultry liquidation? I guess that will be covered by the report we are asking for here.

Mr. YEUTTER. I believe that will cover it.

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

Estimated Impacts of Increasing Levels of Feed Grain Exports

As the possibility increases that exports of corn could reach or top the billion bushel mark, there is a need to reassess possible serious consequences on domestic meat producing industries and domestic consumer prices for meat, particularly including animal numbers, meat output, and resulting retail prices. These possible consequences are examined in a rather abbreviated manner in this report. Although this is not a position paper, results presented here need to be considered carefully in any discussion of possible controls on feed grain exports.

The projections of livestock supplies and prices are not based on extensive statistical analysis because of the limited time available. Further analysis may show some differences in absolute values of the data presented here, but the *general patterns* of development would be essentially the same.

We begin the analysis by examining the latest estimates of corn supply and utilization (Exhibit I). These estimates and projections are still subject to change. The size of the corn crop is still uncertain and there is general consensus that the November estimate will be down at least 100 million bushels. (Corn is used to represent the feed grain situation in general. It is assumed that supply and price patterns for all feed grains will be similar to corn.) Given a total availability of 4,425 million bushels for export and domestic feeding during 1974/75, we assume two levels of exports—900 million bushels (the midpoint of latest supply and utilization estimates, October 25, 1974) and 1.25 billion bushels, selected to represent what we would now consider to be the upper limit on export demand for this marketing year. Estimates of annual production and retail prices of livestock and poultry are traced through calendar year 1977 in an effort to capture the full impact of this year's trading actions. For each calendar year 1975 through 1977, various indicators of industry condition are shown, along with resulting retail prices, for three situations:

A. Base; corn exports of 900 million bushels (15 percent reduction in 1974/75 domestic feed usage from 1973/74) and "normal" 1975 crop.

B. Corn exports of 1.25 billion bushels (25 percent reduction in 1974/75 domestic feed usage from 1973/74) and "normal" 1975 crop.

C. Corn exports of 1.25 billion bushels, a "poor" 1975 crop similar to 1974, and further range and pasture deterioration in 1975.

Corn Situation and Outlook

Two supply and utilization alternatives for corn provide the base for evaluating two levels of feed availability for the U.S. livestock and poultry industry: (A) the midpoint of the most recent supply and utilization estimates October 25, 1974) with exports at 900 million bushels and (B) the same supply as A, but a substantially higher level of corn exports of 1,250 million bushels (Exhibit I)

The 1,250 million bushel export level equals the level of the past 2 seasons and compares with total outstanding sales (as of October 13) of 1.1 billion bushels. With carryover at the end of 1974/75 projected at minimum levels and usage for food, industry, and seed relatively inelastic, the alternative level of imports result in domestic feed supplies of 3,525 and 3,175 million bushels. Feed usage in 1974/75 would be down 15 percent (A) or 25 percent (B) compared to the previous season.

Season average *farm* prices are estimated at $3.75 per bushel (A) and $4.35 bushel (B). These prices compare with $2.55 per bushel for the 1973/74 season.

Market price spurts would be expected under these alternatives with Chicago prices possibly reaching the $5 and $5.50 levels. But adjustments by domestic feeders will serve to temper prices.

Under Alternative C, feed grain prices next summer would move up even more sharply when another bleak outlook for feed grain supplies becomes apparent and commercial feeders, exporters, and processors vie for limited supplies to fill out commitments. It is conceivable that Chicago prices could reach and exceed $6 per bushel.

Meat Situation and Outlook

Alternative A: Base—900 Million Bushel Corn Exports and Normal 1975 Crop

Beef production is expected to continue larger in 1975 and 1976, setting a new record high each year before stabilizing in 1977. Tight feed supplies, high grain prices, and low product/grain price ratios will discourage cattle feeding in 1975, but smaller fed beef supplies will be more than offset with increases in cow slaughter and slaughter of other cattle which have not been finished on grain.

Although the total cattle herd will likely continue larger through January 1977, the breeding cow herd may stabilize during 1975 and result in no further increases in calf crops in succeeding years. Many of the older cows culled from the herd during 1975 may not be replaced by younger stock as has been done during the past several years. This would lead to a plateau in beef output by 1977.

Under this alternative, slaughter cattle prices will likely remain in the low to mid $40 range with the expected increases in slaughter during 1975 and 1976. Continued unfavorable meat/feed price ratios will keep downward pressure on feeder cattle prices through 1976. By 1977, with an improved feed supply and price situation and stabilized cattle numbers, cattle prices and retail beef prices could rise rather sharply.

The financial position of *cattle feeders* will likely improve in 1975 and remain fairly good in 1976 even with no increase in fed cattle prices. This is possible because of the low prices in the feeder cattle market, but this will keep the *cow-calf producer* in a loss position most of the time through 1976.

Hog farmers are already adjusting to the reduced feed supply. Those hog farmers who also raise feed crops will be inclined to sell their crops on a higher cash market than risk hog feeding. Pork production in 1975 will likely be reduced by 10 percent or more reflecting reductions already reported in hog breeding stock and farrowing intentions. Favorable feed grain prices by the late summer or fall of 1975 would not likely be soon enough to prevent further reductions in pork production for 1976. The first major expansion phase for hogs does not appear likely prior to late 1976. A lower grain market and high hog prices in 1976 would encourage substantial increases in pork production by 1977.

Broiler producers will react to the feed supply situation similar to pork producers, except with more immediate and more pronounced adjustment. A 12 percent drop in poultry production in 1975 could be followed by moderate increases in output during 1976 and 1977.

Increases in hog, pork, and broiler prices in 1975 and 1976 will be held in check by the higher level of beef production and stable beef prices.

Livestock prices and slaughter will likely show marked *seasonal* patterns under this alternative, especially in 1975. The highest prices in 1975 will likely occur during late spring or early summer when pastures green up and cattle are moved back to grass. Pork production will be declining seasonally. Rising spring and summer livestock prices will likely reduce the numbers of cows and non-fed cattle being slaughtered. Later in the year, however, cow slaughter and non-fed slaughter likely will again increase seasonally, and prices trend lower. The feeder cattle market in the fall of 1975 may not be much improved from the current situation.

Alternative B: 1.25 Billion Bushel Corn Exports and Normal 1975 Crop

The lower level of domestic feed supplies for the 1974/75 feeding year implied by this alternative will have an immediate impact on *poultry* and *pork* production pushing output even lower than under condition A. Poultry producers could recover and maintain output at a lower level in 1976, but hog farmers would not likely respond as quickly and pork production would decline again in 1976. By 1977 both pork and poultry output could again be on the increase.

Beef production would be slower to adjust. The immediate impact of less feed and higher feed prices would be a further sell off of cows and other grass-cattle as feedlot activity is further curtailed from alternative A. The backup of cattle on pastures would be large enough to require additional slaughter of cattle directly from grass. The greatest downward price pressure would be on cows and feeder cattle. Fed cattle prices may still remain steady because of further reductions in fed beef output.

The breeding cow herd would likely be reduced by January 1976 despite growth in the total cattle herd. By January 1977, the cow herd would decline further and the total cattle herd could drop. The reduced cow herd and calf crops in 1976 would lead to a reduction in cattle slaughter by 1977. Moderation in cattle and retail beef prices in 1975 and 1976 would then be followed by sharp increases in prices in 1977 (Exhibit III). Feeder cattle supplies could become short, and prices of calves could show a sharp rise in 1977 as cattle feeding activity increases.

Seasonal patterns of supplies and prices of livestock would be more pronounced as the feed supply is reduced from alternative A. General cattle price rises may not occur in the spring and summer of 1975 as cow and non-fed slaughter remains large through this period. Feedlot operators will not be eager to buy feeder cattle at the higher level of corn prices, and many more cattle will go to slaughter, bypassing feedlots. The feeder cattle market will remain depressed throughout the year and average well below prices expected under alternative A. Although pork production would be dropping substantially by next summer, hog price rises will be limited by the larger supplies and low prices of beef, especially lower grade beef. Peak hog prices for the year would still be expected in the summer.

High corn prices through the summer of 1975 would further reduce the fall 1975 pig crop, and pork production in the first half of 1976 will continue lower. But a sharp break in feed prices in the fall of 1975 with favorable feed grain prospects would result in a sharp turnaround in the 1976 spring pig crop, boosting second half 1976 pork production. Increases in the second half of 1976, however, would not likely offset declines in the first half and pork production for the year of 1976 would be down from 1975.

Alternative C: 1.25 Billion Bushel Corn Export and Poor Crops and Pastures in 1975

Substantially reduced feed supplies followed by a poor crop and pasture conditions next year would have a greater impact on the cattle industry than any other conditions we considered. Pork and poultry output would of course go lower than under alternative B in 1975 and 1976, but could increase by 1977 although from a much lower base (Exhibits III and IV). Pork production under this alternative could reach the lowest level in 20 years by 1976.

Although pork and poultry output would be off substantially in 1975, price rises would be limited by a very large selloff of beef cattle. This condition would put all livestock and poultry producers under extreme financial pressure in 1975. Feed supplies (including forage) would not be sufficient to maintain the large cattle herd, and cattle slaughter could be up nearly 20 percent, enough to reduce the total herd size by January 1, 1976. A high level of cow and calf slaughter in 1975 could be sufficiently large to substantially reduce beef production in 1976, and again in 1977, although from a much higher 1975 level.

Although cattle slaughter and beef production would be up very sharply in 1975, retail beef price declines could be only moderate as pork and poultry production declines by about 20 percent. Live cattle prices, however, could drop substantially as slaughtering facilities become overloaded. Many cattle will sell at distressed prices. Live hog prices would likely run higher than cattle prices.

Following the herd liquidation in 1975, cattle slaughter and beef production would then likely decline during each of the following 2 years with sharp rise in consumer prices and cattle prices (Exhibit III). The cattle feeding industry, after having been extremely depressed for 3 years would begin to recover in late 1976. The demand for feeder cattle could far outpace the supply of feeders if feed grain prices in 1976/77 are lower. The breeding cow herd by January 1977 could be down to the 1973 level. Expansion of the herd to meet the growing demand for beef would result in little further increase in beef production from 1976 through the end of this decade, with further rises in consumer prices.

Seasonal patterns in prices of feed grain and livestock would be greatly amplified if pastures and ranges dry up in addition to another poor feed grain harvest next year. By the fall of 1975 cows and feeder cattle would likely glut the market and prices would be the lowest in many years. Prices could be in the $15–$20 range per 100 pounds for these classes of cattle. Sharp curtailment in pork production would not likely be met with substantially higher prices of hogs due to the excessive supply of beef. Hog farmers in the fall of 1975 would not likely meet production expenses.

Then with substantial improvement in pasture conditions in successive years and more abundant feed supplies, cattle prices would rise sharply and feeder cattle prices could double between 1975 and 1976. By the fall of 1976 feed prices in general and corn prices in particular would fall as the large supply of feed grain was met by substantially curtailed livestock feeding enterprises. Feeder cattle supplies would be limited following the large calf slaughter in 1975.

Condition C presents a particularly grave situation with serious consequences to be felt by the livestock and grain sectors for many years to come. The realization of a large level of feed grain exports this year followed by a poor 1975/76 crop and a bumper harvest in 1976/77 would mean serious imbalances in supply and demand of meat and feed grains. One may argue that the possibility of such an event is small, but the possibility is real and should be kept in mind in any discussion of this year's export levels.

Under condition C, hog and poultry numbers would have been adjusted back to the lowest level in several years. The cattle herd will be expanding again in 1976 and 1977 but from a lower level. Many livestock feeders will have exited the industry. Then, a record large feed harvest in 1976 would be met with a greatly reduced demand for feed, resulting in very sharp declines in feed grain prices in the absence of extremely strong export demand for feed grains. And low feed prices coupled with very high livestock and meat prices in 1977 would set the stage for another large buildup in livestock numbers during the late 1970's and early 1980's.

CONCLUSIONS

It appears that we can survive conditions under alternatives A and B without extreme disruptions to our domestic feeding industry, due largely to the overriding dominance of the current record-size beef cattle herd. However, as conditions now stand, serious adjustments are in prospect for the livestock and feed grain industries over the next 3 years. Conditions under alternative B would further raise the level of feed prices next year and tend to exaggerate the adjustments required, placing additional financial burdens on livestock producers in general and cow-calf operators in particular. The adjustments would be more severe in 1975 and take longer to work through than under condition A. Only under conditions of alternative C would we likely have a series of events which would border on, or produce, chaos in both the livestock and feed grain industries.

EXHIBIT I

CORN SUPPLY AND DEMAND ESTIMATES BASED ON ALTERNATIVE LEVELS OF EXPORTS [1]

[In millions of bushels]

Item	1974–75 alternative A	1974–75 alternative B
Supply:		
Beginning stocks	481	481
Production	4,718	4,718
Imports	1	1
Total	5,200	5,200
Disappearance:		
Feed	3,525	3,175
Food, industry, and seed	450	450
Total domestic	3,997	3,572
Exports	900	1,250
Total	4,822	4,822
Ending stocks	325	325
Price (dollars per bushel)	3.75	4.35

[1] Alternative A is based on midpoint of supply and demand estimates, Oct. 25, 1974.

EXHIBIT II.—CATTLE: BALANCE SHEET

Year and alternative	On farms Jan. 1	Imports	Calf crop	Total supply	Slaughter: Cattle: Number	Slaughter: Cattle: Increase or decrease	Slaughter: Calves: Number	Slaughter: Calves: Increase or decrease	Death losses	Exports	Total disappearance	To balance	On farms Dec. 31	Jan. 1: All cows	Jan. 1: Noncows
A															
1969	110, 015	1, 042	45, 177	156, 234	35, 573	----------	5, 011	----------	4, 123	39	44, 746	+881	112, 369	48, 040	61, 975
1970	112, 369	1, 168	45, 871	159, 408	35, 354	----------	4, 203	----------	4, 297	88	43, 942	−888	114, 578	48, 780	63, 589
1971	114, 578	991	46, 739	162, 308	35, 895	----------	3, 821	----------	4, 464	93	44, 273	−173	117, 862	49, 786	64, 792
1972	117, 862	1, 186	47, 695	166, 743	36, 083	----------	3, 184	----------	5, 136	104	44, 507	−702	121, 534	50, 585	67, 277
1973	121, 534	1, 035	49, 034	171, 603	34, 027	----------	2, 376	----------	6, 500	273	43, 176	−887	127, 540	52, 541	68, 993
1974	127, 540	1, 000	50, 696	179, 509	36, 200	----------	2, 900	----------	5, 500	200	44, 800	−709	134, 000	54, 157	73, 383
1975	134, 000	1, 000	53, 000	188, 000	39, 000	+8	4, 000	+38	5, 700	250	48, 950	−900	138, 150	56, 000	78, 000
1976	138, 150	1, 000	53, 000	192, 150	42, 000	+8	4, 500	+13	6, 100	250	52, 850	−900	138, 400	56, 000	82, 150
1977	138, 400	1, 000	52, 000	191, 400	42, 000	0	4, 000	−11	6, 200	250	52, 450	−900	138, 050	55, 000	83, 400
1978	138, 050														
B															
1975	134, 000	1, 000	53, 000	188, 000	40, 000	+10	4, 500	+55	5, 700	250	50, 450	−900	136, 650	56, 000	78, 000
1976	136, 650	1, 000	52, 000	189, 650	42, 500	+6	5, 000	+11	6, 000	250	53, 750	−900	135, 000	55, 000	81, 650
1977	135, 000	1, 000	51, 000	187, 000	40, 000	−6	4, 000	−20	5, 900	250	50, 150	−900	135, 950	54, 000	81, 000
1978	135, 950														
C															
1975	134, 000	1, 000	53, 000	188, 000	43, 000	+19	5, 000	+72	5, 800	250	54, 050	−900	133, 050	56, 000	78, 000
1976	133, 050	1, 000	50, 000	184, 050	40, 000	−7	4, 000	−20	5, 800	250	50, 050	−900	133, 100	53, 000	80, 050
1977	133, 100	1, 000	50, 000	184, 100	39, 000	−2	3, 000	−25	5, 700	250	47, 950	−900	135, 250	53, 000	80, 100
1978	135, 250														

NOTES

A=Base; Corn exports of 900,000,000 bushels (15 percent reduction in 1974–75 domestic feed usage from 1973–74) and "normal" 1975 crop.

B=Corn exports of 1,250,000,000 bushels (25 percent reduction in 1974–75 domestic feed usage from 1973–74) and "normal" 1975 crop.

C=Corn exports of 1,250,000,000 bushels, a "poor" 1975 crop similar to 1974, and further range pasture deterioration in 1975.

EXHIBIT III

BEEF SUPPLIES AND PRICES

Alternatives	1973	1974	1975	1976	1977
Commercial beef production (million pounds) and percent change from previous year:					
A	(—5)21, 088	(+8)22, 866	(+7)24, 500	(+8)26, 500	(0)26, 500
B			(+9)25, 000	(+6)26, 500	(—6)25, 000
C			(+16)26, 500	(—6)25, 000	(—2)24, 500
Choice steers, Omaha (dollars per hundredweight):					
A	44	43	43	44	48
B			42	44	52
C			35	50	54
Choice feeders, Kansas City (dollars per hundredweight):					
A	53	38	33	35	45
B			28	35	50
C			22	40	56
Retail beef and veal price index (1967 equals 100) and percent change from previous year:					
A	164	(+3)169	(+3)174	(+1)176	(+10)194
B			(+1)171	(+4)178	(+16)206
C			(—5)161	(+17)188	(+12)210
Per capita beef consumption (pounds per person):					
A	110	116	124	134	134
B			126	134	126
C			135	127	124

Note: A=Base; corn exports of 900,000,000 bushels (15-percent reduction in 1974–75 domestic feed usage from 1973–74) and "normal" 1975 crop. B=Corn exports of 1,250,000,000 bushels (25-percent reduction in 1974–75 domestic feed usage from 1973–74) and "normal" 1975 crop. C=Corn exports of 1,250,000,000 bushels, a "poor" 1975 similar to 1974, and further range and pasture deterioration in 1975.

EXHIBIT IV

PORK SUPPLIES AND PRICES

Alternatives	1973	1974	1975	1976	1977
Commerical pork production (million pounds):					
A	(—7)12, 578	(+9)13, 660	(—11)12, 200	(—5)11, 600	(+10)12, 800
B			(—16)11, 500	(—4)11, 000	(+10)12, 100
C			(—20)11, 000	(—10)10, 000	(+15)11, 500
Barrows and gilts at 7 markets (dollars per hundredweight):					
A	40	35	41	44	42
B			44	45	44
C			45	50	46
Retail pork prices (1967 equals 100):					
A	(+33)162	(—2)159	(+12)178	(+13)201	(—3)195
B			(+15)183	(+13)207	(—3)201
C			(+18)188	(+14)214	(—4)205
Per capita pork consumption (pounds per person):					
A	62	67	60	57	63
B			56	54	59
C			54	49	56

Note: A=Base; corn exports of 900,000,000 bushes (15-percent reduction 1974–75 domestic feed usage from 1973–74) and "normal" 1975 crop. B=Corn exports of 1,250,000,000 bushels (25-percent reduction in 1974–75 domestic feed usage from 1973–74) and "normal" 1975 crop. C=Corn exports of 1,250,000,000 bushels, a "poor" 1975 crop similar to 1974, and further pasture deterioration in 1975.

Senator HUMPHREY. One other possibility—we have to look at all possibilities in light of the currently anticipated poultry, hog, beef, and dairy cow with liquidations and for whatever reasons, and assuming we get a normal 1975 crop of corn and soybeans, how much excess production of supply and what level of corn and soybean prices can we look forward to during 1975 and 1976 marketing years.

Mr. YEUTTER. Well, it is awfully early to make very specific projections for 1975 because there are so many variables. One major variable is the adjustments in the beef cattle situation where we are going to ship all concentrated rations that have become prevalent in recent years up to all forage rations, no grain whatsoever. So the degree with which that pendulum swings is veiy difficult for anyone because there is no precedent. There must be a large margin of errors in the price reduction for next fall.

Senator HUMPHREY. If we got a 6.7 billion corn crop, for example.

Mr. YEUTTER. 6.7—not estimated that was a trend projection.

Senator HUMPHREY. I didn't think you had a fighting chance. I thought you were blowing bubbles.

Mr. YEUTTER. I didn't estimate 6.7.

Senator HUMPHREY. Let's say you get about a 6 billion, or 6.2 billion—that is not impossible—and with the hog numbers and poultry numbers being adjusted downward and cattle being liquidated somewhat, do you think there is a possibility in a sharp drop in grain and bean farm prices?

Mr. YEUTTER. Cattle numbers will probably still be raising.

Senator HUMPHREY. Cattle numbers indicate they will be up.

Mr. YEUTTER. We will make some courageous assumptions. Dawson.

Mr. AHALT. The futures market says next December the price of corn would be at $3.10.

Senator HUMPHREY. About 40 cents less than it is now?

Mr. AHALT. Yes, sir. I don't know what people in the trade have in mind out there on the crop but it would appear to be larger than this year. I think that is fair to say.

Senator HUMPHREY. Wouldn't that eventually be affected by the early 1975 plant intentions reports?

Mr. AHALT. Possibly, but there are many other factors that will affect the final outcome.

Senator HUMPHREY. I don't want to spend our time just guessing here. We won't do any more on that one.

Given the current reductions in poultiy supplies, how much more will consumers likely have to pay for pork or poultry products in calendar 1975; what is your estimate?

Mr. AHALT. Well, Senator Humphrey, we are estimating that beef is going to continue to be a good buy at the retail level. Beef prices, as you know, peaked in February 1974. They currently believe that the price of beef in 1974 at retail will average about 3 percent higher than it did in 1973. I would suspect that prices in 1975, given the kinds of estimates that we have made—an increase in beef production somewhere in the neighborhood of 5 to 7 percent—would mean that prices would increase in 1975 no more than this year, so a very modest amount.

For pork and poultry the increases will be more because of the cuts that Clayton mentioned. We are looking for the cuts in the neighborhood of 10 peicent or more for both, particularly for poultiy, could be more for pork. There is a buffing effect, however, coming from beef supplies and large carryover of broilers. But those prices are going to be advancing because you are going to get decreases in production.

Senator HUMPHREY. Staff was just telling me that hog supplies next year are estimated to be the lowest they have been in some 40 years.

Mr. AHALT. I believe that is correct, Senator.

Senator HUMPHREY. Well, that means a tremendous pressure on consumer prices.

Mr. AHALT. That means that prices will be higher. We have indicated we believe prices will be higher, but we aie also going to have a record level of beef supply in 1975.

Senator HUMPHREY. The problem with that beef supply, is that the price doesn't come down in the supermarket. People don't buy beef on the range.

Mr. AHALT. I understand that sir. We have been quite concerned about that problem. We have come down from the February highs, Mr. Chairman.

Senator HUMPHREY. Yes; I know that.

Mr. AHALT. Yes; they are. We would like to see them come down a lot more. We could clean out the pipeline and see a larger volume of meat move.

Senator HUMPHREY. We are looking at that in the Joint Economic Committee, as you know.

What percent of disposable income do Americans now spend for food?

Mr. YEUTTER. Well, Senator Humphrey, it is now in the vicinity of 17 percent. Dawson, correct me if that is wrong. It may be part of a point one way or the other. But it is now about 17, as compared to 15.7 a year ago or thereabouts. So that has iisen just slightly. But to place it in perspective food for Americans is still the best buy anywhere in the world. This became so vividly illustrated to me when I was in Europe just a few weeks ago. I was amazed to find—of course food prices are so much higher there than in the United States.

Senator HUMPHREY. Unbelievably. I don't know how in the world they make it. Those prices are incredible.

Mr. YEUTTER. People in France said their figures were 22 to 23 percent. They expected it would probably raise to about 30 percent of incomes this year. I can understand why the housewives of America don't wish to spend any more for food than absolutely necessary, but at the same time all of us must recognize we are very fortunate to obtain food at the price level and the income level which is available here in this country.

Senator HUMPHREY. The administration has recently proposed that the poor and elderly spend 30 percent of their income for food stamps.

Mr. YEUTTER. Yes, sir.

Senator HUMPHREY. If the average fellows like myself can maybe spend less than 16 percent of our disposable income, why do we want to sock it to the elderly and the poor?

Mr. YEUTTER. As I said, the judgment there was that the minimum should be 30 in their cash contributions to the food stamp program. It is I said, it appears that is going to be comparable to what all the people in some countries of Western Europe will be paying. I am not sure it is out of line. Again, it would be nice if they had to pay the same as you and I pay. Any time one deals with averages there will always be some people above and some people below.

Senator HUMPHREY. The present law requires that the maximum income is 30 percent on food stamps?

Mr. YEUTTER. Yes; that is correct.

Senator HUMPHREY. Why did we get it up to the maximum?

I read that story in the Washington Post about that couple out here in Virginia, and I was so angry reading it. First of all, they have to pay $137 a month for a little old stinking apartment. The Government ought to be ashamed of itself. We ought to be able to provide apartments for senior citizens. If they have to spend 30 percent of their disposable income on food stamps they are not going to eat much.

Now, I know there are abuses in the food stamp program and I tell you I am very angry when I see them. But I really believe the President's food stamp price increase proposal has to be reexamined. Of course, the Congress will most likely do something about that anyway. I don't think we will take your time, we will just reject the proposal and tell the President that is too much.

Mr. YEUTTER. You are out of my area of responsibility. That area is a substantive figure. It could be 29 or 39 or 48.

Senator HUMPHREY. Do you have any more time?

Mr. YEUTTER. My time is your time, Senator Humphrey.

Senator HUMPHREY. You are very kind.

How much in terms of dollar and volume did the United States make available to foreign countries in Pub ic Law 480 in fiscal 1972 and 1974. You can supply that later. I don't want to take your time.

How much is currently programed under Public Law 480 in fiscal 1975 in terms of dollars and volume and how much under title I and title II. We will get a transcript of this record for you so you can get that information. How much of this year's program levels will now go to countries faced with famine or famine threats as opposed to those nations that are not faced with such threats. You know there is considerable discussion in the Congress now over where the food aid goes?

Mr. YEUTTER. Yes, sir.

Senator HUMPHREY. In fact, the House of Representatives has been legislating on that in the foreign aid bill. We get a little over here, too.

Mr. YEUTTER. Yes, sir.

Senator HUMPHREY. I put a little amendment in that.

Mr. YEUTTER. We are aware of that.

Senator HUMPHREY. And I am on the conference committee, too.

What is the status——

Mr. YEUTTER. I will simply say that makes the State Department a lot more nervous that it does us.

Senator HUMPHREY. They have been calling up.

What is the status of our Government's commitments for food aid for the balance of this fiscal year?

Mr. YEUTTER. OK.

Senator HUMPHREY. Are we planning to include nonfat dry milk and any red meats? This is to what Senator Dole was talking about, and possibly poultry in our food aid shipments in the balance of this fiscal year?

Mr. YEUTTER. One thing you can say to your dairy farmers this week, Senator Humphrey, the Department of Agriculture has made a very strong recommendation that nonfat dry milk be included in the Public Law 480 program.

Senator HUMPHREY. Strictly for institutional feeding. That would be very helpful.

Mr. YEUTTER. Yes, sir.

Senator HUMPHREY. Are you prepared to tell us what specific followup actions the U.S. Government is planning to take on what was agreed upon at the World Food Conference. In fact, I would like to request that the administration submit a report to our committee between now and January 1 relating to these plans and actions.

Mr. YEUTTER. All right.

Senator HUMPHREY. I am going to ask staff to make sure that these questions are properly prepared for your consideration. No need to take your time here.

This is one that we talked about earlier today. The 1975 nitrogen fertilizer suppliers are currently threatened by the Federal Power Commission in their refusal to grant emergency relief for natural gas for U.S. fertilizer manufacturers, which, by the way, is needed by these manufacturers to produce at even existing plant capacity levels. What is the President and the administration going to do to bring about change in the current FPC policy in this regard and is the Department of Agriculture intervening in this matter?

Mr. YEUTTER. Senator Humphrey, we are very concerned about that question. Mr. Ahalt is closer to that than I am.

Mr. AHALT. Senator Humphrey, we are aware of this and also the seriousness of this action because it may have precedential implications. They are getting some emergency relief, but this action tends to override that for the longer run implications and we have been trying to impress upon the Federal Power Commission the need to give some form of priority to food uses, not only to fertilizers, but also for drying of foodstuffs, processing of soybeans and so on. So, in addition to recommending decontrol we have to quickly have consultations at very high levels regarding this problem, because we can not wait until we get this thing worked out through formal channels. We have got to move very quickly.

Senator HUMPHREY. We are just getting the flack on it now. I understand that some of the plants in the southland, Texas or North Carolina—Alabama——

Mr. AHALT. The particular one is in Alabama, Cherokee, Ala. It is running at about a third of capacity based on its curtailment.

Senator HUMPHREY. And inventories are being drawn down?

Mr. AHALT. Yes, sir.

Senator HUMPHREY. We have a bill that Senator Talmadge presented after our hearings on the question. Has the Department taken any stand on that, and if not would you call it to the attention of your group over there and let's see what we can do about it?

Mr. YEUTTER. I am not familiar with the status of it.

Senator HUMPHREY. It calls for priority of natural gas for agriculture purposes.

I think that we ought to get a sense of the Senate resolution and just bring it up in a hurry. This problem could turn out to be catastrophic. All of our estimates on feed grain, particularly corn, would go right down the tube.

Mr. YEUTTER. Yes. Here we are with a shortage worldwide and this occurring, it is just indefensible.

Senator HUMPHREY. I can't understand why they keep using that natural gas in boilers, these big industrial plants.

I think we will let you go at this point. I want to thank you very much. This has been an educational and helpful session for me. We will be talking to you about these matters. I just want to read to you as a sort of benediction. Milk price supports and butter supports in Public Law 93–86. Mr. Secretary, it said: "Notwithstanding the foregoing, effective with the period beginning at the date of the Agricultural Consumer Protection Act of 1973 and ending March 31, 1975, the price of milk shall be supported at not less than 80 percent of the parity thereof."

Mr. YEUTTER. Yes, sir.

Senator HUMPHREY. "Price therefor."

Now, we inserted some new language into this law. In the past, you know—you just had to meet current needs.

Mr. YEUTTER. Yes, sir.

Senator HUMPHREY. But we inserted after the phrase, "pure and wholesome milk," the phrase, "to meet current needs, and future, to assure a level of farm income adequate to maintain productive capacity to meet anticipated needs."

Now, I went out to Minnesota to a nice little gathering up at Little Falls. We had Congressman Jones there from Tennessee. He didn't know our Scandinavians were quite so hotblooded, but he found out when he got there. I read that law to our farmers out there and it dawned on me that if we didn't get any action we would have to sue the Secretary. You are aware there are a number of farmers that have a suit in the district court in Minnesota. I believe it is before Judge Lord. If it is, I want to remind you that Judge Lord just sent down a decision on the food stamp matter insisting that the Secretary abide by the law and as he interpreted, the food stamp law.

Mr. Hackel is that case before Judge Lord's court?

STATEMENT OF MILT HACKEL, MINNESOTA FARMERS UNION, ST. PAUL, MINN.

Mr. HACKEL. Yes. The suit has been filed and the action is now waiting a response from the Department.

Senator HUMPHREY. This is Mr. Milt Hackel.

We prefer not to go to court.

Thank you.

Mr. YEUTTER. Thank you very much, Senator. Thank you.

Senator HUMPHREY. Thank you very, very much.

Next witnesses will include—is Mr. Mabry, Mr. Quigley, and Lechner here?

I submit for the record the background and names and addresses and affiliation of these witnesses. Also we will submit for the record all the materials that you have brought with you for our attention in reference to farming costs, facts on livestock industry and cost breakdowns for wheat and feed grain. Those are the exhibits that you will refer to undoubtedly in your testimony, but we will include in the record the full text of all these exhibits plus all the statistical information you have presented.*

Who would like to lead off on the testimony?

STATEMENT OF FRANK MABRY, JR., PRESIDENT, AFRO-SERVICES, LTD., NEW YORK, N.Y.

Mr. MABRY. My name is Frank Mabry, Jr., AFRO-Services.

When I was brought into the session I wasn't very cognizant of it completely, so what I thought I would do would be to get some people who did it every day and help them compile the facts and figures. We have been to the Department of Agriculture and places and we have devised methods whereby the farmer can survive the situation with an SAB loan, and we have gone to the President's Office and saw Mr. Ross and he thought there would be money in the till when it was needed.

I notice the Department of Agriculture has money for the farmers and livestock people. At the present time the livestock people are dying. Their cattle are standing in the yard with no market. If they sell them they lose money. If they keep them they lose more. Nobody seems to understand which is red meat and what isn't.

I thought I would bring experts in their field who couldn't be doubted, because what I could see—we would just be going through semantics and we would just be quibbling.

Mr. Quigley can give you the necessary information in his area.

Senator HUMPHREY. Mr. Quigley is the vice chairman of the Board of the Taylor International, Sunray, Tex. Go right ahead.

STATEMENT OF NEAL QUIGLEY, VICE CHAIRMAN OF THE BOARD, TAYLOR INTERNATIONAL, SUNRAY, TEX.

Mr. QUIGLEY. First, we are predominately a beef and grain raising area of the country, but I honestly believe I haven't heard any more hogwash than I have heard this morning. I don't believe at all the gentleman I just listened to. I am sorry I am speaking out of text, but I have to say what I feel.

Senator HUMPHREY. That is what I want you to do.

Mr. QUIGLEY. Maybe we should be schooled on hedging. We are consuming our time to grow the Nation's crops. I realize we are not very intelligent or we possibly wouldn't have put these men in a position to administer these programs to us.

I prefer not to deal with theory or example but with direct facts, facts that were compiled from my porch and my frontyard and backyard and land that my family for some years has farmed because I was raised all my life on a farm.

Realizing, of course, that farming costs are skyrocketing, I felt the people in the Senate might like to know just what it does entail to farm one section of land which consumes 640 acres. This is the cost of equipment alone. Of course, the equipment on a farm has a 5 year's maximum lifespan.

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*See p. 137.

For a farm operation, three tractors, one for plowing, $27,000, one for followup and one for planting, each costing $23,000. These figures, I might add, we have tried to deal with bear costs and not the Federal excise. That would bring the total cost to $73,000.

The drill for wheat planting would run $6,000. Listen, double-row planter for feed grains would run $8,000, disk for levelling beds and mulching after harvest, $46,050.

Irrigation wells, which is a vital part of farming in order to raise the type of crops, would need four wells per section, $30,000 each, four wells for each motor pump, $6,000; natural gas hookups, it would cost you $12,000; irrigation tubes for the four wells, siphoning tubes taking the water out of the ditch and put it into the field, it would cost $2,400; dam stops, which are the type elements to hold the water back in the irrigation fields, would cost $375 each, a total of $2,400; ditchers, $1,000; blade, $1,000; cultivators, $200 each, and eight are necessary, which would be $1,600.

Senator HUMPHREY. The $1,600?

Mr. QUIGLEY. Cultivators, brings $165,150.

Going down the list, a spoke tooth harrow to even and level the beds, $2,400; rotary hoe, $3,000; rolling cultivators to control weeds, $6,000; bedders for preparation of planting, $3,200; land plain to make all land level for the purpose of irrigating, $6,000; shot building, cut the cost in half of having it done on the outside, et cetera, $10,000, to control erosion while irrigating, a cultipacker at a cost of $2,400; a deep chisel to break the ground, $3,000; deep turnover plow, $3,000; field cultivator, $3,000; stalk shredder, which after you harvest, the stalks have to be shredded, $4,400; combine which gets your grain crops out of the field, $42,000; grain trucks, a minimum of two per section, 2-ton grain trucks normally were your—liptons?—and grain bed, $23,000; farm pickup truck to do the lighter work, two per section at $7,000 each, $14,000; grain cart—haul grain from field combine to trucks, $4,000; water furrow equipment, for irrigation, eight row at $400 per row, $3,200; row cultivating equipment—for irrigation, $4,000; harrow spring tooth mulch land to prepare seed beds, $3,600; even depreciation is 20 percent, $81,200. Which I consider a straight line over a 5-year period, $81,200, brings a total cost and might I add this is a total cost, not the labor, the land, total just of the equipment, $487,200.

Senator, I don't need to tell you if you went to the bank today to borrow $487,200 and you wanted to borrow it to start a farm process just to purchase the equipment that they would require a minimum of 29 percent downpayment. You can take that minimum and it would come to roughly $133,000, deposit that in the bank and draw a greater return off the interest of that deposit than you could off the farming of this land.

That has been brought to mind, and we are quite aware that everybody here in Washington knows the problems of farming, and we have sat here and watched the large labor unions saying, we will quit working, we will strike, I have often wondered if the Nation's farmers said we will quit working, we will stop, if they shutdown for 1 month, what affect would it have on the economy and the food factory of the world.

Senator HUMPHREY. The answer is quite clear, a catastrophic effect.

Mr. QUIGLEY. That is only 30 days.

Things are in the situation where especially the young men—for a young man to go into farming today it is absolutely impossible unless he was fortunate enough to be born into it, and that is a fact we all agree with.

Senator HUMPHREY. I agree with you, and I think the line of credit for young farmers, new farmers is terrible. We know that and that is something we are desperately trying to help. But your kind of information, which is so specific is very revealing. People don't understand that. They only know the concept in America—the belief as well, if you can't do anything else you can farm.

Mr. QUIGLEY. Yes, sir.

Senator HUMPHREY. I talked to the food and agricultural organization people over in Rome. I said a farmer can't be stupid because he won't last. You can be stupid in some other jobs and still stay on, but not in agriculture. A farmer not only has to be sharp, but he also has a tremendous investment, and that is what you are pointing out.

Mr. QUIGLEY. As I pointed out, these figures are not off the top of the hat. They are figures we live with every morning we get up. The one closest to my heart is my father-in-law who passed away 1 year ago. Upon his death, and he was a small farmer in Oklahoma, the farmland was offered to me and I had to refuse it because I flat could not afford to put the equipment on there to keep it in operation. Also upon his death, the sale, taxes, my mother-in-law for an investment received $26,000 and I think that is an awfully poor return for a man's life.

Senator HUMPHREY. The Government calls upon the farmer to go out there and produce and doesn't want to give him any kind of insurance policy to give him some degree of security and safety assuming he can afford the equipment and has the land.

Mr. QUIGLEY. Yes, sir. What we would like to see and compile and put together and propose is a situation where the grain crops, the feeds, the cattle industry, the entire spectrum of the agricultural industry no longer has to go from the field to the broker, to the grainry, to the broker, to the mill, to the broker, to the grocery. We are hopeful to figure out a solution and working on a proposal to bring it directly to the consumer from the field, thereby giving the farmer an even break and giving the consumer an even break, also on the support situation.

Mr. Taylor, I believe, can give you the facts and figures and whatever other information you want on the beef industry.

STATEMENT OF GORDON TAYLOR, CHAIRMAN OF THE BOARD, TAYLOR INTERNATIONAL, SUNRAY, TEX.

Mr. TAYLOR. Senator, gentlemen, let's stick to banking just for one more moment. I wish Mr. Watts—his name was here. I would like to argue with him on this hedging.

Yes, we can hedge grain, hedge wheat at maybe $4 a bushel, comes time to sell it is $8 a bushel. Something destroys it. These big four majors that we all know about and talk about, they will raise the price so drastically that it will break every farmer. A bank that gets 9½ of Government bonds right now is not worried about farmers, but they have to realize there won't be any farmers in a few years and there won't be any food, either.

I used to go in there and they would say what do you need. Now they say what the hell do you want. Sorry about the language.

Senator HUMPHREY. We use those words around here.

Mr. TAYLOR. If you hedge a crop and you loose it you have lost your rear end.

He says the bankers aren't smart. They are a whole lot smarter than the city-slicker banker. Why do they want to loan to the farmer? A commodity that is hedging is controlled by one or two or three major outfits right now and we know who they are and you know who they are and the people who were sitting here a while ago know who they are. The little teletype machine in our office—the United States sold Syria $23 million worth of wheat. Syria is where my father came from. They in turn loaned the money to buy the wheat and wanted interest, and that debt will never be returned and every one of us know it. Why give this wheat to other countries with needy people here in America.

Fertilizer is getting so high you can't raise a bushel of wheat for less than $6 to even break even. You have got corn. You can raise corn. Your fertilizer I hear is higher than ours and I am sure it is. You have to depend on weather.

This guy was sitting here telling us a moment ago, giving us these estimates, is the future dependent on weather, if the weather does this, if the weather does that. Where do they get their figures from? From a hat? From a desk?

We are just plain old country folks and we are going to try to get it done, too.

I have a question of how can you make a judgment of future grain sitting behind a desk? It can't be done.

There are a lot of cattle on hand. The Government froze cattle in July of 1973. They didn't freeze anything else. They didn't freeze the retail price or the middleman. All they froze was the farmer's price, and from then on each farmer in the country is broke; if not broke, his back is sure bent.

We gave British Honduras a bunch of meat for their disaster program. The big officials took what they wanted, the Army came in and took what they wanted, some of the poor people got a little bit of it, and a Congressman in this administration right now tells us yesterday evening that there was 85,000 pounds flown into Miami from British Honduras, meat that they had sent them, came right back to this country and sold back to us. He didn't agree with my import figures, but I think they can be surveyed, and a lot more of them are up.

We have imported 1,400 million pounds of beef this year at an average price of 59 cents a pound, which is a fair price to figure on. That is a gross income to the importer of $82,600 million. What did that do to the cattle industry. The brokers got 42 percent per pound. That gives them $56 million a loan. The rest of it, I don't know where it went to. There has to be an answer to that.

In back of that cattle freeze, where did our cattle come from. Everybody was holding. That is why we had a bulge of cattle come in. Them cattle had to come from somewhere. Where are they getting those statistics. Maybe they got them from the next office. Maybe I am getting out of line.

Senator HUMPHREY. No, sir. Where did you get your figures?

Mr. TAYLOR. The various people from Miami, the various big importers, and I can prove every one of them if needed to be proved.

OK, I have got cattle myself. I got two examples and these are true, authentic examples. On one calf, medium to choice steer—that just pretty well explains cattle—I bought this calf—I am talking about one calf—now I bought several thousand of them—at average weight of 300 pounds, I paid 85 cents a pound, $255 a head. I put them on wheat for 3 months at $36 a head, my bill very light at $5 a head, et cetera; financing, taking care of cattle runs $12 a month, which is $120 a head. I put them on grass after I took them off wheat for $42 a head, a death loss of 4.2 percent, which is very light, usually 5 to 8 percent, another $10.14 a head; interest paid to the bank, which brought the price of that calf up to $514.95. Today this one calf weighs from 300 pounds up to 750 pounds, and if I was lucky, you know, just really lucky and some buyer really needed it I might get 20 cents a pound. I have lost $364.95 cents on that one animal. I just took a thousand of them and I have them on stalks, wheat. I don't want them gaining weight. The more weight they gain the more they cost me. But I am not going to bring them up here to the White House and put them on the lawn. Hell, they can mow it.

Here is one example on a feed lot calf, which I had several thousand of them. The same calf, this is the same string of calf, the cost of the feed and the medicine and the death loss up to the time he went to the feed lot was $455.37. By the time it was put in the feed lot it averaged 500 pounds. At that time I had 79 cents a pound still in that calf. He got a gain of 700 pounds. My average cost was 58 cents a pound again, which, plus interest, I had $947.50 invested in that one animal, and I sold several pens not long ago that weighed 1,200 pounds at 32 cents a pound, which is $384, and I am losing $563. A lot of them are losing $800 to $900 to $1, 000 a head. I have seen the actual figures on it.

Again, this $563 loss I didn't take the 5 percent of that you have to give a packer.

OK, you go to the grocery store and pay $2.79 for a good steak, right? Where in the hell is all that profit going? We are going broke, and the poor working man is starving to death.

Senator HUMPHREY. That is what we are trying to find out. It is a hard road to follow. We are trying to trace that story right from the day that you bought the calf through the expenses that you are talking about, the day that you market it and what happens to that as it goes along. We have an investigation and I have been on the back of it like a bronco rodeo rider. We had them before the committee not long ago and scolded them good. The FTC has the responsibility to look into these pricing practices. They have been horsing around too long.

Mr. TAYLOR. I follow the newspapers a little bit, and I see, Mr. Humphrey, that you try very much for the Agriculture Department, which if the Agriculture Department goes out—look, if this thing keeps up in 3 years there will not be enough farmers that you can count them on one hand, and the other countries will have to depend on other countries to eat on, which can be done. We are sitting here feeding everybody, take the profits away from the big four, let it go back to the farmers where he can produce more to feed the hungry.

This is the big thing right now. This serious thing, that was a very hard impact in our country. Well, I can say a lot of things but I better not.

Senator HUMPHREY. The same thing happened in Egypt where they had contracted for grain at commercial rates. They came on to us for one of these nice package deals, you know, like our being Santa Claus. We gave them the deal at 2-percent interest over a long period of time.

Mr. TAYLOR. They gave us all this information. They didn't give who sold it or who got the price or how much they got. No, that couldn't be given. All they did was to keep good relations with Israel. Now what the hell is going on. That is the damnest thing I ever saw. Mr. Kissinger is over there kissing everybody's behind and saying if you do this we will give you that we will give you this.

Senator HUMPHREY. Well, thank you very much. We have provided the cost breakdown.

Mr. TAYLOR. Yes, sir, another thing, I don't know why we couldn't stop this beef import into the United States from these countries here. Just like Canada. They ship us beef. They won't take our beef.

Senator HUMPHREY. The argument made, sir, are the kinds of beef that come in are the kinds that we don't produce.

Mr. TAYLOR. Don't they produce the kind we don't produce? Why don't we trade the damned Arabs wheat for oil or beef for oil if they have such a big surplus? The next day you read in the paper we have so much wheat we don't know what to do with it. You read in the paper farmers never had it so good. They raised the price to make the big four look good. These people who sit here on these desks don't go to the farm for the price quoted in there. They take these big four. Well, the big four ought to be cut down to the one little and let the farmers do their own business directly to the mills, trading with other countries and whatever needs to be done. That is the only way it will ever be worked out.

Senator HUMPHREY. Well, the farmer has a real task on his hands to build his farm co-ops and do this kind of processing.

Mr. TAYLOR. That is right, we need financing to do that, very, very, very, much financing, which can be repaid very easily. Because if I buy wheat, like in 1972, I believe it was for an average price of $1.46, and sell it to Russia for something like $5 or $6 a bushel it wouldn't take us long to pay for all the stores we need in this country, about one little deal, the great American wheat theft. That was worse than getting Wells Fargo with all their money.

Mr. QUIGLEY. We have already begun a little negotiation with Colombia for wheat for sugar. Upon the conclusion you will get a full report.

Senator HUMPHREY. Kind of a barter program.

Mr. QUIGLEY. A barter system, because we feel the American dollar at this time isn't in a position to be going out of the country. In order to reach stability we will have to stop world exports, stop the spending of American money abroad, barter system, equal basis.

The sugar quota that is taking the sugar out, things like this we will have to work out pretty soon. Either a barter system on our money or maybe probably have to use Israel as the satellite that it really is. Maybe I shouldn't say that, but you can only take a guy's money so long before I think our country will have to bargain with them with something else. I can't imagine what else, but—I think I will concede to Don at this point.

STATEMENT OF DON LECHNER, VICE PRESIDENT AND GENERAL MANAGER, SUNRAY CO-OP, SUNRAY, TEX.

Mr. Lechner. I am from Texas. My dad was a farmer. I ended up as a grain elevator operator. For the last 3 years I have managed this. You can only farm 600 acres out of 640. You have 40 acres of turningrose, wasteland, et cetera. It costs over $6,500 just for the seed, fertilizer $19,200, insurance, which is hail insurance, act of God insurance and so forth, would cost you another $19,200, your harvest expense, $4,400, if you can afford to buy a $2,400 combine, miscellaneous expense to keep up your irrigation motors, $6,000; the fuel to run tractors, combines, pickups, $16,000 a year and at least two hired men, $18,000 a year.

The farmer's time, which we figure at $4.80 per hour, 7 days a week, 12 hours a day, 48 hours per week at $400 per week times 20 weeks per season is $12,000. This brings your total expenses to put in a wheat crop of 600 acres for $116,259.

Last year the yield was 35 bushels per acre because of the drought and so forth. The average price paid to the farmers was $4.25 a bushel or $148.75 per acre. The sale of the grain $89,250 less his expenses. He lost $33,720.

You don't own the land if someone hasn't given it to you down through the family. You rent it and the landlord shares one-third the fertilizer expense. The landlord also has the expenses of taxes, approximately $9,600. He can seed his portion for $29,750, less his expense, and he would come out with $10,550. At the same time the farmer would reduce his expense by $9,600, but will reduce his profit or his selling margin or whatever you want to call it by $59,000. This way you would only lose $35,000.

I have some other facts on milo, corn, etc.

Senator Humphrey. We will include those in the record.

Mr. Lechner. I would like to bring up one other thing. I don't know where the Government gets their price paid to the farmer. In 1971–73 I withdrew the checkbook that we wrote to the farmers, took the bushel—the low price was 95 cents a bushel in 1971, in 1972 the low price was $1.34, the high $2.58, the average price $1.46. The majority of the farmers sold in 1972 right before the big wheat deal because they were scared. The market jumped up 20 cents 1 day, 20 minutes or 30 minutes all of a sudden it came down.

The major grain companies, I have a major competitor, right next door to me, put out the word that the wheat was going to $1.10 a bushel. The farmers came running in. I didn't even know the price had dropped. All of the independent elevator operators around me came in and sold their wheat to me. As soon as I found out what was happening I dropped my wheat.

In the meantime, I bought wheat. What do I do with it? In 2 or 4 days you get calls from major grain companies saying we will give you this. Before the market opens up they raise it a dime. After the market is up it goes up 25 cents and before the day is over it is down 30 cents. The co-ops are down because half the time they don't know what's going on. We were buying wheat on this particular day. We bought about 100,000 bushels of wheat at $5.01 per bushel. I went to the phone about 4:30 that afternoon to sell wheat we had purchased. The answer I got was well, it all happened an hour ago. They cut everything off. There is no market. For 3 days we sat there with no market.

I say that we as co-op people will have to band together to work from the farm through the cooperative system right straight through to the consumer. Someone, as Mr. Taylor stated, is making a killing off the whole thing. It sure isn't the co-ops, because if we make any money we return it right back to the farmer.

Senator HUMPHREY. Yes; well, I am a very strong co-op man. We have a very large co-op in Minnesota, the only thing that saves us in agriculture. It is the one thing people have to band together to protect themselves.

Mr. LECHNER. I have one other point. This happened a week ago, at 8:30 in the morning. I got a call from my competition and he says we are going to lower our prices 10 cents on corn, I said "Why." The Futures Market doesn't open up until 9:30. Well, we feel it will go down. Well, to protect myself I go down on the board, too. Sure enough, the Futures closed out 10 cents lower that day. I don't have an answer for you. I have my opinions.

Senator HUMPHREY. Well, we will take all the information that you have that is included in the record on the cost of wheat statistics.

Do you have one more presentation or is that it?

I have a 1 o'clock appointment. In fact, it was at 12:30. I pushed it on up to 1.

I want to thank you for bringing us this specific detail.

Mr. QUIGLEY. Isn't that what you asked for?

Senator HUMPHREY. That is what I asked for.

Mr. LECHNER. It must come from the farm straight to the consumer, cut out 20 middlemen. That is what I would like to see.

Senator HUMPHREY. Our cooperative movement can be very helpful.

Mr. LECHNER. We sell our grain to the major grain companies because they have better connections, possibly overseas. They know what's going on.

[The following material was submitted by Mr. Frank Mabry et al., and referred to on p. 130.]

FARMING COSTS

The following is a list of equipment needed to farm one section of land (640 acres) in an area that needs irrigation which will raise wheat and feed grain.

Equipment costs are up to date. Maximum life time of machinery is 5 years depreciates 20 percent per year straight line.

Tractors:	
1 for plowing	$27,000
1 for follow-up	23,000
1 for planting	23,000
	$73,000

Drill (planter-wheat)	$6, 000
Lister double row (8) planter (feed grains)	8, 000
Disc—level beds and mulch after harvest	4, 650
Irrigation wells:	
Need 4 wells per section at $30,000 each	120, 000
4 motors for each well pump, $6,000 each	24, 000
Natural gas hook ups	12, 000
Irrigation tubes for 4 wells	2, 400
Dam stops, $375/each	2, 400
Ditcher	1, 000
Blade	1, 000
Culverts $200 each times 8	1, 600
Harrow (spike tooth) to even level of beds	2, 400
Rotary hoe—to break crust	3, 000
Rolling cultivator—control weeds and help crop to get air	6, 000
Bedder—preparation for planting	3, 200
Land plane—to make all lands level for water	6, 000
Shop building (cuts costs in half of having it done on outside) equipment, tool, etc	10, 000
Culti-packer—control row erosion while irrigating	2, 400
Deep chisel—break ground	3, 000
Deep turn over plow—put organic humis back into soil	3, 000
Field cultivator—necessary for all purposes	3, 000
Stalk shredder—SE [1]	4, 400
Combine—SE [1]	42, 000
Grain trucks—2 per section at $16,000 each	32, 000
Farm pick up trucks—2 per section at $7,000 each	14, 000
Grain cart—haul grain from field combine to trucks	4, 000
Water furrow equipment—for irrigation 8 row at $400/row	3, 200
Row cultivating equipment—for irrigation	4, 000
Harrow (spring tooth) mulch land to prepare seed beds even	3, 600
Depreciation 20 percent	81, 200
Total costs	487, 200

[1] SE—means self-explanatory.

Facts on Livestock Industry

As you will note from the cost breakdown with figures based on one head of cattle, that the severe loss the farmer is incurring is destroying the entire cattle farmer throughout the country. He cannot afford to grain feed his cattle any longer.

The farmer cannot understand why if he is the man that feeds the nation, then why does this same nation let him starve to death. They are tired of Henry Kissinger flying around the world selling the farmer's futures down the drain and watching him put an end to the farmer. They are tired of people sitting behind desks making their decisions as what to raise and what not to raise. If every farmer got off of his plows and just stopped and did nothing, not only would this nation starve, but a great portion of this world would also. At the rate the farmer is going under, this will be true within two to three years.

The figures that are being imported into this country relative to red beef is overwhelming. To date the United States has imported 1,400,000,000 pounds of beef at .59/lb.

If you extend these figures, you will note that this will be a gross figure of $82,600,000,000.00 that American cattlemen are losing to foreign cattlemen. Out of this figure the brokers that handle the meat from the foreign country to the packer receives .04/lb which would amount to $56,000,000 that is being deprived from and passed on to the American consumer.

The countries that are importing the beef are as follows:

500,000,000 pounds from Australia.
350,000,000 pounds from New Zealand.
105,000,000 pounds from Costa Rica.
525,000,000 pounds from Nicaraugua, British Honduras, Colombia, Venezuela, Guatamala, and Panama.

The majority of the products come into our country in chucks, shanks, clods and hamburger. The hamburger is not registered in the above figures. This hamburger has to be reground and mixed with fat. The acid chemical content of this meat is much lower than American beef. The difference is like day and night. This beef does not begin to compare with our standards. It is tougher and stringier. The top round and bottom round and strips are another large import. These are used for products such as t.v. dinners and in rapid cooking meals. Portions of the meat that comes in with that particular group contains horse, goat, sheep, dog and old cattle mixed in together. It comes packaged in boxes and frozen and is never graded by the USDA. Customs never inspects the boxes or should I say rarely inspects these boxes to see if it actually contains beef. The percentage of beef in the ground meat boxes is small and our American public is eating it every day.

Cost breakdown—livestock

1 medium choice calf, weight 300 lb at $0.85/lb 9/73	$255. 00
Feed, 6 mo at $6/mo	36. 00
Medicine, $5/head	5. 00
Subtotal	325. 60
Death loss 3 percent	9. 77
Subtotal	335. 37
Miscellaneous expenses: Cowboys, vet bills, feeders, water, hay, fencing, $10/mo	120. 00
Subtotal	455. 37
At this time calf is put in feed lot at weight of 500 lb at a cost of $0.79/lb. he is then fed up to 1,200 lb. At this time he has gained 700 lb at $0.58/lb	406. 00
Subtotal	861. 37
Interest paid (banks) 10 percent	86. 13
Total investment	947. 50
Sold at 1,200 lb at $0.32/lb	384. 00
Loss per cow	(563. 50)

1 calf—medium choice—steer 300 lb (purchase price) $0.85/lb	$255. 00
6 mo feed/care, $7/mo	36. 00
Medicine, $5/head	5. 00
Miscellaneous expenses: cowboys, vet bills, feeders, water, hay, fencing $10/mo	120. 00
Calf is then removed to feed on grass for 6 mo $7/mo	42. 00
Death loss 3 percent	10. 41
Subtotal	468. 14
Interest paid to bank 10 percent	46. 81
Subtotal	514. 95
Total weight at this time, 750 lb at $0.20/lb	150. 00
Total loss per calf	(364. 95)

1,000 head of cattle returned back to pasture because of tremendous loss sustained by this particular farmer.

Farming Factors With Wheat and Feed Grain

Wheat Season starts first of September and ends July 1st. Approximately 30 farming weeks.

Various Diseases

Mosaic—root disease which is in the soil; you never know it has effected the crop until harvest whereby you get no return from your crop. Only solution is to rotate crops next season to feed grain or other crop. This should be done for 3–5 years before you can take the chance again.

Streak Mosaic is where it only effects the crop in streaks. This is a virus created by various insects. Same procedure must be done if your crop is effected.

Crops must be sprayed for flea beetles, flea hoppers, two types of green bugs, 1. hot weather 2. cold weather; two types of spider mites, 1. red 2. bank grass leaf spider; army worms, cut worms, wire worms, grub worms, grasshopper infestations.

Red rust or black rust could effect crops and this is caused by humidity in the air.

Smut—plant disease called stalk or grain smut; usually happens in month of May.

Irrigation is a must in this particular area because if they would have had to depend upon the rain in the last 15 years, they would have had two crops. This past year would have yielded nothing.

To purchase land in this particular area; land irrigated with wells already on them would cost approximately $1,000/acre; without wells would be approximately $500.00/acre. Therefore, one section of land with wells would be $640,000.00

Land can be leased by paying the landlord ⅓ of the crop delivered free; his investment is ⅓ of the fertilizer and the taxes which are generally $15.00/acre for a total cost of $9,600.00/section.

Irrigation—three types throughout country.

1. Flood.
2. Sprinklers.
3. Row.

Farmers sell to the local Co-Ops or the majors; Co-Ops then sell to the regionals and the majors; the regionals sell to the majors and export; the farmer gets return on their money only from the Co-Ops if the Co-Op makes a profit after expenses. Major grain companies can buy the wheat, sell to the millers or export and the farmers get no portion of that profit.

Ideal situation is for farmers to stabilize prices and sell for export which can be done through Co-Ops. The farmer must have some return on the investment if he is to be back next year.

Farmers sell their wheat to the various local Co-Ops. The Co-Ops in turn sell theirs to the regionals and for a hopeful $.25 profit or hopefully $.50/Bushel and also to the major grain companies which are Continental, Cargill, Cook.

They, in turn, sell to the millers such as General Mills, Pillsbury, General Foods who, in turn, sell to the end users such as major chains, bakeries, wholesalers, etc. or for foreign export. The regionals sell to the majors or foreign export.

The profit margin lies with the majors and the millers and the farmer and the consumer are the losers because the only return on the profit from their grain is from the farmers co-ops.

Before the crop is planted, the farmer must go to the bank to borrow the money for the seed and expenses. If a farmer has one section of land he can borrow $50.00/acre and then when he finds out, during mid season, that this will not be enough he then goes back and borrows another $25.00/acre. Both loans are at 10%.

If it is for feed grain, he can borrow at least $100.00/acre at 10 percent. Sometimes the farmers get so deep in debt, that either the bank cannot afford to let him go under or they foreclose. They lose approximately 15 percent of the farms this way every year and also approximately 20 percent of the tenant farmers a year and these statistics increase every year.

Cost breakdown wheat

The following figures are based on one section of land (640 acres) planted only in wheat.

Seed, $10.90/bu + 90 lb/acre (per section)	$6, 509
Fertilizer $30/acre	19, 200
Insurance—Covers hail and acts of God at $30/acre, 10 percent deductible. See footnotes	19, 200
Harvest—$7/acre if farmers equipment is owned	4, 480
If equipment is hired	11, 200
Miscellaneous—Includes maintenance, oil, grease, plugs, etc., $50 week ×30×4	6, 000
Fuel—$124/d = 135 d needed for pick up, tractors, combines	16, 740
Hired labor—2 men at $9,000/each	18, 000
Farmers time—$4.80/hr, 7 d/week, 12 hr/d, 84 hr/week, $400/week × 20 weeks per season	12, 000
Total expenses:	
Own equipment	116, 259
Hired	122, 979
Yield, 35 bu/acre for 600 acres at $4.25/bu or $148.75/acre	
Return for sale of grain	89, 250
Hired	(33, 720)
Owned	(27, 009)

If you do not own your land, you rent it from the Landlord who pays ⅓ of the expenses of the fertilizer, and who receives ⅓ of the return and then your figures would be as follows: Most farmers today cannot afford to buy their own land.

Own equipment farmers expenses are	$109, 259
Sales of grain	59, 500
Farmers loss	(49, 759)
Hired equipment expenses	113, 379
Sale of grain	59, 500
Subtotal	(53, 879)
Landlord receives:	
Sale of grain	29, 750
Landloard expenses ⅓ fertilizer	9, 600
Landlord expenses taxes	9, 600
Total	10, 550

Cost breakdown feed grain

The following figures are based on one section of land (640 acres) planted only in feed grain:

Seed, 15 lb/acre at \$1/lb=\$15/acre	$9, 600
Fertilizer, \$45/acre	28, 800
Insurance, \$30/acre	19, 200
Irrigation, \$4.50×8 times per season=\$36/acre	23, 040
Harvest:	
Owned equipment	4, 480
Hired	11, 200
Miscellaneous—includes maintenance, oil, grease, plugs, etc. \$75/week ×28 weeks	8, 400
Fuel, \$150/d×190 d (used for trucks, tractors, combines)	28, 500
Labor, 3 men at \$9,000 each	27, 000
Farmers time, \$400/week×28 weeks	11, 200
Total expenditures:	
Owned equipment	153, 920
Hired	160, 640
Yield, 5,500 lb/acre, \$5/100 weight=\$275/acre;	
Return	165, 000
Profit:	
Own equipment	4, 360
Hired equipment	11, 080

If you do not own your land, you rent it from the landlord who pays ⅓ of the expense of the fertilizer and who receives ⅓ of the return and then your figures would be as follows: Most farmers today cannot afford to buy their own land.

Own equipment farmers expenses would be	$144, 320
⅔ sale of grain	110, 000
Loss	(34, 320)
Hired equipment expenses would be	151, 040
⅔ sale of grain	110, 000
Loss	(41, 040)
Landlord expense of fertilizer	9, 600
Landlord receives ⅓ grain	55, 000
Landlord would pay taxes	9, 600
Net to Landlord would be	33, 800

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Year	Low	High	Average
Wheat statistics (per bushel):			
1971	$0.95	$2.55	$1.52
1972	1.34	2.58	1.46
1973	1.97	5.12	3.07
Total 550,000 bushels.			
Milo statistics (per hundreweight):			
1971	1.75	2.70	1.87
1972	2.00	2.85	2.46
1973	2.45	5.00	3.77
Total 190,000,000 lbs.			
Corn statistics (per bushel):			
1971	1.09	1.20	1.14
1972	1.29	1.73	1.45
1973	2.30	2.75	2.59
Total 350,000 bushels.			

Sunray Co-Op serves parts of a five County area and handles about 35 percent of wheat and feed grains. Three other Co-Ops handle 30 percent. Balance is left in the hand of independent grain companies. Sunray Co-Op sells about 85 percent of the wheat to the regional corporations and the rest to the independents. Feed grain is sold locally to feed lots until they go under, which doesn't look too far away.

These figures were computed over a three year period and it was noted in this study that most of the farmers received the lower costs and it was only one or two that received the high price, therefore, making the average price erroneous because the farmers never actually receive that price. The majority of the time, the larger portion of the farmers have sold at the lower cost. U.S.D.A. and the public then feel that the farmer is making a killing and the figure allows the major (Continental, Cargill, & Cook) to receive the profit—not the farmer—because the majors bought it at the lower figure and sold it as the market went up, then received their profit and the farmers receive no portion of that profit.

Senator HUMPHREY. We will have to recess the hearing until 2 o'clock.

Thank you very much.

[Whereupon at 1 p.m. the hearing was recessed until 2 p.m.]

AFTERNOON SESSION

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

Senator CURTIS. The meeting will come to order.

This is the final session of 2 days of hearings on the U.S. food situation and foreign commercial and food aid demands.

This afternoon we will hear from two individuals who are engaged in live stock feeding and ranching and represent only themselves here today.

We will also hear from representatives of several live stock dairy and poultry organizations.

The Department of Agriculture witnesses indicated this morning that 1975 looks better for dairy, poultry and pork producers if a bumper feed grain harvest is forthcoming. On the other hand readjustments in the beef industry may take considerably longer.

Our first witness is Mr. Larry Schaffer, who is a rancher from Nebraska.

I want to say, Mr. Schaffer and the other witnesses, that it is regrettable when we have to hold this hearing in the afternoon when the Senate is in session and other things are going on and Congress is trying to finish up by the end of next week, and it is a little bit hectic around here. These hearings will be published and your contribution will be published even though the full-committee is not here to receive it.

Mr. Schaffer, you may proceed in your own way with your paper. We are very glad you are here.

STATEMENT OF LARRY SCHAFFER, O'NEILL, NEBR.

Mr. SCHAFFER. Thank you, Senator Curtis.

My name is Larry Schaffer. I am a rancher from O'Neill, Nebr. My ranch is roughly 1,350 miles from each seacoast of the United States. I am on the very eastern fringe of the range area; 50 miles to the east of us there is virtually all farm land extending to the east coast. The exceptions to this are forest areas and rough land along drainage areas. To the west of us lies the "Great Sea of Grass" all the way to the west coast. The exceptions to this are mainly irrigated farming developments with some dryland farming in certain areas. Together they probably amount to less than 10 percent of the land area. The remainder of this "Sea of Grass" to be of any value to mankind has to be converted to edible protein. This is where the cattleman and the sheepman come into the picture. His role is to provide the livestock and manage the ranges to help feed our population. He must have a profit to survive. He has always operated on a 1½ to 2 percent profit for invested dollar—not much in comparison to other industries in our economy. His reserves, if he has any, are in the appreciated value of his land. He cannot afford to subsidize the consuming public. He has taken losses so great this year that many are having problems getting finances for 1975. The lending institutions in the past have considered us respected borrowers. We have paid our commitments without government subsidy—some years this has been pretty tough sledding, but seldom have many been unable to do so.

The figures I see most often quoted, and those from my own ranch, would lead me to believe that it costs $175 on the average to run a cow for a year. With a 90 percent calf crop—a 400-pound calf worth 30 cents a pound returns $108.00 per cow—or a net operating loss of $67 per cow. Add this loss to next year's calf crop and it is no wonder that our lenders look us over very carefully.

Ranchers in areas of short winter supplies of feed have offered to place their cows with other ranchers or farmers, provide bulls to breed them back, and give them next year's calf crop, if they will maintain their cows for a year. I have heard of no takers at this time.

A cow that lost a heifer calf last spring, if allowed to fatten up on grass and sold by July 1st was a better return for a rancher than one that weaned a calf of this fall and both were sold.

What influences our market and creates the big peaks and valleys in sale prices?

In a supply and demand type of economic system, as the cattle industry supposedly operates under, its greatest influence has to be the supply outlook. The demand we can get quite accurately from last week's sales and trends of the past. Our supply figures come from the USDA. Let's take a close look at them and their accuracy.

In August 1973, a little over a year ago, USDA supply figures indicated we were in a slight shortage situation, as far as beef was concerned. They could see nothing in the years ahead to caution the rancher, as far as supply and demand entered into the picture. Everything looked rosy. Today with the addition of one calf crop, and it not yet of an age, to go into actual supply channels, little, if any change in the amount of beef people are eating, they now tell us that supplies are so burdensome it may take 4 or 5 years to consume the excess. The hog market, at one time this year, reached $20 per hundred in a 2-week period. I don't believe this is possible in a true supply and demand economy. Futures trading reacts nearly as strongly, in some instances, when USDA reports come out. Grain prices remain high with 35 percent less exports, but in anticipation of foreign sales. The supplies are there—the demand is fictitious. It appears to me USDA is controlling our agriculture prices with phony supply and demand figures. I see the grain farmer in an over-supply situation a year from today.

Where do prices have to go to become profitable for the rancher? I feel calves have to bring 55 cents per pound on an average and in turn, fat cattle market around that 55-cent figure, to return a modest profit to the rancher and feeder. I am sincere in saying a modest profit—about 1.75 percent profit per invested dollar, as I see it.

Cautions to be considered as we look ahead—we can ill-afford to bankrupt the cattle industry. It is an integral part of our economy. If it goes down it will drag our Nation's economy with it. If production is stifled too much—over-reaction to another shortage and higher meat prices for Mrs. Consumer.

What changes might help to bring about this profit picture?

1. Attack inflation—slow it down to a whisper.
2. Consider excess profit legislation and monitor industries profits.
3. Impose import meat quotas as a percent of last month's kill—include all meat product, not just fresh meat.
4. Consider suspending future trading—they are being used as a hedge on profit—not on supply.
5. Consider suspending crop and livestock reporting—they cause an over-reaction in our markets.
6. Establish world markets and give hungry nations canned meat and grains rather than dollars and credit.
7. Establish reserves of canned meat for future use.
8. Permit the use of growth stimulant drugs, such as diethylstilbestrol—DES—by livestock feeders.
9. Allow more reasonable freight rates to be established on livestock moving from western range areas to the feeding areas.
10. Investigate the increase in the farm retail beef price spread. On a 1,000 pound steer this spread has increased from an average of $189 in the third quarter of 1973 to $232 in the second quarter of 1974. This is an increase of $43 or 23 percent in a 12-month period.
11. Help the industry to inform and explain to Mrs. Consumer that for her husband to have a job, it is necessary that agriculture profits and creates a market for the products of her husband's labor.

Senator CURTIS. Mr. Schaffer, you have given very good testimony here. You have made the situation eminently clear.

How long have you been in the cattle business?

Mr. SCHAFFER. All my life.

Senator CURTIS. Was your father a rancher before?

Mr. SCHAFFER. Yes.

Senator CURTIS. Would you mind telling the committee a little bit about your family's operation during his life time and what it is now?

Mr. SCHAFFER. My father passed away 10 years ago in June. While he was still alive we fed all of our increase of our cattle, some in our own feed lot and some in commercial feed lots.

We have been in the commercial ranching business most of our lifetime, somewhere around 2,500 head of cows and fed the increase.

Now in the past 2 years we are in a 1-year calf program or have them fed out, whatever looks the best, the fat cattle market or the feed program.

Senator CURTIS. Are you feeding any cattle now?

Mr. SCHAFFER. Yes, I have 500 head, about ready to go to market.

Senator CURTIS. Are you doing this yourself or using a commercial feed lot?

Mr. SCHAFFER. They are in a commercial feed yard. I raise no grain.

Senator CURTIS. How do you account for the trend away from barnyard feeding and the increase in commercial feed lots?

What is the basic reason for that?

Mr. SCHAFFER. I think primarily with the new tools that commercial feed lots have available to them that they are able to do it cheaper than most people can do it in the feed lot at home. They are able to use, by the numbers that they use, their labor bill per critter isn't quite as large as doing it at home.

Senator CURTIS. They are large enough that they can avail themselves of all the scientific advances in the feed mix that they use; is that right?

Mr. SCHAFFER. Right, most of them today are hooked up to computer centers whereby they compound the rations and give them a cost price of the various rations they may wish to choose on a daily or weekly basis.

Senator CURTIS. In the particular area that you operate, about how many acres does it take to raise a cow?

Mr. SCHAFFER. We figure an average ranch in our area about 10 acres, which gives us about 2 acres for winter feed supply and about 8 acres of range to run a cow on through the summer period.

Senator CURTIS. That is a better type of land and better grass production than cow country west of you.

Mr. SCHAFFER. Probably a little better. Probably as it goes west we get a little less moisture.

Senator CURTIS. About how many acres are involved in your operation?

Mr. SCHAFFER. About 25,000.

Senator CURTIS. This figure that you mention of 1½ to 2 percent profit on invested dollar, now, that of course—you are not speaking of the present time, but that has been sort of a normal or the average, is that right?

Mr. SCHAFFER. That has been about the average back over the years.

Senator CURTIS. For all ranchers?

Mr. SCHAFFER. Yes; I think that is the average of about all ranching.

Senator CURTIS. I think it is quite significant in here that you use the illustration that an operator that has a cow that loses the calf is better off by July 1 of the next year than a rancher who has weaned his calf. Would you explain that?

Mr. SCHAFFER. Well, last spring for instance if the cow had gotten fat and he had sold her in June or early July she is probably worth around that 30 cents a pound, weighing upwards of 10 and a half, 1,100 pounds. Thirty cents would run some where around $330. This fall at the weaning time, the middle of October the calf when it was weaned off the heifer calf was probably worth 26 or 27 cents and weighing probably somewhere around 350 pounds, being heifer calf, would make the calf bring around $80 somewhere in this neighborhood, $80 or $85. If the cow were sold, being drawn some, weighing somewhere from 900, 950 pound figure, and would probably bring about 17 cents on the market. And on the $80 value of the calf, $260 or $60 or $70 short of the calf in July.

Senator CURTIS. In reference to your figure of 55 cents as being a figure where the rancher would begin to earn a profit, for how long a period were you getting 55 cents or over for feeder calves?

Mr. SCHAFFER. Well, a year ago of course was the all time high.

Senator CURTIS. How high did it reach then?

Mr. SCHAFFER. I knew of some calves that brought 80 cents a year ago. They were light-weight calves, but that was as high as I heard of any calves bringing. Quite a number of cattle bringing 70 and 70 to 75 cents.

Senator CURTIS. Approximately what is it now?

Mr. SCHAFFER. Well, steers in our area are averaging probably around 30 or 31 cents. On occasion it will work up a couple dollars and on occasion it will go down a couple of dollars.

Our market is very volatile. From one week to the next it yo-yo's back and forth.

Senator CURTIS. That is quite difficult to explain.

Mr. SCHAFFER. It certainly is. There is no way you can plan for it. You can take your cattle to town and there may not be anybody there and the next time the auction may be loaded with buyers, but they will be wanting to buy them just as cheap as they possibly can.

Senator CURTIS. You feel that the per pound price for calves and the fat cattle price that the industry would be on an even keel if that figure was about the same, assuming it was up high enough?

Mr. SCHAFFER. Right. I worked this out, taking a 400 pound calf, and then added on a little profit, I figured a nickel a pound, about $20 a head. I used a 200 cow operation, which we have to say was average. that only leaves a profit of about $4,000 a year, after taking living expenses out, which isn't—it is not very much. By the same token, if you add on the cost of feeding the steer out, using a 50 cent cost of gain figure, putting on roughly 700 pounds on him, get him ready, another $350, so if the feeder makes a nickel or less and with debt losses he will have to have a nickel profit, comes out to about 55 cents per pound.

Senator CURTIS. I want to commend you on having some concrete suggestions. You recommend among other things suspending livestock and crop reporting. Would you want to elaborate on that? On what basis would the farmer and rancher have to determine his future operation or is he using these figures now?

Mr. SCHAFFER. Well, I wonder, maybe suspend it completely wouldn't be a good idea, but perhaps once a year that the farmer could use this report and planning for his next year's crop, say the last of January or where we are somewhere through the use of the feed where we can get a pretty accurate idea of what kind of supply we have left. But just one time a year would keep our market from reacting so violently. Today when we hear there has been a load of corn sold to one of the foreign countries, the market goes up for 2 to 3 days on the mercantile exchange in Chicago. We find they have turned down a load of corn or something else, then it goes down for a couple of days. Everything is just overreacting to everything we hear. I think it would help somewhat if we could take some of the overreaction out of the market.

Senator CURTIS. The market, in other words, fluctuates drastically, not only the market for livestock, but the grain market, particularly.

Mr. SCHAFFER. Right; and the cattle market, too, like it did last fall when the Department of Agriculture was indicating to us that we were in an under supply situation. Everybody started holding their cattle because they thought it was going to be a big shortage. From their reporting they caused people to hole their cattle too long. They thought they were in a shortage situation. Evidently there wasn't a shortage situation, because without the new calf crop being on the ground, without additional cattle coming into the United States at the time they were coming out with these figures all of a sudden they were in a surplus situation.

Senator CURTIS. The Livestock Business Advisory Service and the USDA basically agree the beef supply will continue to increase the next three or four years. Do you agree with this, and, if so, what will be the effect on ranchers such as yourself?

Mr. SCHAFFER. This could very possibly be. Of course, the only figures I have to go by are USDA figures. Looking over the ranges, I doubt very much if we are going to have this much of an increase. Now we are talking of going back to bigger cattle, yearlings, 2-year olds, this type of cattle require less grain, more roughage. If people make this change, and it is hard to tell how people will react to this, if people make this change this could change quite rapidly. But if it doesn't, if the numbers are there as the USDA tells us they are, we could go broke.

Senator CURTIS. You suggest a quota of the previous months kill. At the present time it is a percentage of production, isn't it?

Mr. SCHAFFER. I am not sure what they use as a basis. What I was thinking of was the situation whereby if we got in the shortage area or a shortage period, then as the kill went down for the previous month, take inventory somewhere down the line, it would probably take 3 or 4 months before this meat could get here.

Senator CURTIS. I am personally convinced that our meat quota law not only should have been enforced over the years, but it is too generous to foreign countries. When the bill was enacted in the middle 1960's, passed the Senate, as a matter of fact, it was the proposal of the American National Cattlemen; a lesser bill, lesser from the standpoint of American cattle industry had passed the House. When we got to conference there was a feeling of the State Department that the stronger bill the Senate passed would be very bad for our world relations. I didn't agree with that, but nevertheless the quota law was not as strong as when it passed the Senate; however, it is certainly better than no law at all, and I think it is a tragic state to lift it. In addition to the fact it lets into this picture of emotional buying and fluctuation of price; does it not?

Mr. SCHAFFER. The figures indicate today the average American eats about 10 pounds of foreign meat or beef, 116 or 117 pounds per person, that is about 1 month's meat supply coming from overseas shippers, which seems to me—that is one problem in our market. It seems to me we are being extremely generous to them to accept that much meat.

Senator CURTIS. Now, this crop report, as well as reporting the numbers of cattle, isn't it true that that is of a big help to the buyers, because if they feel they have a report that is substantially accurate of oversupply they are going to be more reluctant to buy and they will force the price down?

Mr. SCHAFFER. Definitely. In the situation we are in today if the livestock industry doesn't use the grain that is on hand today or very little of it and it is all used for human consumption the supplies can build up quite fast, and 1 year from now the grain people will be in the very same situation we are in today.

Senator CURTIS. Well, is this reporting service of benefit to the producers?

Mr. SCHAFFER. It probably encourages him to select the various grains that he may want to plant for the year. It probably helps him in his cropping, knowing what the storage on hand is, if the story is accurate.

Senator CURTIS. But is it also true that many farm producers can't pick and choose like somebody going to the stock market to buy stock in this or that and then they can trade back the next day. They have to take into account their soil, their plant operation, what they can produce, the equipment they have, and they can't switch from being a producer of one particular commodity and just all of a sudden decide to withdraw from that and go to another; isn't that true?

Mr. SCHAFFER. That is true. They are somewhat similar to the cattlemen. We can't decide to go to a yearling operation next year with a cow operation this year. You can't make these changes that fast.

Senator CURTIS. So it may well be that a reporting service that was intended to serve agriculture, because it is in the Department of Agriculture, may be of minimal service to farmers and ranchers and a substantial service to the buyers of their products.

Mr. SCHAFFER. Right. Dr. Yeutter this morning in testimony spoke of hedging, which is actually the forward sale of your product. This morning's paper indicated that next spring the feeder market, which would be—and I can't tell you the exact poundage, but like a 500 pound calf is quoted 3,370 or 3,360 on the Chicago Mercantile Exchange. Next fall fat cattle, the same critter moved on into the fall at about $43, somewhere in this neighborhood. If we were to take that price for what it cost us to raise a calf today and we could sell it just at a profit, at 55 cents a pound today, we put in the middleman's spread, the fat cattle price would leave nothing. This is already prepriced. This will probably be our market because it has been anticipated and, outside investors have invested and have bet their money this is what they will be given. So they have pretty well priced our market. We have nothing to say about it.

Senator CURTIS. At the time DES was ruled out there were many representatives from agricultural areas advised at that time that it would increase the cost of feeding by quite a significant percentage; do you agree with that?

Mr. SCHAFFER. From all indications that I have—the percentage I can't tell you the exact dollar per head. Of course, as feed costs go up and conversions down—the conversion and feed costs go up it will be much more significant than it has in the past.

Senator CURTIS. Your recommendation and all your recommendations are good, your recommendation for a study of beef price spread, I think that is a very real problem at this time because we do know that retail prices, while they vary a little bit and they certainly carry little resemblance to the price of live hogs and cattle; isn't that true?

Mr. SCHAFFER. It certainly is in my opinion.

Senator CURTIS. Do you have any idea of who should carry on that investigation and how?

Mr. SCHAFFER. I think, and this is just from what I have heard, that the House has an investigation in progress now on this.

Senator CURTIS. I think it is one of our very serious problems. I sometimes have my doubts whether those in elective office are free to be as objective as the situation demands, and certainly some of the Government agencies like the Federal Trade Commission, which are undertaking one, I think it is important that we impress upon them to use a reasonable amount of speed. If they drag a study out too long the answer is obsolete when they bring it in because in the meantime the facts have changed.

Mr. Schaffer, I want to thank you for appearing here. The fact that there was not a full committee here was disappointing to me, of course, but your contribution will be of help to everyone who pursues this subject, and thank you very much.

Mr. SCHAFFER. Thank you.

Senator CURTIS. Our next witness is likewise a Nebraskan who is well qualified and has made some important contributions to committees here in Washington before, Mr. M. J. Hankins, farmer and cattle feeder, Stanton, Nebr.

We welcome you here, and you may proceed in any way you wish. Prior to the presentation of your statement tell us about who you are and how long you have been engaged in the cattle business.

STATEMENT OF M. J. HANKINS, FARMER AND CATTLE FEEDER, STANTON, NEBR.

Mr. HANKINS. I was raised on a combination livestock and grain farm in central Nebraska. Then I went into Government service. I was in Vocational Agriculture and the Soil Conservation Service and started feeding cattle about 25 years ago.

Senator CURTIS. You were in vocational agriculture? Where did you take your training?

Mr. HANKINS. University of Nebraska.

Senator CURTIS. College of Agriculture?

Mr. HANKINS. Yes.

Senator CURTIS. All right. You can proceed or read your paper or present it in any way you wish.

Mr. HANKINS. Thank you, Senator Curtis.

We really appreciate what this prestigious committee is doing for the cattle business. We know you are sincere and are doing everything you can. I feel it is a privilege to be asked to appear before this committee. It restores my faith in the democratic system when a committee such as this is willing to take time off from their busy schedules and listen to an independent food producer from the plains area of the Midwest.

I was hoping that Senator Humphrey might be here this afternoon. I was very much pleased with the candid remarks he made in behalf of the dairy industry. I think we could get a lot more drastic action out of some of our Government bureaucrats and representatives from some of the farm and livestock organizations if they had their salaries hooked to the price of cattle.

Senator CURTIS. I think that would be a good idea. I recall being in Congress during World War II, and some writer made the suggestion that in the interest of unity we ought to suspend all elections and the Congressmen and Senators serve until the war was over. One Congressman was frank enough to admit, he said, well, you will sure have a long war. I think that if more of our salaries and other prices were tied to agriculture in general and particularly to the livestock industry it would cause some quicker action.

Now, you may proceed, sir.

Mr. HANKINS. I came here to Washington, paid my own way, in a last ditch stand to try to save what is left of a very badly bent and very badly broke livestock and cattle industry.

The cattle feeder is insolvent. On the average, he has lost all equity in his cattle. He should send condolences to his creditors because they own the cattle.

I think it is a shame that somebody, back about 1½ years ago, didn't have the decency to warn the cattlemen about what was in store for them. The warning could have been worded something like this: "Hold still little fish, all we intend is to gut you."

I was driving up in Montana the other day when a radiator hose blew out. Before I could stop a car in front flagged me down, and a pickup stopped behind to help me fix my car. They had tools. They got their hands dirty. They took me to a town 15 miles away, got repairs, came back and put me happily on the road and they wouldn't take any money. That is the way they treat people up in Montana. I was very much impressed. They have this kind of people in South Dakota, Nebraska, Minnesota and many other States. I have been informed that a small group of these people have decided to come to Washington in a last straw attempt to save their cattle, their land, their homes, their life's savings and their way of life. I thought how nice it would be if bureaucratic Washington would extend to them the same type of courtesy that they offer to strangers when they visit up in their home communities.

Agriculture is by far the largest and most important industry in the United States. It is not treated that way. It gets kicked around. People want food as cheap as they can get it. There seems to be an unwritten law that people would rather go hungry rather than to pay the farmer a decent price for his products. But this may all change if we happen to get on a collision course with hunger.

The cattle industry is by far the largest and most important part of agriculture. Our 130 million head of cattle could be compared to a huge labor force that works around the clock every day of the year including Sundays and holidays and without strikes or lockouts, in converting a much larger tonnage of raw material into a finished product than all other industries combined. Hundreds of millions of acres of grasslands and cropland byproducts would be wasted without cattle. Most of the area of the United States is grazed over by cattle.

This wonderful beef industry of ours, that has supplied us with an abundance of high quality beef down through the years at a very reasonable price, is now being very foolishly and very needlessly destroyed by unfair packer buying practices, by chainstore price manipulation, by racketeering especially in the big metropolitan areas, by excessive foreign imports of beef, and by unwise and damaging Government policies. Our industry is being choked to death by a deadly disease known as market manipulosis.

Now, what do we mean by unfair packer buying practices. A recent four column article in the Wall Street Journal tells how the packers manipulate the Chicago yellow sheet to their advantage. The yellow sheet should be outlawed as a price measuring bulletin.

Another unfair packer buying practice is grade and yield, in the beef, and consignment buying of cattle, the most unfair and discriminatory marketing system that has ever been devised in the history of agriculture. We have tried unsuccessfully to get the Packers and Stockyards Division to do something about this buying practice.

These two practices have allowed the packers to double their price spread in the last year. In July of this year packer price spread jumped, 104.4 percent, or an annual rate of nearly 1,300 percent. That is the way the newspapers quote a rise in food prices.

Now in regard to chainstore price manipulation. We just won a case against the A&P food chain in Federal District Court in California—They were indicted for rigging the market $20 per $100 on live cattle. Total damages figured to $32 million.

What do we mean by racketeering? The litigation against Iowa Beef Packers has shown conclusively that to get beef into certain big city markets there has to be a very substantial payoff. A meat dealer in Ohio was told where he could get a lot better beef for less money. He said do you want me to have my place of business blown up.

There is a very direct connection between unemployment in the auto industry and the price of cattle. Agriculture buys more trucks, cars, petroleum products and chemicals than any other industry.

I asked an economist if we should pay real close attention to conditions in the cities so that we could tell when a depression is going to appear on the horizon. He said forget about the cities, depressions start on the farm. He said for every dollar the farmer gets labor gets a dollar; for every dollar the farmer gets that dollar trickles down through the economy and generates $7 in total national income.

Why do some segments of our economy get along so much better than agriculture? Borrowed money is the answer. A big chunk of the national debt is there because the farmer was underpaid.

The cattleman would have plenty of money to operate on if he only had his fair share of the consumer's beef dollar.

We recommend consumer cooperation in reducing price spread margins to fair and reasonable levels. Consumers are eating more beef than ever before in history. The price is high enough at retail. We don't want the consumer to pay any more for beef.

It costs over $250 to have a steer slaughtered, the meat cut and wrapped and laid out on the counter for the housewife to serve herself. A custom slaughter or locker plant using awkward custom methods will do this work for about a $100, or for about $150 per head less money.

Producer to consumer markups or price spreads are paid for by the consumer and/or the cattle industry. Therefore, the consuming public is just as much concerned about price spreads as the cattleman.

During the 100-day price break last fall the demand for beef was so great that retailers had no trouble in selling beef at or near record high prices. They reduced their promotion activities and advertising in daily newspapers to stretch the available quantity of beef which was in short supply compared to 1972. For instance, average weekly cattle kill during November, the month of the lowest cattle prices, was 4,000 head short of 1972 with average weights about the same.

The market broke half in two before the cattleman made his cattle too heavy.

Shortly after January 1, 1974, retail beef was marked up to a new all time high of $1.50 per pound. Retail price spread jumped $10 per hundred and the price of cattle was forced down so low that prime heavy steers sold for dog food at 30 cents per pound in early June at Sioux City, Iowa.

Shortly after the first of the year when they started lowering prices again, I practically got out of the cattle business and just in time to prevent my hide from being "stretched on the granary door." That made it possible for me to be here today—otherwise I wouldn't have had the money to have made the trip.

I have 16 feedlots, each with over 200 head capacity. They have been more or less filled with cattle for the past 24 years. They are now all full of weeds except one. I used to hire five men, I laid off four. I used to write over $100,000 worth of checks per month. I quit. I used to pay over $1,000 per month in local taxes. That will be cut in half. I used to put up 300 acres of silage, and feed it to cattle. We turned out 2,500 tons of choice beef last year. I didn't put up the silage this year, because we could not afford to feed it to cattle.

Great damage has been done to the productive capacity of the cattle industry. This is of direct concern to the consuming public because beef shortages and higher prices will be the ultimate result. Present prices are causing large scale panic selling of cows and calves and other breeding stock. A very real beef crisis is in the making just as soon as liquidation is completed.

This will make the energy crisis look very insignificant by comparison.

Authoritative sources indicate that much more beef is being imported than is publicly reported. Also, that a large proportion of this beef is grass fat and is good enough to sell as steaks and roasts in competition to grain fed beef. Imported beef is very inadequately inspected before it is shipped. We have only three inspectors in all of Australia, a country the size of the United States. We have no surplus of home raised beef in the United States.

I think the consuming public is entitled to know what they are eating. They are entitled to know when they are eating imported beef of poorer quality. Most other imported products are labeled.

Parity price for all cattle is about $54 per hundred. The present price is about $28.30.

Good cows are selling for about a fourth of the price of dog food out of the supermarket.

The Environmental Protection Agency and their regimental policy of requiring permits, and their threats of heavy fines of up to $50,000 per day and 2 years in jail and their intimidation practices of threatening the holding of revenue sharing funds, a form of bureaucratic blackmail, is also greatly contributing to the discouragement of livestock production.

It is deplored that official Washington has stood by for the past 15 months and did not take emergency action while the livestock industry was being destroyed by market manipulation, racketeering, excessive imports, and unwise policies.

One outstanding exception to this was the action taken by Mr. Saxbe, Attorney General. He impressed us very much. We also were very well received by the Federal Trade Commission. These two Bureaus, however, are just 10 years late in taking action as we had begged them to do years ago.

Here are suggestions I would make to save a badly price damaged cattle industry:

1. Immediately start emergency action by all concerned Government agencies to enforce the law and stop illegal market manipulation and racketeering at all levels of the beef industry.

2. Stop all imported beef until cattle prices reach parity levels. Present retail levels would easily justify parity prices.

3. Ship canned or frozen beef to hungry people around the world in amounts equal to imports, if imported beef cannot be stopped.

I would favor exporting beef pound for pound for that allowed to come into the country until we reach parity prices. I realize it must be hard to stop imported beef. They say it interferes with world trade. Would that be worse than ruining the cattle industry?

We might also step on some big corporation toes that have their roots planted there in the United States.

4. Stop harassment by impractical EPA regulations.

5. Defeat proposed land-use regulations that are designed to make caretakers out of landowners.

If the proposed land-use bill ever goes through Congress it will be the biggest monkey wrench that was ever thrown into the food production machinery of the United States.

Even though the beef industry is being forced into bankruptcy at a very rapid rate, and even though—cattlemen are still losing from $100 to $200 per head—we are not asking for subsidies. However, cattlemen should be entitled to recover money lost as a result of illegal market manipulation.

We have law suits now going in Iowa, Kansas, Texas, Nebraska, and California. We would like to have all-out cooperation from Government law enforcement agencies.

6. We need to preserve the free enterprise system as the most vital heritage that we have and return to the law of supply and demand with the Government operating as a very effective referee at the marketplace.

Now, we don't think we are wrong in asking for law enforcement, otherwise it is back to the law of the jungle.

7. We need to correct several obvious misconceptions pertaining to our industry. The cattle industry is a very badly misunderstood industry. A very vicious national propaganda tact is being launched against the livestock feeding business. The purpose of it, evidentally, is to switch us to grass fed beef and save grain for shipment to other nations around the world. This barrage of information features such misconceptions as:

Misconception No. 1. We are eating too much beef. We are now eating about 5 ounces of beef per person per day; carcass weight basis. This figures to 3 ounces; basis retail cuts, and less than 2 ounces actually cooked, trimmed, and consumed—just one-half of one hamburger per day.

Misconception No. 2. Beef consumption is declining. Beef consumption dropped slightly last year because of lack of availability. This year consumption was up 4 percent the first 8 months, and consumers paid as much or more per pound than the alltime high record price.

Misconception No. 3. Grain fed beef is a costly luxury. Only 2 to 3 pounds of grain is used to produce the average pound of beef consumed in this country. Grain is used as a finishing ration to improve beef quality.

Misconception No. 4. We need to stop wasting grain by feeding it to livestock so that we can feed hungry and starving people in other nations. The United States of America is envied around the world for efficiency in food production. No other nation has come close to equalling the United States in variety, quality, or quantity of food produced. This was accomplished by having a free enterprise system and by combining livestock with the production of grain crops. Communist and dictator countries around the world are hungry for meat and short of other food. They are the ones that are crying for help. If they are sincere in stopping hunger they should do just like we have done. The fact that we ship farm products to foreign countries is no guarantee that it will reach the needy and starving people.

Misconception No. 5. Farmers should raise grain and not feed livestock. This plan would immediately throw the grain farmer into bankruptcy. Without livestock the surplus grain in this country would be much larger than any time in history. Grain would sell at fire sale prices because we produce much more grain than needed to satisfy foreign demand—much more than our transportation system could ship out of the country. Export demand for wheat now is only moderate with farmers holding most of the 1974 crop.

Misconception 6. People are overweight because they eat too much beef. Beef is commonly featured in reducing diets. The equivalent of half a hamburger a day, our average per capita consumption per day, never made anybody overweight.

Fat beef can be injurious to your health. There is no conclusive scientific evidence that beef fat causes a build up of cholesterol or is injurious to health. There is abundant evidence, however, that beef fat is highly nutritious and a very wholesome and valuable food product when used as needed.

Misconception No. 7. Foreign countries need our grains as a source of protein. All grains are low in protein except soybeans. The crying need of many countries is for high quality well balanced proteins of animal origin. The Japanese are known for being short of stature. Since they started to use more protein, including animal protein, their children grow much taller and much better developed physically.

Misconception No. 8. Beef is too high priced. The least important factor in setting the price of beef to the housewife is the cost of the original product. What sets the price is what the housewife is willing to pay. In the final analysis the housewife or consumer sets the price. Beef is very cheap when it leaves the farm or feedlot—so cheap in fact that the cattle industry is rapidly being forced into bankruptcy. Cow herds are starting through a stage of large scale and rapid liquidation. King sized price spreads or price markups between the feedlot and the consumer are considerably wider than required to cover costs plus a reasonable profit because of illegal market manipulation and racketeering, especially in the big metropolitan areas.

Price spread is paid for by the producer and or the consumer.

Misconception No. 9. Feed lots are not needed because they waste grain. Feed lots double and triple beef production and greatly improve eating and keeping qualities. Grain fed beef has a much longer shelf life than grass beef without becoming stale during the transporting, aging and storing processes.

Misconception No. 10. There is not much difference in the eating qualities of the different grades of beef. Grain fed beef is much more tender, juicy and palatable than grass beef. Steaks served at a good restaurant is an example of grain fed beef. Roast beef served at a cheap restaurant is usually grass beef.

Misconception No. 11. You can break the feeder without breaking the rancher. I think we have plenty of evidence to the effect that when you bankrupt the cattle feeder the rancher is next in line.

Agriculture, as we have known it in this country, will be destroyed if the consuming public is erroneously led into believing the above misconceptions. We will then be in the same fix as other nations, namely; short of food and asking for help.

The United States has already done much more to alleviate hunger around the world than any other nation. This is because we have a highly efficient and well balanced agriculture that combines livestock with the production of grain crops; 84 percent of the food exported to hungry people around the world by industrial nations came from the United States.

Agricultural market conditions over the past several months have forced many young livestock farmers out of business. Many more have been discouraged from starting.

It will take a good many years of good prices for the cattle industry to earn back the money that has been lost.

The average farmer is about 60 years old. It is high time the consumer started to think about just who is going to be around to produce food in the immediate future.

Total food production in the USA would take a drastic drop if livestock feeding were eliminated from agriculture.

We should do whatever it takes on an emergency basis to save what is left of a very badly price damaged cattle industry.

Senator CURTIS. Mr. Hankins, you have some very fine material here. I want to ask you a question or two.

I believe you said you could take a steer fed to the proper weight to a custom slaughterer and for the work of slaughtering and cutting it up and return it back to the owner they would be charged about $100.00; is that correct?

Mr. HANKINS. Out in our country they will charge about $60 per head and keep the byproducts. The byproducts are worth about $30. So we say they charge less than $100 per steer.

Senator CURTIS. And what is the packer's share?

Mr. HANKINS. He gets about $55.

Senator CURTIS. I misunderstand your paper. I thought you said it cost $250 at the packing plant, whereas if he went to a custom slaughterer it was $100.

Mr. HANKINS. When you go through the regular channels, go through the packer and the retailer and down to the housewife it cost over $250. That is what Mr. Inbetween takes out.

Senator CURTIS. Are those figures in dispute?

Mr. HANKINS. No; I took them from USDA records. I have charts to back it up. You have copies of it there.

Senator CURTIS. Yes; we have the charts here. You have chart No. 1, that gives the packer price spread and the other one, the retail price spread.*

Mr. HANKINS. First 9 months of 1973 packer price spread was $53.93. The first 9 months of 1974 retail price spread was $195.57. These two figures total to about $250.

Senator CURTIS. You obtained these from the statistics of the Department of Agriculture?

Mr. HANKINS. Yes; references are right on the chart.

Senator CURTIS. Is there any explanation by reason of any additional expenditures the packer has had to make in these recent months?

Mr. HANKINS. There has been an increase in labor costs, transportation and all other costs, but it hasn't gone up any where near as much as they have increased their margins.

Senator CURTIS. Now, referring to the retail price spread chart, what does that show?

Mr. HANKINS. Well, that shows a steady skyrocketing incline since 1949. It took a terrific jump during the past 2 years. The chain store is much more efficient in handling meat than the little country locker plant. They use less labor. Their costs are a lot less. According to a recent study made by a packer and several chain stores, the cost came to about $60 per head. The retailers are actually getting over $200 per carcass. This figure includes cost plus profit.

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*See p. 158.

Senator CURTIS. Are you saying that the chain store gets $200 more for a carcass of beef than they paid for it?

Mr. HANKINS. That is right.

Senator CURTIS. And of course some of that would be increased labor costs and certain other expenses?

Mr. HANKINS. That is right. Now, talking about transportation being so high. We can transport a carcass of beef from Nebraska to the east coast for about 3 to 4 cents per pound.

Senator CURTIS. Is there a substantial saving in shipping bone meat over carcases?

Mr. HANKINS. Quite a saving.

Senator CURTIS. And there is a saving at the other end in labor costs?

Mr. HANKINS. That is right.

Senator CURTIS. Senator Young, do you have some questions?

Senator YOUNG. I was very interested in your statement. You sound like my cattlemen in North Dakota, some who just called me this morning.

I was very interested in statement No. 3, ship canned or frozen beef to hungry people around the world in amounts equal to imports. If importing of beef cannot be stopped.

I recall back to 1955 when cattle prices were very low. The government purchased 865,000 head of cattle and most of it was canned and used for food relief purposes around the world for, about 2 or 3 years afterwards.

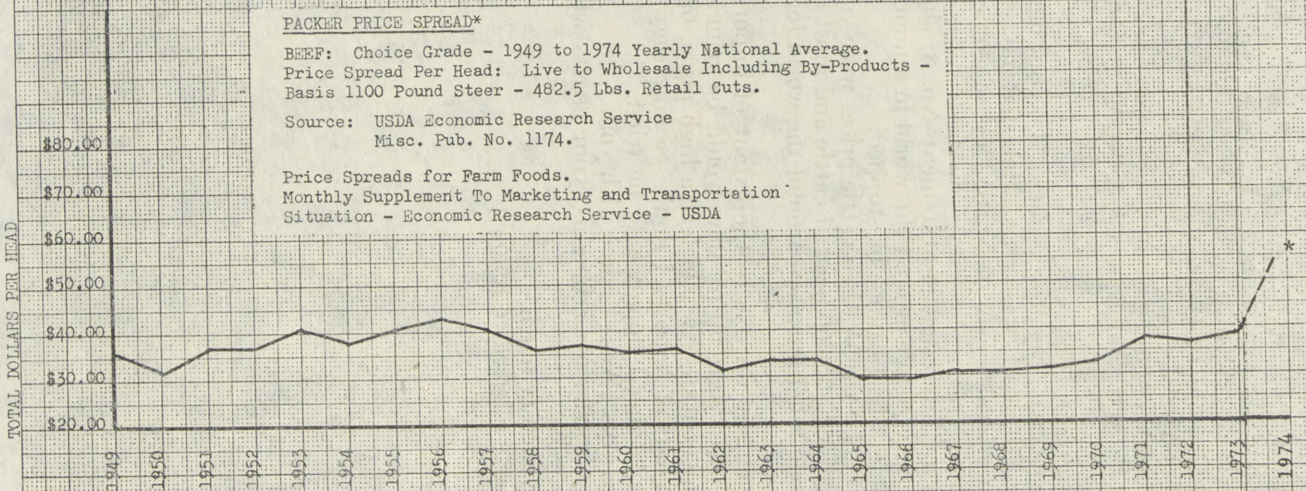
When you say do this to the extent of import beef I suggest the Department of Agriculture now would be reluctant to buy the beef because the consumer would fear a high price, but when you tie this to the amount of imports I don't see how they could really object. This is something I hope would be tried.

Mr. HANKINS. Well, I agree with you.

Senator CURTIS. Mr. Hankins, your charts will be printed in the record.

Thank you very much.

[The charts referred to follow:]



PACKER PRICE SPREAD*

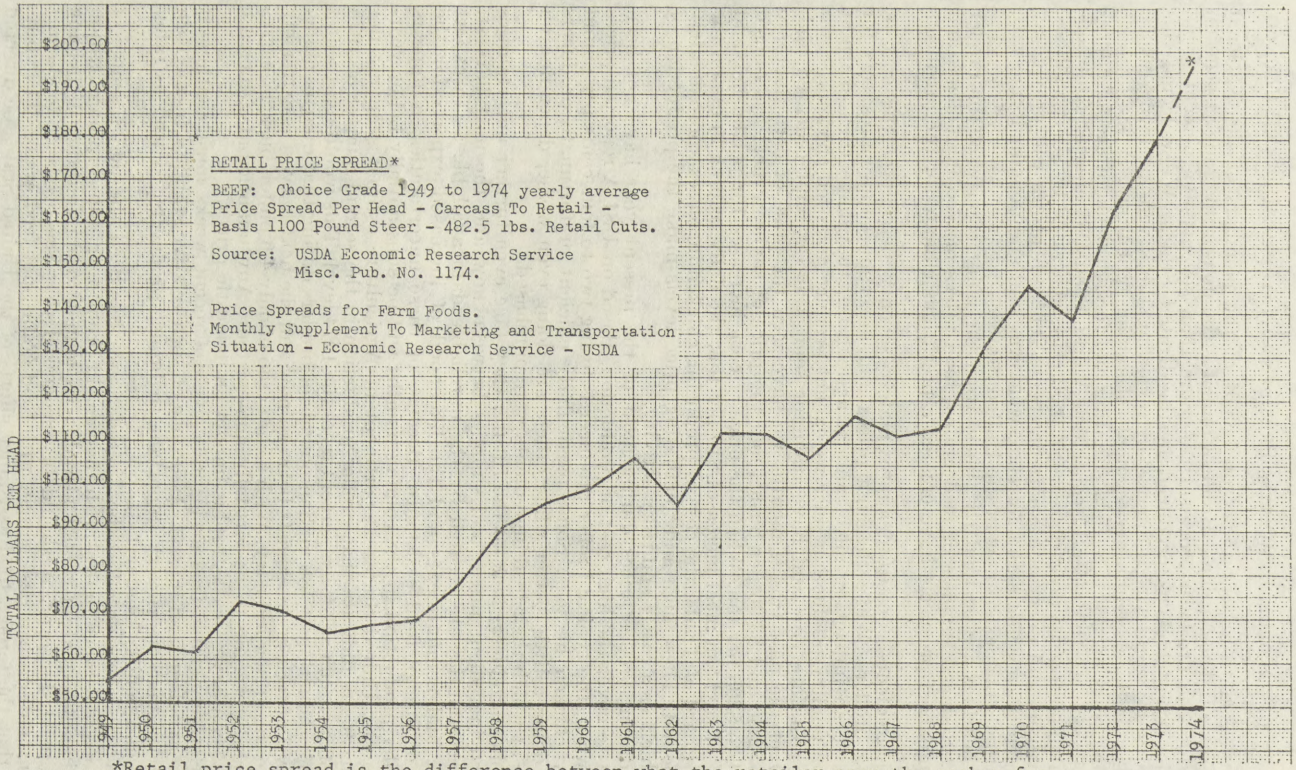
BEEF: Choice Grade - 1949 to 1974 Yearly National Average.
Price Spread Per Head: Live to Wholesale Including By-Products - Basis 1100 Pound Steer - 482.5 Lbs. Retail Cuts.

Source: USDA Economic Research Service
Misc. Pub. No. 1174.

Price Spreads for Farm Foods.
Monthly Supplement To Marketing and Transportation Situation - Economic Research Service - USDA

*Packer price spread is the difference between the price paid to the producer for live cattle and that received from the retailer for carcass beef plus the value of by-products.

*First nine months of 1974-$53.93.



*Retail price spread is the difference between what the retailer pays the packer for carcass beef and that received from the consumer.

*First nine months of 1974-$195.57.

Senator CURTIS. Our next witness, Mr. Watts is not here and his statement will be inserted into the record.

[The statement of Mr. Watts follows:]

STATEMENT OF GEORGE B. WATTS, PRESIDENT, NATIONAL BROILER COUNCIL

I am pleased to appear today on behalf of the members of the National Broiler Council. The National Broiler Council is the non-profit trade association representing the producer-processors of more than seventy-five percent of all the broiler-fryer chickens produced in the United States. We welcome this opportunity to work with Congress in reviewing the severe problems which face broiler producers and other segments of animal agriculture.

These hearings on the U.S. food situation and foreign demand are an appropriate follow-up to the recently concluded World Food Conference. That conference highlighted the precarious world food crisis generated by short supplies, low carryovers and uncertain export prospects. These hearings will provide an opportunity to coordinate and correlate what was said and done in Rome with the situation which exists now in the United States.

These hearings are particularly timely from the point of view of the broiler industry. Reduced supplies of feed grains, high prices of feed ingredients and uncertain export prospects have created a precarious climate for the producers of broilers.

Feed ingredients constitute approximately seventy percent of the cost of producing broilers. While the high prices and uncertain supply prospects for grains have an impact on all of animal agriculture, they have their sharpest impact on poultry production since we cannot produce grass-fed chicken.

Grain costs are now and have been for some time at unprecedented high levels. Over the past twelve months we have seen the price of corn fluctuate between $2.30 and $3.96 per bushel and the price of soybean meal has ranged from $94 to $208 per ton. When the price of corn increases 10¢ per bushel, and the price of soybean meal increases $10 per ton, the daily trading limits on the Chicago Board of Trade, the cost of producing chicken increases approximately 1¢ per pound. These high and fluctuating price levels make the production of broiler chickens a costly and risky activity.

In addition, broiler prices during most of the present year have not been sufficient to cover the high cost of production. Based on USDA reported prices for this week, the typical broiler producer is losing two to four cents per pound on every chicken he sells. Some particularly efficient or fortunate producers may be doing a little better while others are doing even worse, depending on the price at which their feed ingredients were purchased.

As broiler producers look to the future, they face even further uncertainties as to feed ingredient prices and supplies between now and the next harvest. These uncertainties are created by the unreliable data available as to export prospects and commitments and the likelihood of increased exports for the purpose of foreign food assistance. Because of these uncertainties, it appears that broiler production in the coming months will be substantially below year-earlier levels. United States Department of Agriculture estimates on breeder flock placements indicate that broiler production in the second quarter of 1975 may be off as much as fifteen percent from the 1974 level. This would represent a decline in production of 580 million pounds of broilers during that quarter alone.

The level of feed grain exports between now and the next harvest is extremely critical to the broiler industry. With a corn crop of only 4.6 billion bushels, carry-over stocks are going to be virtually non-existent. Any unanticipated increase in exports can have a catastrophic impact on domestic prices.

The relatively stable feed grain price levels of recent weeks must continue if we are to avoid such an impact. Assurance of such relative stability in the corn and soybean markets is very important to broiler producers, as well as other livestock and poultry producers.

For the past two decades, the United States has been the major source of foreign food assistance to deal with the age old problems of hunger, malnutrition and famine. This nation cannot abandon its humanitarian tradition of helping those in need; however, it should be recognized that the needs of food-short developing nations can best be met with food grains, not feed grains. Therefore, we urge that the foreign food assistance efforts of the United States be directed to providing wheat and rice, the principal food grains, as opposed to corn and soybeans. This nation has a humanitarian role in fighting famine, but not in subsidizing the animal agriculture of other nations. In addition, it would be of assistance to the depressed livestock and poultry industries in the United States if the foreign food assistance program would include finished meat and poultry products.

To summarize, the members of the National Broiler Council share the concern of this Committee regarding the very serious and very sensitive U.S. and world food and feed situation. Because of their very substantial dependence on feed grain supplies, broiler producers are placed in serious jeopardy by precarious food and feed markets. This has already resulted in a substantial fall-off in present and anticipated broiler production which means American consumers will have to forego their accustomed quantitites of this nutritious, high quality, protein food. And at the same time production is falling, producers continue to experience heavy losses. Any substantial increase in feedgrain exports before a new crop is harvested would upset the delicate balance that now exists berween supply and demand. It would also accelerate the reduction in poultry supplies and increase producer losses.

Senator CURTIS. The next witness is Mr. John Wallace, president, United Egg Producers, St. Petersburg, Fla.

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

Mr. WALLACE. Mr. Chairman and members of the subcommittee, on behalf of the members of United Egg Producers, I wish to thank you for this opportunity to review for you several pertinent economic factors of the U.S. commercial egg industry. Today the total U.S. food industry is confronted with both foreign and domestic problems. The role the egg industry might play in foreign commercial and world food aid demands will be directly affected by how we confront the economic problems at hand.

My name is John Wallace. I am president of United Egg Producers and also I am an egg producer and hatchery operator from St. Petersburg, Fla. Today I am speaking both as an egg producer and as the representative of thousands of other independent egg producers throughout the United States. I have with me John Pedersen, director of marketing and statistical analysis for United Egg Producers, who will assist with any questions you might have related to production and marketing of commercial eggs.

United Egg Producers is a national federation of egg marketing cooperatives which represents commercial, shell egg producer members in every State of the United States except Alaska and Hawaii. There are five regional egg marketing cooperative members affiliated with United Egg Producers and their members are all independent egg producers. Our purpose is to work on problems of our producer members to improve efficiency in production, distribution, and marketing of shell eggs. Our headquarters offices are located in Atlanta, Ga., and we maintain a Government liaison office here in Washington, D.C. Our member cooperative offices are located in Norcross, Ga.; Durham, N.H.; Davenport, Iowa; Tacoma, Wash.; and Sacramento, Calif.

I would like to commend this subcommittee for conducting these hearings. I think it is important that we jointly assess the U.S. food situation in light of the current economic situation, the uncertainties of food and energy supplies, gyrating food prices, and the changing consumer demands both foreign and domestic. Egg producers, whle representing only a small portion of U.S. agriculture, are seriously affected by all of these factors. I believe I am safe in saying that the modern commercial egg industry has never before faced so many uncertainties which affect its economic well-being.

Today's egg industry finds itself with some of the highest farm prices for eggs it has ever witnessed except for a single peak period last year. Yet, there has been no profit for the average egg producer in these high prices. Current projections indicate the Nation's egg industry will have produced eggs in 1974 at a 0.9 cent (nine-tenths of a cent) per dozen loss. This figure equates to a loss of 18 cents per hen or a total loss of $51 million industrywide in 1974. We estimate that the commercial egg industry has invested $4.75 for each laying hen housed. Therefore, our industry's total investment in housing, equipment, and other necessities for egg production is estimated at $1.35 billion.

It would cost much more than that to replace today. Such an investment cannot be taken lightly and without some prospect of profit, it will soon be transferred to a more profitable venture.

The tables attached to this testimony graphically portray the financial picture of the egg industry beginning with 1970. Of the 5 years, including 1974, the egg industry has recorded only 2 years in which a profit was realized.* Current projections for 1975 are not encouraging.

Probably the most discouraging aspect of this no-profit picture is the fact that since 1970, the egg industry has each year adjusted flock sizes downward. These reductions have decreased the annual output of eggs for the Nation's consumers.

According to USDA statistics, the Nation's laying flock size has declined from 320 million layers on November 1, 1970, to 280 million on November 1, 1974—a decline of 14 percent in 4 years. The decline in layer numbers was closely associated with the decline in family enterprises and inefficient, underfinanced large operations which failed to adjust to the changing economic conditions. With production and marketing cost rising sharply, several of the better financed firms are likely to cease egg production by June 1975. It appears unlikely that consumer demand will continue strong in face of higher egg prices which will be needed to maintain full production in the egg industry. A review of production and marketing costs in the industry for the past 5 years is also included in the tables attached to this testimony.

Several factors have contributed to the economic dilemma of the egg industry. Current economic uncertainty, however, is probably the chief culprit. In 1971 and 1972 many bankruptcies occurred because our industry did not adjust rapidly enough to a very effective Marek's vaccine which caused better layer productivity and livability. Extremely high feed prices—associated with $300—$350 soybean meal—kept 1973 from being an excellent year. Returns averaged 3 cents per dozen overall costs (an 8-percent return on investment that year). Pressure on the industry in 1973 came from shortages of several key items, phase II of the economic stabilization program, the price freeze, consumer boycotts, strong world demand for feed, and a decline in domestic demand for eggs.

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*See p. 166.

These last two factors continue to confront the egg industry, but in the case of one—declining consumer demand—the egg industry is attempting to bring about a change. Through the help of this Congress, the Egg Research and Consumer Information Act was passed and signed into law by President Ford this year. This legislation provides our industry with the tools necessary to collect sufficient funds with which to do consumer promotion and advertising. We believe that through a national program of advertising, we can effectively reverse the continuing decline in egg consumption witnessed during the past several years. The egg industry has been somewhat derelict in not having started such a program sooner. We have been unable to obtain sufficient funds with which to conduct large scale national advertising because there was no systematic means of collecting from all egg producers. Anyone associated with agriculture knows we do not enjoy the same luxury as our commercial competitors who can build in a margin for advertising in their selling price.

Likewise we feel agriculture does not always receive equal treatment from Federal regulatory agencies. One recent case in point is the rapidity with which the Federal Trade Commission initiated an investigation and litigation against an egg organization charging false and misleading advertising. The organization had sponsored statements in the public media based on ample research data, which challenged claims that cholesterol in eggs contributed to heart attacks. Meanwhile the egg industry has witnessed no public action by FTC against a commercial egg substitute which advertised its product as having "the taste and nutrition of farm fresh eggs." Our industry filed a complaint with FTC against this advertising, backed by evidence from a laboratory in Florida and research from the University of Illinois which clearly indicated the substitute product did not measure up to the claims. We also challenged the product's label with the Food and Drug Administration. An official of FDA replied in a letter of July 15, 1974: "Both we and the firm are aware that the product is at present not completely nutritionally equivalent to eggs." To our knowledge, neither FTC nor FDA has taken further action to prevent this commercial firm from "false and misleading advertising." On the other hand, it appears to us that the FTC acted with utmost haste to challenge the statements of an egg industry organization.

One could also consider recent announcements by the Justice Department as being antiagriculture. Press reports indicate the Department has undertaken antitrust investigations against the egg and broiler industries. Yet these two industries—along with other livestock segments of agriculture—have been the hardest hit—pricewise—in recent years. Certainly, it would seem that if price fixing had occurred in these industries, the prices would have at least been fixed at prices above production costs. It appears the Justice Department is inclined to look at consumer price problems at the place where the least possible resistance might be met. Obviously, a few foodstore buyers are in a better position to influence price than are thousands of egg producers scattered across the United States. Reports indicate also that the Department plans to ask Congress to amend the Capper-Volstead Act. Such an amendment would diminish the value of farm cooperatives which continually aid independent farmers through mass buying, in marketing and other services. We look upon the Capper-Volstead Act as a cornerstone in agricultural democracy. Without cooperatives, farmers would be unable to join together for their mutual benefit.

The strong world demand for feed grains has had a very dramatic effect on egg production and egg prices. Feed represents 65 to 70 percent of an egg producer's cost.

We have no other alternative than to buy feed grains to go into our feed. We cannot put chickens out on pasture very well. So we don't have the flexibility that others may have.

The balance is represented by pullets, farm supplies, building and equipment, maintenance and depreciation, labor, interest, taxes, et cetera. This industry traditionally has produced an adequate supply of eggs as long as variable costs—primarily feed—are covered. Generally, until present-day prices, feed costs have been covered by the market price for eggs. However, unless domestic demand for feed grains in the current crop year move at least 20 percent below 1973–74 levels, feed prices by April 1975 will be approaching the market price for shell eggs at the farm. Feed grain exports also need to be at least 25 percent below 1973–74 levels for adequate feed supplies to be available domestically. As illustrated by our estimates on the attached tables, the cost of producing a dozen eggs in the April–June period of 1975 will be 63 cents compared with 39.7 cents in the same period of 1974. We forecast this big cost jump unless adjustments are made at home and abroad. We do not see world demand declining significantly in the near future. Therefore, we are advising our members that further adjustments in their layer numbers may be necessary because of higher feed prices and possible consumer resistance to retail prices of eggs.

In spite of a weaker world economy in 1974–75, we believe people around the world will continue to spend more money on animal protein. Such a trend will cause a greater demand for feed grains. The domestic supplies of feed grains are already at precariously low levels and the projected carryover for corn and soybeans at the end of the current crop year is the lowest in history. Projections of 216 million bushels of corn and 30 million bushels of soybeans probably sound like a lot to those unfamiliar with the grain trade. These carryovers can be compared to the available gasoline supply if all the cars in America had gas gages registering nearly empty and all the service stations were without gas.

Recent statistical information on commercial egg production indicates that while the United States and Canada are reducing the number of layers on farms, there is a sharp increase in layer numbers in Europe. Such a trend would indicate that future world demand for U.S. feed grains will continue to be high. This situation distresses U.S. egg producers since markets around the world for our finished products are closed by either export subsidies or by protective tariffs. Meanwhile, countries utilizing subsidies and tariffs enjoy free access to the U.S. grain supplies. This strong demand affects domestic feed grain prices. We firmly support the Trade Reform Act as a step toward gaining more equitable trade agreements for U.S. agriculture.

Egg producers are happy to see feed grain producers receive a fair and profitable price for their production. We must note, however, that at some point, the domestic demand will suffer irreparable damage if livestock industries are forced to carry the burden of such high feed grain prices. This is one reason why United Egg Producers recommended early last year, and have continually repeated the recommendation this year, that some form of Government monitoring be placed on feed grain exports. We suggested that a balance between foreign and domestic demand is needed. Of great importance is an assurance that an adequate supply be maintained in the United States to meet the needs of livestock feeding industries. We believe this could be achieved without seriously affecting the assurance of profits to grain producers. As Senator Talmadge pointed out some time ago, target prices for feed grains need to be adjusted to the new economic picture in America. This will help assure all-out grain production on the farms of America. In the meantime, however, if domestic feeders are forced into bankruptcy, there may not be a need for greater feed grain production.

The egg industry believes it can help meet the world's need for high-protein food. Following the discontinuance of the Commodity Distribution program administered by USDA, our industry has been hard pressed to find additional markets for dried egg mix and fowl meat. In 1973–74, the last fiscal year of USDA's commodity distribution, the Government purchased 9.5 million pounds of egg mix which represented 547,000 cases of shell eggs. The withdrawal of USDA as a purchaser of dried egg products has left us without a needed supportive effect during low-price periods. Moneys used by USDA for these purchases were allocated to provide relief to the needy and to bolster sagging agricultural markets in times of surplus. The needy were transferred to food stamps, but agricultural industries were, for the most part, left to the complexities of the marketplace. USDA still buys some canned boned fowl for school lunch programs.

We believe dried egg mix would be an excellent relief commodity for the hungry around the world. It can be packaged in small or large units from small aluminum foil pouches to large metal drums. All a person would need to prepare eggs from this mix would be water, fire, and some type of utensil for cooking. Canned boned fowl represents low-priced, high protein meat which can be preserved in most any standard can size. We have recently investigated through USDA the possibility of eggs, egg products, fowl and products of fowl being included in the Public Law 480 programs. We have been advised that resources may not be sufficient to meet present programs.

In conclusion, let me point out that egg producers are already past the crossroads where the decision on future production plans had to be made. We are reducing our flocks. It, it is not too late for our Government to take steps to bring about fewer egg industry bankruptcies. Government actions to open foreign markets through reciprocal trade agreements, to assure adequate supplies of feed grains for U.S. livestock, to utilize eggs and fowl in feeding the world's hungry both here and abroad, and to encourage all-out feed grain production would be moves which would remove some of the uncertainties now confronting our industry. This would encourage egg producers to continue adequate, efficient production necessary to supply our nutritious products to consumers at reasonable prices.

Egg producers will be happy to lend to this subcommittee or its members whatever assistance we might render as we work together to ease the problems of the farmer. Farm problems eventually become problems of the consumer—a group to which we all belong.

46-268—75——12

Thank you, Mr. Chairman. Mr. Pedersen and I will be happy to answer any question you might have.

Senator CURTIS. Are the American consumers buying and eating fewer eggs?

Mr. WALLACE. Yes; each year the number is declining.

Senator CURTIS. To what extent do you consider the lower demand concerning eggs as a factor of health?

Mr. WALLACE. Your question is as to whether egg consumption is reduced by the cholesterol discussion?

Senator CURTIS. Yes.

Mr. WALLACE. I think this has been very detrimental. We have been trying to state our position on this, and there is no clear evidence of those saying cholesterol is detrimental to the average U.S. citizen. There is no clear evidence that is true. The egg industry has been trying to state its case and get its case across to the consumer. Unfortunately, the consumer is more ready to believe sort of scare things like this than to buy what we consider to be a very nutritious product.

Senator CURTIS. Have you been selling quite a few eggs and egg products to the armed services?

Mr. WALLACE. We do; yes.

The Army menu we looked at recently—the Army is eating eggs at a good rate.

Senator CURTIS. But the Army is shrinking in size.

Mr. WALLACE. Yes.

Senator CURTIS. This letter does not show the figures for eggs. It shows that the beef purchases in this fiscal year are 80 million pounds and the year previous were 104 million; that pork purchases this year were 70 million pounds but the year before was 78; and poultry 47 million pounds this year and 25 million a year ago. But it is explained that there has been no per capita reduction in any of these products because of the lessening in the size of the troops.

I think I shall have the reporter put that letter in the record following your statement.

As I said to earlier witnesses, it is regrettable this hearing had to go on when the Senate is in session. But you have made a distinct contribution to our information and it will be pursued by committee staff and others, and hopefully some future decisions can be guided by it.

We thank you very much.

Mr. WALLACE. Thank you very much, sir.

[The following material was referred to on p. 162.]

TABLE 1.—QUARTERLY INDUSTRY AVERAGE PROFIT OR LOSS FOR PRODUCING AND MARKETING A DOZEN EGGS—1970–75 [1]

[In cents per dozen]

Year	January–March	April–June	July–September	October–December	Annual average
1970	+16.1	-3.8	+4.2	-0.7	+3.9
1971	-4.5	-7.5	-5.3	-4.8	-5.5
1972	-7.4	-10.2	-5.2	-1.2	-6.0
1973	-.7	-4.5	+7.3	+10.9	+3.2
1974	+9.8	-8.0	-5.3	0	-.9
1975 [2]	-2.3	-17.5	-13.7	+12.5--2.5	-5.2--9.0

[1] Price spreads are based on New York USDA Market News large wholesale price less production costs.
[2] Estimate.

TABLE 2.—TOTAL QUARTERLY PRODUCTION COSTS FOR AN AVERAGE U.S. EGG PRODUCER, 1970–75

[In cents per dozen]

Year	January–March	April–June	July–September	October–December
1970	27.2	27.8	47.9	28.3
1971	28.6	28.5	27.6	26.6
1972	26.8	27.5	28.7	31.0
1973	37.8	43.4	49.5	42.9
1974	43.7	39.7	47.4	50.0
1975 [1]	55.0	63.0	69.0	45–60.0

[1] Estimate.

TABLE 3.—QUARTERLY MARKETING COSTS FOR AN AVERAGE U.S. EGG OPERATION, 1970–75

[In cents per dozen]

Year	January–March	April–June	July–September	October–December
1970	11.0	11.0	11.0	11.3
1971	12.0	12.0	12.0	12.2
1972	12.5	12.5	12.8	13.0
1973	13.0	13.0	13.0	13.5
1974	14.0	14.1	14.5	14.9
1975 [1]	15.3	15.5	15.7	15.5

[1] Estimate.

ASSISTANT SECRETARY OF DEFENSE,
INSTALLATIONS AND LOGISTICS,
Washington, D.C., November 29, 1974.

Hon. CARL T. CURTIS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CURTIS: This is in reply to your letter of November 14, 1974 to Secretary Schlesinger concerning Department of Defense (DoD) purchases of beef, pork and poultry.

The amount of beef, pork and poultry purchased by DoD during FY 1973 and FY 1974 is as follows:

[In pounds]

	Fiscal year— 1973	1974
Beef	104,886,404	80,107,438
Pork	78,008,416	70,011,075
Poultry	52,353,592	47,167,682

Some usual factors which would influence the amount of these items purchased by DoD other than troop strength are the number of personnel on separate rations, relative costs of these items, number of servings in the menus, availability, and the basic daily food allowance. Two unusual factors which influenced purchases in FY 1974 were the shortages of beef due to the price freeze when DoD was unable to procure any beef for four weeks (August–September) and stock fund problems which caused a suspension of procurements for the last part of June 1974.

It is not possible for DoD to relate these procurements to each meal served. Surveys by the Natick Laboratories have shown that the consumption pattern for meal components (meat, vegetables, salads, milk, etc.) differs with each Service. While the Army and Air Force menus are planned centrally, local installations may change these Servicewide menus to suit local preferences. Navy and Marine Corps menus are planned locally with central guidance.

As part of its Uniform Ration Cost System study, the Natick Laboratories were given the task of comparing the DoD level of feeding with civilian feeding. The results have not been published but Natick has provided the data in the enclosed chart. This shows that DoD uses more of the meat items listed per person per day than do the universities and law enforcement academies, but less than offshore oil drilling rigs and the merchant marines. Overall, the DoD and average civilian levels of feeding are quite comparable; i.e., total of 0.915 to 0.919 pounds per person per day, respectively.

An alternative method of determining the DoD daily per capita consumption of beef, pork and poultry is to divide the total mandays fed in FY 1974 of 218 million into the quantity purchased. This shows that for FY 1974 DoD consumed 0.368 pounds of beef, 0.321 pounds of pork and 0.216 pounds of poultry daily per person fed. This is higher than the quantity found by Natick surveys for pork and poultry but lower than for beef. Again, this undoubtedly reflects the shortage of beef in August and September of FY 1974.

I hope these data are satisfactory to your needs. Your interest in the DoD food program is appreciated.

Sincerely,

PAUL H. RILEY,
Deputy Assistant Secretary of Defense,
Supply, Maintenance and Services.

Senator CURTIS. Susan Fridy and Lynn Stalbaum. These witnesses are representing the National Milk Producers Federation. Will you both identify yourselves for the record, please.

STATEMENT OF SUSAN FRIDY, LEGISLATIVE REPRESENTATIVE, NATIONAL MILK PRODUCERS FEDERATION

Ms. FRIDY. I am Susan Fridy, legislative representative for the National Milk Producers Federation. I am accompanied today by Hon. Lynn Stalbaum, former Member of Congress and Legislative Representative for the Federation. The Federation is a national farm commodity organization representing the Nation's dairy farmers and the dairy cooperative marketing associations they own and operate across the country.

We appreciate the opportunity to appear before you today, Mr. Chairman, to comment on legislation which would expand the commitment of this Government to provide food assistance to needy persons, both in this country and abroad. The Federation has long supported the goal of adequate nutrition for all our people. Toward this end, we supported the original enactment of the Food for Peace Program and its subsequent amendment. We have also strongly supported the original enactment and the strengthening of such domestic programs as the Special Milk program, the School Breakfast program, the School Lunch program and similar efforts.

In a nation so richly blessed with the physical and technological requirements for agricultural production, we have a special responsibility to make certain that the bounty of our production is available to all our people. Further, in the community of nations, we face a responsibility to assist in easing the impact of hunger throughout the world.

Several bills before the Congress do offer new and expanded directions for these efforts. While there are those who would argue that these proposals are aimed at meeting or easing the problems of agricultural producers in this country, by reducing the supply of products available to the market, this ignores the historical commitment of our Government to these needs.

Through the World Food Conference and other forums, there has been much discussion of the need to expand food aid immediately to alleviate severe human suffering. One of the most prominently raised problems in this regard is the high cost of providing such aid and the short supplies of grain and cereal products currently available in the world.

We do have, however, substantial supplies of animal products which would make a valuable addition to the food aid efforts. Addition of these products to the food aid available would enable U.S. efforts in this field to be increased substantially immediately.

One such item is nonfat dry milk. The Commodity Credit Corporation presently holds an inventory of about 154 million pounds of nonfat dry milk which could be immediately added to the food assistance being extended by our Government. This could be utilized in our food assistance program without further legislative authority.

Experience in the use of the commodity in both domestic and overseas programs in past years has shown this not only to be an excellent source of a high protein food, but one that is readily accepted and easily handled.

We were pleased to hear Secretary Yeutter say they expect 100 percent of the nonfat dry milk to be used by the Public Law 480 program.

During the World Food Conference, there was a good deal of criticism of the United States' failure to make new, expanded commitments toward food aid. Each of us is aware of the broad scope of this assistance in the past and the continuing substantial nature of the effort. At the same time, we are also aware of the continuing need. Immediate action announcing the commitment of the available nonfat dry milk to this effort would be a firm demonstration of the willingness of the United States to meet these needs.

In this direction, the National Milk Producers Federation cabled Secretary of State Henry A. Kissinger at the World Food Conference proposing that this food be made a part of the United States' commitment. While no action has been taken on this proposal, we do feel very strongly that when this action occurs it will show a decision to help the world situation.

This would be a very direct and positive addition to our efforts. A copy of the cable we sent Secretary Kissinger is attached to my statement, and I would like to ask that this be made part of the hearing record.

Senator Curtis. So ordered.

Ms. Fridy. Reports of Secretary of Agriculture Butz' opening remarks to the World Food Conference quoted him as telling the Conference that conferences do not produce food, programs do not produce food—farmers produce food. We subscribe wholeheartedly to that view; however, we must take the steps necessary to maintain and increase production in order to have the supplies needed to meet the demand.

We have repeatedly stated before this committee and others that our Government must continue to encourage domestic production of agricultural, and in particular, dairy products through the Federal price support programs. Due to disappointing weather conditions, this year's grain production was not as full as increased planting had indicated possible. The November feed situation report released by USDA indicates that feed grain supplies for the current year will be down by more than 20 percent from last year due to the decrease in production and the lowest carryover stocks in 22 years. The resulting increases in prices for feed grains as well as other escalating production costs place dairy farmers as well as all animal product producers in a cost stress situation. Increased dairy imports early this year have held down dairy product prices, while production costs continue to rise. The Government has been assigned by Congress the task to assure an adequate supply of dairy products, but this administration has refused to set the price support level at a high enough level to assure the dairy farmer an adequate return for his investment and labor to warrant his staying in the business of milk production. The American dairy farmer, if assured such an adequate price for his milk, will in turn continue to produce wholesome milk and milk products to feed our domestic market and domestic and international food assistance responsibilities.

American agriculture has demonstrated its great productive capacity. Until recently, unfortunately, that capacity was too often viewed as a problem, rather than the blessing it truly is. In considering food aid actions, we must also consider the total picture of American food policy. We find that the proposals before this Congress to be in line with the policy of the Congress as expressed in numerous enactments. There is no question but what the proposals contained in these bills would be of benefit to U.S. livestock producers. At a time when animal agriculture is faced with the most difficult economic situation it has ever encountered, such assistance would be most welcome. Further we would urge that presently available authorities to be used to expand food aid immediately, using available stocks of food now in Government hands.

Senator CURTIS. Thank you for your helpful statement.

Who makes up the membership of your organization?

Ms. FRIDY. We are comprised of virtually all the dairy cooperatives in the United States.

Senator CURTIS. And those cooperatives represent the farmer producers of milk?

Ms. FRIDY. Yes; the individual farmers own and operate the cooperatives.

Senator CURTIS. What portion of their product goes into the market as fluid milk and how much as various kinds of manufactured products?

Ms. FRIDY. Lynn, are you familiar with those statistics?

STATEMENT OF LYNN STALBAUM, LEGISLATIVE REPRESENTATIVE, NATIONAL MILK PRODUCERS FEDERATION

Ms. STALBAUM. We normally figure about 50 percent of the milk in fluid and 50 percent manufactured as a general round figure.

Senator CURTIS. Do the prices between the two take a consistent relationship or do they fluctuate?

Ms. STALBAUM. There is a fairly consistent relationship because most of the milk is under orders and the minimum price is based on the manufactured products: therefore, the ratio is relatively constant within the order of pricing between manufactured milk and fluid milk prices.

Senator CURTIS. What is happening to the amount of fluid milk consumed?

Ms. STALBAUM. There is a reduction of fluid milk consumption of, I believe, about 3 or 4 percent.

Senator CURTIS. How do you account for that?

Ms. FRIDY. Well, cost, basically. Our statistics show that as cost goes up and consumption declines, that when cost then declines, we do not regain the consumption percentage. Once consumption is lost it seems to be lost.

Senator CURTIS. I assume then when an individual has habits of drinking milk or otherwise using it, they cease because they feel the price is too high and they do not, at a later time, resume the habit.

Ms. FRIDY. It appears to be that way, yes.

Senator CURTIS. What is true as to the consumption of butter? is that increasing?

Ms. STALBAUM. Perhaps consumption has dropped slightly but not as much as it has been dropping in previous years. There has been a long term decline in years of butter. The drop, it has somewhat stabilized. Here again I think price is a factor because of the relative price of butter and its competitors has closed.

Senator CURTIS. How much of a factor is the production of nondairy substances for using in coffee, for instance, these various cream substances.

Ms. STALBAUM. Interestingly, in the dairy conference yesterday, actually an industry spokesman found out that the trend toward the use of these products seems to have peaked and therefore they have not continued to expand as much as a few years ago.

Senator CURTIS. What has happened to the consumption of cheese?

Ms. FRIDY. That is increasing.

Senator CURTIS. Any explanation for that?

Ms. FRIDY. I would say in relation to the higher cost of beef and so forth people are finding it is an excellent substitute.

Senator CURTIS. Are dairy farmers by and large self-sufficient in producing their own food?

Ms. FRIDY. That varies in different parts of the country. In the Northeast practically all of their feed has to be shipped in from other areas of the country. The same thing in Florida. They are not capable of producing their own feed. Whereas, in the Midwest a number of dairy farmers do produce their own feed.

Ms. STALBAUM. All of them have to buy their protein from other feed rationing, usually soybean meal.

[The above-referred-to cablegram follows:]

[CABLEGRAM]

NOVEMBER 7, 1974.

Hon. HENRY A. KISSINGER, *U.S. Secretary of State, Embassy of the United States, Rome, Italy:*

In addressing the World Food Conference in Rome this week, you presented a series of proposals to deal with chronic food shortages around the world and to provide the basis for improving nutrition for all the world's people. In addition, you pledged increased American participation in food aid programs immediately as part of this effort.

The dairy farmers of the United States have long supported both domestic and foreign programs aimed at raising nutritional levels. We welcome the initiatives you have proposed.

Some have raised serious questions regarding our nation's ability to make any meaningful expansion of food aid commitments at present, in view of shortened supplies of commodities and budget pressures. We do have immediately available, however, substantial stocks of nonfat dry milk which is a highly nutritious, readily useable protein food that would serve as a valuable addition to food assistance efforts.

Current domestic stocks of the product exceed 300 million pounds, of which more than 130 million pounds are already in Government hands through acquisition under the dairy price support program. This stockpile, most of which is unneeded in this market, could have a significant impact in meeting the food needs in protein-short food areas of the world.

The announcement during the World Food Conference of the intent of the United States to utilize the authorities available under Public Law 480 to make this product available immediately would be a firm demonstration of the willingness indicated in your speech of November 5. It would serve as a catalyst to bring forth commitments from other nations to the joint effort that will be necessary to meet this great challenge.

Patrick B. Healy,
Secretary,
National Milk Producers Federation.

Senator Curtis. We thank you very much for your appearance here.

Mr. C. W. McMillan, executive vice president, American National Cattlemen's Association.

Mr. McMillan, you are not a newcomer to this committee. We will be happy to receive your statement for the record. You may proceed as you wish.

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

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

It is always a pleasure to appear before the committee and certainly today is no exception.

Having been heard before the committee on prior occasions, I know that you have heard me discuss some of the very, very serious finance problems in which the cattle industry finds itself. We have offered such suggestions as changes in beef grade standards. We, of course, raised points with regard to beef imports and the need for limiting that, not a function of the Agriculture Committee as such. We have covered a number of other items. So, today I felt the committee should be directed toward two issues that are related to the current problems in the beef cattle industry and that might help shed some light on the future as a means of helping the committee in its deliberations.

The record of the United States on humanitarian issues speaks well for itself. Never has there been a nation in the history of the world which has done a more comprehensive and extensive job of feeding the hungry—at home and abroad. This has been relatively easy in the past because a large surplus of vegetable protein (grain) has been on hand in the United States.

We are in a unique situation now, however, because the surplus stocks of grain have been depleted. This has been compounded by Mother Nature in 1974 by not cooperating to provide the abundant yields we have come to expect in the United States. Fortunately, however, we do have a large surplus of animal protein in the form of beef which can be processed and canned in order to remove the danger of perishability and distributed to people who need it.

We estimate that we currently have on hand approximately 3.5 million cows in excess of supply over current demand. Attached to my statement is a table that outlines the production and per capita production.

Putting it another way, our factory is currently producing more beef than is profitable for cattlemen. Since we do have this excess of supply in the face of a deficit of grain supplies, it simply makes good sense to carry out our long-term commitments to feed the starving and provide nutritional protein from the food we have available to carry out these commitments.

It is significant to note that the type of cattle which can most readily supply this beef is produced solely on grass. No grain fed cattle need be used in this type of a beef buying program, so the supply of quality beef which U.S. consumers have come to expect, will not be affected. At the same time, the so-called rough grains such as corn, can be fed to animals in the United States while still being able to utilize grains such as wheat and rice in programs for those whose religious beliefs prevent the ingestion of animal protein.

The American National Cattlemen's Association asks that you favorably consider this concept which will feed the hungry of the world, but by doing so with surplus commodities rather than creating domestic problems by creating a shortage of domestic grain supplies needed at home.

In these times of a world food shortage, the United States, and the world, are indeed fortunate to have ruminant (four-stomach) animals like beef and dairy cattle. This is because of the unique ability of ruminants to convert otherwise wasted fibrous plant materials into highly nutritious protein foods—milk and meat.

Livestock and man compete for food to a far lesser extent than most persons realize. Feed for beef cattle consists almost entirely of (1) rough, fibrous materials (like forage and grasses) which man can't eat, and (2) coarse (feed) grains which most people won't eat.

In recent years, more than three-fourths of all of the feed units used in beef cattle production have come from grass, hay, silage, and various byproducts—materials which would go to waste if it weren't for cattle. The balance of the ration has been grain, but the percentage of grain used today in producing beef has been declining because of shorter feeding periods.

In evaluating the importance of beef cattle, we should note that there are far more tons of plant materials in the world which man cannot eat. The only way to convert these nonfood plant materials into human food is to make them available to livestock.

Of the 2.2 billion acres of land in the United States, only about 15 percent is used for crop production. More than 80 percent of all of the land in this country cannot be used to grow crops. If it isn't already occupied by people or forests, it is too rough, too dry, or too infertile to grow grain and other crops.

However, about half of this noncrop land (or almost 900 million acres) does grow grass which can be converted into food by grazing animals like cattle and sheep. Without these ruminant animals, we would have no way to produce food for the renewable resources available on 40 percent of our land. A large portion of this land is in

Federal ownership, but grazing by domestic livestock continues to unjustly be attacked by environmental groups.

We also should note that a grazing animal requires no fossil fuel to harvest this grassland, whereas it takes one-half calorie of fossil fuel, an exhaustible resource, to produce 1 calorie of food energy for cultivated crops.

Statements to the effect that it takes 10 to 20 pounds of grain to produce a pound of beef are apparently based on mistaken assumptions that cattle eat nothing but grain. As I previously pointed out, cattle get by far most of their feed from grass and roughages. Until a steer enters a feedlot, it generally has received no grain whatsoever. The grain that is used results in better quality, a more even supply, and greater overall volume of beef for consumers.

We also should note that in recent years, we have obtained at least 20 percent of our beef from nongrain-fed cattle. However, currently, the proportion of nonfed cattle has risen to 40 percent of the total slaughter.

In the case of grain-fed beef, we generally have used less than 3 pounds of grain to produce a pound of live feed beef or less than 6 pounds of grain to produce a pound of saleable choice beef at retail. Now, with shorter feeding periods and less grain in the ration, the conversion rate often is reduced to 3 or 4 pounds of grain per pound of fed beef, and the grain requirement potentially can go even lower.

Needless to say, there really is no comparison between the nutritional value of meat—with its balance protein and essential vitamins and minerals—and the value of grain, with its empty calories.

With the beef production techniques that are now common, it is easily possible to recover at least as many human food calories from animal foods as the animals ate of cereal grains and oilseed meals that could have been consumed directly by humans. And, of course, the increase in the quality and platability of human diets is tremendous.

Even at the level of grain feeding recently practiced in the United States, beef and dairy cows normally return as much protein in milk and meat products as is supplied in the corn and other grains and byproduct oilseed meals used in feeding the animals.

Of course, we also should remind ourselves that most of the feed grains used in livestock production do not have the physical and nutritional characteristics which are most desirable for direct human feeding. Most of these grains—field corn, grain sorghum, barley, and oats—are not sufficiently high grade to be processed into human food.

Our hope is that these remarks today will be helpful to you. I'll be very happy to try and answer any questions you may have.

We think it relates itself very strongly to the oversupply of beef cattle today and for the long term commitments the United States has in feeding the hungry overseas.

Thank you very much, Mr. Chairman.

Senator CURTIS. Mr. McMillan, we thank you, and this table will be received and printed in the record.

I am sure I am reflecting the views of the cattle industry of the country, as well as all producers of meat, that they are not advocating a huge government purchase program as a bailout for them. They are aware of the sentiment in this country and the need in the world for a very sizable export of food to the countries that have hungry and undernourished and in some instances starving people. If that is to be done, a very substantial portion of it should be sent abroad in the form of meat and meat products; do you think that is true?

Mr. McMillan. Yes sir.

Senator Curtis. Your paper serves a very useful purpose. So often economists or others, planners sitting behind a desk seem to feel that if you have a certain amount of grain and you propose to feed some of it to an animal they disregard the fact that the animal uses other type of feed, and just assume that they could double the amount of human food available by not feeding the grain to the animals. Of course, you have shown clearly that is not the case at all.

Mr. McMillan. If the Chairman might permit me, the recently concluded World Food Conference in Rome, of course, emphasized this point. Many of the statements that were made on the part of the planners, as you identify them, and I would agree, would lead every one to agree that we are going to feed everybody by the stopping of feeding grain consumption by animals.

[The table referred to above follows:]

U.S. CATTLE; PRODUCTION AND PER CAPITA CONSUMPTION

Year	Cow numbers beef and dairy	Cattle slaughter (thousands)	Beef production (million pounds)	Calf slaughter (thousands)	Veal production (million pounds)	Beef and veal production	Per capita consumption		
							Beef	Veal	Beef and Veal
1955	49,121	25,723	13,569	12,377	1,578	15,147	82.0	9.4	91.4
1956	48,283	26,862	14,462	12,512	1,632	16,094	85.4	9.5	94.9
1957	46,859	26,232	14,206	11,904	1,526	15,728	84.6	8.8	93.9
1958	45,430	23,555	13,330	9,315	1,186	14,516	80.5	6.7	87.2
1959	45,244	22,931	13,580	7,683	1,008	14,588	81.4	5.7	87.1
1960	45,871	25,224	14,753	8,225	1,109	15,862	85.1	6.1	91.2
1961	46,598	25,635	15,327	7,701	1,044	16,371	87.8	5.6	93.4
1962	47,654	26,083	15,324	7,494	1,015	16,339	88.9	5.5	94.4
1963	48,968	27,232	16,456	6,833	929	17,385	94.5	4.9	99.4
1964	50,441	30,818	18,456	7,254	1,013	19,469	99.9	5.2	105.1
1965	48,780	32,347	18,727	7,420	1,020	19,747	99.5	5.2	104.7
1966	47,990	33,727	19,726	6,647	910	20,636	104.2	4.6	108.8
1967	47,495	33,869	20,219	5,919	792	21,011	106.5	3.8	110.3
1968	47,685	35,026	20,880	5,443	734	21,614	109.7	3.6	113.3
1969	48,040	35,237	21,148	4,863	673	21,821	110.8	3.3	114.1
1970	48,780	35,025	21,685	4,072	581	22,266	113.7	2.9	116.6
1971	49,786	35,885	21,902	3,689	545	22,447	113.0	2.7	115.7
1972	50,585	35,779	22,419	3,053	465	22,884	116.1	2.2	118.3
1973	52,541	33,687	21,277	2,249	376	21,653	109.6	1.8	111.4
1974	54,157	[1] 36,720	[1] 23,365	[1] 2,826	[1] 417	[1] 23,782	[1] 118.0	[1] 2.0	[1] 120.0
1975	[1] 55,500	[1] 39,000	[1] 24,658	[1] 3,800	[1] 560	[1] 25,218	[1] 124.0	[1] 2.5	[1] 126.0
1976	[1] 55,300		[1] 24,888						

[1] Estimate.

Source: USDA.

Senator Curtis. Now our last witness, G. L. Walts, executive vice president, National Turkey Federation, Reston, Va.

STATEMENT OF G. L. WALTS, EXECUTIVE VICE PRESIDENT, NATIONAL TURKEY FEDERATION, RESTON, VA.

Mr. Walts. Thank you Mr. Chairman.

I do have a statement here, and recognizing the lateness of the hour I would still like to read this, if I may.

Senator Curtis. All right, you may.

Mr. Walts. The National Turkey Federation is the only national organization representing the turkey industry in the United States.

Included in the membership of approximately 3,000, are turkey producers, feeders, hatcherymen, processors and marketers. Also included are allied members, who are not producers, but who are dependent upon a viable turkey industry for the sale of goods and services.

The membership of the National Turkey Federation is responsible for the production and marketing of the major protion of the Nation's turkey crop and is characterized by many small and medium-size producers depending on turkey production as a major source of income.

If I may say this, Senator Curtis, I understand the scope of the testimony here is rather broad and we particularly want to confine our remarks to S. 4160, which we very much endorse.

This legislation provides authority for Commodity Credit Corporation purchase of animals and animal food products for use in domestic and foreign food relief programs during calendar year 1975, in an amount not less than $7 billion, nor in excess of $2 billion.

The National Turkey Federation has long supported the goal of adequate food and adequate nutrition for all people. Prior to 1974, the U.S. Department of Agriculture engaged in the purchase of canned, boned turkey for direct distribution to the needy families of this Nation. This was an excellent program with dual benefits. It provided an additional market dimension for turkey growers and enabled the Department to purchase an extermely high quality food product at a reasonable price. Canned, boned turkey provides exceptional nutrition, as it is a very high protein, low fat, and low cholesterol product. However, with passage of the Agricultural Act of 1973, the Department's direct purchase and distribution program for feeding the needy was dismantled in favor of an expanded food stamp program. The National Turkey Federation opposed this concept, contending food stamps as such, do not accomplish the target objective of elevating the diets of the recipients from a nutritional standpoint, in contrast to the Department's direct purchase and distribution program of finished meat food products. It is further contended the food stamp program is subject to extreme abuse and waste and is proving tremendously costly. The Government will spend from $3.5 billion to $4 billion this year. It is estimated this could rise to $6 billion in the next several years.

Currently, there is an individual, but collective move by turkey growers to reduce production in 1975. This type of hard-core decision is not by choice, but by necessity. However, it is unlikely this reduction will be sufficient to obtain a farm-gate price to compensate for continuing high costs. Turkey growers experienced disaster losses throughout 1974, selling at prices considerably below cost. The cost/price squeeze has been merciless, particularly feed, which represents about 70 percent of the cost of producing a turkey. The tremendous escalation in feed prices is largely attributable to Government action continuing an unabated feed grain export program in face of significant shortfalls in this year's production of corn and soybeans.

To bring this into perspective, the U.S. Department of Agriculture now is reporting feed grain supplies for 1974–75 total about 187 million tons, down more than 20 percent from last season and the least since 1957–58, and that carryover stocks at the end of 1974–75 will be at minimal levels and substantially higher feed grain prices than in 1973–74 are indicated.

Underscoring this projection is a recent USDA release entitled "Broiler Marketing Facts." In this report, the Department forecasts corn prices at Chicago in the second quarter of 1975, may reach or exceed $4 a bushel and soybean meal prices are expected to average around $180 a ton.

If these projected price increases do materialize, it will add 8 cents to 9 cents to the per pound cost of producing ready-to-cook turkeys, based on the comparable time period of this year.

In view of these alarming reports, it's obvious no segment of animal agriculture can anticipate any relief from the continuing cost pressure of even higher feed prices, unless there is Government action to (1) reduce exports of the key feed grains in relation to supply and domestic needs, and/or, (2) assist the producers of animal protein by developing significant new market outlets.

Historically, the turkey grower has epitomized the hard-bitten status of the independent operator, preferring to be free from reliance on Government programs in the form of parity payments, price supports, target prices, loans, etc. He always has maintained a strong preference for taking his chance in the marketplace. However, frustrations are becoming evident and there is a burgeoning opinion developing that the Government must now act in some respect, to assume a degree of responsibility for maintaining a strong and viable turkey industry. S. 4160 could provide this degree of responsibility.

With regard to the specific language of the bill, it is respectively recommended that in item (1) the word "Poultry" be inserted after the word "Sheep." The term "poultry" is far more definitive than "other food animals." In similar fashion, the word "poultry" should be inserted after the word "meat" in (2). In this regard, poultry is defined as turkey or chicken.

It is further recommended that any commodity purchased under authority of this legislation need not be designated as being in a surplus condition as a qualifying factor. Instead, the criteria for purchase should be based on (1) the competitive price structure in the market system, and (2) the nutritive values expressed in the composition of the finished product.

Careful administration must be taken to assure that donated poultry and meat products do not disrupt existing domestic and foreign markets and that the products purchased are in fact distributed as intended only to those suffering hunger and malnutrition.

If I may digress, Mr. Chairman, earlier I made reference to canned boned turkey purchased by the Department for distribution to domestic hungry people in the United States. Over the last 3 fiscal years, 1972–74, the Department purchased the ready-to-cook equivalent of canned, boned turkey in the amount of 15.3 million pounds, 55.5 million pounds and 29.6 million pounds respectively. I put this only in the record to demonstrate the fact there is nothing new or different about the opportunities of purchasing canned boned meat and poultry products by the Department for direct distribution to the hungry people of this country. This also demonstrates there is sufficient canning capacity available in the United States to provide this type of product.

The National Turkey Federation is deeply appreciative of the interest and concern for the welfare of animal agriculture and the undernourished populations by Senator McGovern, who introduced S. 4160, and to the other Members of the Senate who are also sponsoring this Bill. It is sincerely hoped the respective subcommittees will take immediate and affirmative action on the proposed legislation. This will be a positive step in maintaining a strong and viable animal agriculture community and at the same time, bring relief to the millions of starving and malnourished people of the world by providing them with high quality, high protein food products.

We thank you very much, Mr. Chairman.

Senator CURTIS. How many turkey growers are there in the country?

Mr. WALTS. How many?

Senator CURTIS. Yes.

Mr. WALTS. The last census indicated there were approximately 5,500 farms reporting turkeys being grown.

Senator CURTIS. And those include farms of all sizes?

Mr. WALTS. Yes, sir, as defined by the census.

Senator CURTIS. Is there a typical turkey operation? If so how large is it? How many birds?

Mr. WALTS. I think the average turkey flock was something like 19,000 to 20,000 birds.

Senator CURTIS. The average flock is 19,000–20,000 birds?

Mr. WALTS. Yes, sir.

Senator CURTIS. Are these 55,000 producers you say?

Mr. WALTS. No; 5,500 farms reported turkeys being grown.

Senator CURTIS. How many of those are corporate operated and how many are individual?

Mr. WALTS. Well, it is very hard to make that distinguishing character, except that there are very few of the so-called corporate growers that actually own land and equipment and facilities to do the growing of the turkeys.

Senator CURTIS. They do it under contract?

Mr. WALTS. Yes, sir.

Senator CURTIS. What is happening to the consumption of turkey meat? Is it going up?

Mr. WALTS. It will be up this year at approximately 9.3 pounds per capita.

Senator CURTIS. What was it at a few years back?

Mr. WALTS. Well, it was around 8.5. It fluctuates, really, Mr. Chairman, according to the amount of product and market mechanisms and things of this particular type. This year we have had a good supply of turkeys and the prices have been very, very reasonable to consumers. In fact, turkey producers were in a loss position throughout 1974. There is no question about this. They actually subsidized consumer prices through their own losses.

Right now the market price on a comparison basis is good and they are making maybe a penny a pound. But up to this point they had been losing as much as 10 to 12 cents a pound. This gradually has eased off. But the important factor is cost, primarily feed.

Senator CURTIS. The big increase in consumption coincided with the coming of the frozen food industry, did it not?

Mr. WALTS. Well, the turkey industry is unique in that the majority of consumers are used to turkey in a frozen form.

Senator CURTIS. Before we had the frozen food industry the turkey industry was much less?

Mr. WALTS. Oh, absolutely. In the early days of the turkey industry I would say 90 percent of the turkeys grown were marketed and consumed in the last 60 days of the year. Through developments of year-round production and techniques in food processing, and merchandising, we figure now approximately 45 percent of the ready cooked turkeys, whole carcass turkeys, are consumed in the last 60 days of the year.

Senator CURTIS. What are current turkey stocks in relation to demand?

Mr. WALTS. Right now we are in an oversupply situation. We have been all year. The preliminary report from the Department indicates our storage holdings December 1 at approximtaely 350 million pounds, which is something like 26 or 27 million pounds more than 1 year ago at this time.

Senator CURTIS. Who owns these stocks?

Mr. WALTS. Well, there is a combination. Some of them are owned by turkey growers who are marketing through the various co-ops and some are owned by processors who have purchased these turkeys on contract basis from the growers. So there are combinations.

Senator CURTIS. What is anticipated for stocks after Christmas?

Mr. WALTS. After Christmas? Here again it is hard to say because we don't know yet exactly what our movement for Christmas is going to be. But last year due to exceptionally high prices, we lost 100 million pounds of consumption during November and December. We wound up with 280 million pounds of turkey in storage, which was 80 million pounds more than 1 year ago. But in the meantime, in response to this signal from the market place there were a lot of turkeys put down to grow during September, October, November, December, and January and consequently with—and an increase in production coming in during the first 6 months, plus the 280 million pounds in storage, it simply squeezed market values down. At the same time the market values were going down feed prices were going up and he was caught in a pretty hard bind. It is very possible our January 1, 1975, storage will again be excessive—anywhere from 275–280 million pounds.

Senator CURTIS. Are there any alternative feeding programs other than grain?

Mr. WALTS. Absolutely not. We start out with a very high protein ration, around the 74-percent level. This is needed for proper tissue development. As the bird begins to mature there is less need for protein and greater need for calories. Finishing rations are very high in corn content. The turkey is a very efficient converter of feed to meat. It takes about 2.8 pounds of feed to produce a pound of meat.

Senator CURTIS. We thank you very much.

The meeting will stand adjourned.

The record will be kept open for 10 days for receiving additional statements.

[Whereupon at 4:20 p.m. the subcommittee adjourned, subject to call of the Chair.]

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Senator CURTIS. What are current turkey stocks in relation to demand?

Mr. WATTS. Right now we are in an over-supply situation. We have been all year. The preliminary report from the Department indicates our storage holdings December 1 at approximately 250 million pounds, which is something like 26 or 27 million pounds more than 1 year ago at this time.

Senator CURTIS. Who owns these stocks?

Mr. WATTS. Well, there is a combination. Some of them are owned by turkey growers who are marketing through the various co-ops and some are owned by processors who have purchased these turkeys on contract basis from the growers. So there are combinations.

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