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THE RICE ACT OF 1974

TUESDAY, DECEMBER 3, 1974

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

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 324, Russell Senate Office Building, Hon. Walter D. Huddleston presiding.

Present: Senators Huddleston, McGovern, and Clark.

Also present: Senator McClellan.

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

Senator HUDDLESTON. The subcommittee will come to order.

We are today holding hearings on S. 4121, the Rice Act of 1974, introduced by Senator McClellan and cosponsored by seven members of this committee.

This legislation is based on the premise that the current rice production and marketing situation requires a new program to benefit producers, consumers, and taxpayers. During the current marketing year, U.S. rice production is estimated at 114.8 million hundredweight an increase of some 22 percent over last year's crop, as a result of both greater acreage and improved yield. At the same time, domestic use and exports of rice are expected to be up. On the domestic side, most of the increase is anticipated in direct consumption rather than in seed or brewer use, which stood at 11.5 million hundredweight last year. Traditionally, the United States has exported about 60 percent of its rice, and the Department of Agriculture in its October rice report, indicated that it expected rice exports to remain strong, both in terms of commercial sales and Public Law 480 shipments.

In view of this, both S. 4121 and H.R. 15263 would replace the existing rice program, on a trial basis, during the 1975-77 crop years. During that period, the Secretary of Agriculture would be required to set a national annual allotment of not less than 2 million acres, to be allocated among States, counties, and farms on the basis of the rice allotment for preceding crops. Rice produced on that acreage—in effect, rice produced in the "old" rice-producing areas—would come under the target price concept and growers would be eligible for deficiency payments if market prices fell below the target price. S. 4121 would set the target price for the 1975 marketing year at \$8 per hundredweight; H.R. 15263 would set it at \$11.

In addition, under the proposed legislation rice could be grown in areas which do not have allotments, the so-called "new" reducing areas, and both old and new growers would be eligible for loans on their crops.

While many support this new concept, there are a number who oppose it, partially on the grounds that it would overturn a program which has proven itself in the traditional rice-producing areas and replace it with the target concept which has been tried only a short time for wheat, feed grains and cotton.

We are, consequently, here today to build a complete and comprehensive record on which this committee can make its judgment. We are fortunate to have a lengthy list of distinguished witnesses and we look forward to hearing from each of them.

At this point I will insert a copy of the bill, S. 4121, and a copy of the committee staff explanation of the bill.

[S. 4121 and the staff explanation follow:]

[S. 4121, 93d Cong., 2d sess.]

A BILL To establish improved programs for the benefit of producers and consumers of rice

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Rice Act of 1974."

TITLE I—RICE

NATIONAL ACREAGE ALLOTMENT AND ALLOCATION

SEC. 101. Effective for the 1975 through 1977 crops of rice, section 352 of the Agricultural Adjustment Act of 1938 is amended to read as follows:

"SEC. 352. (a) The Secretary shall establish for each of the 1975 through 1977 crops of rice a national acreage allotment which shall be the number of acres which the Secretary determines on the basis of the estimated national average yield for the crop for which the determination is being made will produce an amount of rice equal to the estimated domestic consumption and exports (less imports) of rice for the marketing year beginning in the year in which the crop is to be produced, adjusted as the Secretary determines necessary to maintain adequate supplies or to prevent excessive carryover stocks. The national acreage allotment shall not be less than two million acres.

"(b) The Secretary shall allocate the national acreage allotment to States, counties, farms, and in producer States and administrative areas to producers on the basis of the rice allotments established for the preceding crops, adjusted to the extent deemed necessary to establish a fair and equitable apportionment base for each State, county, farm, and producer. Not to exceed 1 per centum of the State rice allotment may be reserved for apportionment to new rice farms and new rice producers on the basis of the following factors: suitability of the land for the production of rice, the extent to which the farm operator, or producer in the case of a producer allotment, is dependent on income from farming for his livelihood, the production of rice on other farms, owned, operated, or controlled by such person and such other factors as the Secretary determines should be considered for the purpose of establishing fair and equitable rice allotments.

"(c) (1) If, for any crop the total acreage planted to rice on a farm is less than the rice allotment for the farm (or in producer administrative areas, the producer allotments allocated to the farm), the farm or producer allotment used as a base for the succeeding crop shall be reduced by the percentage by which such planted acreage was less than the allotment for the farm, but such reduction shall not exceed 20 per centum of the farm or producer allotment for the preceding crop; except that if not less than 90 per centum of the farm acreage allotment is planted to rice, the farm shall be considered to have an acreage planted to rice equal to 100 per centum of such allotment. For purposes of this paragraph, an acreage on the farm which the Secretary determines was not planted to rice because of drought, flood, other natural disaster, or a condition beyond the control of the producer shall be considered to be an acreage planted

to rice. For the purpose of this paragraph, the Secretary may permit producers of rice to have acreage devoted to soybeans, wheat, feed grains, sugar, castor beans, triticale, oats, cotton, rye, or such other crops as the Secretary may deem appropriate considered as devoted to the production of rice to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the rice program.

"(2) If no acreage is planted (or regarded as planted) to rice for any three consecutive crop years on any farm which had a farm acreage allotment for such years or for any producer which had a producer allotment for such years, such farmer or producer shall lose its allotment.

"(3) Notwithstanding the provisions of subsections (c)(1) and (2), no farm or producer allotment shall be reduced or lost through failure to plant, if the producer elects not to receive payments for the portion of the farm or producer allotment not planted to which he would otherwise be entitled under the provisions of section 101 of the Agricultural Act of 1949.

"(d) Notwithstanding any other provision of this Act, if the Secretary determines for any year that because of drought, flood, other natural disaster, or a condition beyond the control of the producer, a portion of the farm allotment in a county in a farm State or administrative area cannot be timely planted or replanted in such year, he may authorize for such year the transfer of all or a part of such rice acreage for any farm in the county or in any other nearby county on which one or more producers on the farm from which the transfer is to be made will be engaged in the production of rice and will share in the proceeds thereof, in accordance with such regulations as the Secretary may prescribe. Any farm allotment transferred under this subsection shall be regarded as planted to rice on the farm and in the county and State from which transfer is made for purposes of establishing future farm, county, and State allotments.

"(e) The Secretary shall permit the owner and operator of any farm for which a farm acreage allotment has been established to sell or lease all or any part, or the right to all or any part of such allotment, to any other owner or operator of a farm in the same State, or to transfer all or any part of such allotment to any other farm owned or controlled by him in the same State, subject to such rules and regulations as may be prescribed by the Secretary. The Secretary shall also permit the producer for whom a producer allotment has been established to sell or lease all or any part of such allotment to any other producer in the same State, subject to such rules and regulations as may be prescribed by the Secretary.

"(f) Any acreage planted to rice in excess of the farm or producer acreage allotment in the crop years 1975 through 1977 shall not be taken into account in establishing State, county, farm, or producer acreage allotments in any year following such years."

LOANS AND PAYMENTS

SEC. 102. Effective for the 1975 through 1977 crops of rice, section 101 of the Agricultural Act of 1949 is amended by adding the following new subsection at the end thereof:

"(g) Notwithstanding any other provision of law—

"(1) The established price for the purpose of making loans, purchases, and payments on rice under this subsection shall be 8 cents per pound in the case of the 1975 crop; 8 cents per pound adjusted to reflect any changes during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the case of the 1976 crop; and the established price for the 1976 crop adjusted to reflect any changes during the calendar year 1976 in such index in the case of the 1977 crop: *Provided*, That any increase that would otherwise be made in the established price for the 1976 and 1977 crops to reflect a change in the index prices paid by farmers may be further adjusted to reflect any change in (i) the national average yield per acre of rice for the three calendar years preceding the year which the determination is made over, (ii) the national average yield per acre of rice for the three calendar years preceding the year previous to the one for which the determination is made.

"(2) The Secretary shall make available to cooperators and other growers of rice in the several States of the United States loans and purchases on each of the 1975 through 1977 established price for the crop of the commodity as the Secretary determines necessary to keep the crop of the commodity produced

in the United States competitive, obtained an adequate share of the world market for the commodity, and avoid any excessive buildup of stocks of the commodity in the United States.

"(3) The Secretary shall make available to cooperators payments for each of the 1975 to 1977 crops of rice grown in the several States of the United States at a rate equal to the amount by which the established price for the crop of rice exceeds the higher of—

"(A) the national weighted average market price received by farmers during the first five months of the marketing year for such crop, as determined by the Secretary; or

"(B) the loan level determined under paragraph (2) for such crop.

"(4) Such payments shall be made available on the basis of the quantity of rice determined by multiplying the farm allotment for the crop by the payment yield established for the farm. The payment yield for the farm for any year shall be determined on the basis of the actual yields per harvested acre for the three preceding years: *Provided*, That the actual yields shall be adjusted by the Secretary for abnormal yields in any year caused by drought, flood, other natural disaster, or a condition beyond the control of the cooperator. If the Secretary determines that the producers on a farm are prevented from planting any portion of the producer or farm acreage allotment to rice or other nonconserving crop, because of droughts, flood, or other natural disaster or condition beyond the control of the producer, the rate of payment on such portion shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. If the Secretary determines that, because of such disaster or condition, the total quantity of rice which the producers are able to harvest on any farm is less than 66 $\frac{2}{3}$ per centum of the farm acreage allotment times the yield of rice established for the farm, the rate of payment for the deficiency in production below 100 per centum shall be the larger of (A) the foregoing rate, or (B) one-third of the established price.

"(5) Notwithstanding any other provision of law—

"(A) The total amount of payments which a person shall be entitled to receive under the rice price-support program established by this Act for each of the 1975 through 1977 crops of rice shall not exceed \$20,000.

"(B) The term 'payments' as used in this paragraph shall not include loans or purchases, or any part of any payment which is determined by the Secretary to represent compensation for resource adjustment or public access for recreation.

"(C) If the Secretary determines that the total amount of payments which will be earned by any person under the program in effect for any crop of rice will be reduced under this paragraph, the set-aside acreage for the farm or farms on which such person will be sharing in payment earned under such program shall be reduced to such extent and in such manner as the Secretary determines will be fair and reasonable in relation to the amount of the payment reduction.

"(D) The Secretary shall issue regulations defining the term 'person' and prescribing such rules as he determines necessary to assure a fair and reasonable application of such limitation: *Provided*, That the provisions of this Act which limit payments to any person shall not be applicable to lands owned by States, political subdivisions, or agencies thereof, so long as such lands are farmed primarily in the direct furtherance of a public function, as determined by the Secretary. The rules for determining whether corporations and their stockholders may be considered as separate persons shall be in accordance with the regulations issued by the Secretary on December 18, 1970.

"(6) (A) The Secretary shall provide for a set-aside of cropland if he determines that the total supply of rice or other agricultural commodities will, in the absence of such a set-aside, likely be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency. If a set-aside of cropland is in effect under this paragraph then as a condition of eligibility for payments under paragraph (3) of this subsection on rice, the cooperators must set aside and devote to conservation uses an acreage of cropland equal to (i) such percentage of the farm acreage allotment as may be specified by the Secretary, plus, if required by the Secretary, (ii) the acreage of cropland on the farm devoted in preceding years to soil conserving uses, as determined by the Secretary. The Secretary shall permit cooperators to plant and graze on set-aside acreage sweet sorghum, and the Secretary may permit, subject to such terms and conditions as he may prescribe, all or any of the set-aside acreage to be devoted to hay and grazing

or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodity, if he determines that such production is needed to provide an adequate supply, is not likely to increase the cost of the price support program, and will not adversely affect farm income.

"(B) To assist in adjusting the acreage of commodities to desirable goals, the Secretary may make land diversion payments, in addition to the payments authorized in paragraph (3) of this subsection to cooperators on a farm who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in addition to that required to be devoted under paragraph (6)(A) of this subsection. The land diversion payments for a farm shall be at such rate or rates as the Secretary determines to be fair and reasonable taking into consideration the diversion undertaken by the cooperators and the productivity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to adversely affect the economy of the county or local community.

"(7) The rice program formulated under this subsection shall require the cooperators to take such measures as the Secretary may deem appropriate to protect the set-aside acreage and the additional diverted acreage from erosion, insects, weeds, and rodents. Such acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of the foregoing sentences. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the cooperator agrees to permit, without other compensation, access to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

"(8) If the farm operator desires to participate in the program formulated under this subsection, he shall file his agreement to do so no later than such date as the Secretary may prescribe. Payments under this subsection shall be made available to the cooperator on such farm only if such cooperator sets aside and devotes to approved soil conserving uses an acreage on the farm equal to the number of acres which the operator agrees to set aside and devote to approved soil conserving uses, and the agreement shall so provide. The Secretary may, by mutual agreement with any cooperator, terminate or modify any such agreement entered into pursuant to this subsection if he determines such action necessary because of any emergency created by drought or other disaster, or in order to alleviate a shortage in the supply of agricultural commodities.

"(9) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing on a fair and equitable basis, in payments under this subsection.

"(10) In the case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this subsection precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as he determines to be equitable in relation to the seriousness of the default.

"(11) The Secretary is authorized to issue such regulations as he determines necessary to carry out the provisions of this subsection.

"(12) The Secretary shall carry out the program authorized by this subsection through the Commodity Credit Corporation.

"(13) The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act (relating to assignment of payments) shall apply to payments under this subsection."

SEC. 103. Sections 353, 354, 355, and 356 of the Agricultural Adjustment Act of 1938 shall not be applicable to each of the 1975 through 1977 crops of rice.

TITLE II—RICE RESEARCH

SEC. 201. (a) The Secretary of Agriculture may, under rules prescribed by such Secretary, carry out regional and national research programs with regard to rice for the following purposes:

- (1) to reduce fertilizer and herbicide usage in excess of production needs;

(2) to develop varieties of rice more susceptible to complete fertilizer utilization;

(3) to improve the resistance of rice plants to disease and to enhance their conservation and environmental qualities;

(4) to increase the usage of rice and its processing byproducts;

(5) to develop better husbandry practices in production and conservation of rice;

(6) to develop more efficient rice storage practices;

(7) to improve domestic and international marketing of rice; and

(8) to benefit the general welfare.

(b) The Secretary shall, in implementing the program authorized in subsection (a), utilize the technical and related services of appropriate Federal, State, local governmental, and private agencies.

(c) There is authorized to be appropriated not more than \$1,000,000 in any fiscal year to carry out the provisions of this section.

TITLE III—MISCELLANEOUS

UNUSED ACREAGE ALLOTMENTS

Sec. 301. Section 377 of the Agricultural Adjustment Act of 1938 shall not be applicable to rice for the 1975 through 1977 crops.

FINALITY OF FARMERS PAYMENTS AND LOANS

Sec. 302. Effective only with respect to the 1975 through 1977 crops of rice, section 385 of the Agricultural Adjustment Act of 1938 is amended in the first sentence thereof by inserting immediately after "cotton set-aside program," the following: "payments under the rice program authorized by section 101(g) of the Agricultural Act of 1949,".

Sec. 303. Section 408(b) of the Agricultural Act of 1949 is amended by striking the period at the end of the first sentence and inserting in lieu thereof the following: "": *And provided*, That for the 1975 through 1977 crops of rice, a cooperator shall be a producer on a farm on which a farm acreage allotment has been established or to which a producer acreage allotment has been allocated, who has set aside the acreage required under section 101(g) and who complies with the conditions of eligibility prescribed by the Secretary."

CONFORMING AMENDMENT

Sec. 304. Effective only with respect to the 1975 through 1977 crops of rice, section 408 of the Agricultural Act of 1949 is amended by adding at the end thereof the following new subsection:

"Reference to Terms Made Applicable to Rice

"(m) Reference made in sections 402, 403, 406, 407, and 416 to terms 'support price', 'level of support', and 'level of price support' shall be considered to apply as well to the level of loans and purchases for rice under this Act, and references made to the terms 'price support', 'price support operation', and 'price-support program' in such sections and in section 401(a) shall be considered as applying as well to the loan and purchase operations for such rice in this Act."

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY

STAFF EXPLANATION OF S. 4121

S. 4121 would amend the provisions of law authorizing the rice program for the 1975 through 1977 crops and apply to rice the type of program that is in effect for wheat, feed grains, and upland cotton.

Marketing quotas would be suspended, and rice acreage allotments would be established in a manner comparable to that under the wheat, feed grain, and upland cotton programs. Acreage allotments would be used only in determining program payments to be made available to rice producers. The national allotment could not be less than two million acres.

The bill provides for a target price of eight cents per pound for the 1975 crop of rice. The target price of eight cents would be adjusted for 1976 and

1977 to reflect changes in the index of prices paid by farmers for their costs of production. Any increase in the target price would be adjusted to reflect increases in yields.

If the national average prices received by rice producers fall short of the target price, the difference would be paid by the government in the form of direct payments. If the market price is above the target price, no payment would be made. Disaster payments are also authorized for producers who—because of a natural disaster or condition beyond their control—(a) are prevented from planting a portion of their rice allotment or other nonconserving crop, or (b) suffer a loss after they have planted their crop.

The total deficiency and disaster payments which any person could receive under the program could not exceed \$20,000 annually.

Loans would be made available at not less than sixty percent of the target price.

The bill also provides authority for a rice research program and a set-aside program.

SECTION-BY-SECTION ANALYSIS

TITLE I—RICE

Section 101. National acreage allotment and allocation

Section 101 amends section 352 of the Agricultural Adjustment Act of 1938, effective for the 1975 through 1977 crops, to provide for the establishment of acreage allotments in a manner comparable to that used under the wheat, feed grain, and upland cotton programs.

Subsection (a) requires the Secretary to establish a national acreage allotment equivalent to the number of acres which the Secretary determines on the basis of the estimated national average yield will produce an amount of rice equal to estimated domestic consumption and exports (less imports) for the marketing year, adjusted as the Secretary determines necessary to maintain adequate supplies or to prevent excessive carryover stocks. The national allotment cannot be less than two million acres.

Subsection (b) requires the Secretary to allocate the national allotment to states, counties, and farms, and in producer states and administrative areas to producers, on the basis of the rice allotments established for preceding crops, adjusted to the extent necessary to establish a fair and equitable apportionment base. Not to exceed one per centum of the state rice allotment may be reserved for apportionment to new farms and new rice producers.

Subsection (c) provides that if for any crop the total acreage planted to rice on a farm is less than ninety per centum of the rice allotment for the farm (or in producer administrative areas, the producer allotment allocated to the farm), the farm or producer allotment used as a base for the succeeding crop shall be reduced by the percentage by which the planted acreage was less than the allotment but not to exceed twenty per centum of the allotment. An acreage on the farm not planted to rice because of a natural disaster or a condition beyond the control of the producer is considered an acreage not planted to rice. The Secretary may permit producers of rice to have acreage devoted to certain specified crops and others, as the Secretary may deem appropriate, considered as devoted to the production of rice to such extent and subject to such conditions as he determines will not impair the effective operation of the program. The farm or producer allotment is lost if no acreage is planted or regarded as planted to rice for three consecutive crop years. No farm or producer allotment shall be reduced or lost, however, if the producer elects not to receive payments for the portion of the farm or producer allotment not planted.

Subsection (d) provides that if the Secretary determines for any year that because of a natural disaster or condition beyond the control of the producer, a portion of the allotment in a farm state or administrative area cannot be timely planted or replanted in such year, he may authorize for such year the transfer of such acreage to any farm in the same county or in any nearby county on which one or more producers on the farm from which the transfer is made will be engaged in rice production and share in the proceeds thereof. In such case, the history is preserved for the farm and county from which the transfer is made.

Subsection (e) requires the Secretary to permit the owner and operator of any farm for which a farm acreage allotment has been established to sell or lease all or any part of the allotment to any other owner or operator of a farm in the same state or to transfer it to any farm owned or controlled by him in the same state. Similarly, this subsection requires the Secretary to permit the sale

or lease of producer allotments to any other producer in the same state. Sales, leases, or transfers under this subsection are subject to such rules and regulations as may be prescribed by the Secretary.

Subsection (f) provides that any acreage planted to rice in excess of the allotment in the crop years 1975 through 1977 shall not be taken into account in establishing state, county, farm, or producer allotments in any year following such period.

Section 102. Loans and payments; set-aside program

Section 102 amends section 101 of the Agricultural Act of 1949 effective for the 1975 through 1977 crops by adding a new subsection (g) which sets forth the provisions governing loans, purchases, and payments to rice producers.

Paragraph (1) of subsection (g) provides for an established price (target price) to be used in making loans, purchases, and payments. The established price shall be eight cents per pound for the 1975 crop, eight cents per pound adjusted to reflect changes during calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the case of the 1976 crop, and the established price for the 1976 crop adjusted to reflect changes in the price index in the case of the 1977 crop. Any increase that would otherwise be made in the established price for the 1976 and 1977 crops by virtue of the foregoing provision would be further adjusted to reflect changes in the national average yield for the three-year period preceding the year for which the determination is made over the national yield for the three-year period ending one year earlier.

Paragraph (2) provides for loans and purchases at such level not less than sixty percent of the established price as the Secretary determines necessary to keep the crop produced in the United States competitive, obtain an adequate share of the world market and avoid an excessive buildup of domestic stocks. Loans and purchases would be made available to cooperators and other rice growers in the several states of the United States.

Paragraph (3) provides for deficiency payments to cooperators at a rate equal to the amount by which the established price exceeds the higher of (A) the national weighted average market price received by farmers during the first five months of the marketing year or (B) the loan level for the crop.

Paragraph (4) provides for payments to be made on the basis of the quantity determined by multiplying the farm allotment for the crop by the payment yield established for the farm. The payment yield for any year shall be determined on the basis of the actual yield per harvested acre for the three preceding years, adjusted for abnormal yields in any year caused by a natural disaster or conditions beyond the control of the producer.

Paragraph (4) also contains provisions for disaster payments to be made to rice producers patterned after similar provisions in the wheat and feed grain programs. Payments would be made if the Secretary determined that, because of a natural disaster or condition beyond the control of the producer, producers on a farm are prevented from planting any portion of the allotment to rice or other nonconserving crop or if the quantity of rice producers are able to harvest on a farm is less than two-thirds of the farm acreage allotment times the yield of rice established for the farm. The disaster payment rate is the higher of the amount of the deficiency payment calculated under the target price formula or one-third of the established price.

Paragraph (5) limits to \$20,000 the total payments which a person can receive under the rice program for each of the 1975 through 1977 crops. Loans, purchases, resource adjustment payments, and public access payments are excluded from the limitation. The Secretary is given authority to issue regulations defining the term "person" and prescribe rules deemed necessary to assure a fair and reasonable application of the limitation; except that (1) the limitation does not apply to lands owned by states or state agencies or political subdivisions if farmed in furtherance of a public function and (2) the rules for determining whether corporations and stockholders may be considered as separate persons shall be in accordance with the regulations issued by the Secretary on December 18, 1970, with respect to the payment limitation governing the wheat, feed grain, and cotton programs.

Paragraph (6) provides for a set-aside program, if needed, to be carried out in the same manner as the set-aside program authorized under the wheat, feed grain, and upland cotton legislation. The Secretary must provide for a set-aside of cropland if he determines that the total supply of rice or other agricultural commodities will in the absence of a set-aside likely be excessive, taking into account the need for an adequate carryover. If a set-aside of cropland is in effect

then as a condition of eligibility for target price payments on rice, the producer must set aside and devote to conservation uses an acreage of cropland equal to such percentage of the allotment as specified by the Secretary plus, if required, the acreage of cropland on the farm devoted in preceding years to soil conserving uses. The Secretary is required to permit planting and grazing of sweet sorghum on set-aside acreage and is authorized to permit the set-aside acreage to be devoted to hay and grazing or the production of commodities if he determines that the production of the commodity is needed to provide an adequate supply, is not likely to increase the cost of the price support program, and will not adversely affect farm income. To assist in adjusting acreages of commodities to desirable goals, the Secretary has authority to provide for land diversion payments in addition to target price payments to cooperators who, to the extent prescribed by the Secretary, devote additional acreage of cropland to approved conservation uses.

Paragraph (7) requires the producer to protect the set-aside acreage and additional diverted acreage from erosion, insects, weeds, and rodents in a manner deemed appropriate by the Secretary. The Secretary could permit such acreage to be devoted to wildlife food plots or wildlife habitat in conformity with prescribed standards. The Secretary could provide for payment of a share of the cost of practices designed to carry out the purposes of the foregoing two sentences. The Secretary could also provide for public access payments if the producer agreed to permit, without other compensation, access to all or such portion of the farm as the Secretary prescribed by the general public for hunting, trapping, fishing, and hiking, subject to applicable state and federal regulations.

Paragraph (8) provides for filing by the farm operator of his agreement to participate in the program by a prescribed closing date. Producers would be required to agree to set aside and devote to approved soil conserving uses the specified acreages, and compliance therewith would be a condition of eligibility for payments. The Secretary could, by mutual agreement with the producer, terminate or modify any such agreement if he determined such action necessary because of an emergency created by drought or other disaster, or in order to alleviate a shortage in the supply of agricultural commodities.

Paragraph (9) requires the Secretary to provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing in payments on a fair and equitable basis.

Paragraph (10) authorizes the Secretary, in any case of failure to comply fully with the terms and conditions of the program, to make loans, purchases, and payments in such amounts as he determined to be equitable in relation to the seriousness of the default.

Paragraph (11) authorizes the Secretary to issue such regulations as he determines necessary to carry out the program.

Paragraph (12) provides for the program to be carried out through the Commodity Credit Corporation.

Paragraph (13) makes the provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act, as amended (relating to assignment of payments), applicable to payments under subsection (g).

Section 103. Suspension of marketing quotas

Section 103 makes sections 353, 354, 355, and 356 of the Agricultural Adjustment Act of 1938 inapplicable to the 1975 through 1977 crops of rice. This section has the effect of suspending for the three-year period the permanent provisions of law relating to apportionment of the national acreage allotment and the provisions relating to marketing quotas, marketing quota penalties, and acreage restraints on production.

TITLE II—RICE RESEARCH

Title II of the bill provides authority for the Secretary to carry out regional and national rice research programs. The programs are for the purpose of reducing excess fertilizer and herbicide usage; developing varieties more susceptible to complete fertilizer utilization; improving resistance of rice plants to disease and enhancing their quality; increasing usage of rice and its byproducts; developing better husbandry practices in production and conservation of rice, and more efficient rice storage practices; improving domestic and international marketing of rice; and benefiting the general welfare.

In implementing the program, the Secretary is required to utilize the technical and related services of appropriate federal, state, local governmental and private agencies. Authority is granted for annual appropriations of not more than \$1 million.

TITLE III—MISCELLANEOUS

Section 301. Unused acreage allotments

Section 301 makes section 377 of the Agricultural Adjustment Act of 1938 relating to preservation of unused acreage allotments inapplicable to rice for the 1975 through 1977 crops.

Section 302. Finality of payments

Section 302 makes section 385 of the Agricultural Adjustment Act of 1938 applicable to payments under the rice program. That section relates to finality of determinations and the making of payments if a producer should die, become incompetent, disappear, or be succeeded on the farm by another producer.

Section 303. Definition of cooperator

Section 303 amends section 408(b) of the Agricultural Act of 1949 by changing the definition of cooperator for the 1975 through 1977 crops of rice. Under the revised definition, a cooperator would be a producer on a farm on which a farm acreage allotment has been established or to which a producer allotment has been allocated who has set aside the acreage required under the set-aside program and complied with conditions of eligibility prescribed by the Secretary.

Section 304. Conforming amendments

Section 304 adds a new subsection (m) to section 408 of the Agricultural Act of 1949, effective for the 1975 through 1977 crops of rice, to provide that references made in various sections of that Act to "support price", "level of support", and "level of price support" shall apply as well to the level of loans and purchases for rice, and references made to "price support" and similar terms shall apply as well to the loan and purchase operations for rice.

Senator HUDDLESTON. Our first witness is the distinguished Senator from Arkansas, author of the bill, S. 4121, Senator McClellan.

**STATEMENT OF HON. JOHN L. McCLELLAN, A U.S. SENATOR FROM
THE STATE OF ARKANSAS**

Senator McCLELLAN. I wish to express my thanks to you, and as you stated, I introduced this bill with nine cosponsors, I believe on the 10th of October, and at that time in a statement on the floor I most respectfully urged this committee to take prompt action. S. 4121, the Rice Act of 1974, would establish for the rice producer, in the 1975-77 crop years, the freedom and market-oriented policy which was provided for certain other farm commodities under the Agriculture and Consumer Protection Act of 1973. That act applied the target price concept of wheat, feed grains and cotton. Thus S. 4121, Mr. Chairman, would permit rice growers to make the same essential decisions concerning the amount of land to devote to rice based upon their evaluation of supply and demand conditions in the marketplace. This is a significant change from present rice policy, in existence for almost two decades, which has permitted the Department of Agriculture to determine the rice supply. In order to control the supply, the Department has established various rice production acreages between 1.65 million and 2.4 million under the present program. These fluctuations have not contributed to the stability of the rice industry, either as producer or supplier.

The new policy established by this measure will encourage efficient use of the land by permitting the growth of rice in areas most suitable for its cultivation and thereby maximize the crop yield. Additionally, growers will have the flexibility to shift between rice and other crops based upon their assessment of market conditions. This program has

the potential for allowing farmers to produce those crops which will yield them the best return on their investment and can provide relief to consumers by freeing the price of rice from the artificial influences of the present rice program with its restrictive production requirements.

Agricultural exports remain a significant factor in improving the Nation's balance-of-payments position. Historically, over 60 percent of our rice crop has moved into export channels helping to make the United States the world's largest supplier. As I recall, Arkansas possibly supports more rice than almost any other State.

U.S. exports of rice in 1973-74 are expected to reach over \$1 billion—almost 6 percent of total U.S. agricultural exports. By encouraging efficient land utilization and increased rice production, the Rice Act of 1974 can further enhance the competitive position of American rice in the world market and favorably influence our balance of trade which has been severely affected by the increased costs of imported oil.

Increasing our production and exports is important also for humanitarian reasons as well as economic ones. Statements presented at the recently concluded World Food Conference in Rome, Italy, highlighted the increasing need for producing more of the world's basic food crops. Rice, the world's principal food crop, is the primary food of literally hundreds of millions of the world's people—millions of whom are among the most needy, hungry, and deprived. Information supplied to my office by the Department of Agriculture's Economic Research Service indicates that practically all gains in food production in less-developed countries are absorbed by the rapid increase in population—a situation that condemns millions to continue living on a marginal or even starvation diet. Increased U.S. rice production, which would be encouraged by the Rice Act of 1974 could help provide more of the very basic substance of life for many of these people. The pending bill provides a unique opportunity for the Congress to address the problem of hunger in the world while providing a positive influence on our Nation's balance of trade and a workable new rice policy combining a measure of protection for our farmers and incentives to expand production.

If the new rice policy proposed in S. 4121 is not adopted, the Secretary of Agriculture may be compelled, under current law, to drastically reduce rice acreages for the 1975 crop. This action, I think many would agree, is a step in the wrong direction. As I understand the present law, Mr. Chairman, the Secretary of Agriculture must make the determinations with respect to acreage limitations and marketing quotas by December 31 of this year—a very few days from now.

The measure now before this subcommittee is identical in all respects except one to the measure favorably reported from the House Agriculture Committee on August 21, of this year. The House bill contains a target price of \$11 per hundredweight while I propose an \$8 target price. Whatever the final figure may be, my intent is to provide a further incentive for favorable consideration of the bill without exceeding a figure which would provoke undue opposition and cloud deliberation on the more basic policy changes it proposes.

Mr. Chairman, I have not testified as an expert. I am here simply to cover the basic philosophy of this bill.

We have witnesses here who are experts, who are identified with the industry, who know all aspects of it, and who are prepared to testify in detail on this bill and what its beneficial affects will be.

I would like at this time to ask unanimous consent that there be inserted in the record an interview which appeared in the Stuttgart, Arkansas Daily Leader of November 15, 1974, because this is a very comprehensive analysis of this bill.

Senator HUDDLESTON. Without objection, it will be part of the record.

[The article referred to above follows:]

INTERVIEW WITH L. C. CARTER, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF RICELAND FOODS, CONCERNING THE RICE ACT OF 1974

[From the Stuttgart, Ark., Daily Leader, Nov. 15, 1974]

CARTER TELLS RICELAND VIEWS ON RICE BILL

Increasing interest in world food problems and the U.S. role in helping stem starvation are focussing national and world attention on rice industry. The industry, in turn, is eyeing legislation now being studied in Congress which, if passed, will have far-reaching effect. The Daily Leader interviewed L. C. Carter, president and chief executive officer of the 25,000-member Riceland Foods cooperative, to get his views, and the views of his board of directors, concerning the so-called Target Price concept embodied in the new legislative measure which Riceland Foods' leaders and others assisted in developing. Here are the newspaper's questions and Carter's answers:

Q. We have been hearing about the possibility of new or changed rice legislation. Under what legislation is rice being produced now, Mr. Carter?

A. The Rice Act of 1954 is rather restrictive legislation. It is the acreage allotment and marketing quota concept that we had for most commodities, until the Agricultural Act of 1973 (the so-called target price concept) was passed. Only rice, peanuts, tobacco and extra long staple cotton are still grown under the rigid acreage allotment and marketing quota system. In two decades, a great deal of changes have been made in American agriculture and many people today find the present rice program restrictive and not in keeping with the expanding needs for rice in the domestic and world markets.

Q. What about marketing quotas and acreage allotments? How do these work?

A. Under the present legislation which is based on projected supply and demand we have either one of two programs. We can have rice grown under acreage allotment and marketing quotas where each farmer with a history is given an acreage allotment and marketing quota of acres and he cannot grow any more rice than that. If he does, the penalty is so great that he just simply couldn't afford to grow it. In fact, the penalty is equal to the minimum loan of 65 percent of parity. Now, if production estimates do not indicate sufficient supplies of rice, the Secretary of Agriculture can lift marketing quotas and still operate the program under acreage allotments. That's what we had in 1974.

The acreage allotment was originally set at 1,652,000 acres with marketing quotas lifted. After much pressure from the entire industry, we were able to get the Secretary to increase acreage allotments to 2,100,000 acres, but he left off marketing quotas which meant that anyone could grow rice or any farmer could exceed his acreage allotment. Now those who elected to exceed their allotment lost the privilege of price support for the 1974 crop, as well as those who grew rice without any acreage allotment.

Q. How many acres of rice were grown outside the program?

A. Arkansas rice farmers grew 720,000 acres of rice this year. According to our receipts, which is about as good a check as I can think of, about 50 per cent of the rice that we've handled this year was grown in the program, and about 50 per cent was grown by people who exceeded their allotment. Actually, very few new farmers grew rice this year. Most of it was grown by rice farmers who just decided that they'd expand their production.

Q. What kind of program are we going to have next year—1975?

A. I wish I knew the answer to that. I guess I'm asked this question more than any other that you could ask me today, because farmers are concerned and confused right now about what our rice program might be, in 1975. In the absence of new legislation, we'll either go back to acreage allotment and market quota programs, or the Secretary can lift marketing quotas as he did in 1974.

I've tried to develop some feel about what is going on in the U.S. Department of Agriculture and to this time have failed to get a very good reading on it. I'm going to spend a few days in Washington the week beginning November 18th and hope to generate some better feeling of what the decision might be. I don't think that decision will be made until the last half of December. I think the department will have some difficulty setting the acreage allotment very low under the existing rice legislation with the present world food crisis like it is.

Q. When will we know what local farmers are going to operate under?

A. The Secretary will have to make a decision in the absence of new legislation by the 31st of December. Present law states that he must determine the acreage allotment and whether or not we will have marketing quotas by December 31, 1974.

Q. Why should any efforts be made this year to change the rice legislation that we've had for so many years?

A. Well, let me say first, that we—meaning Riceland Foods—have defended the present rice program vigorously on numerous occasions for the last 20 years. It has served the rice industry well in the past. We feel, however, that we've arrived at a place and time in the world when the world food crisis is "for real." We have a feeling that we may have difficulty in providing the food and the fiber that the domestic and export market will demand under the restrictive program under which we now operate. I think this is particularly true of rice.

We have a new dimension in the rice industry, internationally speaking, that we haven't had before. For example, many of the nations in the world who were "have not" nations a few years ago are now suddenly in a rather affluent posture. This is particularly true of the Middle East countries like Saudi Arabia, Iran, Iraq, and Kuwait, just to mention a few, that have suddenly, because of the energy crisis, found themselves with a great deal of exchange possibilities and they're buying a lot of American agricultural products. They are a deficit food producing area. Rice is one of the commodities that they purchase in large quantities. They want top quality rice, the kind we grow in Arkansas, and actually the rice industry of the United States already has sold Iran over 300,000 metric tons of rice from the 1974 crop.

There've been substantial sales made to other countries. Some of the areas of the world that have been PL 480 (Food-for-Peace) recipients of rice, in the past, are now buying rice from the U.S. for dollars. I think particularly of Indonesia, a deficit producing country, that bought substantial rice for dollars last year. They have bought rice again this year and will, I think, before the year is over, get some PL 480 rice allocated to them. South Korea is another good example. You normally think of South Korea as a country without any dollars to purchase any agricultural commodities but this is not true. We've sold considerable rice, in the last two or three years, to South Korea.

Another country that we are watching with a great deal of interest is Japan. A few years ago, Japan was a large rice exporting nation but now Japan is becoming so highly industrialized, and I might also add westernized, that the time probably is not far removed when Japan will be an importing nation as far as rice is concerned. Presently, Japan is the largest single export market the U.S. has for agricultural products—running well over a billion dollars a year. Here is a factor that I think we often overlook. Many areas of the world a decade or two decades ago were countries that could get U.S. agricultural commodities only under some sort of governmental program. They have changed to a posture where we can now develop stable and substantial dollar markets.

Before I leave this subject, I'd like to make some reference to Cuba. When I came in the rice industry in 1944, and until about 1962, we sold a great deal of rice to Cuba. At one time, Cuba was a market for about six million hundred-weights of milled rice annually, and they bought top quality long grain rice. I feel confident that we are rather close to opening trade with Cuba again—it will take some time to reestablish this market, but I'm confident that we'll be shipping substantial quantities of rice to Cuba in the reasonably near future.

In addition to this, we still have these areas in the world where food is in a deficit position such as Bangladesh and India, which are bottomless pits as far as

food is concerned. South Vietnam, Cambodia, and certain areas of Africa, some South and Central American countries still need assistance in their food imports. PL 480 (Food-for-Peace), as we call it, is still being used in these areas.

Q. What was the Genesis of the proposed Target Price Legislation?

A. I think it might be well to point out that many of us in the rice industry came to the firm conclusion, a year or two ago, that some changes were going to occur in rice legislation. Now, if this were true, we wanted to have our input into the kind of legislation we might have to live under in the future. Thus, we took a keen interest in studying the many approaches to it. Committees were set up. I served on these committees along with other members of our Board, particularly our Chairman and Vice Chairman. After a great deal of work and study, we came to the conclusion that the target price concept would best lend itself to the rice industry. We became interested, then, in developing some legislation that would incorporate this into our rice legislation on a trial basis.

Recently, the President made a statement to the effect that he intends to use his office to remove acreage allotments and marketing quotas from the rice legislation. Many members of Congress are critical of the restrictive parts of the rice program, so we felt that with the administration supporting the changes in the rigid allotment and market quota concept, that we could move from a position of strength at the present time rather than one of weakness.

Working with the Secretary of Agriculture and his staff, we drafted the framework of a target price concept for rice that was later developed into legislation and introduced by Congressman Bill Alexander of Arkansas.

The main points of this proposed legislation are:

1. That the present rice legislation be amended for a three (3) year period, 1975-1977, by adding language to provide for the Target Price Concept;

2. That the national rice acreage allotment, on which Target Price would apply, shall be not less than 2,000,000 acres, distributed by the same formula as the 1974 allotment;

3. That the Target Price shall be \$7.00 per cwt., approximately 60 percent of the estimated July 31, 1974 parity price for rice;

4. That, annually, subsequent Target Prices shall be adjusted to reflect any changes in the index of prices paid by farmers for production items, interest, taxes, wage rates, etc.;

5. The non-recourse loans of 60 percent of the Target Price shall be available for all producers of rice in the United States;

6. That the sale or lease of allotments be permitted within the state where rice is grown;

7. No history for rice acreage grown above the allotment or by producers, who grow rice without an allotment;

8. That there be authorized to be appropriated not more than \$1,000,000 in any fiscal year to carry out regional and national research programs with regard to rice.

Q. Were any changes made in this legislation when it was reported favorably by the Agricultural Committee?

A. Yes—(1) the target price was increased to \$11 per cwt., (2) a disaster clause was included (payment for loss or partial loss of crop under certain conditions), and (3) a limitation of payment of \$20,000 to any one producer of rice.

Q. How does the target price concept work, if this new legislation is enacted into law?

A. The law that has been proposed is very similar to the target price for cotton and other crops. It would do a number of things. I'd like to enumerate them:

1. It would not repeal any of the present rice legislation, which is permanent legislation, and we have tried to make it very clear to everyone that we are not trying to change the present rice legislation, except for a three-year trial period. It would simply amend the present legislation for three years and would increase the minimum acreage allotment from 1,652,000 acres to 2,000,000 acres, and this would be distributed to present holders of acreage allotments on the same formula as the 1974 acreage allotments were distributed. Which simply means, that each farmer's allotment would go up about 25 per cent. That's the first change.

2. That instead of having price support, we would have a target price. Now, the target price would be fixed in the legislation. The senate bill has been introduced by Senator John McClelland of Arkansas so the target price would be \$8 per hundredweight. The house bill was originally introduced at \$7 and was amended in committee to \$11. It's before the Rules Committee now with the figure

in it of \$11. I don't believe that any one thinks it will ever pass at that high a level, but somewhere between \$7 and \$11, if it ever gets to the floor of the house. It will probably come out, we're guessing, somewhere in the neighborhood of \$8 per hundredweight.

As an example, let's say the target price is \$8 a hundredweight, and the national average price of rice in the United States for the first five months of the marketing year (August through December) is \$7.50 a hundredweight. Then, all holders of allotments would be entitled to a deficiency payment of 50 cents a hundredweight on his allotted acres times his normal yield. If a man had a hundred acres of rice and an average yield of 50 hundredweights, he'd be entitled to \$2,500 deficiency payment because the national average price was that much below the target price. Now that doesn't mean that he can't sell his rice for anything above \$7.50. He might hold his rice or put it in one of the marketing cooperatives and get \$8.50 for it. He would still get his 50 cents a hundredweight, so in that case he'd get \$9.

It has some advantages built into it for the person who does a good job of marketing his rice. For example, the average price of rice in Arkansas is normally higher than that in Louisiana and California, yet Louisiana and California make up part of the national average price. So we might have an average price, in Arkansas, of \$8 a hundredweight and yet the national average might be only \$7.50. Because we grow a superior quality of rice, in Arkansas, we get that advantage. We also market a large part of our rice through cooperatives, which normally have been able to get a higher price than the average price, nationally speaking, so that's another plus.

Another provision of the program is, under the target price concept, all rice would be eligible for non-recourse loan of 60 per cent of the target price. If the target price were \$8 a hundredweight, the farmer could get a non-recourse loan of \$4.80 a hundredweight. We are interested in this being in the legislation because it provides a marketing tool so a man can borrow this money against his rice, put it in storage and wait for the market to react—also it's a floor against disaster in case the price of rice should go out the bottom. We know farmers cannot grow rice for \$4.80 a hundredweight, so he wouldn't grow it for the loan but it certainly would be advantageous to have in the event of a real bad marketing situation.

The bill also provides an escalation for cost of production. If the target is put in at \$8 and cost of production goes up, then the target price is increased accordingly. By the same token, if cost of production should go down, the target price would go down, too, but I don't think many people are looking for that to happen.

The law would also provide for lease and sale of allotments, which is something we have not had in Arkansas. Where the allotment is on the individual, as it is in Texas, California, and a part of Louisiana, some farmers have bought up the small allotments and this is one reason there is not much support for the target price in those areas. Many farmers have about all they want to grow, even if their acreage is cut back to the minimum.

These are the basic principles in the target price concept. It will not dislocate the industry, as some argue, because actually the present holders of allotments will get 25 percent more allotment than they have now under the present minimum setup under the law. So it has a factor built into it to protect the present grower. It's true that a man can grow more acreage than his allotment, but he only gets target price on his allotted acreage times his normal yield. If he had 100 acres and wanted to grow 150 acres, he could do that but would only get target price protection on 100 acres. A man without any history would not get any protection at all except the loan which would be available on all rice produced.

Q. What effect do you think the target price concept would have on Arkansas rice production?

A. I think the target price concept would have a tendency to increase the acreage of rice planted in Arkansas. Herein lies one of the great advantages of this particular legislation for Arkansas, Mississippi, southeast Missouri, and northeast Louisiana. This is the future rice bowl of the United States. We have the land, water, climate, transportation, and the know-how, in this area, to expand the rice acreage. There are many thousands of acres of land in and around the Grand Prairie in eastern Arkansas, Mississippi, northeast Louisiana, and southeast Missouri, that will grow rice better than any other crop. Some of this is wet, poorly drained, buckshot soil that is actually better for soybeans and cotton after it has had a few rice crops grown on it.

We might, also, include a few other areas such as isolated areas up the Arkansas River Valley, isolated areas in Western Arkansas, that will grow rice quite satisfactorily. I would expect over a period of years, not suddenly, to see the rice acreage in Arkansas to expand to maybe as much as a million acres. This would make a tremendous contribution to the economics of the State of Arkansas. It would take, of course, expanding of facilities, such as driers, storage, milling capacity and these things which would not come overnight but would come gradually and would add a great deal to the economic progress of the state.

Q. How would Arkansas rice producers fare under this target price program?

A. I don't see why they wouldn't fare as well as they do under the present program. Perhaps better, because it has flexibility built into it to give them many options which they don't have under the present program. For example, if they don't want to expand their rice acreage, they don't have to. If they would like to substitute other crops for rice such as soybeans, they can do this and still maintain their history. It gives them a freedom of choice which they don't have under the present legislation. Yet the target price concept gives them almost, not quite, but almost as much price protection as the present price support program. I think it has many pluses and very few minuses.

I would like to emphasize that this is for a proposed three-year trial period. If it fails or is not satisfactory at the end of three years, we fall back on the present law, not a word in it has been changed.

Q. What effect would this new program have on U.S. exports of rice?

A. Well, this we've covered to some degree already. With the world's population increasing at a rate of 80 million people a year, in 2½ years, that's equivalent to another United States, as far as the number of people is concerned. With the affluency of many nations in the world improving, with the possibility of Cuba coming back into trade relations with the United States, I have a feeling that we can find markets at satisfactory prices for the rice which we would produce in the United States. We only grow less than 2 per cent of the world rice crops at the present time, but we are the world's largest exporter of rice. We contribute about 25 percent to total exports of rice moving in international channels of trade. So, I simply think that this will give us an opportunity to make a major contribution to helping people in the world and, at the same time, earn dollar exchange which we desperately need in this country, if we are to continue to have to import a great amount of oil and other energy items. Right now, even though rice is a small crop, it earns about a billion dollars a year in foreign trade. This is about 5 per cent of total agricultural contribution to foreign exchange. So, I think it gives the rice industry an opportunity to "grow up" as an industry, and to go ahead and permit growing of rice in these areas in the United States where it can be grown the most economically.

Q. Why do all other people in the rice industry not share your view of this target price program?

A. Well, let me clarify a little bit your phrase "your view." What I'm trying to relate here is the view of this organization (Riceland Foods) as laid out by our Board of Directors after indepth study and numerous sessions and a great deal of thought and study on these questions. I would also like to add that I also share this viewpoint. It's not shared by all other segments of the rice industry for two or three very basic reasons:

1. There is a limited amount of land in Texas, Louisiana, and California, that is adapted to the growing of rice and with the restricted program that we have at the present time, they're growing about all the rice that they can grow and an opportunity to expand the rice acreage does not appeal to them. They fear somewhat the competition that would be created for the markets by an expanding industry in the lower Mississippi Delta, which includes the area I delineated a few minutes ago. That's one reason.

2. Another reason, in California, Texas and most of Louisiana they've had the privilege of buying acreage allotments and the large farmers have bought up the little allotments and they have about all the rice that they can grow and want to grow, even with the minimum acreage under the present legislation. They would hate to see their investment in this acreage allotment, some of which has sold as high as \$350 an acre, diluted.

3. The third reason, is that a substantial part of Texas and some of southern Louisiana can grow a regular crop and a stubble crop in the same year. They can cut off a crop of rice, in late June or July, and fertilize the stubble and put water back on it and grow a second crop. So they have the equivalent of about one and one-half (1½) crops on an acre of land in a year. So, they have a built-in advantage there in that respect.

Q. What about the problems of planting by Arkansas producers who have to go into this program on an uncertain basis, not knowing whether it would continue after three years?

A. Well, this is a rather difficult question to answer, because it does pose some problems, but if we look down the road ahead, I cannot personally see any time when we are not going to need all the production we can generate in this country. If we can't grow rice on this land for some reason or other, we would need any storage or drying facilities that have been built either on the farm or by cooperatives, by expanding existing facilities or organizing and building new cooperatives at the local level. Even if they cease to grow rice, they would have the irrigation facilities to irrigate cotton or soybeans or other crops that they might grow.

Personally, I have a feeling that if we go down this route of expanding production that we will find out that we can sell all this rice in the world at reasonable prices and that we will have no need to come back to the existing legislation in the future. But, as insurance, we certainly want to preserve it. If we do, I do not think that investments that will have been made in storage and drying facilities and in irrigation will be lost at all. Now it is true that if we expand milling facilities to take care of substantially increased production we might have to phase out some of the old antiquated mills that are now in the industry. This may be good, because some of them need to be torn down anyway. I would think that we would keep the most efficient facilities and phase out some of our old facilities, and it probably would be a good thing anyway.

Q. Would you want to answer this question now on how much responsibility the U.S. has in the present and oncoming food crisis, which has already seen thousands throughout the world starving?

A. Well, I don't think that we can take on the problem of feeding the world. We do have a responsibility in this area. We are a nation that has had a humanitarian attitude towards problems like this historically. I have a feeling that we will continue to have this kind of philosophy in the future and will help in these disastrous situations that happen every year. Each year, there are crisis in the world somewhere—floods, storms, droughts, and the United States has always moved in and helped and I think we will probably continue to do this.

Hopefully, the world food conference going on in Rome now will generate some program that will create self-help on the part of many of these nations and as their earning power goes up, our opportunity to sell for dollars improves and so this simply creates markets, rather than takes them away from us. Some folks misunderstand this. They think that if South Korea, for example, were to become more affluent that they might not need any of our agricultural commodities but that's not true. Take Japan, as an example. It used to be that everything we shipped to Japan was a giveaway program, or a PL 480 program. Now it's the biggest dollar market we have in the world. So this would happen in other areas of the world. I don't look for this crisis to go away. I think we are going to be faced with it, and if you begin to anticipate food needs of the world in just 30 years when we are told the world population will double, how can we possibly meet that problem? We may move into an expanded rice program and be wrong a year or two or three, but it can't be wrong in the long run. It can't possibly be wrong over the 5, 10, 15, 25, or 30 years, because the need for food is going to be greater than the ability of the world to produce, unless we come up with some miracles.

Senator McCLELLAN. Now, Mr. Chairman, we have a number of witnesses here from Arkansas. I don't know whether Congressman Alexander who will testify, has appeared here before, Mr. Bill E. Jones, chairman of the board, Riceland Foods, Stuttgart, Ark.; Mr. L. C. Carter, president, Riceland Foods, Stuttgart, Ark.; and Mr. Robert D. Pugh, chairman of the Rice Committee of the Agriculture Council of Arkansas who will testify.

We have others who might like to submit statements for the record. These witnesses are Mr. Horace Cox, Tillar; Mr. Melvin Hula, Hazen; Mr. Stewart Jessup, DeWitt; Mr. Ed Lalman, West Memphis; Mr. Ralph Myers, McCoy; Mr. C. B. Moery, Jr., Wynne; Mr. Leonard Stizen, Weiner; Mr. Romeo Short, Brinkley; and Mr. James Mason, Stuttgart.

Mr. Chairman, thank you very much.

These witnesses will testify from Arkansas. They are prepared to substantiate with facts and information the general policy this bill proposes will be expedited.

Senator HUDDLESTON. Thank you very much. We appreciate having your statement and look forward to hearing the witnesses you named.

The junior Senator from Louisiana, Senator Johnston.

**STATEMENT OF HON. J. BENNETT JOHNSTON, JR., A U.S. SENATOR
FROM THE STATE OF LOUISIANA**

Senator JOHNSTON. Mr. Chairman, I think we can bring this bill down in pretty sharp focus on the facts.

A friend of mine, not from a rice-growing area, gave me a call and said Bennett, are you going to approve that new rice bill, because we have some land presently planted in cotton and we would like to divert it to rice. That basically is the question. Whether you are going to divert to rice.

Land in Mississippi and other States can divert to rice and other crops.

Mr. Chairman, we claim to be the top State in rice, depending on how you judge it; maybe not top in acreage, but top in production.

With us it is not a question of quotas. It is a question of a relatively small number of farmers who make their living out of rice production. We have some 4,500 producers of rice, with an average allotment of fairly modest size. They are doing reasonably well. They are the backbone of their community and of our south Louisiana parishes.

The question presented by this bill is whether we are going to make it possible to put in danger or jeopardy that type of farmer. Once we increase the production, the big people will do very well. They have the power for mechanization. But what does the little man do? If you open up the market greatly, then you are looking at perhaps a long-term price depreciation for the rice industry, and many of our rice farmers are going to go to the cleaners. It is not easy to switch back and forth from rice crops. You have to build your barns and get your canals and make a tremendous investment, not to mention the combines and other equipment.

So once we encourage this, like my friend from northeast Louisiana said, they get into the rice business and make this tremendous investment, and they won't be able to get out that easy. They won't be able to switch from rice to soybeans or to corn.

Mr. Chairman, in my judgment we simply don't need that rice production. If you look at the figures, the Agriculture Department tells us that the 100 million hundredweight carryover is a reasonable amount. That is the figure from USDA.

I submit to you, Mr. Chairman and members of the committee, the present law is an excellent way to control production.

I have no argument that under Public Law 480 the carryover can be absorbed. My figures indicate that it will take some \$500 million to absorb the carryover alone. If the mood of Congress is to increase Public Law 480, then I badly missed the mood of Congress. I think you would have a hard time with it, Mr. Chairman, and I just hope

that this committee will reconsider. The desire is to help the community and bring the desirability down. I hope you will reconsider what this will do to the rice industry and particularly those small farmers, those with an average of 150 to 200 acres of rice.

We have a number of witnesses who were to be introduced by Senator Long. Senator Long not only wanted to testify but also to introduce this outstanding group of people: Congressman John Breaux, Governor Edwin Edwards, Willis Noland, Ed Krielow, Harry Chalkley, and Leonard Hensgens.

[The prepared statement of Senator Johnston follows:]

STATEMENT OF HON. J. BENNETT JOHNSTON, A U.S. SENATOR FROM THE STATE OF LOUISIANA

Mr. Chairman, I appreciate this opportunity to appear before your Subcommittee and express my opposition to a drastic revision of rice legislation at this time.

My State of Louisiana ranks among the very largest rice producing states in the nation. There are at least 4500 rice farmers in Louisiana. Their average allotment is between 150 and 200 acres. In other words, our production is accounted for chiefly by small producers.

Let me acknowledge at the outset of my testimony that I am deeply concerned about the impact of the proposed legislation on these small farmers. My concern does not represent, as one USDA official has suggested, routine or petty sectionalism, the predictable pleas of the advantaged as the hand of change threatens the status quo.

We are dealing with real, live people—fathers and sons (yes, mothers and daughters) whose lives and livelihoods will be drastically affected by the course of action your Subcommittee takes.

As we entangle ourselves in the academic complexities of rice legislation, let us not forget that one overriding fact.

Mr. Chairman, let me briefly summarize our reasons for believing that the rice legislation before you is the wrong step at the wrong time.

The fact is that no one can predict the impact of the proposed legislation on the rice farmers of this nation. Statutory elimination of marketing quotas may stimulate massive overproduction of rice which together the domestic and export rice markets simply cannot absorb.

We believe that present law provides ample flexibility for expanding rice production as and when market conditions warrant, and that it is most unwise to experiment with a new regime in these trying economic times.

During the 1974 crop year, the Secretary suspended marketing quotas. Allotments were increased. Rice production rose dramatically. From a carryover of 5 million cwts. in 1973, latest inventory figures have risen to nearly 20-27 million cwts., or 1,300,000 metric tons.

Mr. Chairman, we in Louisiana are scared stiff of open rice production. Rice is not like wheat and corn and cotton; some 60% of our rice production is exported into a world market where we provide only about 2% of the supply. World rice markets fluctuate rapidly and cannot be gauged well by small producers.

The boom and bust, feast and famine cycle of open rice production that prevailed in the early 50's—if systematically prolonged by the new legislation—will do in the small rice farmers of this country.

When the boom cycle turns to bust, it is not the small producer, but the producer with the deepest pocket who survives. He expands and consolidates his control over vast production acreage. Before long the nation's rice production is parcelled out among the giant survivors.

With competition thus endangered, what happens to rice prices? None of us can say for sure. Perhaps some members of the Subcommittee are willing to take their chances on this scenario, but I prefer to rely on the small rice farmers of the nation.

We say, do not be taken in by the siren song of "open production" when you cannot foresee the cost to the nation's rice farmers. Particularly do not do so by statute when a workable, less drastic alternative is available under existing law.

Unquestionably, the proponents of this legislation will argue that I have overstated the impact of "boom and bust" under the new legislation. They will remind me not to forget the cushion provided by the target price mechanism.

The fact is, though, Mr. Chairman, that no one is going to be able to continue in the rice farming business on the basis of target price deficiency payments. The payments will be available only to those who plant within their allotments, but even for those farmers, the cushion a target price at the \$8.00 or even the \$11.00 levels proposed will not compensate for a free rice market decimated by excessive production.

For those lured beyond their allotments, or those who have none, there would be only the minimal protection of crop loans at inadequate levels in a time of excess production, declining prices, and mounting costs.

Is the answer, then, to clear any excess rice production through vastly increased purchases under P.L. 480? Such purchases would be staggeringly expensive. One estimate puts such purchases at nearly \$500 million just to clear current inventories to acceptable levels.

We had better think long and hard before knocking off the small farmer in this country for the sake of our foreign policy objectives with respect to costly food giveaways.

Is the answer to overproduction, then, not P.L. 480 but the set-aside program authorized under the proposed legislation? If set-asides are to be the salvation of our rice farmers, I see no conceivable improvement over present programs to limit production. We would have production regulated not by the farmers, as USDA has so often boasted of the proposed legislation, but by the Secretary. Moreover, we would face the same spectre, often decried by USDA, of rice acres lying fallow in a time of world hunger and need.

In short, Mr. Chairman, open production may, in the short run, mean more rice at lower prices. In the long run, however, a national policy of open production will mean fewer rice farmers, and serious economic dislocation for those who try to persist. The target price concept will not sustain these farmers. Massive use of P.L. 480 purchases or set-asides is the only solution, and those options tell us much about the true nature of the proposed new program.

Senator HUDDLESTON. Thank you, Senator.

Senator McGOVERN, any questions?

Senator McGOVERN. No, thank you.

Senator HUDDLESTON. At this point I would like to insert a statement by the senior Senator from Louisiana.

STATEMENT OF HON. RUSSELL B. LONG, A U.S. SENATOR
FROM THE STATE OF LOUISIANA

Mr. Chairman and committee members, I am here today to testify in opposition to S. 4121, the proposed Rice Act of 1974. I realize that the distinguished Chairman of the Appropriations Committee, my good friend, Senator McClellan, has introduced this bill in good conscience and in the best interest of his constituency. The same is true of several members of this committee who are cosponsoring S. 4121. In a representative democracy, that is the way it should be. A representative of the people must to the best of his ability look out for their best interests.

That is why, Mr. Chairman, I come before you today to indicate that the proposed legislation appears *not* to be in the best interest of many thousands of *my* constituents. From information presented to me by these constituents and from a review of testimony of many other rice producers before the House Agriculture Committee, my judgment is the legislation may not be good for the rice industry in general.

The evidence would seem to indicate that there may be better means both of obtaining an expansion in total rice production in this country and at the same time this in a way which does not threaten to disrupt and destroy vast segments of the industry itself—*particularly* the small and medium size farmers.

It is not my intention today to go into great detail on the pros and cons of this proposal. I had intended at one point to do just that. However, I since learned that a number of distinguished Louisianians who are far more expert in the details of the rice program than I are here today to testify and to explain

to you how and why this legislation would injure them and countless hundreds and even thousands of their fellow rice producers, not only in Louisiana but throughout the country.

Under the circumstances, I would not presume both to introduce them to your Committee and then to use the very same testimony that they are just about to give to you. My purpose today is to present these distinguished and knowledgeable gentlemen to you, to associate my position with theirs, and to indicate to you that in such ways as I can I shall be attempting to preserve for my constituents and for the country the basic provisions of the current legislation which governs rice.

Senator HUDDLESTON. Representative Breaux.

STATEMENT OF HON. JOHN B. BREAUX, REPRESENTATIVE IN CONGRESS FROM THE SEVENTH CONGRESSIONAL DISTRICT OF LOUISIANA

Mr. BREAUX. Thank you very much, Mr. Chairman, for the opportunity to appear on a subject which we considered at the World Food Conference in Rome.

We have a prepared statement which I would like to submit for the record.

Senator HUDDLESTON. The statement will be inserted in the record.

Mr. BREAUX. When I was young my grandfather said, "don't confuse me with the facts; my mind is already made up."

I would like to address my attention to the present program governing rice production in the United States.

We have a rice program which has been in effect since 1954 to prevent the reoccurrence of overproduction. We have had marketing quotas. They have been adjusted upward and downward. This year, because of a real additional need for marketing rice in 1974 the USDA opened production of rice. So let's look at what happened in 1974 with no marketing quotas. No. 1, the Department of Agriculture is projecting a carryover of rice, or rice that will not be sold, between 20 and 26 million hundredweight. That is approximately 700,000 tons of rice the Department is projecting will not be sold. I asked a number of people, who do not seem to know the answer, why don't we send that needed food where it is needed very desperately.

On the other side they projected under Public Law 480, 1 million tons, which is a substantial increase over what was projected over last year. So far in the first 6 months of this fiscal year, the Department of Agriculture has programed less than 200,000 tons. That means between now and the remaining 6 months they will program perhaps 800,000 tons of rice. I think that is a real disaster as far as policy is concerned.

Right now the farmers have sold their product. They have sold it to the mills and if the Government is going to be programing over 800,000 tons, who will be benefiting? Certainly not my farmers, because they have sold it already. The Department of Agriculture is saying we will have a 28 million hundredweight carryover and they are dragging their feet.

Mr. Chairman, we have a program that can be projected upwards, or down if the Government does not see fit to raise that much. It is a program that has worked.

The other argument in favor of new legislation concerns the high price of rice to the consumer. After 20 years of a very stable, \$5, \$6,

\$7 a barrel to the farmer, the 1973 crop was at an all time high. Our production far exceeds that other rice producing countries, but we still had a situation which drove the price up.

The price received in 1973 was as high as \$17. The figures of the Department for 1974 show that a farmer received about \$11.10. So when this year's price of rice to the consumer should reflect that decrease in farm prices and if it doesn't something is wrong with the situation.

The present program, I think, should be continued, certainly for the rest of this year. The current legislation calls for an allotment program for the next year. Here we are sitting in December and announcing programs for next month.

I think it would be a great injustice to go through or rush through a bill at the end of the 93d Congress. We need to see what is going to happen to 27 million hundredweights of rice that will not be sold this year. We will do a great injustice by putting rice in this situation.

So I urge the committee in their discussions to hold this over or look at it very carefully.

Senator HUDDLESTON. Thank you, Congressman.

Senator MCGOVERN. Thank you. In your view, the Department is dragging its feet. Have they given any information as to why they are moving so slowly on that?

Mr. BREAUX. I think the letter was sent making that request about 3 weeks ago, and I haven't received an answer yet, on the programs of the first half of this fiscal year and the remaining half of the fiscal year. This year we programed less than 300,000 tons.

I have no answer. I know they are very concerned. I understand that, but I think it is unconscionable to drag their feet in moving almost 800,000 tons which still has to be programed.

Senator MCGOVERN. It seems to me an indefensible position to have a 1 million ton commitment and then to implement 275,000 tons, only about a fourth.

Mr. BREAUX. When I wrote the letter it was 125,000 tons.

The mills in Louisiana and Arkansas—I am very concerned if all of this programing came about you would have all of this rice available to ship, since our mills are so backed up with business.

Senator MCGOVERN. It also strikes me as very odd that all of this committed has gone to Cambodia.

Another thing, I wonder why we can build this big carryover, almost triple the size of last year when there are hungry people clamoring for food.

Mr. BREAUX. We have rice committed and we have to make a commitment how much we want to put into funding it. We can produce the rice. It is a question of who will pay for it. We can tie that to Public Law 480 if the American people want to make that commitment to starving countries.

Under this program we are producing more than will be sold and—

Senator MCGOVERN. The carryover is really more than an annual carryover?

Mr. BREAUX. Yes, a safe carryover is in the neighborhood of 10 million hundredweights and we are talking about three times that.

Senator HUDDLESTON. Senator Clark?

Senator CLARK. Along that same line, the Department is talking about a 1½ million carryover, do you know offhand if they were to go in and buy up the remaining 725,000 tons, would that all be taken away from that 1 million tons? Would that just about eliminate the carryover?

Mr. BREAUX. Those figures are already planned and do not include carryover. The project is based on programs in Public Law 480. There are all kinds of possibilities. There will be a real disaster for the rice industry.

Senator CLARK. That is one thing we ought to ask the Department. That would make an enormous difference.

The other thing that I wonder about is the international fund. You can't bank on that. One, on the emergency level they will meet in the United Nations tomorrow to try to approve two measures in which the United States would apply some weight, but it seems it is not just Public Law 480, if we get the United States, Australia, the Soviet Union to go in with us. If such a fund were put together tomorrow or at that meeting or in the next several days it seems to me you wouldn't really have a rice surplus.

Coming out of the Rome Conference, we would have an annual fund, an ongoing annual fund in which we would set aside 10 million bushels. If that were the case, I would feel differently about the bill's effect on rice production.

Mr. BREAUX. You make a very key point. When I came back I issued several press releases. I said this country can't—we have to look at countries who are supporting oil to help them produce. They can't go on producing and pay for it to go overseas.

As far as using some of that surplus of money, you have to start doing some of the things internationally we have been doing ourselves for so many years. If we have a guaranteed source of selling production I would be the first one to stand up and say yes. Without guarantees I think it is foolish to operate on the system.

Senator CLARK. It seems to me something like that will have to be developed, because after 20 years of expanded production of grain we have had a decline in world production. We must have an increase in supply and distribution as well as better systems.

Mr. BREAUX. Rice is doing its part in feeding the world. We are 22 percent over last year and 9 percent above 1968.

Senator HUDDLESTON. Thank you Congressman Breaux.

[The prepared statement of Representative Breaux follows:]

STATEMENT OF HON. JOHN B. BREAUX, REPRESENTATIVE IN CONGRESS FROM THE SEVENTH CONGRESSIONAL DISTRICT OF LOUISIANA

Mr. Chairman, members of the Subcommittee, I want to thank you, first of all, for holding these very important hearings. Secondly, I appreciate having the privilege of testifying against S. 4121—the bill to change the program on rice.

While I recognize that a majority of the members of the full Senate Agriculture Committee have co-sponsored this legislation, I feel it is important to point out several factors in rice production which may not be generally known.

Two of the most basic objections to this legislation are that sustained open production can be shown to be highly detrimental to rice production in this

country, and that the program now in effect is more than adequate to meet whatever demand exists.

In late 1973—after a short harvest and in a high-demand marketing year—the U.S. Department of Agriculture . . . using the formula provided in the present, permanent legislation on rice . . . opened production for 1974. Let me emphasize the point that this took place under the present program—production was opened to anyone who wished to plant. Now that harvesting is complete throughout the rice belt, we find that some 2.5 million acres were planted with a total of more than 114 million hundredweights harvested. That's 22 percent more rice harvested than we had in 1973—ample proof that the present program can be geared to meet demand.

However, USDA now says that more than 1 million tons—or up to 27 million hundredweights of rice—will not be sold by the end of the current marketing year—July 31, 1975. This will be surplus rice that will have to be taken over by the government, or programmed under P.L. 480, probably on a give-away basis . . . certainly not a situation that contributes to curbing inflation in an economy such as ours. Normally, surplus stocks or carryover, total 10 million hundredweights, or slightly less than half a million tons.

Now if we must experience this type of surplus situation on a sustained basis—as this bill provides—we will have a situation similar to that of the mid-1950s when almost 40 million hundredweights of rice were carried over and acreage allotments and marketing quotas had to be instituted.

The reason this remains such a constant danger—even with starving people in the world—is, paradoxically, that this country must export two-thirds of its rice. And two-thirds of that must move under Public Law 480. As a consequence, and since the U.S. produces only 2 percent of the world's rice, if Asia and the major rice-producing nations stabilize production, we're short on markets. One of the reasons for that is because our rice is of both a high quality and a high price. But Thailand's rice, for example, sells at a cheaper price and is perfectly acceptable to many importing nations.

Our objection to S. 4121 is not an objection to the open production of rice because of selfish interests of domestic producers. It is an objection based on a sound thesis—that sustained open production, in a market that depends on heavy export of a crop which accounts for only a small fraction of world production, is risky.

It also is based on the premise—a premise supported by USDA's own figures—that the program we have now meets demand through a simple mechanism of adjusting supply.

It's true that the price of rice to the consumer has been extraordinarily high. But we've been eating rice from that expensive crop of 1973. Now that 1974 rice is beginning to reach the shelf, even USDA admits that the prices are going to come down. If the prices do not drop significantly, it's because of costs in the middle . . . those assumed by the processor. Our growers are getting prices slightly more than half of what they received for their 1973 rice.

Also it's true that if this bill is not approved and signed into law before December 31 . . . and if USDA is not able to program out the million ton-plus surplus of rice—marketing quotas will have to be reimposed for 1975, and at least 600,000 acres taken out of production. But that's the proper way to handle crop production . . . if you can't get rid of stocks in a given year, you have to decrease production to get stocks back into a reasonable position. And I don't know whether this nation can afford to assume the total cost of giving away 1 million tons of rice, especially since the cost could reach \$450 a ton.

One more point, Mr. Chairman, and that is that target price is an untried concept of payment, highly risky in itself. This year we've seen cost of production in many commodities rise beyond the target price built into the Agriculture Act of 1973. We've also seen how difficult it is to change that target price once it's put into law.

Therefore, I respectfully, but urgently request that this bill not be reported from this subcommittee, but that rice production be allowed to continue on the stable basis on which it now depends.

Senator HUDDLESTON. Governor Edwards of Louisiana is our next witness.

STATEMENT OF HON. EDWIN EDWARDS, GOVERNOR, STATE OF
LOUISIANA

Mr. EDWARDS. First of all, it grieves me to be on the opposite side of my friend from Arkansas. I recall many long-time battles on Arkansas. One of us has fallen from grace. I don't know which it is. I suppose with recent events people think they have more water than they thought they had, but the tidal basin doesn't go that far south.

I hope from these hearings come some interesting ideas. America produces 1 percent of the world's rice and yet the major supporter. During the past 10 years from zero level to only about four of them are producing rice at all. The higher demand for rice brought on a simulated demand for rice and one thing is certain, after 20 years of open rice we have been able to respond to the requests of agriculture. The point is this program has been instrumental in rice farmer's acreage from 10 to 20 percent. That has served our Nation well. That has been used against spreading communities mainly because it provides over one-third of the diet in the developing countries and America has been able to give it or make it available to the people who want it.

The Secretary last year issued a regulation with the stroke of a pen in which he said he could do so without restriction. I don't think that he had the consumer because if it did expect better for the consumers, and that is mostly from information. Louisiana has a population that eats rice.

The point I make is that we have a program and the State Department that has been much involved in the production of rice through the years and to the production of the starving world to extend this opportunity.

The Senator suggests that we form a coalition where we buy food and distribute it to the needy, which is great. If there is one thing we have learned in giving away \$140 billion of our money is that we haven't convinced any country. It seems America alone is willing to give away dollars and help people.

One proposes what this will cost the consumer. This is very fluid. It is this late hour where it is impossible to determine how many additional acreages will be planted. One thing is certain, the traditional rice farmer is dependent upon this business. It will be difficult for us to justify putting traditional rice farmers out of business so that new people who have never been in the business can suddenly get into it, especially if you say if you think you can plant it cheaper than we can, go ahead and sell it. I suggest that after the pumps have been made ready to embark upon this massive change that has learned to accommodate to a rice program for the past 25 years which constitutes a small, small minority business and a disproportionate share of contribution.

I think we have an obligation to these people who worked with the program, took the bad years and the good years, and the bad years have far out numbered the good, and I respectfully suggest in the best interest of this country that if you approve legislation at this late hour, if a philosophy continues in the Congress that this sort of thing must

be looked at, we will know more about 1975 than we know now and we will be able to—but it is too late to ask these farmers who have already made provisions under 1975 to move into this program.

Senator HUDDLESTON. Thank you, Governor.

Senator Clark.

Senator CLARK. What is to prevent the Department of Agriculture under existing regulations from increasing rice production?

Mr. EDWARDS. Nothing at all. Under the additional legislation the Government can almost to the penny determine the cost. They can either determine the allotment and know what it will cost at worst, or remove the restriction on acreage and allow people to plant it without Government support.

Senator CLARK. Is this what the President has been talking about, as you understand it?

Mr. EDWARDS. Not if it will be done at jeopardizing the particular farmers and the agricultural pursuit. I will make a statement difficult to prove and more difficult to disprove, unless they went into the—that these new people who have not had an effort, they have allowed traditional farmers to stay in rice farming and have no incentive to get into raising crops, all of a sudden it looks like it might be a dollar in the crops, turn their nose up and look at it. Those who have borne the burden and supply the rice at below production all these years.

But the point I am making is the farmers who stood in danger and they are vociferously against its passage.

Senator CLARK. What is to prevent the Department of Agriculture from doing what you described under the present legislation?

Mr. EDWARDS. Openly. The only difference is—and I have not studied the question—is killing of something diverse, because they recognize that it is too big a risk to take because you get in rice production, they don't want to move into that support without some guarantee from the Government.

Let them do again in 1975 what they did in 1974, but I don't think they will want to take the chance because they will do what they did in 1974.

[The prepared statement of Governor Edwards follows:]

STATEMENT OF HON. EDWIN EDWARDS, GOVERNOR, STATE OF LOUISIANA

Mr. Chairman, members of the Subcommittee, I am Edwin Edwards, Governor of the State of Louisiana which, as you know, is one of the four major rice-producing states in the Union. The importance of this legislation to my state can be illustrated in the average prices paid to Louisiana producers for their crop . . . the total of which exceeded \$250 million in 1973. With more than 4,500 farmers holding acreage allotments in Louisiana, I know you can assess the importance of this commodity to our state.

I must point out that these allotment holders who produce rice do not plant large acreages. Most of them are small producers with allotments averaging around 150 acres. They've worked very hard over the years to increase the yields on their acreage . . . taking advantage of every development in technology which has been proven capable of increasing per-acre yields. An example of this can be seen in the overall doubling of per-acre yields throughout the U.S. in just 20 years—from 1948 to 1968. And Louisiana contributed more than its share to that success story.

Our growers cannot understand why—after they've responded to every demand made on them by their government—they are now being told they cannot meet the demands of the world for rice. They look at the massive surplus projected by USDA as a result of the 1974 crop of rice—which was planted with no restrictions. They are aware of the probability that these surplus stocks will

disappear, more than likely through increased P.L. 480 programming. But this is not the way they like to see production disappear. They would much rather have the knowledge before they plant that there is adequate demand on a cash basis for their crop. Emergency tactics to basically give away 1 million tons of rice leads to added inflation and they know this. They also know that this type of strategy leads to the mistaken belief that there is a sustained demand for unlimited rice production. Instead, they know that when the U.S. government properly administers a farm production program, the necessary stocks are there to meet demand, providing production is not interrupted by severe weather conditions. And, most important of all, they know that unlimited production more than likely means a severe depression in the prices they receive for rice, which, incidentally, is one of the most expensive crops to produce.

For 20 years they have lived with the demands of their government and responded each time . . . responded by planting more or less acreage and receiving prices just slightly above support. Only in 1973—of all the years rice has been under restriction—have they received prices significantly above support.

They know that if production is open, only one result will occur—they'll have to be content with prices which barely allow them to get by, and quite likely will fall below the level of cost of production.

Louisiana rice producers have learned that when production is controlled, prices they receive are at least fair. Without proper programming of production, they also know prices can depress quickly, and with an expensive crop on their hands, this can be devastating.

To rely on a concept of payment—namely, target price—which is untried and already under attack, even by Congressmen and some Senators—makes them edgy, to say the least.

Let me quote from one of the most respected sources of information available on rice production and marketing . . . a book titled, "The Southern Rice Industry", which is edited by Marshall R. Goodwin and Lonnie L. Jones. Here is an assessment of the free market system as it probably would affect rice, and I quote:

"The return to a free market for rice would cause significant adjustment problems and considerable economic stress for some rice producers. The immediate effect of releasing rice-producing acreage previously restricted by allotments probably would be substantially increased rice production. Prices at the farm level and producers' incomes would be expected to fall sharply as a result of this expanded production, coupled with the highly inelastic domestic demand for rice. Estimates show that a release of rice allotments would result in a decline in domestic rice prices to levels consistent with world prices."

And, Mr. Chairman, despite claims to the contrary, this has not changed since this book was published four years ago. We've seen it happen this year in Louisiana and throughout the rice industry. Prices to producers dropped significantly this year—to almost half of what they were in 1973. Granted that 1973 was a freakishly high year for prices to producers. But 1973 also ushered in freakishly high prices producers had to pay for such vital production inputs as fuels, fertilizer, seed, pesticides and herbicides.

Therefore, I respectfully ask that this subcommittee not penalize the small producer of rice by favorably considering this legislation. Instead, listen to the pleas of the vast majority of rice producers in this nation. The present program has not failed to meet long term demands for rice. Certainly there have been market shortages, but these are the exception, not the rule. We've been fortunate that the present program also has provided a stable pricing system to the producer. Our plea is that stable prices remain the rule, and not become the exception.

Thank you.

Senator HUDDLESTON. Mr. Bill E. Jones and Mr. L. C. Carter.

If you gentlemen would identify yourselves and your associates.

**STATEMENT OF L. C. CARTER, PRESIDENT, RICELAND FOODS,
STUTT GART, ARK.**

Mr. CARTER. I am L. C. Carter, chief executive officer and president of Riceland Foods, Stuttgart, Ark.

Riceland Foods has a membership of about 25,000 farmers, of which about 5,000 are rice farmers located in Arkansas, Louisiana, Mississippi, Tennessee and Missouri. Practically all of the Missouri and Tennessee rice crop is handled by Riceland. The annual volume of rice handled by Riceland is equal to almost 15 percent of the total U.S. rice production.

Riceland distributes the finished products of its members in both domestic and export markets, and it is in behalf of these that I appear here today.

Riceland Foods' officers, directors, and members support S. 4121 in its present form.

Also, on November 26, 1974, the resolutions committee of the Arkansas Farm Bureau, consisting of over 60,000 farm families, voted to recommend to its delegate body that it support the target price concept for rice. There is every reason to believe this resolution will be approved by the delegate body.

I am also authorized by the management of Producers Rice Mill, a Stuttgart, Ark.-based rice cooperative, with 1,100 farm members, to state that they support S. 4121. They would be here today except for an appointment they could not change.

Opportunities for the American rice farmer to play an increasingly important role, in supplying food to all areas of the world, have never been greater. However, he cannot fulfill this role under the restrictions of the present rice program. For these reasons, a new approach, which will permit maximum flexibility in the production and marketing of rice, has been developed in S. 4121—The Rice Act of 1974.

Here I have listed the opportunities that will allow expansion of the rice industry.

S. 4121 provides protection for the rice farmers with the target price and, at the same time, assures a plentiful supply of rice at equitable prices for all concerned.

I will not take time to read them, but I would like to move on to some of the important reasons, Mr. Chairman, why we think this act should be adopted:

1. In the face of the current world food crisis, we can no longer defend a restrictive production program for rice—the world's most important food crop.

2. One of the major criticisms of the present rice program is that young farmers or experienced farmers with proven ability have not been allowed to enter or expand their production.

3. The argument that this legislation will tend to dislocate the rice industry is without validity. It actually increases the minimum allotment from 1,650,000 to 2 million acres and distributes it on the same formula as the 1974 allotment. By the same token, only allotment holders are eligible for target price protection.

4. If rice acreage is expanded beyond 2.5 million acres—the amount planted in 1974—additional drying, storing, and milling capacity will have to be provided. The industry needs some assurance that expanded acreage will be for long enough periods to justify this expenditure.

5. There are some here today who will oppose S. 4121. This opposition comes largely from areas where little, if any, opportunity for expansion exists. The basic laws of economics will dictate the areas where further expansion of rice will occur, just as it applies to other commodities.

6. Provides rice farmers with a high degree of flexibility not contained in the present rice legislation. This should tend to stabilize the industry.

7. Rice will continue to expand its contribution to the balance of trade.

8. And I would like to indicate that it has been indicated here that we have already moved into 6 months of this year's operation. We actually only have figures for about 3 months. Our records are certainly not available for the last 15 days.

Based upon our knowledge and reports from the Department of Agriculture there will not be a carryover of any 25 or 26 million hundredweights of rice this year, but more likely 9.1 million to 10 million hundredweights. We think that shipments of Public Law 480 will reach the million tons referred to; that dollar sales throughout the year will take 42 million hundredweights and the domestic market about 38 million hundredweights. This will leave a carryover of about 10 million hundredweights on July 31, 1975. Actually we are inclined to think it will be lower than this.

I don't believe, Mr. Chairman and members of this committee, that we should restrict the rice industry.

Senator HUDDLESTON. Thank you, Mr. Carter.

Mr. Jones.

**STATEMENT OF BILL E. JONES, CHAIRMAN OF THE BOARD,
RICELAND FOODS, STUTTGART, ARK.**

Mr. JONES. I am Bill E. Jones. I live on a 720-acre rice and soybean farm located at Fisher, Poinsett County, Ark. This is a family farm, owned and operated by myself and my oldest son.

I am chairman of the board of Riceland Foods, a rice marketing cooperative, with a membership of over 5,000 rice producers, headquartered at Stuttgart, Ark.

I also serve as vice chairman of the board of directors of the Poinsett Production Credit Association, Marked Tree, Ark. My duties with those organizations bring me into contact with many rice farmers throughout the rice-producing areas of Arkansas. I believe the views I express to this committee to be a reflection of the thinking of the majority of rice producers in Arkansas.

I have appeared before congressional committees on many other occasions to defend present rice programs because I thought the proposed changes were unworkable or, at least, untimely and to recognize that the present program has served the industry reasonably well under the climate in which it had been required to operate. However, under today's conditions, it is evident that a change to a more flexible program is necessary, if America's rice industry is to make its proper contribution to our national welfare.

Mr. Chairman, members of the committee, S. 4121 provides the safeguards to protect those who have built the industry by their investments in facilities, machinery, and equipment, peculiar to rice production and processing, while at the same time, permits an opportunity for the industry to grow and gives the farmer the flexibility so needed in his operation today.

Rice supplies throughout the world have been depleted. We are all aware of the current world food situation and have some idea of its effect on our Nation.

This demand for more food, primarily, caused by an ever-increasing world population and increased affluency in some areas of the world combine to present rice producers with an opportunity to try a new approach to the longtime problem of balancing supply and demand.

I would like to point out briefly certain options that are available under the proposed target price plan that appeal to me, as producer:

1. It does not repeal the present program. The target price plan would simply be substituted for a period of 3 years, at the end of which time, it could be contained or we would revert back to the present program.

2. Permits new growers to participate for a period long enough to justify capital investments and, also, permits rice to be grown where it can be produced most economically and efficiently. The present program is most vulnerable to this kind of criticism.

3. Provides opportunity to develop markets. We are told repeatedly that we are in a new ball game, as pertains to agricultural exports in the world market. That there is a market for considerably more rice, if we will go after these markets aggressively. The 3-year trial period, under target price, would afford a chance to find out how much of a market is out there and at what price.

4. The proposed program would not cause a buildup of CCC stocks. Rice would move in world trade, at a price, and would not buildup CCC inventories that tend to act as an umbrella over the market.

5. Would allow producers to make more efficient use of their land. Since the target price plan gives the producer the option of planting the number of acres he wants to plant, either in the target crop or in acceptable substitute crop, there is no doubt that producers would be able to make more efficient use of their land. Small farms in my area operate most efficiently with a rotation of 1 year in rice and 1 year out. The larger farms are most efficient with 1 year in rice and 2 years out. This is primarily because of cultural practices, the need or lack of need for chemicals, and the fixed capital investment peculiar to rice production, which are all tied together, with the size of the operation. Farmers today need all the flexibility they can have to make them as efficient as possible in the face of ever-increasing costs of production.

There are those who oppose S. 4121, expressing a fear that the industry will be translocated and investments jeopardized by such a program. It would appear to me that this premise lacks validity. S. 4121 sets the target acreage at not less than 2 million for the 3-year trial period with present holders of allotments protected by the target price. To me, this represents more stability than an acreage that has fluctuated between 1,650,000 and 2,400,000 during the 20-odd years of the present program. I would like to comment in regard to 1975. It would appear they cannot make permanent preparations not knowing what the acreage allotment will be. It can be from 1,650,000 acres up.

I cannot believe that farmers will plant the countryside in rice just to lose money. Those who elect to plant rice without protection of the target price have only a protection against disaster, not a profit. It does, however, give the farmer the choice between rice and the substitute crops that will let him make the most efficient and economical use of his land and machinery. You may be assured that each individual producer will carefully weigh the options available to him in making his decision for the most effective use of his land, labor and capital.

Mr. Chairman, I thank you for the opportunity to make statement.

Senator HUDDLESTON. Between the difference of price in the two pieces of legislation we have, between the House bill and the Senate bill what is your comment on that?

Mr. CARTER. The original target bill was introduced in the House at \$7. The Agricultural Committee in the debate after the hearing raised this to \$11. I don't think anybody thinks this will be in the neighborhood of \$11. Hopefully this will be in the vicinity of \$8.

It certainly does not provide any great incentive for overproduction, but would produce rice at a reasonable price to the consumers.

Senator HUDDLESTON. The target concept in the other grains has not cost the government much because market prices have been higher. In view of the large carryover do you have any estimate of what the figure might be?

Mr. CARTER. I don't believe this is a correct projected carryover for 1975. That is 8 months from now. The carryover of August 1, 1974 was only 7.8 million hundredweights. I think it was stated that the carryover in 1974 was 26 or some such figure, and the projected figure that the Government put out months ago that it might be 27 or some such figure, July 31, 1975.

I would rather the U.S. Department of Agriculture officials answer this. Our figure is that the carryover on July 31, 1975 will not be over 10 million hundredweights.

Senator HUDDLESTON. What is the farmer receiving now?

Mr. CARTER. About \$11 a hundred.

Mr. JONES. We have operated under the present program for some 20-odd years. This \$8 figure is approximately the same as the support price will be under the present law. Under this target price it is pretty well set to the market.

We are looking at the same thing that the farmer could be looking at.

Mr. CARTER. I think there is one thing I need to emphasize. S. 4121 does provide for nonrecourse loan on all rice at 60 percent of target price. We think this is important for two reasons. A man can keep his rice away from the market and wait for the market to react before he sells it. It is also a floor under the rice and it is a great protection to the government as it establishes a floor below which the market will not go.

So we think that is very, very important.

Senator HUDDLESTON. Is the 60 percent reasonable?

Mr. CARTER. We think it is, 60 percent of \$8 is reasonable. We don't want it to encourage production, but want it to be an aid to marketing.

Senator HUDDLESTON. Senator Clark.

Senator CLARK. It is my recollection when we wrote the farm bill, 15, 16 months ago that we arrived at 15, 16 percent parity, although that was never written into the bill. What percentage of parity would \$8 be?

Mr. CARTER. It is approximately 60 percent of parity.

Mr. JONES. Senator, I believe that is about 60 percent.

Senator CLARK. That might be a little lower than food grains and cotton and corn.

You are saying they really are comparable?

Mr. JONES. Right.

Senator CLARK. There obviously is concern about increasing production, and price going way down. Why are you not concerned as they are?

Mr. JONES. Speaking as a producer, I think the farmers will evaluate the market and they will take a look at what they see and they will not go out and plant the countryside in rice.

Senator CLARK. Just as you do and food grain or wheat or cotton.

Mr. JONES. Yes.

Senator HUDDLESTON. Why is the domestic consumption as low as it is?

Mr. CARTER. The rice industry is expending about \$1 million a year to promote the consumption of rice in the United States. It is going up almost double from the low about 20 years ago. It is the only carbohydrate food the consumption of which is increasing. So we are happy about this progress.

Mr. JONES. We started out at 5.8 pounds per capita and got it up to 8.9, so we are improving.

Mr. CARTER. I have two letters here that I would like to have put in the record.*

Senator HUDDLESTON. Without objection, they will be printed in the record.

Thank you, Mr. Carter.

[The prepared statement of Mr. Carter follows:]

STATEMENT OF L. C. CARTER, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF
RICELAND FOODS, STUTTGART, ARK.

Mr. Chairman and members of the committee, I am L. C. Carter, President and Chief Executive Officer of Riceland Foods, whose headquarter offices are located in Stuttgart, Arkansas.

Riceland Foods is a farmer-owned and controlled cooperative. The membership consists of approximately 25,000 farmers, of which about 5,000 of these are rice farmers, whose farming operations are located in Arkansas, Louisiana, Mississippi, Tennessee, and Missouri.

Annually, Riceland handles 60 percent of the Arkansas rice production, practically all of the Missouri and Tennessee crop and a substantial portion of the rice produced in Mississippi and northeast Louisiana. The annual volume of rice handled by Riceland is equal to almost 15 percent of the total United States' rice production.

Riceland distributes the finished products of its members, in both domestic and export markets.

It is in behalf of these 5,000 rice producers who are members of Riceland Foods that I appear here today.

Riceland Foods' officers, directors, and members support S. 4121 in its present form.

Also, on November 26, 1974, the Resolutions Committee of the Arkansas Farm Bureau, consisting of over 60,000 farm families, voted to recommend to its delegate body that it support the Target Price concept for rice. There is every reason to believe this resolution will be approved.

I am also authorized by the management of Producers Rice Mill, a Stuttgart, Arkansas based rice cooperative, with 1,100 farmer members, to state that they support S. 4121.

Opportunities for the American rice farmer to play an increasingly important role, in supplying food to all areas of the world, have never been greater. However, he cannot fulfill this role under the restrictions of the present rice program. For these reasons, a new approach, which will permit maximum flexibility in the production and marketing of rice, has been developed in S. 4121—the Rice Act of 1974.

*See p. 34.

Very real opportunities exist that will allow expansion of the American rice industry. Some of these are:

1. Continued explosion of the world's population, by some 80 million persons each year.
2. The increasing affluency of the people in the world.
3. As a matter of policy, many governments have embarked on long range programs of providing more and better food for their people.
4. The renewal and normalization of trade with Russia and China, adding two-thirds of the world's population to our potential customers.
5. The enhanced competitive position of American agricultural products in world markets, due to the devaluation of the U.S. dollar.
6. The declining land availability suitable for food production, particularly rice, throughout the world. Only the United States has the immediate capability to efficiently increase rice production.
7. Rice is the world's most important food crop! The worldwide per capita consumption averages 123 pounds per year.
8. The United States presently produces less than 2% of the total world rice supply. It is presently, however, the largest supplier to international markets. It is, also, the most dependable supplier due to the advance technology of the American rice farmer.
9. Rice is and has been a major factor in the United States' balance of trade. Its 1973-74 contribution will approximate 1.08 billion dollars—approximately 5.7% of the total current U.S. agriculture exports. Additional supplies will provide for even greater participation in foreign trade.

S. 4121 provides protection for the rice farmers with the target price and, at the same time, assures a plentiful supply of rice at equitable prices for all concerned.

Very briefly S. 4121:

1. Amends the present rice legislation for a three year trial period, 1975-1977, by providing the target price concept.
2. Fixes the minimum acreage allotment at not less than 2,000,000 acres to be distributed by the same formula as the 1974 allotment.
3. Provides target price of \$8.00 per hundredweight for 1975 with cost escalations for subsequent years.

4. Provides non-recourse loans at not less than 60 percent of the target price for all rice production in the United States.

In no instance should the loan rate be high enough to encourage production or to hinder free movement in the world markets.

Such loan privileges, which should be extended to all growers, whether allotment holders or otherwise, will allow the orderly marketing of the crop and is extremely important for two reasons:

1. As insurance against disastrous price declines.
2. To prevent the movement of distressed rice, at harvest time, by providing interim financing.
5. Provides for the sale and lease of allotments within the state where rice is grown.
6. Provides no history for rice acreage grown above allotment or by producers who grow rice without an allotment.
7. Provides authorization for \$1,000,000 annually for rice research.

Mr. Chairman, in conclusion, we are listing below some very important reasons why S. 4121 should be reported out favorably by this Sub-Committee:

1. In the face of the current world food crisis, we can no longer defend a restrictive production program for rice—the world's most important food crop.

2. One of the major criticisms of the present rice program is that young farmers or experienced farmers with proven ability have not been allowed to enter or expand their production.

3. The argument that this legislation will tend to dislocate the rice industry is without validity. It actually increases the minimum allotment from 1,650,000 to 2,000,000 acres and distributes it on the same formula as the 1974 allotment. By the same token, only allotment holders are eligible for Target Price protection.

4. If rice acreage is expanded beyond 2.5 million acres—the amount planted in 1974—additional drying, storing, and milling capacity will have to be provided. The industry needs some assurance that expanded acreage will be for long enough periods to justify this expenditure.

5. There are some here today who will oppose S. 4121. This opposition comes largely from areas where little, if any, opportunity for expansion exists. The

basic laws of economics will dictate the areas where further expansion of rice will occur, just as it applies to other commodities.

6. Provides rice farmers with a high degree of flexibility not contained in the present rice legislation. This should tend to stabilize the industry.

Mr. Chairman, we urge that this Subcommittee report S. 4121 favorably and press for its enactment in this session of Congress, so farmers can make their plans, with confidence, for the future.

Thank you.

(The following material was referred to on p. 32.)

CACHE RIVER PRODUCTION CREDIT ASSOCIATION,
Brinkley, Ark., November 27, 1974.

Senate Agricultural Committee,
Senate Building, Washington, D.C.

GENTLEMEN: I am Harold Henry, President of Cache River Production Credit Association, serving approximately 1000 farmers in parts of five counties in Arkansas.

Senate Bill 4121, pertaining to Target Price on rice, currently being considered by the Committee on Agriculture and Forestry, is probably one of the most important bills introduced in years.

In view of the world food crisis and the contribution of agriculture to our national economy, we wish to express our vigorous support for immediate passage. The rice producers and industries have been stifled in recent years by the Rice Act of 1954. The 1954 act, although very effective for many years, is out-moded.

The Target Price concept for rice as proposed in Senate Bill 4121, in our judgment, would free the rice producer to efficiently increase his production, not only in the production of rice but other crops especially soybeans and feed grains through better farming practices. At the same time, the rice producers would be protected to some degree from any unforeseen drop in prices. The bill offers stability, a measure of freedom for individual operations which are healthy and conducive to the growth of both the rice industry and the efficient production of farmers.

As we see it, the proposed program is very sound, very timely, and again strongly urged that you consider it favorably.

We appreciate the opportunity to submit our views to this committee.

Sincerely,

HAROLD HENRY, *President.*

RICE GROWERS BANK,
Wheatley, Ark., November 29, 1974.

SENATE AGRICULTURAL COMMITTEE,
The Senate Building,
Washington, D.C.

GENTLEMEN: I am William L. Horner, Jr., President of the Rice Growers Bank, a primarily agricultural institution serving farmers in a four county area. I am also President of the Wheatley Mill and Gin Company and in this capacity I directly operate a farm producing rice, soybeans and cotton and a public cotton gin. This dual activity affords me a good perspective from which to view the proposed Senate Bill 4121, now under consideration by your committee.

The Target Price concept for rice appears to be a logical answer to certain problems confronting us today. We know that greater food production is urgently needed and that American agriculture is uniquely situated to expand its output to a considerable degree. A big expansion involves a large risk and it would be only proper to reduce to some degree the risk incurred by the rice farmer if, in his effort to increase production, world rice prices gyrated unduly.

The old Rice Act of 1954 seems now to be outdated. Bill 4121, incorporating a Target Price Concept, should be favorably considered as new legislation best designed to meet changing times and changing needs, without exposing the rice producer to a possibly unacceptable and ruinous risk.

I appreciate the opportunity of sharing my views with your committee.

Sincerely,

WILLIAM L. HORNER, JR.,
President.

Senator HUDDLESTON. I will submit at this time a statement by the Honorable Harold Johnson.

[The statement of Representative Johnson follows:]

STATEMENT OF HAROLD T. (BIZZ) JOHNSON, REPRESENTATIVE IN CONGRESS
FROM THE SECOND CONGRESSIONAL DISTRICT OF CALIFORNIA

Mr. Chairman: It is a pleasure to present testimony before this Committee. I present this statement to express my strong opposition to S. 4121, a bill which would drastically change the present program governing rice production in our country. Let me take just a few minutes to outline the major objections of our current rice producers.

Over the last few decades, a world-wide rice market has been cultivated and served by the commercial rice industry of this country, almost exclusively in the states of Louisiana, Texas, Mississippi, and my home state of California. The industry, comprised of major commercial rice farmers, has achieved a record of stability under the effective program now in existence.

To change to an open program, such as that proposed in the bill before you, could have serious effects on the stability of our rice production.

In the 1950's the present program was established because the open program then in existence was ineffective. Substantial amounts of rice went unsold. The Federal Government, in order to rescue the rice farmer had to step in and set up the present program. Since that time, the rice industry has prospered and is now capable of producing adequate supplies not only for the U.S., but also for sale to many foreign nations.

The program as designed in the legislation before you would encourage many small farmers to initiate rice producing operations. Mr. Chairman, I call to your attention the fact that this was tried several years ago and was a failure. It simply has not been economically feasible for a small farmer to raise a rice crop. Other commodities are produced in a manner that many thousands of marginal farmers can be successful. Rice, however, is different. It appears that only a sound commercial operation is capable of producing an economical rice crop.

Additional rice production as predicted by the proponents of this measure is welcomed if there is at the same time an assurance that additional long-term markets will be opened.

Under the present program no direct payments are made. This would also be changed under the bill being considered. The bill sets up a target price system to provide direct payments.

To allow producers to make their own individual planting decisions invites potential disaster. Rice is a crop which depends on export markets. Over 60% of our domestic rice crop is sent overseas, much of it under programs of the Federal Government over which the farmer and the market have no control.

In summary, Mr. Chairman, I am greatly concerned that this measure would abolish a program which has worked well for a number of years in favor of a program of unknown consequences. The rice producing areas of this nation are familiar with the operation of the present program and to my knowledge are basically satisfied with its success. To scrap this program at this time is not practical.

It is also my concern that the legislative climate is not one which would be favorable to a continuation of rice support programs. In general, if you were to take the bill before you to the Floor, it may well spell the end of any rice program. Therefore, I would suggest that the present program be retained in its current form so that we may continue to have a rice program, and one which we know will adequately meet the needs of our current rice producers.

Senator HUDDLESTON. Mr. Martin S. Simon, vice president, Connell Rice & Sugar Co., Inc., is next.

STATEMENT OF MARTIN S. SIMON, SENIOR VICE PRESIDENT,
CONNELL RICE & SUGAR CO., INC., WESTFIELD, N.J., ON BEHALF
OF AD HOC COMMITTEE OF RICE USERS

Mr. SIMON. Martin S. Simon, senior vice president of Connell Rice and Sugar Co., Inc., an exporter and domestic distributor of rice.

I have a statement in support of S. 4121 which I would like to submit for the record.

Senator HUDDLESTON. Without objection, it will be received.

Mr. SIMON. I also am currently chairman of the ad hoc committee of rice users. This statement is on behalf of the ad hoc committee.

The ad hoc committee is composed of the following consumer and industrial organizations:

Adolph Coors Co., Anheuser-Busch, Inc., Campbell Soup Co., Chinese American Restaurant Association, Citizens for Hawaii, Connell Rice & Sugar Co., Inc., General Foods Corp., General Mills, Inc., Gerber Products Co., Harlem Consumer Education Council, Japanese American Citizens League, Kellogg Co., League of United Latin American Citizens, National Consumers Congress, National Consumers League, New York Consumers Assembly, Ralston Purina Co., Raza Association of Spanish Surnamed Americans, Riviana Foods, Rice Consumers Institute of America, and Stouffer Foods.

These are times of inflation, starvation, and economic crisis, when the fabric of our society appears to be ripping apart before our very eyes, when it is incumbent upon all of us to evaluate policies and programs from the economic standpoint of maximum return per unit of cost and from the social standpoint of the greatest good for the greatest number. We can no longer afford the luxury of waste, of inefficient utilization of resources, of special costly arrangements.

The question before us is whether it is better for the United States to continue the rice program authorized under the Agricultural Adjustment Act of 1938, as amended, or to adopt the new target price program that would be established under the Rice Act of 1974. A program with its roots in the 1930's or one prompted by conditions of the 1970's? An introspective program concerned solely with the special interests of a small group of producers or one that would benefit both producers and consumers? A program purposely inflationary or one that allows free market forces to set prices? A program specifically designed to curtail output or one without production restriction? A program that denies entry to new growers or one that opens up rice production to all growers?

It is the conclusion of the ad hoc committee that the Rice Act of 1974 which is patterned after the Agriculture and Consumer Protection Act of 1973 is the preferred choice as the program better suited to the needs of the times. It would be more responsive to conditions of shortage and would cope more rationally with periods of surplus. Its 3-year term and its extension of moderate price support protection to all growers would encourage a greater production response than could be expected under the current program with marketing quotas removed. It would end the archaic parity procedure for determining price support levels, a formula which perpetuates past price inflation and denies the market the benefit of improvements in productivity. By enhancing the competitive position of U.S. rice through a change in the domestic pricing structure, it would augment both domestic and export demand for U.S. rice, dispense with the need for export subsidies, and facilitate growth of the industry on a sound market basis. It is counterinflationary, permits a more efficient utilization of resources, would be less costly to taxpayers and fairer to consumers yet

at the same time it retains significant protection for producers against severe price declines. It would enable an expansion of commercial exports to the benefit of our balance of payments and would provide more rice for food aid at reasonable cost. The ad hoc committee strongly endorses S. 4121, the Rice Act of 1974.

There is a food emergency in the world. It is a time that cries for action. The 1975 U.S. rice crop is soon to be planted. It will provide rice for the period August 1975-July 1976. We believe it urgent that the Rice Act be passed this session so that it will apply to the 1975 rice crop. The contribution the Rice Act can make in the fight against inflation and starvation is too important to delay a year.

Mr. Chairman, other members of the ad hoc committee are scheduled to testify on their own behalf. In addition, Campbell Soup Co. supports S. 4121 and asked me to request your permission to file their own statement on the merits of the bill.

Senator HUDDLESTON. Without objection, the record will remain open.

Mr. SIMON. Thank you, Mr. Chairman.

Senator HUDDLESTON. How do you anticipate this production of domestic food can be readily channeled into the foreign market? Are you going to have the funds available?

Mr. SIMON. We have always produced substantially in excess of our domestic requirements. In our judgment, the long term demand outlook for U.S. rice is as bright or brighter than that for any other agricultural commodity produced in the United States but we must be competitive. Food aid for rice is presently scheduled at 1 million tons. The Rice Act would make rice less costly, thus making more rice available for food aid with a grain budgetary allocation.

Senator HUDDLESTON. But if we substantially increased production in this country we will have to substantially increase our food aid.

Mr. SIMON. I wouldn't expect the expansion of rice production would take place over night. It will take place over a period of time.

Senator HUDDLESTON. I don't question the need. After we produce it and if the producer is given adequate return for his product is it adequate to support it?

Mr. SIMON. One of the problems in the past is that we found ourselves quite frequently in a noncompetitive position because the support price was arbitrarily set at a level over world prices and export subsidies were required to facilitate exports. The subsidies weren't always sufficient, but, when they were, dollar export sales exhibited a substantial growth trend. Under the Rice Act, export subsidies would no longer be required. Under the current program, if world prices decline below our escalating support prices, export demand will be severely reduced unless export subsidies are reestablished. If they are met, which is likely, domestic supplies will back up to the ultimate detriment of the entire rice industry.

Senator HUDDLESTON. The new act lends itself better to keeping with that situation than under the present legislation.

Mr. SIMON. No doubt. We have set our support price without regard to market considerations and as a result we have encouraged production abroad by establishing a price umbrella over our foreign competition. We have even had rice imported into the United States at times of domestic surplus because price structures were out of balance.

I believe we have also encouraged American rice-using companies to set up plants abroad to take advantage of lower world prices, thus losing jobs here.

Senator HUDDLESTON. What about protection to the farmer?

Mr. SIMON. Under the current program, present growers receive price support protection, \$7.54 per hundredweight for the 1974 crop, but new growers receive no protection. Under the Rice Act, both present and new growers are protected. Present growers would be assured \$8 per hundredweight on 2 million acres and both present and new growers \$4.80 per hundredweight on additional acreage.

Senator HUDDLESTON. Senator Clark, any questions?

Senator CLARK. In what specific ways would this bill financially benefit your companies or the groups of the ad hoc committees which you represent?

Mr. SIMON. We are exporters and we think there is a substantial potential market in the world for export for dollars. In the past, we have had many occasions when U.S. rice was not competitive, but under the Rice Act we wouldn't have that same problem and we could go out and promote U.S. rice.

Next year there will be a higher U.S. support price under the current program. If world prices decline below our support prices, we do not know whether export subsidies will be reestablished. If not, we will not be competitive and exports will suffer. The Rice Act avoids this problem.

Senator HUDDLESTON. Well, presumably the companies involved that you listed would benefit financially if it passed?

Mr. SIMON. I can't really speak for them.

Senator HUDDLESTON. Are you the chairman of the group?

Mr. SIMON. Yes; but some are here today to testify and can speak for themselves.

I know consumers would hope they would benefit from larger supplies and lower prices and some have indicated they are opposed to export subsidies as unfair because it means a foreign consumer is buying U.S. rice at a lower price than an American consumer and they think they should be able to buy rice at the same price as anybody in the world when prices are low as they are expected to do when prices are high.

Senator HUDDLESTON. Thank you, Mr. Simon.

[The prepared statement of Mr. Simon follows:]

STATEMENT OF MARTIN S. SIMON, SENIOR VICE PRESIDENT, CONNELL RICE & SUGAR Co., INC., WESTFIELD, N.J.

Mr. Chairman and members of the subcommittee, my name is Martin S. Simon. I am Senior Vice President of Connell Rice & Sugar Co., Inc. Connell Rice has been in the rice business since 1912. We are exporters and domestic distributors of rice. Although we are also sugar brokers and economists, importers of foodstuffs, and economic consultants to industry and government on commodity prices and inventory, policy, the marketing of American rice is by far the major activity in which we are engaged and the future of the American rice industry is of paramount importance to us.

I am here to speak in support of S. 4121, the "Rice Act of 1974". Our involvement is primarily with the demand side of the rice supply-demand equation. Rice is produced to be consumed, and we believe that government rice programs, financed as they are by all taxpayers, must be responsive to needs of users as well as producers. We find the present rice program seriously deficient in this

regard. We find it overprotective of a few at the general expense. It is long overdue for change.

The program under which rice is presently produced in the United States is contained in the Agricultural Adjustment Act of 1938, as amended. It was developed at a time when we were concerned with surpluses of agricultural commodities and low prices. Its objective was to protect rice producers from overproduction, and the consequent falling prices and declining incomes. It did this by restricting production through a system of acreage allotments and marketing quotas, by denying potential new growers the opportunity to engage in rice production, and by establishing minimum market prices and a guaranteed outlet (i.e., Commodity Credit Corporation) for surplus rice. Some describe this as a special privilege monopoly; in this case one operating under government sponsorship. An examination of the operation of the program shows just how special a privilege this has been. For example, at the minimum acreage allotment, substantially more rice is produced than is required domestically. The balance is available for export and/or carryover. However, as the domestic support price was established without regard for market considerations, it was often set at a level higher than world prices. This imbalance was not resolved by reducing production to the level of demand consistent with the support price or by reducing the support price so as to increase demand to the level of production but rather by increasing demand by subsidizing exports. The fact that this was discriminatory to domestic consumers and extra costly to taxpayers was ignored.

At this particular moment in time, I doubt if there are many of us here who are concerned about surplus production and depressed prices. We are being engulfed by worldwide inflation and surrounded by hunger and starvation. The ghost of Malthus has returned to haunt us. We need more food, not less, and we need to restore prices to more reasonable levels or at least to slow down their rate of increase. For the problems of the 1970's, we need a program of the 1970's. We believe the Rice Act of 1974 is better able to cope with our present circumstances than is the current program with its roots in the 1930's. However, whatever the near future holds, whether we find ourselves in a world short of rice or in a world with ample rice stocks, the Rice Act, for reasons I will indicate, has to be the preferred choice over the present program.

We happen to believe that during the 3-year term of the Rice Act, we are going to need all the rice the U.S. can produce. Given the same set of conditions, the Rice Act will encourage a greater production response than will the present program even if marketing quotas under the latter were removed. It will accomplish this because the Rice Act is for a 3-year term, is open to all growers, and extends price support protection, albeit at a modest level, to all participants on all acreage planted. It will enable economies of scale and permit rice to be grown where it can be grown most efficiently. Open production under the current program is on an uncertain year-to-year basis and provides no price support protection to new growers or to present growers on acreage grown in excess of their allotment, factors which would tend to discourage a production response of the magnitude that would result under the Rice Act.

By the same token, as compared with the Rice Act, the current program is inflationary. Founded as it is on monopolistic principles, its purpose is to raise prices over levels that would prevail under free market conditions. It is inflationary in that it restricts production and inhibits production responses. It is inflationary in that it restrains competition. Through the allotment system, it perpetuates rice production on uneconomic units and in less efficient producing areas. It is inflationary because it requires an excessive amount of government involvement and government costs in its administration. It is inflationary because it sets the domestic support price on the basis of an archaic parity formula that builds in past inflation and makes no allowance for improvements in productivity. It is inflationary because it inhibits growth and is wasteful of resources. All of these factors would be changed for the better under the Rice Act. Compared with the present program, the Rice Act's provisions are counterinflationary and better suited to a world struggling with food crises and high prices.

We have concentrated our attention on the contribution we believe the Rice Act can make toward resolving the problems of food shortage and inflation because we believe these problems will be with us for the foreseeable future and such emphasis is warranted.

However, whatever the future rice scenario, whether it be one of surplus or one of shortage, the Rice Act has to be a vast improvement over the present program. It would be a far preferable program for the industry and the nation should conditions of surplus return and competition for markets turn keen again. Despite

contentions to the contrary, the present program, by itself, has not worked well. Export programs—particularly export subsidies—have served to postpone the day of reckoning for the present program. Perhaps a brief review of recent history would help place these remarks in better perspective and enable us to elaborate on some of our earlier points. In keeping with our area of specialization, we will concentrate on implications of the programs for demand for rice.

Demand for U.S. rice consists of two major components—export and domestic. Export demand is the larger component, accounting for about 60 percent of total disappearance during the August 1973–July 1974 marketing year. Export demand comprises sales for dollars and sales under various government-financed programs, such as PL-480 and AID development loans. Dollar sales accounted for 65 percent of total exports during 1973–74.

Domestic demand for rice is composed primarily of demand for use as food and demand for use in beer. It generally surprises one to learn that use of rice in beer accounts for more than 20 percent of total domestic use (excluding seed).

In our judgment, the Rice Act would augment demand for U.S. rice and provide the industry with an opportunity for growth that is not presently available to it. It would accomplish this primarily by enhancing the competitive position of U.S. rice in markets all over the world. It would permit prices for U.S. rice to be determined freely in the market place and not by government decree.

In the period between World War II and the Korean War, rice was in tight supply in the world and prices were high. U.S. rice was priced competitively, U.S. exports were limited only by available supplies and carryover stocks remained minimal. In 1953, the world supply situation improved and world prices declined below U.S. support prices. As U.S. rice was no longer competitive, exports fell sharply. However, production continued to increase and carryover stocks rose from 1.5 million cwt. on August 1, 1953 to 26.7 million on August 1, 1955. In consequence, acreage allotments and marketing quotas were established for the 1955 crop. Acreage allotments have been in effect ever since; marketing quotas were removed for the first time for the 1974 crop.

The acreage allotments curtailed production, but U.S. rice continued to be non-competitive and commercial exports during the 1955, 1956 and 1957 seasons remained at low levels, consisting primarily of shipments to Cuba. Total exports during this period were supported by shipments under the Public Law-480 program which began with passage of the Agricultural Trade and Development Assistance Act of 1954.

On December 15, 1958, a payment-in-kind export program was established for rice. Its purpose was to expand commercial exports by making U.S. rice competitive in world markets. Results speak for themselves. Dollar exports of U.S. rice rose from 5.9 million cwt. during 1957–58 to 24.6 million during 1967–68. When world prices rose to U.S. levels in 1967, subsidy rates were reduced to zero. The USDA announcement accompanying the reduction stated that "A future announcement of payment rates will be issued when such action is determined necessary to keep rice produced in the United States competitive in world markets." The increase in U.S. exports over this period was steady consisting of an expansion in number as well as size of markets abroad. During 1967–68, U.S. rice was shipped to more than one hundred countries. Foreign buyers were aware that the objective of U.S. subsidy policy was to meet reasonable competition abroad and the United States became widely regarded as a dependable competitive source of supply.

World rice production recovered in 1968 and prices began to soften. World prices soon declined below the milled equivalent of U.S. support prices and, in March 1969, export payments were restored. The announcement restoring subsidies pointed out that "World market prices for rice are now lower than they were two years ago when export rates were reduced to zero. On January 31, 1969 U.S. farmers had over 18 million cwt. of rough rice under CCC price support loans. It is expected that the action taken today will make U.S. medium and long grain rice competitive in world markets and help to reduce the quantity of rough rice that CCC would otherwise acquire under the price support program."

However, it did not work quite that way. The Rice Export Payment program was not under a tight budgetary constraint. Those administering the program were unable to make or keep U.S. rice competitive in world markets to the same degree and with the same timeliness as had been the case in the previous period. Many buyers are willing to pay a premium for U.S. rice, but price differences became prohibitive. The subsidies helped, but our prices remained generally too high.

Market erosion set in, commercial exports declined, and supplies began to back up. Dollar exports fell from 24.6 million cwt. during 1967-68 to 11.3 million during 1971-72. Interestingly, during both 1967-68 and 1971-72, U.S. exports of milled rice totaled about 41 million cwt. However, commercial exports accounted for 60 percent of the total during 1967-68 when we were competitive, but only 27 percent during 1971-72 when we were not. Government-financed exports could not take up all of the slack in commercial sales and carryover stocks rose from 6.8 million cwt. on August 1, 1968 to 18.6 million on August 1, 1971.

The world supply situation worsened in 1972, prices rose steeply and U.S. rice became competitive again. Export subsidies were reduced to zero in December 1972. Dollar export sales rose to 17.7 million cwt. during 1972-73 and to 23.0 million during 1973-74.

Many factors affect commercial rice exports—changes in per capita income and hard currency reserves in importing countries, availability and price of competing foods such as wheat, barley, and corn, strikes, shifts in consumer tastes, to mention some of the more important. However, as a review of the history reveals, the preeminent factor affecting commercial export demand is price or, more specifically, the relationship between U.S. prices and those for rice from other origins. When we were competitive, our commercial exports grew and the industry prospered; when we were not competitive, our commercial exports declined and the industry stagnated. This type of roller-coaster ride is not conducive to market growth.

Where do we go from here? Most observers expect world supplies to continue tight and world prices to remain over U.S. support levels for the foreseeable future. But, realistically, we know there will be fluctuations. World weather could turn favorable, production increase, and prices decline. Tied as it is to the parity concept, the U.S. support price next season could very well be some 15-20 percent higher than this season and further increases are likely in years ahead. A decline in world prices below the escalating U.S. support price some time in the future cannot be ruled out. Should this happen, it is important to know whether export subsidies will be reinstated, and if so, will they be sufficient to enable U.S. rice to meet competition and to sustain a strong commercial export sector? The question takes on added significance in view of the fact that regulations covering the rice export subsidy program (i.e., GR-369) were revoked on April 8, 1974. Taking recent history into consideration including the continuing furor over the subsidized wheat sale to Russia, we may have difficulty finding someone willing to debate the affirmative side of the question of the likely reinstatement of rice export subsidies. Yet the consequence of a return to a non-competitive posture on the part of U.S. rice is declining exports, increasing carry-over stocks, production retrenchment, and stagnation.

The fact is that in the past when world prices declined below U.S. support prices and exports were subsidized, the American consumer was required to pay a higher price for U.S. rice than was his counterpart overseas. This policy went generally unquestioned—domestic prices being relatively stable—and probably was something of which the average consumer was unaware. But no longer. Consumer opposition to reinstatement of export subsidies is a foregone conclusion.

Another consequence of pricing our rice over the world market is that we establish an umbrella of price protection to the advantage and delight of our foreign competitors. We encourage them to increase their production which, in turn, ultimately means greater competition for U.S. rice. They expand; we contract.

Under the Rice Act, these paradoxes would be avoided. The domestic pricing structure would be modified to enable American rice to be priced at competitive world levels at all times. With world prices and U.S. prices equated, the need for export subsidies is eliminated and the U.S. consumer treated more fairly pricewise. Such a market environment would very well encourage an expansion in domestic demand for rice for food purposes. Foreign buyers would be assured that prices for U.S. rice would always be in line with those for rice from other origins. A rational basis would thus exist for market promotion and development, success of which in the final analysis depends upon competitive pricing. Foreign competitors would not be erroneously encouraged to expand production. In all respects, growth in commercial export demand would be expedited with its obvious favorable impact on U.S. balance of payments. As a further benefit, American companies would be discouraged from establishing rice-using plants abroad in order to take advantage of lower world rice prices, thus safeguarding employment opportunities and export earnings for the U.S.

As stated earlier, the brewing industry presently accounts for more than 20 percent of total domestic rice use. It is axiomatic that the brewing industry expects to pay a competitive price for its rice—no more, no less. The domestic rice consumer may not have an acceptable alternative, but rice-using brewers do. On several past occasions, when world prices declined below U.S. support prices, a significant portion of the rice requirements of the breweries was shifted from U.S. rice to foreign rice. Corn is another alternative open to the breweries and a major shift out of rice to corn as an adjunct in the brewing process because rice was not priced competitively has already taken place. A program that encourages a prominent customer to ship elsewhere has shortcomings that cry for correction. The new program will assure the domestic brewing industry that U.S. rice prices will remain competitive and that American rice will supply the American brewing requirement.

We believe the long-term outlook for U.S. rice is as bright as or brighter than that for any other agricultural commodity produced in this country. The new program is progressive and provides the means for capitalizing on that outlook. It is counter-inflationary. It will enable the industry to cope with the inevitable market fluctuation in a manner expeditious to future growth. The present program—concerned as it has been with problems of oversupply—is not readily or sufficiently responsible to an outlook in which world shortage is expected to be more frequently the rule. It deprives the U.S. industry of the opportunity to participate in long-term market growth by discouraging demand. We self-destruct on the parity mechanism.

We respectfully urge speedy adoption of S. 4121, the "Rice Act of 1974".

Thank you.

Senator HUDDLESTON. I submit for the record a statement by Senator John Tower of Texas.

[The statement of Senator Tower follows:]

STATEMENT OF HON. JOHN TOWER, A U.S. SENATOR FROM THE STATE OF TEXAS

Mr. Chairman, there are several thoughts which I wish to present to this subcommittee concerning the proposed legislation outlining rice programs. I am certain that the members of this subcommittee will closely review the effects of such proposals on the entire rice industry and I appreciate your allowing me to share my thoughts with you.

In formulating agricultural policy, we must consider the goals for which we are searching: ample supplies for domestic and foreign demand, fair prices for consumption, adequate producer income and the formulation of a program which can be depended upon for several years.

In order to accomplish these goals, we must consider these realities. Ample supplies will be met by providing production incentives and protective devices which are realistic with today's cost of production. With ample supplies, we can continue to consume rice purchased at fair prices. In addition, producers must know from year to year what governmental regulations they will operate under, in order to make long range farming plans, financing plans and meet production needs. Obviously, it is necessary from time to time to review farm programs as marketing patterns and demands change. We must continue to keep current with changes.

It is additionally necessary to consider the governmental costs incurred while regulating any given farm program. This cost must include not only the cost incurred in the administration of the program, but also in price support payments and possible storage costs if program changes create oversupplies assumed under the accompanying crop loan program.

In view of these considerations, it is my opinion that we need to give serious consideration to the existing rice program. The actual cost of administering the program has been considerably less than other crop programs. The present program provides flexibility to change production habits with supply and demand requirements and while this flexibility is ever-present, there is general stability from year to year in the advance knowledge provided under permanent legislation. We have been able to meet demand requirements under present regulations. Rice producers in Texas are very pleased with provisions provided for in the Agricultural Act of 1938 and have expressed strong interest in continuing their operations under this act.

In summation, I feel we need to take a long hard look to see if legislative change would provide any goals not provided under existing laws. Thank you for your consideration.

Senator HUDDLESTON. Now we will hear from Mr. Self and Mr. Smith.

**STATEMENT OF HENRY C. SELF, PRESIDENT, DELTA COUNCIL,
STONEVILLE, MISS.**

MR. SELF. Mr. Chairman, I am Henry C. Self, president of Delta Council.

I would like to introduce Mr. Smith, executive vice president of Delta Council and C. P. Owen, Jr., director of the Mississippi Rice Growers Association and vice president of the Delta Council.

I have a statement I would like to read.

I am a farmer from Quitman County, Miss., and am president of Delta Council, an organization representing the 18 delta and part-delta counties of Mississippi. Our area is largely dependent upon agriculture for a livelihood and our principal crops are cotton, soybeans and rice.

While Mississippi has a relatively short history in commercial rice production as compared to such States as Arkansas, Louisiana, and Texas, rice is an important crop in our area. We have land resources that are ideally adopted to rice production. We have an abundance of water, both from underground and surface sources, available for irrigation. We also have a rice mill located in Cleveland, Miss. This combination of adopted land resources and available water supplies means that with proper management, our area can produce rice economically and efficiently.

I might add we do produce rice economically and efficiently.

The Delta Council board of directors met on November 14 with 88 agricultural and business leaders representing our 18 delta and part-delta counties in attendance. Our directors adopted a policy statement at this meeting urging the passage of legislation lifting acreage controls and marketing quotas on rice and I appear here today in support of S. 4121. We respectfully urge your approval of this measure.

As you know, rice is a highly nutritious and versatile food that is an important part of the diets of hundreds of millions of people. Many of these people live in the areas of the world where starvation is a grim fact of life. U.S. farmers excel in rice production and can, if given the opportunity, produce this crop in the quantities that are so desperately needed.

If the United States is to participate in a meaningful manner in a program to help prevent starvation and, at the same time, provide for our own needs, food crop production in this country must be sharply increased and plans must be developed to handle the production, marketing and distribution of these food supplies in an efficient manner.

The current rice law is very restrictive. We understand that we face almost certain action to reimpose marketing quotas on rice in 1975 unless legislative action is taken. This will mean a drastic cutback in the production of rice in the United States at the very time when a

hungry world is pleading for assistance. It will be very difficult, both economically and morally, for us to justify such action.

The existing acreage allotment and price support program for rice can only result in restrictions on rice growers, higher prices to consumers and limits on our export potentials to other nations. We believe that passage of S. 4121 would be in the best interest of all segments of our economy and it would also remove any doubt about our country's commitment to participate to the best of our ability in meeting the world food crisis.

Thank you very much.

Senator HUDDLESTON. Thank you.

Do you have any questions?

Senator CLARK. One very brief one.

How would this bill be beneficial to the Mississippi rice growers?

Mr. SELF. We have new growers and this bill will permit them to use their land more effectively. This country can no longer afford to plant crops that are unsuitable for a particular area. We feel that rotation of crops is best. We grow soybeans, and I might add not too well in many parts of our State. We know from experience from rotating rice and beans they can be produced efficiently.

Senator HUDDLESTON. Are you satisfied the grower will receive protection?

Mr. SELF. Yes; we believe the old grower will receive protection and the new grower will not put land in rice unless he can make a profit.

STATEMENT OF B. F. SMITH, EXECUTIVE VICE PRESIDENT, DELTA COUNCIL, STONEVILLE, MISS.

Mr. SMITH. Mr. Chairman, to give you a little background, right after World War II we received a small allotment. During the Korean war, they lifted the quotas and Mississippi was producing about 100,000 acres of rice. As soon as that was over quotas were imposed and we had a sharp reduction in acreage. Our State allotment was reduced to 46,000 acres, which meant that a lot of people had to shrink their productive capacity. This year, when quotas were lifted, we increased our acreage to where we were when the Korean war was going on. We do have highly productive land.

As Mr. Self noted, also in the addition to the land itself we have abundant water supplies. This bill will provide our farmers an opportunity for alternative uses of their land and water resources and it will be very helpful to our area.

Senator HUDDLESTON. Do you see any danger that domestic consumption will continue to grow at a small rate and if we are not able to move large amounts into the food aid program, and it is not moving too efficiently right now, that there might be a price depressant?

Mr. SMITH. I think one of the greatest dangers we have is not being in a position to respond to the need on a worldwide basis in the next few years. We can deal with an oversupply better than we can with an undersupply.

I think if there is an oversupply the adjustments will be made by the farmers who have some alternatives in their land resources. Certainly they will not blindly produce under this program unless they can make a profit.

Rice consumption has been increasing. In the South, rice consumption has always been high. It is a highly nutritious food. If we could get the USDA to recognize it as a carbohydrate rather than a cereal for the school lunch program, we would be better off.

Senator HUDDLESTON. We appreciate your comments.

Mr. John Datt is our next witness.

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

Mr. DATT. My name is John Datt, and I am director for congressional relations, and this is C. H. DeVaney, assistant director, congressional relations.

We have a brief one-page statement.

The American Farm Bureau Federation wishes to make the following comments in connection with your committee's hearings on S. 4121, the Rice Act of 1974.

The voting delegates of the member State farm bureaus to the January 1974 annual meeting adopted the following overall policy statement on Government farm programs:

Our objective is to create a climate which will enable agriculture to operate under the market price system. Continuing use of direct commodity payments will not permit us to reach this objective. The target price concept of the 1973 Farm Act, which includes the compensatory payment approach in disguise, is unsound.

In addition, the delegates adopted specific policy statements with respect to several commodities, including rice. The following sentence from that policy relates to S. 4121:

We favor continuation of the present rice program and urge the Secretary of Agriculture to base acreage allotments on a realistic appraisal of market requirements.

At a meeting held March 4 to 6, 1974, the AFBF Board of Directors reiterated support for the present rice program. Farm Bureau opposes S. 4121, as a matter of principle, because this bill would extend the target price-compensatory payment concept to rice.

Let me add in addition the American Farm Bureau Rice Advisory Committee held a meeting in August 1974 and went on record in support of the existing rice program. Therefore, we are in opposition to the House bill. We appreciate this opportunity to present our views.

Senator HUDDLESTON. It is your view at the present time growers are receiving adequate protection?

Mr. DATT. Certainly they have felt that way and expressed it through our organization.

Senator CLARK. The Farm Bureau is opposed to the 1973 Farm Act?

Mr. DATT. The Farm Bureau opposed the 1973 Farm Act because it contained the compensatory payment approach that was a part of it. Senator CLARK. But you are not opposed to a loan program?

Mr. DATT. No, sir.

Senator HUDDLESTON. Thank you, gentlemen. I appreciate your testimony.

Lester Craneck.

STATEMENT OF LESTER J. CRANEK, TEXAS FARMERS UNION,
GARWOOD, TEX., ON BEHALF OF THE NATIONAL FARMERS
UNION

Mr. CRANEK. Mr. Chairman, I am a member of the Texas Farmers Union, and a rice producer from Garwood, Tex. I am testifying today in behalf of the National Farmers Union and Texas Farmers Union. I appreciate the opportunity to express our views on the rice program and on S. 4121. I would, with the indulgence of the committee, ask that a statement of my own be included in the record.

I have three sons and a son-in-law who are working on the rice farm and making a living on the farm, so we are farmers. I would like that to be a matter of record.

The delegates to National Farmers Union's 1974 convention, held in Milwaukee March 10-13, adopted policy on rice, peanut, and tobacco programs. The policy approved by our delegates on farm programs generally is appended to this statement; I respectfully request that it be made a part of the record of these hearings.

Senator HUDDLESTON. Without objection, so ordered.

Mr. CRANEK. Our delegates said:

Peanut, rice, and tobacco programs established 35 years ago have assured the nation adequate supplies of these commodities at stable and fair prices while lending stability to prices paid to producers. These programs embody all the basic principles that Farmers Union believes to be essential to make commodity programs work. We support the continuation of programs for these crops as they are presently constituted.

It is appropriate to have a unified policy on rice, peanuts, and tobacco. Each is a specialty crop by the Department of Agriculture's own definition, and the programs for each crop therefore should be handled in a manner which can most effectively balance supply with demand and protect the investment of producers.

Furthermore, as you know the programs for rice and peanuts, in particular, are under attack by an administration that would sacrifice provenly workable programs for consistency with an abstract and illusory concept of "free market" agriculture. Under such attack, Congress must hold both programs together. Otherwise, the "divide and conquer" tactics of the administration likely will prevail. The present peanut program will be more difficult to maintain, if Congress allows the basic concept of the rice program to be changed.

Farmers Union takes the position that the existing rice program should be retained in its essential form, for several reasons:

1. The program is popular with, and supported by, the vast majority of rice producers. In 1973, the last year that a referendum was held among rice producers, the program was endorsed by 94.3 percent of the voting producers. Marketing quotas were lifted in 1974, and therefore no referendum was held.

2. The rice program has not been costly to taxpayers. The average annual cost during the past 10 years—through 1973—has been some \$31.4 million, which is a moderate expenditure considering the worth of the program.

Costs of the program in 1974 will be limited to administrative expenses, which will be negligible. Only some 6 percent of the 1974 crop has gone under loan. With market prices substantially above the

\$7.54 per hundredweight loan level, all of that 6 percent which went under loan likely will be redeemed. As long as market prices hold, costs to the Treasury will continue to be negligible.

3. For the general public, the existing rice program has the built-in flexibility to adapt to changing supply-demand situations, and therefore to work well under different conditions.

In several respects, the present program can accommodate needs for additional production.

Increased productivity in rice production over the years has meant ever-increasing yield from the acreage base. In 1954, average rice production per acre was 2,515 pounds. Twenty years later, in 1974, the estimated yield—as of November 1—is 4,533 pounds per acre—an 80-percent increase in productivity.

The 1974 rice production is estimated—as of November 1—at 114.8 million hundredweight, a record yield of rice for the United States.

Furthermore, production of rice was “wide open” in 1974, because marketing quotas were lifted for the 1974 crop year. No one was barred from rice production in 1974, except that price support loans were available only on allotted acreage.

Since the existing rice program tends to meet the needs of rice producers, imposes relatively little or negligible cost upon taxpayers, and has the flexibility to accommodate consumer needs in specific years for additional rice production, Farmers Union sees no need for any basic change at the present time.

We therefore consider S. 4121 unnecessary, and we urge retention of the existing, effective rice program.

Senator HUDDLESTON. Senator Clark, any questions?

Senator CLARK. Just one.

Each of the crops—corn, wheat, and cotton—are all unique, and yet we put them all in that target price system with the strong support of your organization, and I supported that idea and everybody did on the committee, as I recall.

What makes rice unique, recognizing that every crop is unique, but can you specify ways rice is so different? That is the heart of the whole problem.

Mr. CRANEK. Senator Clark, it does not because a large percentage of the production must move into a depressed price which cannot afford to meet slave labor market prices.

Senator CLARK. Two-thirds of our wheat crop goes into production market.

Mr. CRANEK. It is expenditure for production purposes and it is a high risk operation that must return a high yield.

I am knowledgeable of wheat production, and it is not the high input cost per acre that we have this high risk operation.

When they have many high risk operations that is only suited for the operation of rice. I can only speak for Texas. We have a situation where the rice bill is.

Rice belt is situated, a relatively one-crop area, soybeans, \$15, \$18, weight for per-pound feeders does not make it adjunct to the cattle operation. So we are speaking of an adjunct operation.

Senator CLARK. We now raise corn and soybeans and rotate them some, and it seems to me that would be true of these other crops as well. But you argue that the cost of rice in relation to these other programs is so high it is not productive?

Mr. CRANEK. If we go into an unproven, untested illusory program of target price legislation I am afraid we would have communities that would be economically ruined under this. We have men here who have other opinions.

But I think it has been expressed here and I have actual grease under my fingernails and combine dust in my hair, as you have noticed. It has taken off most of my hair, but we can't all live in that kind of a country. So those who live in the Texas belt are faced with rice as a major commodity program. So let's make the shift, look at the forecast and it is not a good thing going into 1977 under some legislation—what do we go into, several thousand acres, the entire economy, industry, around industry. We can't shift the corn. So, therefore, we are trying to be heard that here, living within a program for 20 years where we have learned to live in and succeeded within the framework of the current program, the administration has the authority of removing controls of 1974 because they are one-half to two-thirds what we were at this time.

So we are saying with all of this, in consideration, we feel, and the people that I am speaking for feel and my personal statement that I made that we can't afford to take this risk.

[The prepared statement of Mr. Cranek follows:]

STATEMENT OF LESTER J. CRANEK, MEMBER, TEXAS FARMERS UNION,
GARWOOD, TEX.

Mr. Chairman and distinguished members of this committee, please allow me to introduce myself. I am Lester J. Cranek of Garwood, Texas. Garwood is a small agricultural community in the western edge of the Texas rice belt, inland forty to fifty miles from the Gulf of Mexico. I come here today at the invitation of the Texas and National Farmers Union.

It is indeed a distinct privilege to have the opportunity to appear before you. This Committee in my estimation is the most important of all committees here on Capitol Hill. True, there may be some that might enjoy more publicity, flashes of glamour, etc., but this Committee deals with that all-important and, in the final analysis, the most essential part of human life, food and fiber.

People become unhappy when some of the luxuries of life become scarce or limited, but when food and fiber become in short supply then we have riots and other expressions of revolt.

I beg your indulgence in letting me reminisce a moment to illustrate this point. In the early thirties I was a lad of 10 or 12 years, and I am sure that all of the members of this Committee can remember the thirties. There was no electricity in the farm areas of Garwood; that didn't come until the early forties, but my uncle who lived on the adjoining farm had a battery radio. I would follow my father over to my uncle's house once or twice a week at night to listen to that radio. I can vividly recall above all else the broadcasts of the marching of the Fascist Bundt in New York and other visitations of revolt. Why? Because people were hungry and cold and even if they didn't believe what these self-styled leaders were saying, it was a promise of something better than the hunger and cold they were experiencing.

I am a rice farmer in the Garwood community. My operation can certainly be called a family farm as I have three sons and a son-in-law involved, and my fourth son plans to join us when he completes college next Spring. The task of testifying before this Committee, representing the farmers of my community and the remainder of the Texas Rice belt, humbles me, but since time and expense will not allow all of them to come to Washington to testify personally, I shall to the best of my ability convey to this Committee their thoughts and feeling regarding the present rice program and what we read and hear about the present administration's recommendations.

Really, I come with great confidence, knowing without a doubt that at least 95 percent of the rice farmers of Texas will agree with what I have to say, regardless of what party they may have voted for in the November 5th election, or even

if they had chosen to stay at home, and I honestly believe that a great majority of farmers from the other rice-producing states feel the same.

Members of the Committee, the rice farming industry is in the process of completing its 20th year under the current program, and it has become a healthy, viable industry that we have learned to live within and succeed. Now we have some proponents appearing on the scene with an idea to do away with the proven and tested, and try something new and untested in the rice industry. And what I hear from my friends in other fields of production where this proposal has been tried; it is a dud!

Without question, the world is in a crisis because of a food shortage, and at first blush it would appear that the farmers of this country should produce to the maximum because there would be a world market for the grain. But unfortunately the American rice farmer cannot produce rice for the price that these impoverished nations can afford to pay. Conceded that in the name of common decency it is our responsibility to help these millions of undernourished persons, but it is the duty of every American citizen to share in this cost and not to ask only the American rice farmer to put cheap rice in the world market so that the hungry persons can eat.

I cannot testify as an expert witness for the rice farming areas of the other States, such as California, Arkansas, Louisiana and others, but I feel qualified to speak of the situation in Texas, and I'm sure others will do so for the other States.

In Texas rice is farmed in an area that is essentially acclimated to rice only, due to soil structures, weather conditions, etc. Therefore the rice farmers cannot depend on another crop or two, farmed in rotation, to take up the economic slack if rice prices become depressed. Cattle did offer an opportunity, but with 400 lb. feeders selling for 15¢ to 18¢ per pound and the outlook for the next several years just as dim, this can be disregarded.

Rice production is a very high cost-per-unit operation. Consequently, the vast majority of producers must make substantial operating loans each year, either through Production Credit Associations or Banking institutions. Every conceivable item of production has doubled and tripled in price within the last twelve months. I will not bore you with specifics but will be glad to give examples if any member of the Committee would desire them. The bankers are exceedingly cautious going into 1975. They have become accustomed to working with a program for the last 20 years, and now it is recommended to be junked. It is risky enough gambling \$300 to \$400 per acre productionwise with the unknowns of weather conditions, insects and disease, and now to distort the price picture would undoubtedly mean the death of many operations.

In the last several months a well-planned propaganda scheme has appeared editorially in a number of papers across the country, giving only one side of the rice story. Without question, their distorted views have backed the so-called target price legislation and denounced the present program.

The present program operating in the rice industry certainly has the capability of being flexible as evidenced by this current year, 1974. The administrative officials apparently thought there was a need to sharply increase U.S. rice production and all controls were removed. Those farmers wanting to produce rice without the assurance of a price floor could do so without penalty. What happened? Apparently we immediately went into an oversupply situation and prices offered earlier this Fall and at the current time are $\frac{1}{2}$ to $\frac{2}{3}$ of last Fall's prices. In Texas the vast majority of the farmers stayed within the framework of the present program. Had there been no program to voluntarily stay within, it is my thought that the rice supply situation would have been sorely aggrieved into a disastrous oversupply that would take the industry years to overcome.

The critics of the present rice program say, "Use that surplus to feed the hungry in the world," but, members of this Committee, I say to you that the American rice farmer cannot produce rice for the prices that these food-depressed countries can afford to pay. As I have said earlier, if we are to take this position of supplying food to the world's hungry, then it is the duty of every American citizen to do his part. The U.S. farmer is in no position to subsidize the exports as the government has been doing. If Target Price Legislation would be passed, U.S. farmers would be asked to produce rice at world market prices. It is readily admitted, that the American farmer is the most efficient and mechanized on this globe. But with all his efficient management and production he cannot compete with the slave-labor prices paid labor in the rest of the world. As an example, we

are all familiar with the great influx of illegal entry of Mexican Nationals into this country. Why? Because they can earn in one day in the American labor market what it takes 30 days in their own country if they could find a job. Labor is even more depressed in the foreign major rice-producing areas. To force an industry as viable as the rice industry, into this kind of situation is beyond belief. We must not let ourselves be convinced that the American rice farmer can eliminate the world shortage of food grain by unlimited production. Currently the U.S. rice production accounts for only about 1.5 percent of the total world production. Even doubling or tripling the U.S. acreage would have small effect on the total world supply, but such action would have an unvisioned effect on the U.S. rice industry. Many communities would be left in economic ruin.

Senator Huddleston, and other distinguished Members of this Committee, I personally wish to thank you for allowing me the privilege of appearing here today. My only regret is that there are many producers in my area who can speak more authoritatively and eloquently on the rice industry but, unfortunately, things being what they are, they will not be heard. I hope that in some small way I have conveyed to you what I know as my own thoughts and perhaps those of the majority of American rice farmers and the agri-business community connected with the rice industry.

In one sentence it sums up to: "In your wisdom and that of Congress, let the present program continue."

Thank you.

STATEMENT ON FARM PROGRAMS ADOPTED BY NATIONAL FARMERS UNION
CONVENTION, MARCH 10 TO 13, 1974

We favor the construction of a renewed and revitalized farm program by building upon, modernizing, and improving the basic farm legislation enacted during the past forty years so as to provide a coordinated and comprehensive national agricultural commodity policy which will be fair both to farm producers and consumers and meet the needs of farmers, the American public, and our export customers. Specifically, our goal includes the following elements:

1. A national commitment and positive measure to preserve and strengthen the family farming system as the basic pattern in American agriculture.

2. Coordinated programs of domestic farm price and income supports to assure 100 percent of parity to all cooperating producers of all farm commodities through use, for each commodity of the most suitable selection or combination of the following measures:

(a) Target prices at 100 percent of parity;

(b) Non-recourse loans or purchases or purchase agreements at not less than 90 percent of parity;

(c) A program of national food reserves conforming to the "ever-normal granary" principles with the object of maintaining stocks at levels sufficient to assure adequate supplies for meeting all domestic and export market demands, emergencies arising from natural disasters and economic or national security emergencies, for famine relief, and for use for market development in under-developed countries;

(d) Strict insulation of all reserve stocks from commercial markets except through automatic release to farmers or into the normal and usual channels of trade at prices at 110 percent of parity;

(e) Extension of the Agricultural Marketing Agreement Act of 1937 to provide optional authority for producers of all agricultural products to use marketing agreements and marketing orders;

(f) Effective means for managing supplies of any commodity through land-retirement or other voluntary programs, or through mandatory programs to which producers have assented by an affirmative vote of not less than two-thirds of eligible producers voting in a referendum conducted by the United States Department of Agriculture, including acreage allotments and/or marketing quotas;

(g) Legislation to enable farmers to associate together to bargain with processors and other buyers of farm products for prices and other terms of sale;

(h) Elimination of the present system of fixed quantitative limitations on imports of agricultural commodities and establishment of a new system of variable import duties equal to the shortfall, if any, of the current market price in world trade from 110 percent of parity; and,

(i) Negotiation of international commodity agreements for grains, dairy products, and other agricultural products for which the need may exist or arise, to maintain world trading prices within a range of 90 to 110 percent of parity.

Senator HUDDLESTON. Thank you very much.

Our next witness is Mr. F. E. Guthrie, American Rice Growers Cooperative Association.

STATEMENT OF F. E. GUTHRIE, PRESIDENT, AMERICAN RICE GROWERS COOPERATIVE ASSOCIATION, DAYTON, TEX.

Mr. GUTHRIE. My name is F. E. Guthrie. I live in Dayton, Tex., where I farm rice and soybeans.

I might add this is 99 percent of my income. I spend 6½ days, weekends.

I am also president of the American Rice Growers Cooperative, a regional cooperative, which has a membership of some 2,500 rice producers in Louisiana and Texas.

Because of the limited time my remarks will be of general nature, and I request my remarks be filed.

Senator HUDDLESTON. Without objection, they will be filed.

Mr. GUTHRIE. Our position is shared almost unanimously by other rice producers in Texas, Louisiana, and California and a substantial portion of those in Arkansas and Mississippi.

My remarks today will not center on specific provisions in S. 4121, but will be for the most part, with respect to the extension of target price legislation to rice in lieu of retaining the present program under which we now operate and which we support.

Mr. Chairman, we are unalterably opposed to S. 4121 as we have been to H.R. 15263, the companion bill in the House, even though we have been warned by an administration spokesman that if we retain the present program, they will do everything they can administratively, to make the program under which we now operate hard on producers.

We recognize this administration is apparently determined to have new rice legislation without regard to its economic effects on rice producers and rice producing areas.

This bill is literally designed to disrupt the economies of traditional rice producing areas by encouraging production by any grower, by guaranteeing loans and purchases by CCC of all production thereby encouraging increased production and depressed prices.

The administration has stated that this legislation provides an incentive for rice production to shift to those acres and to those geographic areas where it can be grown best or other crops are not as profitable. Also, they say by placing rice within the target price system, this program will foster shifts between and among rice, cotton, feed grains, and wheat production.

Gentlemen, we cannot agree with this logic at all. In the first place, the total investment for a new area entering into rice production will be tremendous. New production areas must construct production, drying, storing and milling resources at very high costs, thus encouraging increased production in order to reduce per unit cost of the resources. If production shifts to these new areas from traditional production areas, there will be an economic waste of resources already existing in

the traditional production areas, there will be an economic waste of resources already existing in the traditional areas. In approximately 70 to 80 percent of the counties that produce rice in Louisiana and Texas, rice is the leading industry in that county and is the economic backbone of the county. There are no alternative crops that can be grown in most of these counties to replace this economic loss. The traditional rice producing areas will surely continue to produce rice because of the resources available to them and the lack of alternative crops. Surpluses will continue to mount, resulting in very depressed prices and loss of economic stability in both the new and old production areas. Gentlemen, this is not efficiency.

Economic competition for resources between rice, cotton, feed grains, and wheat, as proposed by the USDA is totally unrealistic in Texas and Louisiana, since for the most part, rice is the only crop that can be grown under the soil, climatic and other conditions in most of the traditional production areas. Even in those areas where more than one crop can be grown, another acre of rice simply means one less acre of wheat, soybeans, feed grains, or other crop.

The administration's all-out push for increased production and lower prices to the producer comes at a time when the rice industry is facing what USDA predicts to be the largest 1-year surplus in history of from 20 to 27 million cwt—18 to 24 percent of production. It just seems irrational to support and encourage the establishment of a rice program that provides for open production by any farmer anywhere in the United States and guarantees a loan and purchase value to all of this production at a time when the industry is faced with such an excessive carryover on August 1, 1975—the very marketing year this program would commence. The increased production with depressed prices resulting, will bring economic instability to the industry and have an adverse effect on both traditional and new producers.

Rice producers and other agricultural producers have had a history of inability to adjust production to demand due to the many individuals having to make decisions without adequate information.

Gentlemen, the United States produces only 2 percent of the world's rice production and is the largest rice exporting nation in the world. About two-thirds of the U.S. production goes into export markets, representing 25 percent of the international trade in rice. Couple this with the fact that about half of our exports are Government financed under Public Law 480 and AID agreements and that substantially all of the world's rice trade is Government controlled, much of which is on a government-to-government basis, we find that the U.S. rice farmer is competing with government controlled competition throughout the world and not in free markets.

Under these circumstances, it would be very difficult for rice farmers to freely adjust production to meet market demands when the world market is substantially government controlled and the United States is a residual supplier to that market. The so-called freedom to produce for the market does not exist for rice under these conditions. It is pertinent to point out that for 15 years the Secretary has set the rice acreage allotment far enough above the statutory minimum acreage to be sure we produced the amount of rice he thought we needed for Public Law 480 and AID purposes.

The auto industry, the steel industry, the lumber industry, and other such industries can lay off workers, cut back production at will, adjust inventories to meet demand and at the same time hold up the price of their product. Gentlemen, the individual rice farmer cannot do this. Without controlled production, he will create surpluses and depress prices.

In fact, the mid-October Price and Parity Report, released by USDA on October 31, showed that rice was the only food or feed grain selling for less than parity. This simply demonstrates again that we can get adequate production at reasonable prices under the present program.

The present legislative program under which we now operate provides enough flexibility to adjust production to meet the markets available to U.S. rice farmers, if administered properly, without risking an untried program for one that has brought relative stability to the rice industry and one that farmers overwhelmingly support.

Rice farmers have voluntarily contributed over \$10 million out of their own pockets since 1959 for a coordinated market development and promotion campaign in both domestic and export markets and the campaign has been successful. Domestic consumption has almost doubled and exports have changed from one principal country, Cuba, to over one hundred dollar market countries. Certainly, other producing areas now agitate to share our markets.

Mr. Chairman, another major point of concern to us is the tremendous discretionary power granted the Secretary of Agriculture in making program decisions. One of the points the Secretary harps on in urging this legislation is that the farmer should have more freedom of choice and that it is the Department of Agriculture which now makes acreage planting decisions. I would point out that the Congress has, over the years, very wisely written in limitations, formulas, time limits, and other factors that enable both the USDA and producers to know approximately what kinds of decisions are going to be made. Although it is proposed to give the farmer more freedom of choice, actually it is the Secretary of Agriculture who is given more freedom of choice—decisions without restrictions or guidelines. In fact, S. 4121 contains more than 40 separate decisions by the Secretary without restrictions, guidelines, or time limitations in making these decisions. Remember, again, that almost all of the world's export and rice trade, including more than half of ours, is on a government-to-government basis.

We believe that, regardless of who the Secretary may be, legislation should be as specific as possible and depend as little as possible on arbitrary year-to-year decisions. We think present rice legislation is excellent in this regard, yet you saw what happened last fall on acreage allotments and marketing quota decisions announced by the Secretary. We shudder to think what can happen with no restrictions on the Secretary's decisions and whose decisions are made under the guise of "producer freedom."

Finally, many people are under the impression that expanded rice production will increase total food production and lower the cost to the consumer. Gentlemen, for every acre used to increase rice pro-

duction, there is a corresponding acre of cropland taken out of production of some other food or fiber crop, creating a smaller supply of that particular commodity with increased prices resulting. Therefore, total food and fiber production and consumer costs will not be materially affected either way by increasing rice production.

Gentlemen, we have publicly stated that our long-standing policy has been not to oppose a new legislative program for rice, per se. We continue to favor new legislation that is better than the present. This "target price" proposal is not in that category. It is based on a lack of understanding of the handling and trading characteristics of the commodity, is an attempt to seep all commodities under a "Mother Hubbard" sort of coverage without regard to producer objections and opinions and it will not accomplish the objectives outlined by the administration. It is pertinent to point out to this committee that we have suggested to the Department of Agriculture that representatives of the rice industry and the Department should sit down and try to work out a program that both producers and the administration could jointly recommend to Congress.

We have been rebuffed and have certainly been advised that the Department will use all of its resources for passage of a target price legislation for rice, even when a substantial majority of the industry is totally opposed to it and see it as a threat to the economic stability of the industry and a detriment to the stated objectives of USDA.

Gentlemen, we thank you for the opportunity of appearing before you and welcome any questions you may have.

Senator HUDDLESTON. Mr. Guthrie, you mentioned you had cases that the administration through the Department of Agriculture would try to make it as hard on the producer as possible. What indications have you had?

Mr. GUTHRIE. This was a telephone conversation with the members of the Department, stated the facts of life and the flexibility as could be applied to the rice farmer.

Senator HUDDLESTON. Have you seen any evidence of that up to this point.

Mr. GUTHRIE. I think we have had an undertone. The allotments were announced last fall and changed at the last minute, and then we see some of it today in the program. I think perhaps for some reason we have not programed much rice for Public Law 480. This is not the pattern if you go back through the years. We feel this is some pressure applied for us to accept the program.

Senator HUDDLESTON. You think this is deliberate foot-dragging?

Senator Clark, any questions? We have a live quorum.

Senator CLARK. Yes, we have a quorum.

Mr. GUTHRIE. Why is rice different than the other commodities? In my mind rice does not have a future. There is no future commodity market for rice. When a farmer produces his crop today he goes to the marketplace and says what will you give me for it. Because it—

Senator CLARK. Why is that?

Mr. GUTHRIE. It was not a deliverable form. That is to be processed.

Senator HUDDLESTON. Thank you very much, Mr. Guthrie.

[The prepared statement of Mr. Guthrie follows:]

STATEMENT OF F. E. GUTHRIE, PRESIDENT, AMERICAN RICE GROWERS
COOPERATIVE ASSOCIATION, DAYTON, TEX.

Rice is one of the "basic" crops covered by legislation in the Agricultural Act of 1938, as amended. The legislation is permanent until changed by this Congress. Although provided for in original legislation, marketing quotas (the enforcement device for acreage allotments) were not invoked until the 1955 crop. Acreage allotments and marketing quotas have been in effect for each crop since 1954 until the current 1974 crop on which marketing quotas were not proclaimed.

Rice producers in all states have been pleased with the present type of legislation and have voted overwhelmingly in favor of marketing quotas to control excess production each time they have been announced, as shown in Table 1:

TABLE 1.—ACREAGE ALLOTMENTS AND PERCENTAGES OF VOTES IN FAVOR OF RICE MARKETING QUOTAS, UNITED STATES, 1961-1974

| Crop year | Acreage allotment (acres) | Approval of marketing quotas (percent) |
|-----------|---------------------------|--|
| 1961 | 1,652,596 | 91.2 |
| 1962 | 1,817,856 | 94.2 |
| 1963 | 1,818,166 | 87.8 |
| 1964 | 1,818,166 | 89.9 |
| 1965 | 1,818,166 | 90.9 |
| 1966 | 2,000,502 | 91.9 |
| 1967 | 2,000,502 | 88.0 |
| 1968 | 2,400,502 | 95.6 |
| 1969 | 2,160,542 | 93.4 |
| 1970 | 1,836,461 | 90.4 |
| 1971 | 1,836,461 | 93.8 |
| 1972 | 1,836,461 | 94.5 |
| 1973 | 2,222,118 | 94.3 |
| 1974 | 2,100,000 | ----- |

We believe there is a sound reason for this. The rice producer in the United States has the capacity to quickly produce himself into an overwhelming surplus situation. The United States with less than one percent of the world's rice acreage accounts for about two percent of the world production. Despite these small portions, the United States has been the largest rice exporting nation in the world for several years. We find that about one-third of our production is consumed domestically and two-thirds goes export. Of the export portion, about half moves under various Titles of Public Law 480, and AID Agreements.

The PL 480 and AID portions are a part of this government's implementation of its foreign policy and economic and military assistance programs. Our government has announced a national acreage allotment substantially above the statutory minimum 1.6 million acres every year since 1961 for the stated purpose of having enough rice supplies over and above domestic requirements and dollar export sales to meet our government's foreign assistance program needs. These government needs have been bought in the open market for several years. There have been no substantial quantities of rice in Commodity Credit Corporation inventories.

The vast majority of rice producers favor retention of the present legislation for the following reasons:

1. The legislation is permanent, enabling rice farmers to plan crop rotations, irrigation systems, capital expenditures and financial requirements with some degree of continuity.

2. Present legislation has proven that it works, providing adequate supplies for domestic and export markets at reasonable prices with minimum cost to government.

The national rice acreage allotment has not been less than ten percent above the statutory minimum in thirteen years and has ranged up to over 45 percent above in 1968 and 27 percent above this year.

Deliveries to Commodity Credit Corporation under price support programs have averaged less than two percent of production for the last ten years as shown in Table 2:

TABLE 2.—ROUGH RICE PRODUCTION AND DELIVERIES TO COMMODITY CREDIT CORPORATION, UNITED STATES 1963-1972

| Crop year | Production (1,000 cwt) | Deliveries to CCC | |
|-----------|---------------------------|-------------------------|--------------------------|
| | | Quantity (1,000 cwt) | Percent of production |
| 1963 | 70,269 | 771 | 1.1 |
| 1964 | 73,166 | 787 | 1.1 |
| 1965 | 76,281 | 403 | .5 |
| 1966 | 85,020 | 119 | .1 |
| 1967 | 89,379 | 39 | — |
| 1968 | 104,075 | 6,320 | 6.1 |
| 1969 | 90,838 | 2,993 | 3.3 |
| 1970 | 83,754 | 3,528 | 4.2 |
| 1971 | 85,768 | 1,214 | 1.4 |
| 1972 | 85,154 | 1 | — |
| Total | 843,704 | 16,175 | 1.9 |
| Average | 84,370 | 1,618 | 1.9 |

Average prices received by farmers for rice have been stable at \$5.00 per hundredweight \pm a maximum of 45 cents for twenty years prior to 1972 and have stayed within 43 cents per hundredweight of the support price during the same period, as shown in Table 3:

TABLE 3.—AVERAGE PRICE RECEIVED BY FARMERS AND AVERAGE SUPPORT PRICE PER HUNDREDWEIGHT, UNITED STATES, 1952-1971

| Crop year | Dollars per cwt | |
|-----------|---|------------------|
| | Average price received by farmers | Support price |
| 1952 | 5.87 | 5.04 |
| 1953 | 5.19 | 4.84 |
| 1954 | 5.57 | 4.92 |
| 1955 | 4.81 | 4.66 |
| 1956 | 4.86 | 4.57 |
| 1957 | 5.11 | 4.72 |
| 1958 | 4.68 | 4.48 |
| 1959 | 4.59 | 4.38 |
| 1960 | 4.55 | 4.42 |
| 1961 | 5.14 | 4.71 |
| 1962 | 5.04 | 4.71 |
| 1963 | 5.01 | 4.71 |
| 1964 | 4.90 | 4.71 |
| 1965 | 4.93 | 4.57 |
| 1966 | 4.95 | 4.50 |
| 1967 | 4.97 | 4.52 |
| 1968 | 5.00 | 4.60 |
| 1969 | 4.95 | 4.70 |
| 1970 | 5.17 | 4.85 |
| 1971 | 5.34 | 5.06 |

The present program has brought relative stability to the rice industry.

"TARGET PRICE" PROPOSAL NOT SUITED TO RICE

As stated in prior testimony, we favor a continuation of the present legislation for rice and are vigorously opposed to the Administration's proposal to extend "target price" legislation to rice.

We do not believe that the target price concept can be workable in today's economy.

USDA's Director of Agricultural Economics in a speech at Michigan State University on March 21, 1974, said: "If farm production should increase sharply relative to market outlets sometimes during the mid-seventies, as I think it will, prices received by farmers would decline as related to production costs. Farmers would then be in a cost squeeze, at prices considerably above the target levels. Producers of wheat and corn and cotton might be without effective farm protection. What has happened, I believe, is an unintended euthanasia for farm programs".

We believe that this analysis and conclusion by the Department's own chief economist is exactly what is happening in terms of costs. If prices of the crops now under target price drop substantially, these producers could be without protection. With this vision ahead, we don't want to put rice in the same situation.

OTHER MISCONCEPTIONS

We also believe there are some misconceptions concerning the rice industry which deserve comment.

One point made as a reason for a target price program is the traditional allotment holders have exclusive right to farm and new producers cannot enter rice production.

This is not true in our area nor, I suspect, in others.

We have included in the next page a Table 4, developed from data in our organization. The table covers the one-half of our member sales offices from which we received data. Note that 38.7 percent of our members have started rice farming since 1955 when marketing quotas went into effect, 21.2 percent started farming in the last ten years and 11.0 percent since 1970.

I believe this is ample evidence that the present farm program for rice does not prevent a farmer with experience or ability or access to the necessary resources from entering rice farming.

The point has been made repeatedly that farmers should be free to produce for domestic and export markets without government interference.

We submit to you that this is a noble objective. The problem is that substantially all of the world's rice trade is government controlled and much is on a government-to-government basis. So whether we are talking about selling to the European Economic Community with its variable levy, or the Rice and Corn Board in the Philippines which monopolizes imports or the Indonesian Purchasing Mission or the Korean Government or a government licensed Hong Kong importer or to Viet Nam or Cambodia under a government-to-government negotiated PL 480 agreement or to Bangladesh under an AID agreement, we are dealing with government controls. Similarly, whether we are competing with Japan's or Italy's government subsidized exports, or Burma's government agency exports or Thailand's government licensed exports, we are facing government controlled competition.

We submit to you that substantially all of the world's rice prices are determined by government actions and not by free markets.

Another argument we hear is that all farmers should be free to make their own independent judgments as to the amount they need to plant to meet market demands.

Again, we point out that over 60 percent of our production goes into a world market that is substantially government controlled and that the United States is a residual supplier to that market.

TABLE 4.—NUMBERS OF RICE PRODUCERS BY YEAR ENTERING RICE PRODUCTION AT TWELVE OR TWENTY-FOUR REPRESENTATIVE AMERICAN RICE GROWERS SALES OFFICES IN LOUISIANA AND TEXAS

| Sales office | Prior to 1955 | | 1955-59 | | 1960-64 | | 1965-69 | | 1970-74 | | Total |
|-----------------------|---------------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|-------|
| | Num-ber | Per-cent total | Num-ber | Per-cent total | Num-ber | Per-cent total | Num-ber | Per-cent total | Num-ber | Per-cent total | |
| Abbeville, La. | 28 | 45.9 | 6 | 9.8 | 17 | 27.9 | 10 | 16.4 | ----- | ----- | 61 |
| Basile, La. | 28 | 73.8 | 4 | 10.5 | 4 | 10.5 | 1 | 2.6 | 1 | 2.6 | 38 |
| Iowa, La. | 7 | 30.4 | 2 | 8.7 | 3 | 13.0 | 6 | 26.1 | 5 | 21.8 | 23 |
| Thornwell, La. | 32 | 36.8 | 7 | 8.0 | 10 | 11.5 | 11 | 12.5 | 27 | 31.1 | 87 |
| Beaumont, Tex. | 104 | 83.9 | 5 | 4.0 | 6 | 4.9 | 4 | 3.2 | 5 | 4.0 | 124 |
| Dayton, Tex. | 41 | 50.6 | 8 | 9.9 | 6 | 7.4 | 15 | 18.5 | 11 | 13.6 | 81 |
| Eagle Lake, Tex. | 85 | 64.9 | 11 | 8.4 | 12 | 9.2 | 13 | 9.9 | 10 | 7.6 | 131 |
| El Campo, Tex. | 111 | 56.1 | 13 | 6.6 | 22 | 11.1 | 22 | 11.1 | 30 | 15.1 | 198 |
| Canado, Tex. | 87 | 65.4 | 5 | 3.8 | 19 | 14.3 | 13 | 9.8 | 9 | 6.7 | 133 |
| Garwood, Tex. | 33 | 52.4 | 16 | 25.4 | 1 | 1.6 | 3 | 4.8 | 10 | 15.8 | 63 |
| Houston, Tex. | 20 | 57.1 | 2 | 5.7 | 5 | 14.3 | 2 | 5.7 | 6 | 17.2 | 35 |
| Katy, Tex. | 149 | 71.3 | 5 | 2.4 | 18 | 8.6 | 21 | 10.0 | 16 | 7.7 | 209 |
| Total | 725 | 61.3 | 84 | 7.1 | 123 | 10.4 | 121 | 10.2 | 130 | 11.0 | 1,183 |

Under our present program we have all of the resources of our government helping to maintain a reasonable equilibrium between our production and domes-

tic and export demand. Even with constant reporting from 80 agricultural attaches scattered over the world and all the analytical resources of our government, sometimes the numbers don't match. We submit to you, that to expect to maintain a viable and stable industry with each one of 20,000 rice producers trying to guess how much to produce for the kind of markets we compete in is to invite the chaos that existed without acreage allotments and marketing quotas.

We grant the Administration's argument that USDA, technically, has determined the rice acreage to be planted. This has been done, however, within the framework of a program established by this Congress, a highly successful program that has received an overwhelming vote of approval by U.S. rice producers for many years.

Reference has been made several times by Department spokesmen to letting rice production move to areas where it can be grown most efficiently and specifically indicating along the Mississippi River because of the tremendous amount of water in the river.

Gentlemen, very little water that is used in rice production is bought at its original source. The water costs are for getting the water from underground or from the river or the bayou or the reservoir to the ice field.

We have seen no evidence to indicate that cost of pumps or fuel or draglines to dig canals or other such items are any cheaper along the Mississippi River than they are anywhere else.

The same is true of other production items. As is true with all agricultural production, practically all input items for a rice crop are bought and there are no substantial differences in cost for water, tractors, plows, seed, fertilizer, herbicides, combines, drying equipment or other production cost items, regardless of where purchased.

One last point that has been a thorn in the side of producers for years.

I believe the Committee is aware of the true facts but we still find, that costs for rice shipped by our government under PL 480 programs is charged to the rice support program. This is rice bought on the open market by competitive bids. Under close examination, officials will admit this is not a proper cost, and have told this Committee before that, if PL 480 costs are removed, rice program costs are minimal. We know that you will keep this in mind as such figures are tossed about.

We are deeply concerned, however, when such figures are published to Members of Congress who are not as knowledgeable as this Committee. We hope you will be watchful and help us overcome this kind of distortion of present program results.

Senator HUDDLESTON. The subcommittee will recess for the lunch period. We will reconvene at 1:30 p.m.

Mr. Yeutter is scheduled at 2 o'clock. We will try to hear a couple witnesses before that time.

[Whereupon, at 12:20 p.m. the subcommittee was recessed to reconvene at 1:30 p.m.]

AFTERNOON SESSION

Senator HUDDLESTON. The subcommittee will come to order, we will continue our hearing.

Mr. Leonard Hensgens. Mr. Hensgens, if you will identify yourself for the record and proceed with your statement.

STATEMENT OF LEONARD HENSGENS, CHAIRMAN, RICE ADVISORY COMMITTEE, LOUISIANA FARM BUREAU FEDERATION, BRANCH, LA.

Mr. HENSGENS. Thank you, Mr. Chairman. My name is Leonard Hensgens. I am a rice producer and chairman of the Rice Advisory Committee of the Louisiana Farm Bureau Federation which is headquartered in Baton Rouge, La. I would like to thank you for this

opportunity to testify regarding S. 4121, a bill to establish a new program governing the production of rice.

I appear before you today representing all 42,000 member families of the Louisiana Farm Bureau, but specifically on behalf of the 4,200 rice producer families of our organization. My testimony reflects the policy developed through our statewide Rice Advisory Committee. The committee is composed of rice producers from each parish where rice is grown. The committee members are selected by the parish Farm Bureau Federation.

My statement will be brief. Basically, Louisiana Farm Bureau rice producers want to go on record as being in total support of the statement submitted to this committee by the American Farm Bureau which supports continuation of our present rice program.

My remarks in opposition of the proposed legislation will be in regard to the temporary aspect of the proposed legislation, the provision for direct payments and open-end production. In addition to these points, we are opposed because such legislation could disrupt traditional financial arrangements, have adverse effects on property values, and in general disrupt the economy of our rice-producing areas in Louisiana.

We have always favored permanent legislation because it has provided for sound management decisions involved in crop rotation, equipment purchases, storage facilities, irrigation systems and other capital investments which require long-term utilization. In addition, the permanent legislation provides the consumer with a guarantee of adequate supplies for consumption and necessary exports for the general good of our foreign trade and foreign diplomacy.

With regard to the supply-demand situation, our present program provides proper mechanism for production adjustments for a stable industry. As you recall, marketing quotas were not in effect in 1974 because of the available supplies and strong demand. This provision is provided for by our present legislation. USDA estimates now project the situation will be changed in 1975; and unless estimates are greatly changed, marketing quotas will be in effect in 1975. Further, USDA estimates project a carryover in 1975 of approximately 20 million hundredweight. The open-end production feature of the proposal could stimulate uncontrolled expansion which will cause the industry to suffer irreparable damage. As an example, if planted acreage in 1975 reaches the level planted in 1974, rice farmers could be faced with beginning inventories in 1976 in excess of 35 million hundredweight. This, coupled with increased production in Asiatic countries, make us fearful that a large portion of our production could be marketed below the proposed target price level. Consumers and others who support the proposal should understand that if such large inventories are allowed to accumulate and prices reach the target price levels in this bill, many farmers in this country will turn to alternative crops that offer more attractive net returns per acre.

S. 4121 provides for direct payments to producers. We feel bound to oppose the concept of direct payments on the basis that it is a hand-out from the Government. Our producers prefer to seek their income in the market place and allow supply and demand to stimulate the market. Advocates of S. 4121 claim that the present program has been

costly to the taxpayer; but in fact, less than 2 percent of the United States production has been purchased by CCC over the past 10 years. It is our estimate that if this bill is approved by Congress, the supply situation will be so drastic that the USDA will be placed in a position of making payments to all rice producers.

Surely, Congress would prefer to allow producers to make their income in the market place as opposed to being a burden to the general taxpayer. In addition, the bill provides for a \$20,000 limitation. It is naive to think that Congress would react positively to this aspect in light of the \$9,400 limitation proposed in recent sugar legislation.

Rice producers are cast in a role of competing in world markets, and we are confident that we can meet this challenge. Our rice is generally a higher quality product than that grown in most parts of the world. Also, producers are constantly incorporating methods that provide for more economical production. It is foolish to think that rice production can be shifted to areas on the premise that the crops can be produced more economically, simply due to the fact that the traditional rice areas have the technology, milling facilities, transportation, labor, and capital investments available.

Further, we feel that it is extremely late for consideration of legislation that would affect the 1975 crop. Farmers have already begun making lease arrangements, purchasing seed, securing fertilizer supplies and other inputs necessary for their crop based on our present program. Enactment of this bill for the 1975 crop would be most disruptive to the entire rice industry.

In conclusion, I want to emphasize the fact that the position taken before this committee represents the feelings expressed almost unanimously by rice producers throughout Louisiana, as well as the majority of rice producers in all rice-producing States. I am confident that the honorable Senators seated on this subcommittee will respect rice producers' feelings.

I appreciate the opportunity to appear here today and welcome any questions from the subcommittee.

Senator HUDDLESTON. Mr. Hensgens, have you seen any evidence of deliberate attempt on the part of Agriculture Department officials to make the present program more difficult to live with?

Mr. HENSGENS. Well, they are not programing the Public Law 480 rice, is one instance and that could be said as being used against us. Through the grapevine I was told last year the Department said if we didn't go along with the target price legislation, they would put the allotment at 1.6 million acres, which they did, and put cross-compliance on, which was a real hardship in a lot of cases, especially for getting financing in some cases.

And then, of course, when the supply situation changed and the demand was such that the Department felt like it couldn't possibly get enough rice produced under the 1.6 million acres, even with the no-quota position, they were compelled, then, to increase the allotment to 2.1 million acres.

Senator HUDDLESTON. Do you think that the American consumers are getting the best deal they can hope for under the present system?

Mr. HENSGENS. I think by and large they will because we can control the supply and demand, and the 65 percent parity that we are getting on the loan under the present program is not a money-making deal, just

to keep us from going broke so we can stay in business and supply the consumer with the product.

Senator HUDDLESTON. Thank you very much, Mr. Hensgens.

Mr. HENSGENS. Thank you, Mr. Chairman.

Senator HUDDLESTON. We will accommodate some airline schedules. Mr. Norwood, Mr. McAnally?

Would you identify yourselves and proceed with your statement?

STATEMENT OF GEORGE NORWOOD, POPLAR BLUFF, MO.

Mr. NORWOOD. I am George Norwood, and we have a brief statement which I would like to read.

We represent the rice farmers of southeast Missouri, which covers all of the Bootheel area of Missouri. We are actively engaged in producing rice in southeast Missouri, and we have been growing rice in this area for 20 years; consequently we are quite knowledgeable on producing and marketing rice in this area. We are in full agreement with Senate bill S. 4121 as written and completely support it. We compliment the people who have worked hard on the writing and researching of this bill.

The following are reasons why we support this bill:

Flexibility in planting crops best suited to an efficient farm operation. We feel that our area has a comparative economic advantage in growing rice, due to our abundance of cheap water and excellent rice soils.

Missouri does not have the privilege of combining their producer allotments like our neighboring States of Louisiana, Texas, and California; therefore our allotments have not been combined, to build efficient rice producing operations. Under this bill the allotments could be purchased or leased to eliminate the inefficiency we now have in the industry.

This bill will permit more young farmers to enter the rice producing industry. In the past, we have had a closed door policy for young farmers. There were only two ways to start growing rice, inherit a rice allotment or purchase one at an exorbitant cost.

With declining food reserves, adverse weather, and additional food requirements, there are reasons why we need additional rice production, which this bill helps promote.

We have a sizable acreage that can go into rice with an abundance of water. Therefore, we need this legislation to provide stability to the market; to permit the farmers to make the large capital investment to produce rice needed for world food; also the processors to make capital investments in handling facilities to get this production processed and into the domestic and world market in an orderly manner.

Mr. Chairman, in closing, we would like to reiterate the following remarks:

It will take a large capital investment to develop additional rice production, plus an even larger investment to develop milling and marketing facilities. This amount of capital cannot be raised on a short-term legislation that may be rescinded in 12 to 36 months.

We must all be in full agreement politically and economically to work toward raising the needed capital to develop a reliable market, and training the technical personnel to accomplish the above goals.

We, in southeast Missouri, would oppose this legislation if, after we accomplish the above goals with hard work and ingenuity, the administration starts playing with our work, such as placing export controls on old reliable customers, or placing a ban on sales as recently happened to corn and wheat.

It is with little enthusiasm the farmer and miller looks forward to accomplishing the near impossible, to watch his work destroyed for political reasons. We trust this will not happen. The rice producers in southeast Missouri fully support Senate bill 4121, and we will do our part toward feeding the hungry world.

Mr. Chairman and members of the committee, we from southeast Missouri are very sincere and dedicated in our efforts, as you are, and we wish to thank you for your time and interest.

Senator HUDDLESTON. Thank you. Do you have any fear that this new program under the new legislation might cause excessive supplies, more than can be moved on the world market?

Mr. NORWOOD. I think the farmers will be able to adjust their situations to meet whatever supplies might be needed.

Senator HUDDLESTON. We have had testimony that in rice production a different technique is necessary, different equipment, and different land preparation, that it may not be so easy to get in and out of.

Mr. NORWOOD. It is not easy to get in and out of in our area. We have readily available supplies of irrigation water, there is a lot of irrigation in the area, a lot of land grading and land preparation in the area that has already been done. We are in need in our area of other crops, to rotate with soybeans for an efficient operation. We have a lot of acres infested with cyst nematode—a root disease in soybeans.

Senator HUDDLESTON. Does rice lend itself to that?

Mr. NORWOOD. It lends itself very well in my experience, that is the rotation that I have been using. We have a lot of acres that are suited to rice, that have had nothing but soybeans grown on them for a number of years. There wasn't enough cotton in the area, there has not been enough feed grain. Feed grain was raised in the area to provide the rotation that is needed. It will add to a better farming practice in the entire area.

Senator HUDDLESTON. Assuming that most tillable land is being used now to produce some crop. Which is the crop that is presently produced that would suffer most if large-scale increases in rice production should be made?

STATEMENT OF SAM McANALLY, DEXTER, MO.

Mr. McANALLY. I am Sam McAnally from Dexter, Mo., and operate a family farm.

In the Bootheel area of Missouri there is a sizable acreage of cotton left and that possibly is going to go into another crop next year anyway because of the cotton situation this year. Probably most of the acreage that will go into rice will be acreage that has been soybean.

Mr. NORWOOD. Missouri has gone into this rice business late, it's kind of a new frontier; there were only about 5,000 or 6,000 acres before the allotments came on. There are thousands of acres that are ideal, readily available; and like he said, it's rotating because of the cyst nematode in soybeans.

Senator HUDDLESTON. How many acres do you estimate will be devoted to rice?

Mr. NORWOOD. Oh, probably 15,000 to 20,000. They are going into this slowly, as I said. From my observation this year, there were just a few that went in. They are not going into this blind.

Senator HUDDLESTON. And it will replace soybean production?

Mr. NORWOOD. Yes, it will take out that many acres of soybeans. And of course they will be rotating and still have soybeans.

Mr. McANALLY. There has been a lot of land in the Bootheel area that has been slated for irrigation; and we are in drastic need of crop rotation. We have had an increase in "milo" acreage in recent years. We have not had a large increase in corn acreage. There was an increase in cotton acreage this year over recent years. As I understand, most of the cotton acreage will go back to other crops next year.

Senator HUDDLESTON. Thank you very much.

Mr. NORWOOD. Thank you.

Mr. McANALLY. Thank you, sir.

Senator HUDDLESTON. Mr. J. P. Gaines? Would you identify yourself for the record, and proceed with your statement.

STATEMENT OF J. P. GAINES, EXECUTIVE VICE PRESIDENT, RICE MILLERS' ASSOCIATION

Mr. GAINES. Mr. Chairman, I'm J. P. Gaines, I'm executive vice president of the Rice Millers' Association, the trade association of the Nation's rice milling industry. My headquarters are in Washington, D.C.

There are 31 rice milling companies in the Rice Millers' Association, 28 in the Southern States of Arkansas, Louisiana, Mississippi, and Texas, and three in California. Members of the association process 100 percent of the rice produced in the South, where 80 percent of all U.S. rice is produced; and about 25 percent of the rice produced in California. Then, let me point out, too, in addition to processing and milling rice, the rice millers also package it and market it in domestic and export markets. Both independent rice milling companies and rice grower cooperatives are members of the association.

The Rice Millers' Association supports Senate bill 4121.

We feel that the present legislative program for rice is too restrictive. It was designed to deal with surplus production, such as we had the past 20 years.

We are not in a new situation in which supplies of food grains, particularly rice, are no longer in a surplus situation. We are in fact on the thin edge of a scarcity situation. World population and world demand are growing at a more rapid rate than rice production.

Population in Asia, the principal rice-consuming area of the world—in Asia 90 percent of the world's rice is produced and consumed—the population in Asia is growing nearly 3 percent a year, which is producing over 60 million more mouths to feed each year. And this requires 7.5 million metric tons of milled rice each year to feed this additional population. Now, this is about twice as much rice as we produced in the United States this year. Asia has not been able to expand production rapidly enough to meet the increasing needs. In

the past 5 years Asian rice production has increased only 4 percent. In that same period Asian population has expanded nearly 15 percent.

The pressure of population on food supply in Asia has reached a dangerous stage, one which can be turned into shortage or famine for a large proportion of mankind by poor weather conditions in any of several important rice-growing countries. The United States cannot ignore this situation. Though we produce less than 2 percent of world rice production, we are supplying this year 33 percent of total world rice exports. We are the world's largest rice exporter. We are one of the few countries that can quickly increase rice production.

This year, for the first time since 1954, there are no marketing quotas or restrictions on production of rice. As a result we are producing a record rice crop, some 25 percent larger than last year.

We are also selling this crop at a record rate, at prices that are highly profitable to producers. Let me mention that in the first 4 months of this marketing year we have sold 1 million tons of rice for cash dollars. That is as much as we sold for cash last year, all of last year; and we are selling this rice at a very good price. So far this year producers have received an average of about \$11.50 per hundredweight. This is a little higher than the average price figure that has been put out by USDA; recent sales have been at a higher price level than prior sales. This is about \$4 per hundredweight more than the support price, and is about 150 percent of the support price for last year's rice crop. So, we are selling it successfully at record rates, where the production is unrestricted as it would be done in S. 4121.

We predict that the record 1974 rice crop will be successfully marketed and we will end this year with a low carryover, perhaps slightly higher than last year's lower than average carryover.

However, Mr. Chairman, despite the great success this year with unrestricted production, and the outlook for large world requirements next year, we are faced with a possibility of restricted production next year. People who expanded their rice growing, milling, rice drying and other operations in 1974 do not know what to expect in 1975. The highly restrictive marketing quota formula in present rice legislation could make it mandatory that the Secretary apply acreage restrictions next year, despite the hunger and starvation in major rice-consuming countries; despite the fact we have record export demand for our rice and cash rice exports will earn over \$700 million in foreign exchange this year; and notwithstanding that rice producers are receiving profitable prices and enjoying high earnings.

We think there is something faulty with legislation that threatens mandatory restrictions on production in the face of this kind of a situation.

S. 4121 corrects this fault in the present legislation and removes this uncertainty for a 3-year period, and will allow the rice industry to grow and prosper without excessive Government regulations and restrictions. We feel there are several advantages to the bill, most of which have been covered well by other witnesses, I would like to briefly discuss them. We think it provides, first, a reasonable measure of Government guaranteed support to the income of rice producers.

It also gives producers the flexibility and the option to respond to the needs of the market in accordance with their own calculation of what is most profitable and desirable for them as individual producers.

It allows the most efficient producers and areas to expand production in accordance with domestic and world needs for rice, without penalty to traditional producers and areas of production.

It permits rice mills, exporters, distributors, users and other marketers to develop and expand domestic and export markets and to improve and expand facilities, without the great uncertainty and risk of what Government policy and decisions will be on such vital questions as to whether there will be any marketing quotas and restrictions; what the acreage allotment will be; will enough of each type of rice be produced to fill the requirements; whether there will be export subsidies if they are needed; will the export subsidies be competitive or conservative, and so on.

It allows rice consumers and users to share in lower prices for rice when and if the world market price falls to a lower level. More importantly, it will insure that an adequate supply of rice is available to domestic consumers and users.

For this reason, Mr. Chairman, we recommend that the committee approve S. 4121; and we appreciate you giving us the opportunity to present our views.

Senator HUDDLESTON. Thank you, Mr. Gaines.

In your export operations, are you getting any orders that you are not able to fill because of supply?

Mr. GAINES. Not this year, no, sir.

Senator HUDDLESTON. And what is the world market price of export, approximately?

Mr. GAINES. The world market price, Mr. Chairman, averages this year around \$450 to \$500 per ton. Now, this is over twice the level of 2 years ago. It's lower than last year's level, last year it was about \$650.

Senator HUDDLESTON. And your major reason for supporting this legislation is to improve the supply?

Mr. GAINES. To improve the supply, and to remove some of the uncertainties and risks, so that marketeers can better plan their operations and be sure that the requirement will be there, the production will be there.

Senator HUDDLESTON. Do you see the present plan, or proposed plan as bringing more protection, or more security to the farmer, one over the other?

Mr. GAINES. I don't, Mr. Chairman. I think that the S. 4121 guarantees to the traditional producers about the same amount of Government protection as the current bill. It would not guarantee the new producers quite so much; but the new producers would have the option whether or not they wanted to take this risk. It also gives the traditional producers a larger guaranteed acreage allotment, a larger guaranteed minimum allotment than they have under the present bill.

So, I think they would have a larger guaranteed allotment, but not as large a guaranteed price from the Government.

Senator HUDDLESTON. Which plan do you think offers the best potential for the American consumer?

Mr. GAINES. Well, I think S. 4121 offers more potential because it does offer the possibility of more production.

Senator HUDDLESTON. You don't see any danger of surpluses developing beyond the desirable level?

Mr. GAINES. I don't, sir; not in the foreseeable future. I think there is only one situation that would cause this to happen, and that is if by some freak of nature, with perfect weather all over the world we would get very good rice production all over the world at a given time, then there would be some surpluses. But we haven't had this in quite a long time; about 2 years ago we had the reverse. We seem to have more weather catastrophies.

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

Senator CLARK. No, thank you.

Senator HUDDLESTON. Thank you very much, Mr. Gaines.

Mr. Yeutter, the Assistant Secretary of Agriculture.

STATEMENT OF HON. CLAYTON K. YEUTTER, ASSISTANT SECRETARY OF AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE

Mr. YEUTTER. Thank you, Senator Huddleston, and my apologies for not being able to be here this morning as we originally intended. We had a Soviet Union delegation in town today, as part of our joint committee effort with them on agriculture.

Senator HUDDLESTON. Did you sell them anything?

Mr. YEUTTER. As a matter of fact, I saw their grain man this morning, I met him for the first time; and I asked him whether he was here to buy, or sell. And his response was, "Which would you prefer?"

Senator Huddleston, would you like me to read the prepared statement, or would you prefer that I just summarize it?

Senator HUDDLESTON. You may go ahead, if it's not too long, and read it.

Mr. YEUTTER. All right.

Senator HUDDLESTON. Go right ahead.

Mr. YEUTTER. Mr. Chairman and members of the subcommittee, I am pleased to appear today on behalf of S. 4121. The bill is designed to modernize our present rice legislation and to bring it in line with the Agriculture and Consumer Protection Act of 1973. The administration strongly supports the legislation, but only if the target price for the 1975 crop is adjusted to 7 cents per pound, and the disaster payments provision is stricken. The Department is reviewing alternatives for the present disaster insurance program with the goal of discussing such a proposal with the 94th Congress.

It may be well to review briefly the major provisions of the current rice legislation. We believe the review will illustrate the need for the enactment of a target price program which encourages production to respond to the needs of the marketplace.

Under the current legislation, rice production is restricted through the mechanism of acreage allotments and marketing quotas. Each year, the Secretary is required to announce a national acreage allotment and also announce whether or not marketing quotas will be in effect for the crop. Allotment and quota determinations are made by

specific but different formulas specified in the law. The national acreage allotment cannot be less than 1.65 million acres. The quota provides a stiff monetary penalty for any producer who does not comply with his acreage allotment.

Once the determinations are made, the national acreage allotment is prorated to States based on their allotment during the 1956 crop year. Allotments cannot be transferred across State lines and are assigned to farmers who have historically owned rice allotments. Provisions for the entry of new farms are very limited. Thus, production is not necessarily grown in the most economical areas or by the most efficient farmers, but is tied historically to those who produced rice in 1956, nearly 20 years ago.

Allotments and marketing quotas have been in effect since the 1955 crop, with the sole exception that marketing quotas were lifted, by law, for the 1974 crop. This lifting of quotas was because of the high demand and low supplies in the 1973-74 marketing year.

Rice is supported under an outmoded parity concept—at a price not less than 65 percent nor greater than 90 percent of parity. This has resulted in a steady, and in recent years, escalating price-support level for rice. This increase can be independent of world prices. In years in which world prices were below the loan level, export subsidies were required to maintain commercial markets.

Acreage allotments and marketing quotas clearly restrict production of rice to the select group of current allotment holders. We have received a number of letters from farmers without rice allotments wanting the privilege to grow rice, but the present law prohibits it unless quotas are not in effect. Quotas have been lifted in only 1 of the last 20 years.

In the absence of new legislation, allotments and marketing quotas will likely be required for the 1975 crop. As incongruous as this might appear during this period of need, the current law allows no leeway. Production will once again be restricted to those select farmers who own rice allotments.

We cannot defend in this day and age any agricultural program which restricts production and continues to maintain an effective monopoly for those farmers who happened to be growing rice almost 20 years ago. The current legislation is not in the best interest of the farmer, the industry, the consumer, or the general public.

Today I would like to emphasize the reasons behind our support for the changes to be brought about by S. 4121.

One. We favor increased opportunity for all American farmers. Farmers inherently prefer freedom in planting decisions. They dislike being told what they can or cannot plant.

Two. We believe that the consumer deserves increased responsiveness to his need. Goods and services desired by consumers should be produced with maximum efficiency.

Three. Flexibility of the proposed legislation will encourage and permit the expansion of rice markets freely and aggressively.

Four. We have a deep and abiding concern with the increased food needs of the world's growing population.

Five. U.S. farm policy should be consistent—the current rice legislation is badly out of phase with the major farm legislation recently enacted by the Congress.

Specifically, S. 4121 will:

One. Afford price protection to the current allotment holders on a minimum of 2 million acres. And that, incidentally, compares with the 1.65 million acres for which protection is provided under the existing law.

Two. Provide for a target price, which we recommend at 7 cents per pound, to escalate in accordance with provisions in the legislation. And I might add that is an escalator, likewise, an advantage over the existing law, as there is no escalator in the present law except the escalation as provided by the parity concept.

Three. Provide for price support through a loan at 60 percent of the target price. And I might add this is protection for new rice producers. In the present legislation there is no protection except those who are participants in the program. This level provides a method for interim financing and a measure of price protection while encouraging rice production in response to domestic and foreign market demand. It is not, however, at such a high level that it would provide an incentive to produce rice for the Government loan.

Four. Authorize acreage allotments to be sold and released within the boundaries of the State.

Five. Authorize a rice research program.

Six. Authorize a set-aside requirement, if needed. And this, of course, is the *modus operandi* for responding to the surplus problem that you said a minute ago might exist in the future; and,

Seven. Conform with the Agriculture and Consumer Protection Act of 1973.

In the national interest, in the interest of American agriculture, and in the interest of meeting the world's growing food needs, we need a rice program consistent with our market-oriented program for other agricultural commodities.

I would simply add to that, Mr. Chairman, that we would like to submit for the record, as an addendum to my testimony, our most recent update projected supply and demand for rice in the coming year. This was just made by our interagency committee within USDA yesterday; it updates the estimate on domestic consumption, foreign consumption, and so on. I would like to submit that for the record.¹

Senator HUDDLESTON. It will be part of the record.

Mr. YEUTTER. And I neglected, Mr. Chairman, to introduce Mr. Frick and Mr. Schaefer from our Agricultural Stabilization and Conservation Service.

Senator HUDDLESTON. On your projection, do you indicate what the situation is going to be for the rice allotment for next year?

Mr. YEUTTER. The projections do not indicate what the ultimate figure will be. We have not yet made those final calculations. As you indicated, though, Mr. Chairman, we have an obligation to do that

¹ See p. 82.

prior to December 31; and we will be announcing the calculations sometime prior to December 31.

They do indicate that we will probably have to announce marketing quotas for the coming year, notwithstanding the fact that commercial demand is quite strong, stronger than what was originally anticipated, and notwithstanding the fact that our Public Law 480 commitment will probably be larger than anticipated at an earlier date, too.

Senator HUDDLESTON. Does that information address itself to projected carryout? We had some figures suggested, 26 million hundred-weight; is that accurate?

Mr. YEUTTER. No; these projections readjust the estimated carryout because they incorporate the increases in both commercial, export, and Public Law 480 that are now anticipated. That of course reduces the carryout figure, Mr. Chairman, to the range—I do not now have a copy of that, the range is what, 10 to 15? The range would be 12.1 to 18.1. The midpoint of course would be about 15 million hundred-weights.

Senator HUDDLESTON. There was some discussion this morning that the Department was slow and dragging its feet in programing the food aid, a 1-million-ton allocation; what is the situation on that at this time?

Mr. YEUTTER. There hopefully will be a final decision by the administration on the entire Public Law 480 program sometime within the next few days, probably next week. There will be an interdepartmental meeting on that, involving—

Senator HUDDLESTON. How much do you have committed on that now?

Mr. YEUTTER. The original budgeted figure in our planning was 1 million tons, some months ago. But, that has never been finalized in terms of an overall commitment. So, that remains to be done. I would rather expect that the commitment that will ultimately emerge from these interdepartmental discussions, and through the approval of President Ford, will be 1 million tons. It would be premature for me to make a commitment at this point, and it is not a commitment that I can personally make. But, if I would prognosticate, that would probably be the figure.

Senator HUDDLESTON. Is that scheduled in an orderly manner, or are you going to wait for the last month of the year; or how is that programed?

Mr. YEUTTER. Well, Senator Huddleston, we are in the process now of getting our purchase authorization under Public Law 480 for rice in some of the countries. We have waited until now, Senator Huddleston, because of the strong commercial demand that we have had in recent weeks, tying up most of the processing capacity. There was no sense in going out with the Public Law 480 authorization in this kind of environment because it would turn out to be higher than otherwise would be the case, and that means we buy that much less food with the amount of money we have available under Public Law 480.

So, we thought it would be wise to wait until some of the milling capacity became available, and hopefully we will be able to make the purchases at a lower cost.

Senator HUDDLESTON. Is 1 million tons anywhere near enough to meet the demand, or need that exists; or is that all we can handle?

Mr. YEUTTER. Well, I'm sure, Senator Huddleston, it's not enough to meet the total food needs of the world today. As you know, this is a very complex question that not only involves what we can provide, but what other countries might wish to obtain from us under Public Law 480.

But, simply ignoring those complexities and dealing with the issue of supply and demand, certainly 1 million tons of rice doesn't meet the hungry needs of the world.

At the same time, for all practical purposes, that is probably the maximum that we can supply in the coming year with the processing capacity that is available in this country. We will be very fortunate, in my judgment, if we can move as much as 1 million tons of rice under Public Law 480.

Senator HUDDLESTON. Some of the witnesses today have indicated, or suggested, that the Department may be doing certain things to make it more difficult for the present program to work in the interest of trying to pass the new legislation, slow programing in Public Law 480 is one, and perhaps other things. What is your comment on that?

Mr. YEUTTER. Senator Huddleston, that is absolutely untrue. Any of the decisions that have been made with respect to the programing of Public Law 480 have been totally unrelated to this legislation, in fact, they are not made in the same agency within the Department. Both agencies are under my jurisdiction, Public Law 480 is in the Foreign Agricultural Services, as you know. But I can assure you categorically and unequivocally that there has been no delay on the part of the Department.

Senator HUDDLETON. How about setting the allotment?

Mr. YEUTTER. The setting of allotments, of course, has awaited the most accurate data that we have available in terms of making those necessary calculations. Tomorrow we will receive a report on rice production for 1974, and we will use that report in making the calculations that will be announced, and that are basic to the announcement later on this month.

It seems to me, Senator Huddleston, it would certainly be unwise to make that kind of a determination without the data on hand. But that report will be out tomorrow, maybe next week.

Senator HUDDLESTON. And you say there has been no other effort on the part of the Department to make the present system unworkable, or undesirable on the part of producers because you rather favor a new program?

Mr. YEUTTER. Well, I'm not aware of anything. If there is something specific, Senator Huddleston, I would be glad to take it point by point. But our viewpoint is that the present system is inherently unworkable in this day and age; and what we do, or do not do in the Department, in the administration of the program, is in my judgment irrelevant to the basic issue.

The basic issue here is whether one can justify and defend a program that has as a basis the restraining of production and limiting the

production of rice to those people who did so for 20 years or so. Our judgment is that it is just not the best position for the Government to find itself in.

Senator HUDDLESTON. Would you anticipate if S. 4121 is passed, there will be a large number of new farmers going into rice production, that production would increase substantially?

Mr. YEUTTER. Yes, sir. Now, obviously that depends on one's definition of large. But clearly, there will be some shift in production, Senator Huddleston, if this legislation is enacted in the law. It is an appropriate shift in our judgment, and will be based on the economics of rice production in any given geographical area in the United States.

Now, I can fully understand that those people who now hold allotments would prefer to continue with the present system because it is in their best interest to do so, those allotments have a value; and if this legislation is passed, that value will diminish, particularly in the higher cost areas.

Senator HUDDLESTON. There has been some concern expressed, of course, for the small farmer that depends largely on rice as his crop. Do you see him as well protected under the new legislation?

Mr. YEUTTER. Yes, sir. And the general opposition to this legislation, of course, does not come from small rice farmers but large rice farmers who are primary allotment holders under the present program. There will be a much greater opportunity for smaller farmers to come into this program under S. 4121 because they will have the privilege to do so without purchasing these allotment rights as they would have to do under the existing legislation.

The shift, geographically, or some of the shift, Senator Huddleston, will be from present rice-growing areas into the Mississippi area; Mississippi, Arkansas, Tennessee, Missouri, the Midsouth, I suppose one can denominate it, and Kentucky—

Senator HUDDLESTON. The Mississippi River area.

Mr. YEUTTER. The indications are that the cost of producing rice in that general area of the country is considerably below the cost of producing it in some areas where it is grown today. And, of course, economics simply would dictate for those sorts of shifts to take place. Whether we are discussing rice, or soybeans, or corn, we ought to grow it in this country where it grows best; and we ought to be producing all those crops where they can be produced most efficiently.

Senator HUDDLESTON. Do you have any concern at all for the crops that will be sacrificed to some extent for rice production?

Mr. YEUTTER. No, because once again, that is how our economic system is supposed to work in this country. We want rice to compete with soybeans; soybeans to compete with sugar beets; sugar beets to compete with corn. Whatever the crop that emerges in a given area in the country ought to be the crop that will do the best, the best job, economically, for a farmer in that country. And if an Arkansas farmer can make more money growing rice than he can growing soybeans, if that's what he is growing today, he ought to be growing rice.

And by the same token, if a farmer in another State can grow soybeans more efficiently than rice, then he ought to grow soybeans rather

than remain in rice because of the allotment value that prevails today.

Senator HUDDLESTON. We have had three different prices mentioned as far as the target price, \$11 in the House; \$8 in the Senate bill, and you propose \$7. What is the basis of your recommendation?

Mr. YEUTTER. Well, the \$7 is a price that was initially proposed in the House bill as you probably know, Mr. Chairman, and that was changed to \$11 in the committee. So, that is how the \$11 figure developed. And the \$8 figure is the one that was introduced here.

Senator HUDDLESTON. Do you think at today's production cost the \$7 figure is a reasonable figure?

Mr. YEUTTER. Yes, we do. And in fact, if you wish, Senator Huddleston, we would be glad to put the cost of production figures in the record.

Senator HUDDLESTON. I would request that you do that, if you can. As a matter of fact, I have a number of things here that I would like to have submitted for the record, production cost, farm price on rice, participating cost. I'll just give you this list and if you would supply that for the record.

Mr. YEUTTER. I would be happy to do that.

Just to summarize in a nutshell, an analysis on the question which you posed, in round figures, maximum production cost today is something like \$6.80 a hundredweight in the higher-cost producing areas, coming down to something below \$6 in the lower-cost, more efficient areas. So, with that range the average is somewhere in the vicinity of \$6.50 per hundredweight, and we felt that \$7 would be a reasonable figure for a target price.

[The following questions were submitted by Senator Huddleston to Secretary Yeutter and his answers thereto:]

Question. This morning there was some discussion over the fact that the U.S. has a one million ton commitment of rice for foreign food aid, but that only about 200,000 tons had actually been obligated. Is this correct and can you explain the situation to us in more detail?

Answer. The United States has been providing about one million tons of rice annually in recent years under the Public Law 480 food aid program, except for FY 1974 when approximately 600,000 tons was exported under the program.

The original budget presentation for FY 1975 projected that one million tons of rice would be made available. Although this quantity still is a planning figure, we cannot make a precise projection at this time since the budgetary level of Public Law 480 for FY 1975, now under review, has not yet been established.

We have ordered forward only about 175,000 tons so far under the program because of market conditions. Once a budgetary level is set and a firmer projection can be made, rice shipments can be accelerated if required.

Question. For the hearing record, could you provide your most up-to-date figures on:

- (a) Anticipated cost of the existing rice program for this year, and
- (b) Estimated cost of the proposed legislation.

Answer. The anticipated cost of the existing rice program for 1974-75 marketing year is estimated at \$360 M. The attached table shows estimated costs for a 3 and 5 year period.

The estimated cost of the proposed legislation at 8 cents per lb. is shown on the attached table. The table also shows estimated cost of legislation at 7 cents per lb.

ANALYSIS OF GOVERNMENT OUTLAYS, ALTERNATIVE RICE PROGRAMS

[In millions of dollars]

| Item/crop year | Current program | S. 4121— Target price at 8 cents per lb. | S. 4121, as amended— Target price at 7 cents per lb. |
|--|-----------------|---|--|
| Loans and purchase¹: | | | |
| 1975 | 8 | 8 | 8 |
| 1976 | 7 | 7 | 7 |
| 1977 | 7 | 7 | 7 |
| 1978 | 8 | 8 | 8 |
| 1979 | 8 | 8 | 8 |
| 5-year total | 38 | 38 | 38 |
| Export payments²: | | | |
| 1975 | 8 | | |
| 1976 | 30 | | |
| 1977 | 68 | | |
| 1978 | 66 | | |
| 1979 | 80 | | |
| 5-year total | 252 | | |
| Deficiency payments: | | | |
| 1975 | | | |
| 1976 | | 67 | |
| 1977 | | 165 | 59 |
| 1978 | | 165 | 58 |
| 1979 | | 200 | 88 |
| 5-year total | | 597 | 205 |
| PL-480 costs³: | | | |
| 1975 | 320 | 313 | 313 |
| 1976 | 322 | 298 | 298 |
| 1977 | 325 | 267 | 267 |
| 1978 | 334 | 267 | 267 |
| 1979 | 349 | 267 | 67 |
| 5-year total | 1,650 | 1,412 | 1,412 |
| Total: | | | |
| 1975 | 336 | 321 | 321 |
| 1976 | 359 | 372 | 305 |
| 1977 | 400 | 439 | 333 |
| 1978 | 408 | 440 | 333 |
| 1979 | 437 | 475 | 363 |
| 5-year total | 1,940 | 2,047 | 1,655 |
| 3-year total (1975-77) | 1,095 | 1,132 | 959 |

¹ Includes cost of inventory acquired, storage, transportation, handling, and donations.

² Export payments on commercial exports only.

³ Includes export payments. PL-480 exports assumed at a constant tonnage for planning purposes only.

Question. For the hearing record, could you provide your most up-to-date figures on production costs.

Answer. Rice productions costs, by producing areas, are attached.

TABLE 1.—ESTIMATED COST PER ACRE AND PER HUNDREDWEIGHT OF RICE, OWNER-OPERATOR, GRAND PRAIRIE, ARK. 1974

| Item | Unit | Price or cost per unit | Quantity | Cost per— | |
|--|--------------------|------------------------|----------|-----------|------|
| | | | | Acre | Cwt |
| 1. Total production per acre..... | Hundredweight..... | | 51.00 | | |
| 2. Variable cost—Preharvest: | | | | | |
| Seed (105 percent)..... | do..... | 25.00 | 1.42 | 38.77 | 76 |
| Nitrogen (100 percent)..... | Pounds..... | .18 | 120.00 | 21.60 | |
| Phosphate (10 percent)..... | do..... | .16 | 4.00 | .07 | |
| Potash (10 percent)..... | do..... | .06 | 48.00 | 2.30 | |
| Zinc..... | Acre..... | 6.25 | .30 | 1.88 | |
| Propanil (130 percent)..... | Pounds..... | 2.25 | 5.20 | 15.21 | |
| Phenoxy (20 percent)..... | Quarts..... | 2.40 | .22 | .10 | |
| Custom air fertilize (100 percent)..... | Hundredweight..... | 2.00 | 2.60 | 5.20 | |
| Custom air phenoxy (20 percent)..... | Acre..... | 3.00 | .20 | .12 | |
| Machinery..... | do..... | 6.18 | 1.00 | 6.18 | |
| Tractors..... | do..... | 6.00 | 1.00 | 6.00 | |
| Irrigation machinery..... | do..... | 18.00 | 1.00 | 18.00 | |
| Labor, tractor, and machinery..... | Hours..... | 3.00 | 2.98 | 8.94 | |
| Labor irrigation..... | do..... | 3.00 | 3.50 | 10.50 | |
| Labor other..... | do..... | 2.75 | 1.51 | 4.15 | |
| Interest on operating capital..... | Dollars..... | .09 | 40.89 | 3.68 | |
| Subtotal, preharvest..... | do..... | | | 142.70 | 2.80 |
| Harvest costs: | | | | | |
| Drying (gross weight)..... | Hundredweight..... | .50 | 56.10 | 28.05 | |
| Machinery..... | Acre..... | 5.73 | 1.00 | 5.73 | |
| Tractors..... | do..... | 1.15 | 1.00 | 1.15 | |
| Labor, tractor, and machinery..... | Hours..... | 3.00 | 1.83 | 5.49 | |
| Subtotal, harvest..... | Dollars..... | | | 40.42 | .79 |
| Total variable costs..... | | | | 183.12 | 3.59 |
| 3. Depreciation, overhead, and taxes: | | | | | |
| Machinery..... | Acre..... | 19.42 | 1.00 | 19.42 | |
| Tractors..... | do..... | 10.03 | 1.00 | 10.03 | |
| Irrigation machinery..... | do..... | 5.16 | 1.00 | 5.16 | |
| Land taxes and depreciation on improvements (1 percent)..... | do..... | 8.00 | 1.00 | 8.00 | |
| Total depreciation, overhead, and taxes..... | Dollars..... | | | 42.61 | .84 |
| Total costs excluding interest charges on capital investments..... | do..... | | | 225.73 | 4.43 |
| 4. Opportunity interest charges for capital investments: | | | | | |
| Land and allotments ² | do..... | .08 | 800.00 | 64.00 | 1.26 |
| Other capital investments (average)..... | do..... | .08 | 150.00 | 12.00 | .24 |
| Total..... | do..... | | 950.00 | | 1.50 |

¹ If rice prices were to fall to near current support levels, seed cost would likely fall to near \$16.25 per acre (\$0.32 per hundredweight).

² Based on estimated current prices.

TABLE 2.—ESTIMATED COST PER ACRE AND PER HUNDREDWEIGHT OF RICE, OWNER OPERATOR, MISSISSIPPI RIVER DELTA, 1974

| Item | Unit | Price or cost per unit | Quantity | Cost per— | |
|---|--------------------|------------------------------|----------|-----------|------|
| | | | | Acre | Cwt |
| 1. Total production per acre..... | Hundredweight..... | | 52.00 | | |
| 2. Variable cost—Preharvest: | | | | | |
| Seed (105 percent)..... | do..... | 25.00 | 1.70 | 144.62 | .86 |
| Nitrogen (100 percent)..... | Pounds..... | .18 | 110.00 | 19.80 | |
| Insecticide (25 percent)..... | do..... | .25 | 17.00 | 1.06 | |
| Propanil (200 percent)..... | do..... | 2.05 | 3.0 | 12.30 | |
| Custom air insecticide (25 percent)..... | Acres..... | 1.75 | .25 | .44 | |
| Custom air propanil (200 percent)..... | do..... | 2.50 | 1.00 | 5.00 | |
| Machinery..... | do..... | 7.18 | 1.0 | 7.18 | |
| Tractors..... | do..... | 10.39 | 1.0 | 10.39 | |
| Irrigation machinery..... | do..... | 20.80 | 1.0 | 20.80 | |
| Labor, tractor, and machinery..... | Hours..... | 2.50 | 4.24 | 10.60 | |
| Labor irrigation..... | do..... | 2.75 | 4.00 | 11.00 | |
| Labor other..... | do..... | 2.50 | 1.87 | 4.67 | |
| Interest on operating capital..... | Dollars..... | .09 | 42.24 | 3.80 | |
| Subtotal, preharvest..... | do..... | | | 151.66 | 2.92 |
| Harvest costs: | | | | | |
| Custom hauling..... | Hundredweight..... | .15 | 52.00 | 7.80 | |
| Drying (gross weight)..... | do..... | .50 | 57.80 | 28.90 | |
| Machinery..... | Acres..... | 7.18 | 1.00 | 7.18 | |
| Tractors..... | do..... | 1.55 | 1.00 | 1.55 | |
| Labor, tractor, and machinery..... | Hours..... | 2.75 | 1.65 | 4.54 | |
| Subtotal, harvest..... | Dollars..... | | | 49.97 | .96 |
| Total variable costs..... | | | | 201.63 | 3.88 |
| 3. Depreciation, overhead, and taxes: | | | | | |
| Machinery..... | Acres..... | 21.52 | 1.0 | 21.52 | |
| Tractors..... | do..... | 15.51 | 1.0 | 15.51 | |
| Irrigation machinery..... | do..... | 5.15 | 1.0 | 5.15 | |
| Land taxes and depreciation on improvements..... | do..... | 6.00 | 1.0 | 6.00 | |
| General..... | do..... | 3.50 | 1.0 | 3.50 | |
| Total depreciation, overhead, and taxes..... | Dollars..... | | | 51.68 | .99 |
| Total costs excluding interest charges on capital investments..... | do..... | | | 253.31 | 4.87 |
| 4. Opportunity interest charges for capital invest- ments: | | | | | |
| Land and allotments ² | do..... | .08 | 600.00 | 48.00 | .92 |
| Other capital investments (average)..... | do..... | .08 | 125.00 | 10.00 | .19 |
| Total..... | do..... | | 725.00 | 58.00 | 1.11 |

¹ If rice prices were to fall to near current support levels, seed cost would likely fall to near \$15 per acre (\$0.30 per hundredweight of rice produced).

² Based on estimated current market prices.

TABLE 3.—ESTIMATED COST PER ACRE AND PER HUNDREDWEIGHT OF RICE, OWNER OPERATOR, GROUP B SOILS, SOUTHWEST LOUISIANA, 1974

| Item | Unit | Price or cost per unit | Quantity | Cost per— | |
|---|--------------------|------------------------------|----------|-----------|------|
| | | | | Acre | Cwt |
| 1. Total production per acre..... | Hundredweight..... | | 41.00 | | |
| 2. Variable cost—Preharvest: | | | | | |
| Seed (105 percent)..... | do..... | 27.50 | 1.30 | 37.54 | .92 |
| Nitrogen (100 percent)..... | Pounds..... | .16 | 100.00 | 16.00 | |
| Phosphate (100 percent)..... | do..... | .16 | 48.00 | 7.68 | |
| Potash (100 percent)..... | do..... | .08 | 48.00 | 3.84 | |
| Propanil (75 percent)..... | do..... | 2.05 | 4.00 | 6.15 | |
| Molinate (75 percent)..... | do..... | .30 | 30.00 | 6.75 | |
| Custom fertilizer (100 percent)..... | Hundredweight..... | 1.10 | 2.00 | 2.20 | |
| Custom air molinate (75 percent)..... | Acre..... | 1.75 | 1.00 | 1.31 | |
| Custom air propanil (75 percent)..... | do..... | 2.25 | 1.00 | 1.69 | |
| Survey levees..... | do..... | 7.50 | .30 | 2.25 | |
| Machinery..... | do..... | 7.36 | 1.00 | 7.36 | |
| Tractors..... | do..... | 6.84 | 1.00 | 6.84 | |
| Irrigation machinery..... | do..... | 7.30 | 1.00 | 7.30 | |
| Labor, tractor, and machinery..... | do..... | 2.25 | 4.33 | 9.74 | |
| Labor irrigation..... | do..... | 2.25 | 1.70 | 3.82 | |
| Labor other..... | Hours..... | 2.25 | 1.75 | 3.94 | |
| Interest on operating capital..... | Dollars..... | .09 | 33.50 | 3.01 | |
| Subtotal, preharvest..... | do..... | | | 127.42 | 3.11 |
| Harvest costs: | | | | | |
| Custom hauling..... | Hundredweight..... | .15 | 45.56 | 6.83 | |
| Drying (gross weight)..... | do..... | .50 | 45.56 | 22.78 | |
| Marketing commission..... | do..... | .05 | 41.00 | 2.05 | |
| Machinery..... | Acre..... | 7.18 | 1.00 | 7.18 | |
| Tractors..... | do..... | 1.62 | 1.00 | 1.62 | |
| Labor, tractor, and machinery..... | Hours..... | 2.75 | 1.67 | 4.59 | |
| Subtotal, harvest..... | do..... | | | 45.05 | 1.10 |
| Total variable costs..... | do..... | | | 172.47 | 4.21 |
| 3. Depreciation, overhead, and taxes: | | | | | |
| Machinery..... | Acre..... | 20.81 | 1.00 | 20.81 | |
| Tractors..... | do..... | 4.28 | 1.00 | 4.28 | |
| Irrigation machinery..... | do..... | 8.83 | 1.00 | 8.83 | |
| Land taxes and depreciation on improvements (1 percent)..... | do..... | 5.40 | 1.00 | 5.40 | |
| General overhead..... | do..... | 3.50 | 1.00 | 3.50 | |
| Total, depreciation, overhead, and taxes..... | Dollars..... | | | 42.82 | 1.04 |
| Total costs excluding interest charges on capital investments..... | do..... | | | 215.29 | 5.25 |
| 4. Opportunity interest charges for capital invest- ments: | | | | | |
| Land and allotment ² | Dollars..... | .08 | 540.00 | 43.20 | 1.05 |
| Other capital investments (average)..... | do..... | .08 | 125.00 | 10.00 | .25 |
| Total..... | do..... | | | | 1.30 |

¹ If rice prices were to fall to near current support levels, seed cost would likely fall to near \$13 per acre (\$0.32 per cwt. of rice produced).

² Based on current market prices.

TABLE 4.—ESTIMATED COST PER ACRE AND PER HUNDREDWEIGHT OF RICE, OWNER OPERATOR, WESTERN COASTAL PRAIRIE, TEXAS 1974

| Item | Unit | Price or cost per unit | Quantity | Cost per— | |
|--|---------------|------------------------------|----------|-----------------------|------|
| | | | | Acres | Cwt |
| 1. Total production per acre: | | | | | |
| Rice, 1st crop | Hundredweight | | 45.00 | Second crop rice on | |
| Rice, 2nd crop | do | | 8.70 | 75 percent of acreage | |
| 2. Variable costs—Preharvest: | | | | | |
| Seed (105 percent) | do | 25.00 | 1.30 | 34.12 | .64 |
| Nitrogen (100 percent) | Pounds | .16 | 129.00 | 20.64 | |
| Phosphate (100 percent) | do | .17 | 60.00 | 10.20 | |
| Potash (80 percent) | do | .07 | 40.00 | 2.24 | |
| Molinate (75 percent) | do | .30 | 30.00 | 6.75 | |
| Insecticide (50 percent) | do | .25 | 17.00 | 2.13 | |
| Propanil (125 percent) | do | 2.05 | 4.00 | 10.13 | |
| Custom air seed (105 percent) | Hundredweight | 1.50 | 1.20 | 1.89 | |
| Custom air fertilizer | do | 1.50 | 7.96 | 11.94 | |
| Custom air insecticide (50 percent) | Acres | 1.50 | .50 | .75 | |
| Custom air molinate | Hundredweight | 1.75 | .75 | 1.31 | |
| Custom air propanil (125 percent) | Acres | 2.75 | 1.00 | 3.44 | |
| Irrigate | do | 25.00 | 1.0 | 25.00 | |
| Machinery | do | 10.74 | 1.0 | 10.74 | |
| Tractors | do | 10.51 | 1.0 | 10.51 | |
| Labor, tractor, and machinery | Hours | 2.25 | 4.56 | 10.26 | |
| Labor irrigation | do | 2.25 | 4.54 | 10.21 | |
| Interest on operating capital | Dollars | .09 | 41.70 | 3.75 | |
| Subtotal, preharvest | do | | | 176.01 | 3.28 |
| Harvest costs: | | | | | |
| Custom hauling | Hundredweight | .15 | 59.67 | 8.95 | |
| Drying (gross weight) | do | .50 | 59.67 | 29.84 | |
| Marketing commission | do | .05 | 53.70 | 2.67 | |
| Machinery | Acres | 6.69 | 1.00 | 6.69 | |
| Tractors | do | 2.29 | 1.00 | 2.29 | |
| Labor, tractor, and machinery | Hours | 3.25 | 1.46 | 4.75 | |
| Subtotal, harvest | | | | 55.20 | 1.03 |
| Total variable costs | | | | 231.21 | 4.31 |
| 3. Depreciation, overhead, and taxes: | | | | | |
| Machinery | Acres | 23.33 | 1.00 | 23.33 | |
| Tractors | do | 11.91 | 1.00 | 11.91 | |
| General overhead | do | 4.00 | 1.00 | 4.00 | |
| Land taxes and depreciation on improvements (1 percent) | do | 5.00 | 1.00 | 5.00 | |
| Total depreciation overhead and taxes | do | | | 44.24 | .82 |
| Total costs excluding interest charges on capital investments | | | | 275.45 | 5.13 |
| Opportunity interest charges for capital investments: | | | | | |
| Land and allotment ² | Dollars | .08 | 740.00 | 59.20 | 1.10 |
| Other capital investments (average) | do | .08 | 125.00 | 10.00 | .19 |
| Total | do | | | 69.20 | 1.29 |

¹ If rice prices were to fall to near current support levels, seed cost would likely fall to near \$15 per acre (\$0.28 per hundredweight of rice produced).

² Based on estimated current market prices of \$500 per acre for land, and \$240 per acre for allotment.

TABLE 5.—ESTIMATED COST PER ACRE AND PER HUNDREDWEIGHT OF RICE, OWNER OPERATOR, SACRAMENTO VALLEY, CALIFORNIA, 1974

| Item | Unit | Price or cost per unit | Quantity | Cost per— | |
|--|--------------------|------------------------|----------|-----------|------|
| | | | | Acres | Cwt |
| 1. Total production per acre..... | Hundredweight..... | | 58.00 | | |
| 2. Variable cost— | | | | | |
| Preharvest: | | | | | |
| Seed (105 percent)..... | do..... | 25.00 | 1.42 | 37.28 | .64 |
| Nitrogen (100 percent)..... | Pounds..... | .20 | 103.00 | 20.60 | |
| Phosphate (40 percent)..... | do..... | .14 | 50.00 | 2.80 | |
| W. weevil (20 percent)..... | Acres..... | 5.25 | 1.00 | 1.05 | |
| Insecticide (50 percent)..... | do..... | 1.99 | 1.00 | 1.00 | |
| MCPA (100 percent)..... | do..... | 1.80 | 1.00 | 1.80 | |
| Molinate (33 percent)..... | do..... | 12.60 | 1.00 | 4.16 | |
| Custom air seed (105 percent)..... | Hundredweight..... | 2.00 | 1.42 | 2.98 | |
| Custom air fertilizer (100 percent)..... | do..... | 1.50 | 5.32 | 7.98 | |
| Custom air insecticide (50 percent)..... | Acres..... | 1.10 | 1.00 | .55 | |
| Custom air weevil (20 percent)..... | do..... | 2.00 | 1.00 | .40 | |
| Custom air molinate (20 percent)..... | do..... | 2.00 | 1.00 | .40 | |
| Custom air MCPA (100 percent)..... | do..... | 2.50 | 1.00 | 2.50 | |
| Survey levees..... | do..... | 1.50 | .33 | .50 | |
| Move tractors..... | do..... | .66 | 1.00 | .66 | |
| Irrigate..... | do..... | 15.85 | 1.00 | 15.85 | |
| Machinery..... | do..... | 12.30 | 1.00 | 12.30 | |
| Tractors..... | do..... | 8.77 | 1.00 | 8.77 | |
| Labor, tractor, and machinery..... | do..... | 3.50 | 3.92 | 13.72 | |
| Labor, other..... | Hours..... | 3.50 | 1.12 | 3.92 | |
| Interest on operating capital..... | Dollars..... | .09 | 45.28 | 4.07 | |
| Subtotal, preharvest..... | do..... | | | 143.29 | 2.47 |
| Harvest costs: | | | | | |
| Custom hauling..... | Hundredweight..... | .15 | 6.374 | 9.56 | |
| Drying (gross weight)..... | do..... | .44 | 63.74 | 28.05 | |
| Move combine..... | Acres..... | .50 | 1.00 | .50 | |
| Machinery..... | do..... | 18.73 | 1.00 | 18.73 | |
| Labor, tractor, and machinery..... | Hours..... | 4.25 | 1.72 | 7.31 | |
| Subtotal, harvest..... | Dollars..... | | | 64.15 | 1.11 |
| Total variable costs..... | | | | 207.44 | 3.58 |
| 3. Depreciation, overhead, and taxes: | | | | | |
| Machinery..... | Acres..... | 37.06 | 1.00 | 37.06 | |
| Tractors..... | do..... | 14.17 | 1.00 | 14.17 | |
| General overhead..... | do..... | 8.67 | 1.00 | 8.67 | |
| Land taxes and depreciation on improvements (3 percent)..... | do..... | 21.00 | 1.00 | 21.00 | |
| Total depreciation, overhead, and taxes..... | do..... | | | 80.90 | 1.39 |
| Total costs excluding interest charges on capital investments..... | | | | 288.34 | 4.97 |
| 4. Opportunity interest charges for capital investments: | | | | | |
| Land and allotment ² | Dollars..... | .08 | 1,100.00 | 88.00 | 1.52 |
| Other capital investments..... | do..... | .08 | 215.00 | 17.20 | .30 |
| Total..... | do..... | | | 105.20 | 1.82 |

¹ If rice prices were to fall to near current support levels, seed cost would likely fall to near \$13.50 per acre (\$0.23 per hundredweight of rice produced).

² Based on estimated current market price of \$700 per acre for land and \$400 per acre for allotments.

Question. For the hearing record, could you provide your most up-to-date figures on farm price for rice?

Answer. The attached table shows farm prices for rough rice for 1972-73, 1973-74, and 1974 through November.

RICE: PRICES RECEIVED BY FARMERS (PER HUNDREDWEIGHT ROUGH RICE)

| Marketing year | 1972-73 | 1973-74 | 1974-75 |
|---------------------|---------|---------|---------|
| August..... | \$5.54 | \$10.70 | \$9.67 |
| September..... | 5.92 | 11.60 | 9.85 |
| October..... | 6.72 | 13.70 | 10.25 |
| November..... | 7.40 | 17.10 | 11.10 |
| December..... | 7.95 | 16.10 | ----- |
| January..... | 7.95 | 15.80 | ----- |
| February..... | 7.95 | 17.00 | ----- |
| March..... | 7.98 | 17.30 | ----- |
| April..... | 8.23 | 15.40 | ----- |
| May..... | 8.21 | (1) | ----- |
| June..... | (1) | (1) | ----- |
| July..... | (1) | (1) | ----- |
| Season average..... | 6.73 | 13.80 | ----- |

¹ Sales insufficient to develop prices.

Question. For the hearing record, could you provide your most up-to-date figures on retail prices of rice?

Answer. The attached table shows retail prices for the years 1967-74 and August-October 1974.

RETAIL PRICES IN THE UNITED STATES, AUGUST-JULY, 1967-74 AND AUGUST-OCTOBER 1974

[Cents per pound]

| Year | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July | Simple average |
|-------------|------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------|
| Long grain | | | | | | | | | | | | | |
| 1967..... | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 |
| 1968..... | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 | .22 |
| 1969..... | .23 | .23 | .23 | .23 | .23 | .23 | .23 | .23 | .23 | .23 | .23 | .23 | .23 |
| 1970..... | .23 | .23 | .23 | .24 | .24 | .24 | .24 | .24 | .24 | .24 | .24 | .24 | .24 |
| 1971..... | .24 | .24 | .24 | .24 | .24 | .24 | .24 | .24 | .24 | .24 | .24 | .24 | .24 |
| 1972..... | .24 | .24 | .24 | .24 | .24 | .25 | .25 | .26 | .26 | .27 | .27 | .28 | .25 |
| 1973..... | .28 | .30 | .34 | .46 | .49 | .50 | .52 | .52 | .53 | .53 | .54 | .53 | .46 |
| 1974..... | .53 | .52 | .51 | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Short grain | | | | | | | | | | | | | |
| 1967..... | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 |
| 1968..... | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 |
| 1969..... | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 | .19 |
| 1970..... | .19 | .19 | .19 | .19 | .19 | .19 | .20 | .20 | .20 | .19 | .20 | .20 | .19 |
| 1971..... | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 |
| 1972..... | .20 | .20 | .20 | .20 | .20 | .20 | .21 | .22 | .23 | .23 | .24 | .24 | .21 |
| 1973..... | .24 | .25 | .28 | .37 | .41 | .42 | .43 | .44 | .45 | .45 | .45 | .45 | .38 |
| 1974..... | .44 | .45 | .44 | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |

Note.—Compiled from reports of Bureau of Labor Statistics, Department of Labor.

Senator HUDDLESTON. What comments would you have to the assertion that has been made that rice is distinct from the other grain products and doesn't have a futures market; and is entitled to be treated differently in marketing? What is the validity of that?

Mr. YEUTTER. Well, I do agree, Senator Huddleston, that it is unfortunate that rice does not have a futures market. That is a subject that I understand has been discussed on many occasions, and I'm sure that almost everybody in the rice industry would love to have a futures market if it were feasible and practical.

The difficulty, of course, is there are not that many participants in the rice industry; it's not like corn, for example, which is grown on thousands and thousands of farms scattered all over the United States, and is grown in much larger quantity than is rice. Also relevant, of course, is the number of participants and speculators on the market, the futures market, that there is an adequate number of speculators. It is a thin world market. It is difficult to get a speculator enthused about a futures market in rice. The movements are not all that great in terms of volume and trading, either domestically or worldwide.

So, it's difficult, at least at this point in time—it would be difficult for a futures market to emerge. That is unfortunate. But in my judgment that does not at all affect the basic elements of the legislation. In other words, futures market or no futures market, the concepts, if you want to call them that, are sound; and certainly there is nothing in the marketing process that would dictate maintenance of the present legislation as compared to new legislation. I don't believe that factor has any relevance to the decision at hand.

Senator HUDDLESTON. Do you feel that the grower would be more protected under the new, proposed bill than he is under the present law?

Mr. YEUTTER. Well, not all growers. Some of the existing growers, present growers, will lose certain of the protections that they have, the protection that comes from being in a monopoly position in that industry because there will be others that will enter the industry. Other farmers around the United States will under S. 4121 be able to enter the industry freely; other producers cannot now enter the industry freely. So, to the effect that that is a benefit to the existing growers, they will clearly lose that benefit through the proposed legislation.

But if one looks at this from the standpoint of all potential growers, rice growers in the area where rice ought to be grown if it is to be grown more efficiently; or if one wishes to look at it from the interest of agriculture as a whole, it seems to me that this legislation is clearly preferable to the legislation that we have today, from the producer standpoint.

Senator HUDDLESTON. How about the consumer?

Mr. YEUTTER. I would say, Senator Huddleston, that it's also preferable from the consumer standpoint if for no other reason than we will move toward more efficient rice production in the United States under this legislation.

When we produce rice more efficiently in the United States, produce it where it ought to be grown, then both producers and consumers benefit. That additional efficiency will necessarily be passed on to someone. Some of it will hopefully be passed on to the consumers in the form of lower rice prices; some of it will hopefully be passed on to those producers in the form of higher prices at the farm level. That efficiency should benefit everybody. Some of it may even be passed on to marketing processors and others. Increased efficiency is bound to benefit all groups in any segment of this industry, or any agricultural industry. As long as one is in a competitive situation, these benefits will be passed on.

Consumers will benefit in that respect, and to the extent that the new legislation would encourage additional rice production in the country, and they will have the benefit of having more rice available. Our present judgment is that more rice would be grown in the United States under S. 4121 than has been grown.

Senator HUDDLESTON. And you don't anticipate an undue surplus?

Mr. YEUTTER. Well, I do not, Senator Huddleston, at least not at any time in the immediate future. Stocks of food grains in the world are so low today that it's going to take 1 year as a very minimum with the best of growing conditions to begin significantly to replenish those stocks. With just normal weather conditions it will probably take 2 years before we significantly replenish food grain stocks around the world; and it could take longer, much longer if we had weather conditions like we experienced in 1974.

Beyond that, Senator Huddleston, if surplus problems should develop in the future, it seems to me that we can deal with that kind of problem just as well under S. 4121 as we can deal with it under the present law, in fact, perhaps more readily in merging this legislation with the existing legislation for feed grain and wheat, and cotton, will be advantageous in this regard because we have a total farm program package; and we can deal then with the set-aside program in light of that total package of crops, and not an isolated way as is necessary in this legislation today.

The legislation provides for a set-aside program, and there is no reason at all why we can't go to a set-aside program should that become necessary sometime in the future.

I do not believe that we will have a surplus situation of consequence any time in the near future, but if we do, I would certainly not hesitate to deal with that situation with a set-aside program. Clearly, we want the rice farmers to make a decent living, just like the corn farmers, or wheat farmers, or any other farmers make a decent living. Hopefully we will not have to use a set-aside program and have that occur, but if we should overproduce in products like rice, certainly that possibility is available to us.

Senator HUDDLESTON. Do you feel that the target price for other programs has worked reasonably well?

Mr. YEUTTER. Yes, sir, Mr. Chairman, we are very pleased with the target price concept. It evolved here, of course, in the Senate Agriculture Committee back in 1973. Fortunately, of course, market prices have been far above the target price during practically all the time since that bill was passed. But nevertheless, I personally feel the concept is sound, and all facets of that bill worked to the general advantage of the U.S. farmer because he has a great deal more freedom and flexibility under that bill than he has ever had under any kind of farm legislation before; and we are getting a shift in production to a more efficient use of our scarce land resources in the United States under this act than we have ever had before.

And at the same time the target price gives him some protection. There is no reason we can't afford that same kind of protection to rice as we do other grains.

Senator HUDDLESTON. If rice is taken out of the specialty field and put under the target price, what do you foresee for the other crops, other products that now have separate market programs?

Mr. YEUTTER. Peanuts, for example—

Senator HUDDLESTON. Tobacco.

[Laughter.]

Mr. YEUTTER. I didn't know that tobacco was of any interest to Kentucky.

[Laughter.]

Mr. YEUTTER. Well, as you know, we have announced just a few days ago an increase in the tobacco allotment for 1975 of 15 percent. So, there will be no further discussions on those policy questions, or at least specific proposals during the coming year, although there may be discussions during the coming year.

Whether tobacco should fall into the same category, eventually, really is a question that we have not explored in any detail. We have done this with respect to peanuts and extra long staple cotton as you know, and I would expect there will be legislation, before the Congress on that subject in the coming year, recommending the application of the target price concept to peanuts and extra long staple cotton.

Tobacco, as I said, is an issue we have really not discussed in this light, and I wouldn't want to pose as a tobacco expert and suggest that would be the next step. But neither would I wish to suggest that would never be the next step.

Senator HUDDLESTON. Let me check with counsel. Do you have any specific questions?

Senator Clark had to leave, I'm sorry he didn't have an opportunity to ask questions. I know he has a very strong interest in this field. I would like to suggest that we see if he has some he would like to submit to you in writing, and have you supply them for the record, if that is satisfactory.

Mr. YEUTTER. Yes, sir.

Senator HUDDLESTON. Thank you very much.

Mr. YEUTTER. I'm happy to be here, sir; it is good to see you.

Senator HUDDLESTON. I appreciate your coming.

[The projected supply and demand for rice supplied by the Department of Agriculture follows:]

RICE

The 1974 rice crop will be a record and is currently estimated at 114.8 million cwt. (rough rice). Supplies are climbing to a record high of 122.6 million cwt. (rough rice). Recent large export purchases and apparent continued strong export demand could result in record exports from 67.3 to 72.5 million cwt. during the 1974-75 marketing year. Thus, the anticipated year-ending stocks will not be as large as previously indicated.

RICE

| Item | 1972-73 | 1973-74 indications | 1974-75 projected |
|---|-------------|------------------------|----------------------|
| Acresage: | | | |
| Allotment (million acres) | 1.84 | 2.22 | 2.10 |
| Planted (million acres) | 1.82 | 2.18 | 2.53 |
| Harvested (million acres) | 1.82 | 2.17 | 2.53 |
| Yield/harvested acre (pounds) | 4,700 | 4,277 | 4,533 |
| Supply (million hundredweight): | | | |
| Beginning stocks Aug. 1 | 11.4 | 5.1 | 7.8 |
| Production | 85.4 | 9.28 | 114.8 |
| Imports | 0.5 | 0.2 | |
| Total | 97.3 | 98.1 | 122.6 |
| Disappearance (million hundredweight): | | | |
| Domestic | 35.8 | 36.7 | 38.0-37.2 |
| Exports | 54.0 | 49.7 | 72.5-67.3 |
| Total | 89.8 | 86.4 | 110.5-104.5 |
| Ending stocks, July 31 | 5.1 | 7.8 | 12.1-18.1 |
| Difference unaccounted | +2.4 | +3.9 | |

Note.—Prepared by: Interagency Commodity Estimates Committee for Rice: George H. Schaefer, Chairman, ASCS; Robert A. Bieber, FAS; Frank Gomme, Alternative, ERS.

Senator HUDDLESTON. We have Congressman Alexander here. We are glad to have you, Congressman. We have heard from a great many people from your part of the country.

**STATEMENT OF HON. WILLIAM ALEXANDER, REPRESENTATIVE
IN CONGRESS FROM THE FIRST CONGRESSIONAL DISTRICT OF
ARKANSAS**

Mr. ALEXANDER. Thank you very much, Mr. Chairman. I wish to ask the indulgence of the committee, I have not completed my prepared statement and ask unanimous consent that it be deferred to later. I would like to make a short announcement and be available for any questions which the committee would like to offer.

Mr. Chairman, after a year-long fight, I'm happy now to announce that the cries of hunger from around the world have been heard by the House Rules Committee, and that a rule was just granted on a voice vote to report the House version of the rice bill which is before this committee to the House with an open rule, 2 hours of general debate.

On that, Mr. Chairman, I would like to be available for any questions which you would like to ask of me at this time.

Senator HUDDLESTON. Well, I think our interest here, of course, is to analyze the proposals and compare the new legislation with what we have now. We are interested in protecting the interest of the producers of our agricultural products; we are interested in protecting the interest of the consumer who pays for it all; and we are interested in protecting the interest of the Federal Government who is involved in expending the taxpayer's money, and helping to support this and many other kinds of programs.

So, how does your particular district and the little farmers that operate there, view this new program?

Mr. ALEXANDER. I'd like to say in response to the Senator's questions that my interests are identical to the Senator's and to this committee's. I, too, am concerned about the producers in my congressional district, some 2,000 rice producers, who are producing approximately 700,000 acres of rice in that area. I'm certainly concerned about the producer, or I wouldn't be here very long.

I'm certainly concerned that that producer serves the consumer in a climate of competition, the kind of competition that made America what it is today. And I'm very sensitive to the featherbedding of any industry to the point that it is not competitive, and does not serve the interest of the consumer. If it were allowed to be subsidized to the extent that it is not competitive, then the producer would soon not have the market that he should rightfully have in an area of competition.

And I'm concerned, of course, with the Government and the expenditures that we made in support of a program, should those expenditures be needed.

The House version of the bill only differs from the Senate version in two respects. One is that by amendment the House bill provides for an \$11 target price, to be compared with the \$8 target price in the Senate. The House bill also contains some provisions with reference to emergency conditions which are different from the Senate bill, and I would like to say that I plan to offer an amendment—two amendments to this bill when the matter is considered on the floor of the

House, which will conform the House bill identically to the Senate bill. I feel that I have the votes to do so, and if I might assume that, for the purposes of this discussion, I would conclude that the House and the Senate bill would be identical, and therefore we would not need a conference when the bills are passed.

Senator HUDDLESTON. That's a big assumption, when you are talking about the the U.S. Senate and Congress. But hopefully, if we are going to have this legislation, it will develop that way.

Do you think that the small farmer who is now operating under the system as it is, is going to continue to enjoy the protection he has, the opportunity he has under the new legislation?

Mr. ALEXANDER. I can only speak—

Senator HUDDLESTON. Or will it sacrifice a group of people?

Mr. ALEXANDER. I can only speak from personal experience from my knowledge of the Arkansas farmers, and our people in Arkansas don't want protection to the extent that the government keeps them from being competitive. Our farmers are only interested in that degree of protection which would insure them against a catastrophe, against an unpredictable situation in the market where they would not be in a position to sell their product as a result of some unforeseeable condition which we cannot forecast.

That's the reason I so strongly support the \$8 target price figure, which I believe is sufficiently—just below the cost of production—to provide the type of protection that the farmer needs, but it does not produce an incentive for the farmer to get into the rice business just to get the protection which is offered by the Government.

Senator HUDDLESTON. You are not concerned about overproduction, surplus?

Mr. ALEXANDER. Yes, sir, I am concerned about overproduction, going back to the 1950's, most of the farm legislation which serves us today was enacted then, and until only last year was change for wheat, feed grains, and cotton. I can't forget, as a farm boy from Arkansas the problem of over-production that we had at that time. But just this past year we have seen for the first time food to become in short supply. We have seen governments topple because of the inability of governments to provide food for their people and I think Ethiopia is a prime example of this. We have seen a conference called in Rome to determine how the world can produce more food in a manner that will keep up with population. As you know, population is increasing at a much faster rate than the production of food; and it is projected by the year 1980, that there will be—at the same rate of production we have now—a severe shortage of food.

Based upon the experts in the rice industry with whom I have conferred, I am convinced with the competitiveness that I'm sure all American rice farmers are able to engage in, and with the demand of food around the world that we have been demonstrated vocally in Rome, and with the additional increase in food sales for exports that we have seen just in the last 30 days, the demand for rice today far exceeds the supply.

I'm not concerned in the immediate future about overproduction. However, I think this is a question which needs to be reexamined on an annual basis, depending on the facts that have been made available through the industry and the Government, and based upon the history of the last year's production and demand estimates.

Senator HUDDLESTON. Congressman, we appreciate your appearance. The other members of the committee had to leave, if they have any further questions we will submit them to you in writing; and we will leave the record open for your total statement.

Mr. ALEXANDER. Thank you very much, sir, and I would be pleased to come back, if you so desire.

Senator HUDDLESTON. Thank you very much.

Mr. ALEXANDER. I appreciate the opportunity to testify before this subcommittee today.

Senator HUDDLESTON. Our next witness is Mr. Ralph Newman. Go ahead, sir.

**STATEMENT OF RALPH S. NEWMAN, JR., GENERAL MANAGER,
AMERICAN RICE INC., HOUSTON, TEX.**

Mr. NEWMAN. Sir, Mr. Yeutter submitted some revised utilization figures, may I examine those, sir? I have some comments on those.

Senator HUDDLESTON. Would you identify yourself for the record, and proceed?

Mr. NEWMAN. Mr. Chairman, I am Ralph Newman, general manager of American Rice Inc. We are a farmer-owned marketing cooperative, headquartered in Houston, Tex. Our members' rice production substantially comes from the States of Texas and Louisiana. Our growers produce about 9 percent of the U.S. rice production.

We have, up to this point, vigorously opposed all types of target price legislation in all forms, and we appear here today in opposition to S. 4121. Obviously, we have had quite a bit of conflicting testimony. I would like to point out that we are against all of the allegations that have been made here today with respect to what target price legislation will do as far as solving our consumer problems, our farmer problems, and the world food supply. All those allegations remain theory. The statement has been made repeatedly that our present program has been in effect for 20 years, and what we know about that program is fact.

I think most of the facts that we know about will not be refuted by any testimony you will hear.

It is a fact that our present program, when administered properly, has accomplished most of the things that people are trying to accomplish in the new legislation. It has certainly been effective and has balanced supply and demand. Supply and demand in agricultural commodities are not perfect, we have little aberrations over the years, but in the long run we certainly have had an effective program to do that.

It has certainly produced stable prices to our consumers over the long run. I think there are other people that will indicate that, for all practical purposes, rice price levels over a long period of time have been very, very stable, probably more so than any other agricultural commodity in this country.

It has maintained a healthy producer base. We have a very valuable processing industry and we certainly have more than adequate supplies of rice for our consumers in this country. Mr. Gaines, in his testimony commented that along with other things the target price legislation would remove quite a bit of uncertainty on the part of processors. I am certain that the target price legislation would. I think the situation we would find is that processors would always have more rice than they would ever need to process. They would accomplish

this but the risk of uncertainty would simply be transferred from the processor to the grower.

As chairman of this committee I am sure you have, over the years, been exposed to the fact that farmers must exist on price, whereas processors exist on volume per unit. Farmers simply cannot exist on volume alone.

I don't think there have been any figures presented that show that the administrative costs of our present program are expensive, particularly in terms of the facilities that the money spent has produced, the contributions that rice has made to our defense and foreign relations effort; the stability of prices to the consumer, and of course the economic vitality of hundreds and hundreds of rural communities along the gulf coast.

It's fine to talk in terms of hard, cold economics, but I think there has been very little interest in, or statements made up to this point as to the social effect of displacing agricultural commodities all over this country simply for the sake of efficiency in price of commodities. As you well know, sir, there are many other ramifications in doing that; not the least of them are the economies of hundreds of communities.

Our present legislation provides for no type of direct payments. Under the target price concept there is a proposed \$20,000 payment limitation. I don't think anyone can guarantee what that figure will be. We don't think it will be any greater than that. But we find that the philosophy of efficiencies of scale, which is certainly desirable not only in agriculture, but in all things in the economy in our country, and the concept of payment limitations are sort of mutually exclusive philosophies, and we find it difficult to reconcile the two philosophies.

I think it's noteworthy that rice farmers in all States are interested in the opportunity for expansion, in growing. In spite of all of that, this program is opposed by fully 75 percent of the rice growers of this country, and they are not without information, counsel, leadership, and ability to judge facts, as are the proponents of the program.

On the whole, these people have varied their acreage substantially over the years as supply and demand situations changed. They currently have the capacity to do that, provided two things occur. One is that we have what I term effective demand. It's one thing to talk about the starving masses of the world, but that is not necessarily effective demand in terms of economics. You don't take the starving masses down to the bank and borrow \$150,000 to build a rice crop. And again, all of this is theory.

I think, if things change and the policy of this government is to feed the world, the funds to do it are provided, we will be the first to say, "We'll grow more rice under the present program" because we have the capacity. But that's not a bankable proposition today.

Second, we have to have a long enough duration of change, whether it be under target price, or our present legislation, or some other concept, to handle the amortization of the investments. For example, it requires investment on our part of approximately \$150 an acre in terms of handling equipment. I'm talking about simply processing equipment. I am talking about simply the processing equipment for the farmer to handle an increased acre of rice. Not only do we have

that, but we have transportation, milling capacity, and an infinite number of other factors. We are not going to have changes in the rice program under any concept that will widely vary acreage from year to year because the cost per acre is simply too great.

The next comment we would like to make is with respect to the current situation that got all of this discussion started on changing our rice program. We realize that for approximately 18 months out of the last 25 years we have had some very unusual weather conditions around the world, they have certainly not been peculiar to rice. You might say that for a transient period of time we have a rice shortage as we had shortages of many other things. Some of this represented demand from consumers, and some of this was simply speculative demand, which was the product of what we call the greater fool theory, and that is, "I'll buy it today at any price because tomorrow some fool will buy it from me at a higher price."

Of course, a lot of that product has reentered, in a physical form, our current supply situation and never represented demand from consumers to begin with.

Asian crop production estimates, and the crop that is currently being harvested in Asia, are up substantially this year. We see a lot of softening in our price. We would like to comment with respect to the quantity of commercial sales that have been pointed out by several advocates of this bill. Sales have certainly been unprecedented for the first half of the year. However, when you look at the nature of where this business went, it went almost exclusively to the Middle East, to the OPEC countries. They bought this product in August, September, and October which we are currently milling and delivering. They bought the product far in excess of what reasonable per capita consumption purchasing power would be. We can only speculate as to why this area of the world is stockpiling food and agree that they are and they certainly have been purchasing rice. To my knowledge, no rice has been bought in this area for approximately 6 weeks. We have seen very little additional demand. And I think it's not completely accurate to talk about early purchases that were made when we are talking about a food embargo to the Middle East, for example, in speculating commercial demand for the entire year based on that rate of purchase.

Now, another comment was made in respect to processing capacity. I would submit to you with any set of numbers anyone wants to use, we cannot, No. 1, continue to sell commercially at the same rate that we have done in the past, and simultaneously process and sell a million tons of Public Law 480 rice. You simply have to do one or the other, the product has to go through the plant.

So, it matters little which of the two premises you want to take, but the point is, we will not have both this increased rate of commercial sales and the projected sales under Public Law 480, as certain witnesses have presented to you here today.

We feel that under the present legislation, that we have adequate capacity to increase our production, as long as it is done on a basis that is consistent with a long-term demand situation. This was done, as many witnesses testified, for the first time for our crop that we grew in 1974. As a result this, and using USDA's latest figures, which they walked in with today, again predicated on both increased com-

mercial and Public Law 480 business, we still have considerably beyond a normal carryover of rice.

Now, fortunately we have the mechanism, in our present legislation, to bring this supply and demand situation back into balance. We have heard, or I have heard at least, all day long the premise made that No. 1, we've this enormous demand for rice. Yet, on the other hand, we must reinstate quotas. Now, the two, I would hold, are simply inconsistent. The quotas are predicated upon the utilization of rice. You utilize enough rice during the season that we come up short on carryout, then, of course, the present law provides that we do not have marketing quotas. But on the other hand, to reverse this view, if we don't have projected utilization, then we have marketing quotas imposed. It would seem to me that that is a sound theory. It would seem to me to be sheer foolishness, if on the basis of projections over an 8-month period by the U.S. Government, which has embassies, attachés, councils, liaison, study teams everywhere out in the world, researching what food demand is, if they cannot project as well as an individual rice farmer. If they can't then I don't know who can project.

If in the face of all the evidence they still come up with the fact that we have more rice than we are going to use, it does seem to be sound that we impose some type of restrictions on production; and that of course is what our present legislation does.

Senator HUDDLESTON. You contend, then, that the users interest, the consumers' interest, our obligations abroad, all would be met better with the present system?

Mr. NEWMAN. Well, I think we'll get a good example of the cyclic prices which we'll have under target price legislation in another year and I'm sure this committee has heard considerable testimony on that. I think that's an alternative, you can have widely swinging cycles of prices if you have people get into the business, get out of the business, go bankrupt, and this sort of thing. And possibly in some way that's consistent with the best interest of the American consumer. I frankly find it difficult to see how it is.

Senator HUDDLESTON. You made an interesting point that I had not heard expressed that way yet today, and that is that there are currently some areas of the country, some communities, some counties maybe, some cities that depend to a great extent, maybe entirely on the rice production and processing business.

Mr. NEWMAN. Oh, I would think it would be safe to say, sir, that there are at least 25 to 30 counties, possibly more, in the States of Texas and Louisiana where rice is by far the dominant industry.

Senator HUDDLESTON. If they were to lose this, there would be a tremendous economic impact.

Mr. NEWMAN. Well, there is no effective agricultural crop that will take the place of rice.

Senator HUDDLESTON. They couldn't switch to other production.

Mr. NEWMAN. Not economically, no; not in the sense of being competitive.

Senator HUDDLESTON. Thank you very much.

Mr. NEWMAN. Yes, sir. Mr. Chairman, if I could make one additional statement—I realize time is of interest—but you have asked the

question repeatedly today as to why rice differs from other commodities covered by target price legislation and I would simply like to point out one thing in perspective, and that is, that rice is a commodity that and I think the Under-Secretary used the word, has a thin world market.

The fact is that Thailand is our principal competitor in the world. Almost all of the rice production that is grown in the world, that we might think of as a competitive free market kind of thing, is in fact licensed, taxed, subsidized, exported by either foreign governments, or quasi-government agencies. We really do not truly have any type of free market mechanism in world rice prices.

I'll give you an example that I think might demonstrate the peril that the American farmer is in. The statement has been made that the current competitive price on the world market might be \$450 a ton, I agree with that figure. With normal processing charges, and so forth, this would translate to a price to the American farmers of some \$11, or \$12 a hundredweight for rough rice, for example.

Thailand currently posts essentially the same price in the world market. Yet, by their internal system of government, the level that it's priced at to their farmers is \$6. The additional \$6 a hundredweight on the raw material represents a tax that the government uses for its own purposes. Yet, it is a very effective device. When our prices are taken, as they are in the concept of capitalism, and are based on costs plus margin. Competitively we have governments that, in effect, set the price to the grower, sets the price on the world market, and arbitrarily make decisions on any basis they care to, whether it be economic, political, or whatever. This is one of the things we think is very important, and it recognizes the reality of the situation, whereas the concept of target price legislation, when it applies to the rice business, is pretty naive.

You simply assume you have perfect competition, a supply and demand type of thing with no extraneous forces, and as a matter of fact, in the rice business, almost everything is an extraneous force in the world market.

Senator HUDDLESTON. Thank you.

Mr. NEWMAN. Thank you very much for the opportunity to be here, sir.

[The prepared statement of Mr. Newman follows:]

STATEMENT OF RALPH S. NEWMAN, JR., GENERAL MANAGER, AMERICAN RICE, INC., HOUSTON, TEX.

Mr. Chairman and Members of the Committee: My name is Ralph S. Newman, Jr. I am General Manager of American Rice, Inc., a farmer owned rice marketing cooperative, headquartered in Houston, Texas. Our members' rice production, principally grown in the states of Louisiana and Texas, this crop year will represent about nine percent (9%) of the total U.S. rice production, with a farm value in excess of \$100,000,000.00.

Our farmers have previously vigorously opposed, before the Committee on Agriculture of the U.S. House of Representatives, all of the concepts involved in S. 4121 which are essentially the same as outlined in the House version of the bill. I similarly appear here today in opposition to S. 4121.

If any recent experiences regarding this long-debated proposal are valid, I expect that hundreds of thousands of words of testimony, both pro and con, will be presented to this Subcommittee, most of it from "expert" witnesses, and most of it directly contradictory. Regardless of all of the allegations and projections of solutions to all of our rice problems by the adoption of the "target price" concept

for the Rice Industry they are simply theory. On the other hand, certain historical and contemporary facts remain clear. They cannot and will not be refuted by any testimony that you will hear before this Subcommittee:

(1) The present rice program, when administered properly, has proven over a period of thirty years, to be effective in balancing supply and demand, providing abundant supplies and stable prices to U.S. consumers while maintaining a healthy production base and distribution system.

(2) The administrative cost of the present rice program is not significant, especially in view of the contribution the commodity makes to the U.S. Defense and Foreign Relations Program, stability of prices to farmers and consumers and the economic vitality of hundreds of rural communities.

(3) No direct payments from the U.S. Treasury are made to producers under the present rice program.

(4) Change in the present rice program is opposed by fully seventy-five percent of the rice farmers in this country. On the whole these farmers have demonstrated they are among the most progressive and productive farmers in U.S. agriculture. They have and will respond to the need for increased production to meet increased demand if (1) in fact such demand is actually there and represents effective demand, i.e. demand with money to buy and (2) it is of long enough duration to justify the substantial capital investments required. Simple economics dictates that no rice farmer, under any program, can substantially vary production from year to year as the supply-demand situation cycle and remain in the business. The capital investments required are simply too great.

(5) The transient tight supply situation, experienced for a period of about eighteen months out of the last thirty years, was caused by widespread freak weather conditions around the world, was not unique to rice, and does not represent meaningful, long-term effective demand as numerous economic studies, many by USDA, show. Asian crop production this year is up substantially and we are facing substantial supply and price pressures in our international markets.

(6) Adjustments for increasing production can be made under the present legislation. This was done on a widespread scale for the first time for the 1974 crop. As a result of this ill conceived action, USDA now projects that our excess supply of rice on hand at the end of this marketing year will be more than twice our normal carryover. Present legislation provides the mechanism to control this continued over-production and its inherent problems. S. 4121 being considered does not.

(7) There is no guarantee to consumers that increased supply will result in substantially lower prices. The U.S. harvested the largest rice crop in our country's history during the past few months. We unquestionably currently have a surplus supply condition as a result of the size of the crop. Rice prices to farmers, in the face of the most severe production cost percentage increase ever experienced and according to official U.S.D.A. figures, have declined twenty-eight percent (28%). For the same period, according to official BLS statistics, the average retail price of rice however has declined only five percent (5%) from the historical peak level of June 1974. Even under the minimum acreage provided for in current legislation, U.S. consumers are guaranteed that, given average weather conditions, U.S. farmers will produce about two and one-half times the rice consumed annually in the U.S.

(8) On the average, at least ninety percent (90%) of the costs attributed by USDA to the rice program have been for the cost of rice, purchased by PL 480 recipients under open, competitive bidding in the commercial market and does not represent a "subsidy" to the rice farmer. These costs are going to continue if our government continues to utilize rice at present levels in our PL 480 program regardless of the rice program.

(9) Rice production requires a very heavy capital investment per acre compared to most crops. Today adequate production financing is available to rice farmers under the present rice program from principally commercial banks, Production Credit Associations and FHA because the present program creates a stable financing environment. These lending institutions have informed us that the changes proposed in S. 4121 will seriously affect the ability of the majority of rice farmers to continue to secure adequate financing, especially for capital improvements and modern equipment utilized to increase productivity.

(10) The facts of life are that only a small percentage of the world's rice production is ever involved in world trade. The rice that does, in competition with U.S. rice, is almost all licensed, taxed, subsidized and exported by foreign governments or their quasi-government agencies. As a practical matter, prices are

decreed by these agencies through various devices and many considerations beyond economics are present in their trading decisions. Our present legislation recognizes these realities of international trade in our particular commodity and, to some degree, lends the support and weight of our own Government in this competitive area. On the other hand, the concepts of S. 4121 are based on simple textbook supply-demand economics which are naive when applied to our particular commodity because of the extraneous influences to the supply-demand equation made by these foreign governments and/or their agencies.

As members of this Subcommittee you are being asked to weigh the abundant evidence presented before you. I ask you to consider that the points in favor of our present legislation and in opposition to S. 4121 are based upon experience and history and not theory.

Most of the farmers I represent have been in the rice business for a long time. Many of them are third generation rice farmers who now have children joining them in the business. There are generations of sweat, blood, tears, tragedy and the unexpected involved. The basic agricultural economy of hundreds of rural communities and thousands of jobs are involved. The proposed changes you are deliberating are serious and basic to us and it is not without due consideration of all factors involved that we so strongly oppose this proposed legislation. The farmers, families and communities affected by your decision were there long before and will be there long after our Secretary of Agriculture and his all-knowing, all-wise, group of whiz-kids are gone and forgotten together with their novel theories as to how to revolutionize one of the most stable and trouble-free agricultural commodities in this country.

We ask your most serious consideration of the matter before you in view of the long range implications to so many people. Our present rice program is not perfect, no legislation will ever be, but it *works*. As producers, who each have hundreds of thousands of dollars and generations of work invested in the rice business, we do ask you to carefully consider the total economic and social impact of exchanging a proven and tested program for one of dubious merit and untested theories against the valid interest of the typical, average U.S. consumer, who, at today's retail prices and per capita consumption only uses about \$4.00 worth of rice a year. The present program has served the interest of both so well for so many years, that it seems a folly to create a situation that in the long run will serve neither.

Senator HUDDLESTON. Is Mr. Busch here?

STATEMENT OF AUGUST A. BUSCH, PRESIDENT, ANHEUSER-BUSCH, INC., ST. LOUIS, MO.

Mr. Busch. Mr. Chairman, I want to thank you for allowing me this opportunity to testify in support of S. 4121. My name is August A. Busch, president of Anheuser-Busch, Inc., of St. Louis, Mo.

The U.S. brewing industry represents a major domestic market for the U.S. rice production. From the 1973 crop it is estimated that the brewing industry used the equivalent of roughly 8.2 million hundred-weight of rough rice, representing almost 9 percent of the total 1973 crop.

Rice is used in brewing as an adjunct to barley malt. Both raw materials are a source of starch which is eventually broken down into fermentable sugars. Prior to 1970, those brewers using rice were able to obtain their rice requirements from domestic rice brokens, which are particles of rice less than half a kernel in size. However, as beer demand increased and the supply of rice brokens decreased, due to improved varieties, improved milling and harvesting technology and increased Public Law 480 sales, brewers using rice were forced to use high cost whole grain table rice.

During this period of declining rice brokens supplies, the high cost of rice forced many brewers to less expensive grain adjuncts; in most

cases, corn-based products—grits or syrup—which give the same extract efficiency as rice, but change the taste of the beer. In 1960, many beer companies used rice while today only two major brewers, Anheuser-Busch and the Coors Brewing Co. continue its use in significant quantities. Although Anheuser-Busch recognizes that the selection of rice over corn-based adjunct is a business decision and the responsibility of corporate management, we are convinced that much of the brewing industry's rice supply problems stem from the existing legislation.

The present legislation was created out of a need in the mid-1950's to provide protection to growers during a time when rice was a surplus commodity. But, as the current legislation met the needs of 20 years ago, new legislation is now needed to meet the needs of today. We are all most familiar with the current world food crisis. Anheuser-Busch agrees with the President and many Members of Congress who have expressed the feeling that American agriculture must be freed of the current restrictive legislation and allowed to produce at its full capacity.

The proposed legislation contains three significant provisions when compared to the existing law. First and most important, any American farmer wishing to enter rice production will be allowed to do so.

Second, the target price concept—under which the Government makes grower payments only when the market price is less than the target—should reduce the Government's cost and involvement in the rice program.

Third, current allotment holders will be provided security since new growers will not be eligible for target price support.

In 1974, the first year in which open production of rice was allowed, the United States produced the largest crop in the history of this country. Despite this large crop, which was 10.7 million hundred-weights higher than the 1973 crop, prices and demand for rice have remained firm. If production controls had been in force as provided in the current legislation, prices for rice could easily have exceeded the record highs established in 1973.

In summary, Anheuser-Busch feels that the proposed legislation before this committee is oriented to the needs of today, benefiting all concerned: The consumer—through lower rice costs and price stability, the taxpayer—by reducing the cost of the rice program to the Government; the rice grower—by allowing new growers the opportunity to produce a higher income crop, while affording established growers target price protection; and, the Government—by allowing U.S. agriculture to have a positive influence upon our balance of payments and allowing the United States to use its natural resources to alleviate the world food shortages.

I appreciate the opportunity to speak before you in support of this badly needed legislation, and urge that this committee move it through and allow a vote to be taken by the current Congress.

Senator HUDDLESTON. Mr. Busch, at the present time, is your company having any difficulties in securing the needed supplies?

Mr. BUSCH. In the current purchasing time frame, sir, we have been able to acquire more rice, than we had in the same period last year; at slightly better prices than last year.

We have not had to purchase whole grain rice this year. There were more broken available, and because there have been more broken available, we have acquired the rice at a more reasonable cost; although at a much higher cost than an equivalent adjunct use of corn, which we could go to if we wished to change the production processes for Budweiser and Michelob.

Senator HUDDLESTON. Do you anticipate that the new legislation will bring about better prices, from your standpoint?

Mr. BUSCH. We would think that the new legislation, if passed, would provide more rice grown in the United States, and if that would happen, we would think that the rules of supply and demand would stabilize the price of rice, and allow us to continue to use rice as an adjunct in the processing of our products, rather than having to go to corn.

So, I would say, yes, we believe it would help Anheuser-Busch, to stay where we are today in the use of rice.

Senator HUDDLESTON. And you prefer rice, even though it is more expensive.

Mr. BUSCH. More than 80 cents per barrel more expensive in today's market place versus corn. And we use it because of the taste and quality that we want to keep in Budweiser and Michelob.

Senator HUDDLESTON. We still use a lot of corn in Kentucky.

Mr. BUSCH. We use corn in our Busch brand.

Senator HUDDLESTON. I appreciate your coming very much.

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

Senator HUDDLESTON. Our next witness is Mr. Edwin J. Krielow.

STATEMENT OF EDWIN J. KRIELOW, PRESIDENT, NATIONAL RICE GROWERS ASSOCIATION, JENNINGS, LA.

Mr. KRIELOW. Mr. Chairman and members of the committees, I am Edwin Krielow, president of the National Rice Growers Association, representing the rice growers of the Seventh Congressional District of Louisiana. This district plants 461,000 acres of rice, or 21.9 percent of the national allotment.

We, as an organization and as individual rice producers of this congressional district, oppose the target price concept and we strongly recommend and urge that we remain under the present program, with no change whatsoever, except the changes that are necessary to conform with the supply and demand of rice.

The present legislation affecting rice has been in effect for approximately 20 years. This program has operated at a minimum cost to the U.S. Department of Agriculture, provided the cost of Public Law 480 would have been charged to the proper Federal agencies, which benefits from the provisions of this program. The present program has kept supply and demand in better balance for rice than any other program designed or attempted for any other commodity.

The economy of this area of southwest Louisiana is built around the rice industry. This area has the mills, transportation, equipment and the labor to operate this industry. We are convinced that the thinking of the administration, or the Department of Agriculture to propose to move a complete industry to another area in the United States is unsound to say the least.

We believe that under the target price concept there is a real danger of having a huge over-production of rice, thus lowering the selling or market price of rice below the actual production cost. If this happens, it would financially ruin an industry that has been sound and that has time and time again come to the aid of the Federal Government in the past years when rice was needed as a political weapon to fight Communists in foreign, rice-producing and consuming countries.

Under the present rice program, there are no direct payments to the farmers involved, however, under the target price concept a direct payment to producers is possible.

This bill provides for open-end planting. This will again allow, in our opinion, a tremendous increase in the production of rice in the United States. In addition, the bill provides for a loan to all rice producers, whether they are in compliance or not. This is in effect providing protection to the growers who are out of compliance and the very ones who would or could create a surplus of rice in the United States and lower the price of our product below production costs.

The commodities such as wheat, corn, cotton, et cetera, that are presently under the target legislation enjoy a futures market on the board of trade and afford protection if a producer so desires to sell on the futures. Rice has no futures market and there is absolutely no way to protect the rice producer. I think this is one very important difference between rice and other commodities now operating under target price.

It is my sincere opinion that the consumer of this country is being misled and used by the proponents of the target price concept. I do not believe that there will be any reduction of the price of rice on the grocery shelves regardless of the price of rice at the farm level. The price of rice to growers in March of 1974 reached \$17.30 per hundred. As of August 1974, the price to growers had dipped to \$9.67. Yet, according to figures released by the Bureau of Labor Statistics for October, the price of rice on the grocery shelves has actually increased from 37.5 cents a pound in October 1973, to 50.7 cents a pound in October 1974.

Another outstanding example of what happens between the farmer and consumer is the fact that farmers are receiving about 175 percent less for their cattle today as opposed to last year, yet the price of meat to the consumer remains about the same, and in some instances is actually higher.

The Department of Agriculture tells us that we will probably have a carry-over this year of 25 million hundredweight, which is 12 to 15 million hundredweight more than is considered normal carry-over, and will probably have to reduce our national allotment down to 1.65 million from the 2.1 million acres planted this year. Yet under the target price concept where the financial responsibility of the government is almost done away with, they say it is all right for us to grow 3 to 4 million acres on our own. To sum this up, they are saying if we are going to be responsible along with you, you will plant 1.65 million because over this amount we are afraid a surplus will develop, but if you are on your own, you could plant 3 to 4 million acres and the surplus is your problem. This theory of the Department of Agricul-

ture is inconsistent, irresponsible and could lead to disaster for rice producers.

In view of all of these factors, we rice producers consider that the present program is working well, and we urge that no changes be made in the present rice program. Thank you very much.

Senator HUDDLESTON. Thank you very much.

Our next witness is Mr. Noland, please identify yourself for the record.

STATEMENT OF WILLIS W. NOLAND, VICE PRESIDENT, FARMERS' RICE MILLING CO., INC., LAKE CHARLES, LA.

Mr. NOLAND. Mr. Chairman, I am Willis W. Noland, vice president of Farmers' Rice Milling Company, Inc., of Lake Charles, Louisiana.

Our company is an independent investor owned rice milling company and will process approximately 10 percent of the rice grown in Louisiana this year. We buy all of our rough rice in the competitive market place from over 1,000 individual farmers. We have made an effort to discuss with these farmers, on an individual basis, the ramifications of S. 4121, and to a man they are opposed to this legislation. They are pleased with the program they have had in effect since 1955, and feel that it does an adequate job of protecting both the consumer and the grower; and wish to remain under the same program.

One thing is for certain, any rice mill is only as healthy as the farmers who supply its raw product. Therefore, we feel that even though the Rice Millers' Association as a whole supports this legislation, we must be unalterably opposed to its enactment because our farmers feel that it is in the farmers' best interest to remain under the current program.

Consequently, I strongly urge that S. 4121 not receive a favorable report from this subcommittee.

Senator HUDDLESTON. Thank you, we appreciate your testimony.

Mr. Pugh, please identify yourself for the record and proceed with your statement.

STATEMENT OF ROBERT D. PUGH, CHAIRMAN, RICE COMMITTEE, AGRICULTURAL COUNCIL OF ARKANSAS, PORTLAND, ARK.

Mr. PUGH. Mr. Chairman, my name is Robert D. Pugh. I am a rice, cotton, and soybean farmer from Portland, Ark., and I hope that I qualify as an old, established grower, our farm has grown rice for almost 30 years.

Today I appear before you on behalf of the Agricultural Council of Arkansas. The council represents agricultural and agribusiness interests in eastern Arkansas. It has served Arkansas commercial farmers since 1939, and I happen to serve today as chairman of the ACA Rice Committee.

Most of our council members are cotton farmers and soybean farmers, and I imagine that 10 or 15 percent of our members also grow rice. Most of the rice farmers are located in the traditional cotton and soybean areas, and they are ACA members. Now, this area has tremendous potential for the expansion of rice production. Most of the State's rice production is found on the "Grand Prairie" area where

practically no cotton is grown. In most instances rice farmers in the cotton areas have much acreage available to increase the production of rice above their allotments. And there are thousands of acres ideally suited to rice in the traditional cotton areas on which no rice has ever been planted due to lack of allotment.

The present rice program has served the farmer well for many years and most growers would probably be content to continue without change in the program. Like any other group—and I think farmers are more so that way—they are resistant and reluctant to change. However, we of the agricultural council believe the program has become too restrictive to meet the needs of either farmer or consumer. And for this reason we favor a program encompassing the following points.

1. We would amend the present rice legislation to embrace the target price concept similar to cotton, feed grains, and wheat programs. We know that program well, and we feel that it's done a good job for the farmers. And this, of course, would mean the elimination of marketing quotas and penalties.

2. The minimum annual national rice allotment should be not less than 2,100,000 acres, distributed by the same formula as we have now. Target price should be available to all allotment holders on their allotted acreage. I think we would find that the target price does furnish protection for these small growers, possibly even more protection than the present legislation because we are talking about 2.1 million acres that would be affected by the target price versus the 1.65 million that the small grower can find himself under next year.

3. The allotment holder should plant his acreage or release it, in order to maintain history.

4. Then we recommend an annual target price of not less than 65 percent of the parity price for rice.

5. We also recommend an annual loan level of not less than 65 percent of the target price for the year in which the loan is set. The loan level should be irrevocably established each year before the crop is planted.

Sale and lease of rice allotments should be permitted throughout the United States without regard to political boundaries. A history of rice production should not be a prerequisite for the purchase or lease of rice acreage allotments. It might be brought out here that there are two types of areas in the rice production area; one has the user allotment, the other has an allotment to stay with the land. Arkansas happens to be one where we have allotments to stay with the land and it's very difficult to move rice acreage from one farm to another, practically impossible; and that makes for much less efficiency in those areas.

History should not be accrued for the production of rice acreage above the farm allotment.

Production payments, when necessary, should be computed by multiplying the allotment acres times the farm payment yield, times the payment rate. We recommend the payment yield be based on a 3-year moving average. During the first year of the program, however, payments should be based on actual yields. The second year payment yield should be computed by averaging the actual yields for the first and second years of the program, and third year payment yield would

be calculated by averaging the actual yields for the first 3 years of the program.

And then, last, the program should authorize a set-aside. If a set-aside should be required, diversion payments on idled acres should be mandatory.

Most of our agricultural council members are cotton producers. Cotton producers are very reluctant to change from the seemingly safe and thoroughly familiar program we have had years back. But in spite of our fears the cotton program we feel has worked reasonably well, and it would seem only logical that a rice program similar to the legislation governing cotton and other feed grain commodities should be enacted. We believe that the freedom offered in such a plan would be beneficial to the present, and the potential rice growers through increased market and profits.

We also believe that this type of program would be good for the Nation, and therefore we ask your favorable consideration for a rice program containing the points listed above. Thank you.

Senator HUDDLESTON. Thank you, we appreciate your testimony.

We have two witnesses who will appear together, Wendell Lundberg and Mr. Carrico. You are from California, you have come a long way.

STATEMENT OF WENDELL LUNDBERG, CALIFORNIA ALTERNATE NATIONAL DIRECTOR, NATIONAL FARMERS ORGANIZATION, RICHVALE, CALIF.

MR. LUNDBERG. Mr. Chairman, my name is Wendell Lundberg, of Richvale, Calif. I am California's alternate national director of the National Farmers Organization, and I operate a rice farming operation with my brothers in Richvale, Calif.

With regard to the legislation before you, Senate bill 4121, I wish to state that we are unequivocally opposed to the legislation.

The United States cannot afford to bankrupt its rice industry. The proposed legislation, as we see it, would hitch the price of rice to an uncertain and unstable world market price. The world market price, although excellent presently, has hit extremely low levels in recent years. The American rice farmers with many years, and in some cases with several generations, dedicated to rice production cannot survive without certainty of stable prices proposed by the administration's program. Our production costs are at the highest level in our history. It is reasonably estimated that the 1974 production costs have exceeded the 1973 costs by at least 60 percent. Last April at the hearings before the House Agriculture Subcommittee, various cost estimates showed that based on 1973 figures, the cost of production of rice lay somewhere between \$6.60 and \$7.20 per hundredweight as of that time. When we take into consideration the increased costs that have occurred since then, an \$8 figure per hundredweight would probably be a conservative estimate.

We are somewhat skeptical as to the real motives of the Secretary of Agriculture in supporting this legislation. For instance, I might point out that at the hearings before the full House Agriculture Committee last August, Assistant Secretary of Agriculture, Clayton Yeutter, made a statement, something like this: "Costs may continue

to accelerate very rapidly, but it is important to remain competitive in world markets and to do this, we need to reduce price support levels below 65 percent of parity." Regrettably, the Assistant Secretary seems to be disclosing the administration's only real and consistent policy viewpoint with respect to all of these farm programs. Apparently, they consider it of utmost importance to be able to sell large quantities of farm products abroad, regardless of the prices returned to producers. They must anticipate increased production and lower world prices. If they are correct, and the increased price of oil and other factors bring an end to this period of relatively good prices for rice, soybeans and grains in world trading, it behooves those of us who are producers to come before you and ask that the best possible tools be maintained in the law to stabilize production and extend supported prices at reasonable levels. Not only for the farmers' sake, but to save the government the untold millions the huge surpluses the proposed legislation could cost.

The American producers of all farm commodities like to produce. Of course, we would like to be able to operate without dependency upon government, but no one can expect us to continue in operation at less than the cost of production over long periods of time.

I would like to point out that the proposed support price for excess rice acreage grown outside of the program is to be 60 percent of the target price, whatever that may be. If, conjecturally, the target price is set at \$8, the support price for the so-called distressed rice would be \$4.80. This could very well set the standard under which all rice, whether within the program or without, would be priced. The Government would then be called upon to pay the difference between the market price and the target price, whatever that may be, which could amount to a substantial amount of money. In addition to this, the Government could end up as owner of huge amounts of nonallotment rice put under loan and not redeemed by the growers.

Contrary to this, under the present program the loan value of the rice is based upon parity. The Government only obligates itself to lend the amount of the loan which is normally paid back to the grower when he sells his rice. It serves solely as a loan and as a price stabilizer and does not obligate the Government to make outright grants to growers.

I would also like to point out that since the support loan is tied to parity, it is flexible and responds to inflationary or deflationary trends in the economy. On the other hand, the target price and loan program, as provided in the proposed legislation, is locked into a bill with a 3-year life that would require congressional action to amend it.

Some proponents of the new legislation have lamented the fact that it is difficult for a new producer to venture into rice production. Other growers, mainly from Arkansas, have complained that where their allotments are tied to the land and cannot be moved from farm to farm as in the case of producer allotments that an unfair bargaining situation results between landlord and tenant. The solution to both of the above problems does not call for additional legislation. The problem, if any does exist, is a creation of the department, and may be solved by administrative regulations. The Secretary of Agriculture, if he desires, may modify the regulations governing the creation of new grower allotments and/or governing the transfer

between different growers. The same solution would apply to the rigid system as now exists in Arkansas. Under the present program, the Secretary has left it up to each individual State to decide whether to have producer allotments or allotments locked in on the land. The State A.S.C. committee of each State was given the choice of deciding how these allotments were to be owned. If the Arkansas rice growers cannot control their own State A.S.C. committee, the Secretary may change the regulation and simply say that all States shall have transient producer rice allotments.

Eloquent arguments have been made by proponents of the new legislation that allowing unlimited production creates greater flexibility than the old program. In actuality, it is really extremely inflexible. It locks the rice producers of the United States into a program calling for unlimited production for a 3-year period. It would only take a good crop in two or three of the world's major rice producing countries to cause world supplies to catch up with demand. Meanwhile the American producers, who would be allowed to produce as much as they could, would be stuck with several million extra acres of unwanted production. The problems brought on by these huge surpluses would be horrendous, and needless to say, the price would drop to the lowest level possible. On the other hand, the existing program exhibits much greater flexibility than the proposed bill. The way this program is set up, the Secretary is called upon each year to evaluate the prospective picture in the rice industry. If reasonable projections indicate to him that there will be little, if any, surplus out of the present crop, he has the authority to suspend marketing quotas for another year. This, in effect, allows unlimited production for one more year and thus keeps it on a year-to-year basis with supply and market conditions controlling what his decision will be. If a surplus situation results, he may then reinstitute marketing quotas and reduce the allotment acreage. This assures some degree of stability at the marketplace. Therefore, the present program has much greater flexibility and stability than would result from the proposed legislation.

In closing, let me say that although we produce less than 2 percent of the world's total rice production, we are normally the world's largest single exporting nation. Over 60 percent of our production normally goes into export channels and, although our production is small when compared to the world's total, where and to whom our export volume goes can be an extremely valuable diplomatic tool in our relations with other governments. If at any time the President of the United States determines, upon advice of the Secretary of State, that a larger volume of rice is needed to aid us in our dealings with certain foreign countries, he can call upon the Secretary of Agriculture to either increase the rice allotments sufficiently to meet these demands, or he may call upon him to suspend marketing quotas and, thus, institute unlimited production on a year to year basis.

We farmers are quite willing to grow any added amount of rice that is needed, but we must be paid a fair price for it in order to stay in business and to justify the raising of the large amounts of capital that are required in rice production. We do not want to court the inevitable disaster which will be the result if the proposed legislation is passed, and the huge surpluses it is tailored to generate are allowed to occur.

Thank you very much.

Senator HUDDLESTON. Your contention is that the rice industry would be overproducing under the new proposed plan?

Mr. LUNDBERG. Yes, I think there would be overproduction.

Senator HUDDLESTON. And the producer does not have protection through the target price, as he does now.

Mr. LUNDBERG. That is correct.

Senator HUDDLESTON. Mr. Carrico, do you have a statement?

STATEMENT OF JACK CARRICO, CENTRAL VALLEY RICE GROWERS COOPERATIVE OF CALIFORNIA, YUBA CITY, CALIF.

Mr. CARRICO. I would like to introduce a few brief comments.

Mr. Chairman, my name is Jack Carrico from Yuba City, Calif. I'm a director of a rice cooperative headquartered in Woodland, Calif., named Central Valleys Rice Growers. I'm also State president of the National Farmers' Organization in California, and I would ask at this time that Mr. Lundberg's statement be incorporated by reference as the statement for my organization also; we collaborated in preparing it.¹

Senator HUDDLESTON. All right.

Mr. CARRICO. First of all I would like to inject a bit of humor here. I'm not a rich rice farmer, I think most of us here aren't rich. We often hear among laymen and some farmers that rice farmers are all rich, and it's nice to be thought that way. We have had a good year, but for the prior 20 years things were just sort of nip and tuck, we stayed in business; we made a living; we bought some new equipment.

My wife asked my 16-year-old boy last winter if he had given any thought to becoming a farmer: "Well" he said, "Mom, I don't know, one good year in 20 isn't enough."

Now we are looking, maybe, for a second good year, and everybody wants to get in.

The very fine remarks that Mr. Newman testified to a few moments ago express my feeling. I couldn't say them as well as Mr. Newman, I agree wholeheartedly with his entire statement. And, as Mr. Lundberg said, we are also unequivocally opposed to that bill. I recently read some articles in the national press, supposedly circulated nationally—and all these articles, by the way, were very much slanted and unobjective. They were very much slanted against the old rice program, and in favor of the proposed legislation.

And it seemed that those of us who were opposing the proposed legislation were "powerful interests"—I'm quoting now from the article. Well, it's awfully flattering to be considered a "powerful interest." I'm just a simple rice farmer from northern California, I'm not quite like Sam Ervin who said he was a country lawyer from North Carolina. [Laughter.]

But anyway, it's all the more flattering when I come here today and see representatives of large exporting interests; see a representative of the Secretary of Agriculture, flanked by two able assistants; and see the president of the world's largest brewery testifying for this bill; it makes me a little suspicious to their motives.

As has been testified here many times, "efficiency, efficiency" seems to be the byword of the Department of Agriculture. I can assure you

¹ See p. 97.

that the American rice farmer is already the most efficient in the world, and every year we are getting a little more efficient; but we are reaching the saturation point because costs are going up.

Mr. Yeutter—I'm sure it was an error and I'm sure it wasn't deliberate—made a statement about the cost of rice production. They were somewhat lower than was testified to last April before the House subcommittee. Now, since that time costs have gone up. But at that time, if my memory serves me correctly, our brethren from Arkansas testified that their cost of production ran around \$6.60 per hundredweight. The maximum figure our California people brought up—we had varying figures—was around \$7.20. This isn't very far apart. And when we look at what could happen under the target price bill with the \$8 target that they are asking for, and a \$4.80 loan rate. The \$4.80 loan rate in times of surplus can very well set the market; it has at other times.

In California, for instance, we have a State law that put a floor price on the milk that a dairyman can sell, and this is a stabilizing price. The way it worked out, the California dairyman receives the lowest price of any milk producers in the United States. We have the cheapest milk in the Nation out there. So, floor prices don't always work out as they are intended to.

This \$4.80 price could become the floor and set the price in a period of serious overproduction, which is the only result that can happen. In that case the Government is going to be out a lot of money, they are going to be out at least \$2 below their target price, possibly three; and they are going to have a lot of rice of their own, as Mr. Lundberg mentioned in his statement.

I believe the estimate by either Senator Johnston, or Governor Edwards of Louisiana was it could run as high as \$500 million per year. I don't think that's out of the ball park. Right now we have a program that isn't costing the Government anything, and we are keeping our supply balanced with our demand.

Now, statements have been made that if this bill doesn't pass, all kinds of dire things are going to happen. The Secretary is going to reinstitute marketing quotas. Well, he very well may if Dr. Yeutter's statement was correct about anticipated surpluses. I couldn't hear too well back there, but I believe it was 12 to 15 million hundredweight that are projected for this coming crop year, in surplus.

Mr. Carter stated through his good offices that they had a projected surplus of about 9 million hundredweight. So, as I understand it, 10 million hundredweight is the cutoff. If the surplus is below 10 million hundredweight, the Secretary has discretion in the matter and can reinstitute marketing quotas, if the surplus is greater. Now, I can stand to be corrected here with more expertise because I'm not privy to all these rules, but I have been informed that 10 million bags is the optimum amount, and that if the surplus runs more than 10 million bags he has to reinstitute marketing quotas. But there is nothing in God's world to keep him from increasing the allotments substantially, he has full discretionary power to set the allotments at any figure he wants to.

Now, I can appreciate the problems our friends in Arkansas have with these allotments being locked into the land. But this is an administrative matter, this is administrative policy set up not by law, but by the Department of Agriculture which gave the States, each indi-

vidual State, the power to choose whether to have producer allotments which are ambulatory and can be moved from person to person, county to county; or to have the allotments locked in on the land. Now, this was a decision made by the ASC Committee of each of the respective rice-growing States, California, Texas, and a good portion of Louisiana have what we call hip-pocket allotments, or movable allotments. As I understand it, the rest of Louisiana and Arkansas are locked in on ranch allocated allotments; this is inflexible. But this can be remedied by administrative action. We don't need to pass a bill to emasculate the entire rice industry just to change this.

I could go on here for an hour, Senator, but I realize time is growing short and you have other witnesses. So, I want to thank you very much for your courtesy.

Senator HUDDLESTON. You feel like the present system has enough capacity to take care of the foreseeable demand in this country, and to meet our commitments?

Mr. CARRICO. Well, it has for the past 20 years and is doing so right now. The fact that we have a surplus makes me a little dubious of what greater production will do.

I might also add, Senator, that rice is not selling at an exorbitant price, they are selling it at about parity. We don't need to be married to 65 percent of parity, that is something that has been with us for a few years. But you probably recall, when Mr. Truman was President we were at 90 to 100 percent of parity, and this country had a period of unprecedented prosperity. So, I don't think there is anything too wrong with 100 percent of parity.

Senator HUDDLESTON. From your standpoint, I'm certain.

Mr. CARRICO. It not only helps the farmer, it helps the whole country.

Senator HUDDLESTON. Thank you very much, gentlemen.

Mr. CARRICO. Thank you.

Senator HUDDLESTON. Would you identify yourself for the record, Mr. Leahy, and proceed with your statement.

STATEMENT OF MARSHALL E. LEAHY, EXECUTIVE VICE PRESIDENT, FARMERS' RICE COOPERATIVE, SAN FRANCISCO, CALIF.

Mr. LEAHY. I'm Marshall Leahy. I am executive vice president of the Farmers' Rice Cooperative, which is a tax exempt organization and devoted to the production and processing of rice in California, I'm a lawyer, really, acting under the guise of a title. But I have been associated with the rice industry, organized this firm which just celebrated its 30th anniversary and remember it from the beginning through a whole series of different programs and different Secretaries of Agriculture; different hearings before the same types of committees that we are testifying before now.

My purpose in making that comment is to state that it's inconceivable to me, and to anyone who has been through the rice business in terms of the United States Department of Agriculture over a period of years, that a bill of this kind would be attempted to be introduced at the tail end of the wrong half of the Congress with little or no opportunity to discuss a number of things that are in this bill.

Now, just last year, for example, almost to the month, there were people in this room with whom I was identified when the Secretary

for the first time told us he was going to roll the national acreage allotment back to the statutory minimum of 1,650,000-odd acres. That was 12 months ago, and this created a great deal of concern from a different standpoint. It was the industry at that time that told the Department this was a mistake; that we could see that the people are no longer uninformed, the producers of rice in my area—and I'm sure that is true of other areas—are sophisticated people. They know as much about what the USDA is doing as anyone else. They can understand what is going on in the world. They have sons and other people who have been involved for a long time.

And, to make a long story short, there was an effort by the Department of Agriculture in the last months or so of 1973, to put this same bill through. The Department was told at that time that we would give the bill some consideration; and the bill again found its way into the present Congress early this year. Hearings were held to some extent in the House, I was ill at the time and was not able to participate. However, when I checked with our producers in California and talked about the desire of the Department to have a new bill for rice, people that I have been identified with, and we work very closely with another co-op which is not represented here today, but I'm sure I can speak safely in saying the Rice Growers' Association, which is the largest organization in California, is also definitely opposed to the bill and will be on record as opposing it.

We were convinced that it was not in the best interest of the California producers. As a matter of fact, it's not a selfish motive that forced us to that conclusion. It was based on the fact it was not a good bill for rice in the United States, or for the Department itself.

Now, the point that is very difficult to understand was raised by Senator Clark here earlier today in which he asked a question of a witness, what it was about this new bill that couldn't be done under the existing statute. Well, as a matter of fact, there is nothing new about it, except this bill is based on a target price principle. For the first time now, if we end up with this bill, we are going to have a payment made that is going to make up a gap that might exist between the market price or the loan, whichever is higher, and the 8 cents.

Now, on that point, in reading the bill I noticed that the 8 cents is fixed for 1975, but very loose for 1976 and 1977. It has language in there that says it can be adjusted, and there are a lot of factors mentioned. It doesn't say it can be adjusted only upward, it says "adjusted." So, there is no assurance under this bill that even the target price is going to remain at 8 cents. And if someone wants to dispute that, I will be very happy to discuss the language with him. So, the only guarantee of the 8 cents is for 1975; for 1976 and 1977 the Secretary can adjust that target price.

In addition to that, in terms of the people that grow rice in California—and I have in mind the cost of land, the cost of equipment, the cost of storage facilities, drying, combine, all of the equipment that goes with it—you can't grow rice efficiently—and that's currently a very popular word here—without having quite an investment. An awful lot of people have made an awful lot of investments down to the second, and third, and fourth generation in California, and I'm sure the same thing is true in other States, based upon what I consider to be a natural expectancy that a program that they were born with,

while it might not continue forever, and admittedly no one ever assured them of that, they should nevertheless have had reasonable assurance that anything as drastic as this bill proposes would not be attempted, would not be imposed on them at least when 75 percent—and that could be an understatement—when 75 percent of the rice producers themselves are opposed to a change.

Now, in fairness to the Department, we are not saying that we want what the language of the statute presently provides and nothing else. No one, to my knowledge, has ever made that statement. We prefer the existing rice bill because we have lived under it, and we know how to operate under it. We haven't created any problems for the Government, there has been no takeover for several years. So, the so-called costs which we used to hear so much about in prior hearings, what the cost was to the Government is just a bookkeeping thing. The only cost the Government has had with rice in recent years has been what they themselves elected to do under the 480 program. There is no longer any subsidy, no payment in kind. We are now on a free market and unless the Government comes up, as they have this year, with 1 million bags under the 480 program, it's not costing them anything.

Now, they contend from a budgeting standpoint that once they set up a program that has provisions for loans and support, that even though you don't use them, it nevertheless affects the budget, which of course is fine, but it's not practical from the standpoint of the people who are raising the rice.

I will just mention a couple of points and confine myself to things that occurred to me while other people were before the committee.

The only thing that the present law does, that they can't do now, is, they are going to open up the loan program to new producers. Now, that does suggest a couple of things to me. That means they want to encourage new producers. On the point of the lifting of the marketing quotas this year, we had many new producers; but they were new producers who were willing to take their chances at the marketplace, they didn't ask for any loan and they didn't get any loan. Now, apparently, the Department thinks that wasn't enough. They want to now help create a surplus by making loans available. Now, a loan is like any other loan, when someone lends you money and you secure it with a commodity, or whatever you secure it with, and you are unable to pay it, somebody has to take over the security. So, in effect the Government conceivably could end up with a surplus of its own creation the way this new bill will operate.

Now, they haven't told us, they haven't spoken, I didn't hear any of the gentlemen from the Department mention the cost under this new bill. I see nothing in this bill that reduces the cost of the rice program, and I see plenty of things, as Governor Edwards said, that could very well increase the cost.

Now, on page 375 of the House committee hearings is testimony by the Secretary. The chairman of the House subcommittee asked him some questions, and I invite for the record that it pick up the testimony of the Secretary on page 375 of the 93-CC serial on the House bill. In effect the Secretary was asked the question by the chairman, "It is who is going to grow rice, not how much you are going to grow."

"Secretary Butz. That is correct."

"The CHAIRMAN. Now that you are going to grow more rice and feed more people it is just a question of who is going to grow it, whether the people who are growing it today are going to grow it, or whether you are going to put it some other place, I think the whole question boils down to that."

And Secretary Butz does not disagree with that. So, this is what we are talking about. This is what Mr. Yeutter said this afternoon, he said he wants to get more efficient people into the rice production. Now, I don't know just what that word means. I think from what I have been able to observe, as the gentleman who preceded me stated, I think we have some very very intelligent and sophisticated people who are most efficient, and who have been able to survive in the world market with an overpriced product because of their efficiency.

Now, I don't know what magic is going to be brought into this program by the producers who may be in the shadows in Missouri, or some part of Arkansas that's not presently working at it. That to me is a very nebulous statement. It would remind me of what a professor in a college would say when he didn't have any facts or figures before him, he would use a word like "reasonable" or "efficient," or something to that effect.

Now, I'm very concerned about something that was mentioned, I believe, by you, Senator, where you were wondering, or you questioned the Department representative about whether there was some machinations within the Department affecting the declaration of the national acreage allotment for 1975 and the determination of whether or not there should be a marketing quotas.

Well, there is no doubt in my mind that the reason they don't have the figures, or can't give you the answers, is because they don't want to give them to you now. They want to see what happens to this bill. Now, it is inconceivable to me that the Department could support a bill asking for more rice if they are projecting a surplus under the existing legislation. That just doesn't make sense.

Now, either they have sales and can eliminate the surplus, or they have a surplus and the present legislation has too much acreage in it, and they are going to have to reduce it. It can't be both. And there is no magic in this bill that is going to correct that. The Department itself has a great deal of authority today in the fixing of the national acreage allotment, and in the determination of marketing quotas. But, that's just a small drop in the bucket compared to the discretion that the Secretary has under this new bill.

If I read it correctly, the fact that California has done from 20 to 25 percent of the national production is not going to mean anything more. It's going to be where the Secretary wants to put that acreage. Now, he spoke very softly on the point of what effect that would have on existing producers, but unless he is going to make some great increase, or unless there is going to be a whole deluge of rice, we are going to have this acreage shifting around. I predict if this bill in its present form goes into effect, at the end of 3 years you are going to have quite a problem. It's true, we revert to the old language 3 years from now, if Congress makes no other changes. But, what do you do about the new people that have come in within the last 3 years, that have made investments in storage, farm land, equipment and so on. Are you going to be able to say to them, "Well, we are going back under

the old formula now and you were not involved in the old method of computing acreage allotments, so you've got to get out of the business."

I can't believe that Congress is going to be able to do that. And I don't think it would be equitable in the first place, and that is one of the evils of this bill.

Now, I have not put a pencil on this \$20,000 limitation, but 8 cents per pound is \$8 a day—pardon me, is \$8 a bag, which is 100 pounds. Now, \$20,000 in terms of that, assuming the person couldn't sell his rice and didn't take out a loan, would cover about 2,500 bags of rice. And so, really, this 8 cents per bag target price is no solace to the traditional producers of rice, it doesn't do anything for them, and that can get worse. I don't know what's going to happen to the 8 cents price when we get down to the floor.

So, really, we get down to the Government in effect saying, "You people that have stayed with it through a couple of wars, who have stayed with us when we got the acreage up to 2.4 million acres—we are now at 2.2—last year we moved you back and moved you forward, it's been jumping around," but it's always been producers who have been willing to do what the Government wanted them to do under the existing program, and they are still willing to do it.

If the Secretary said, "Gentlemen, I'm going to increase the acreage to 2.8," it wouldn't surprise me one bit if that 2.8 was planted and accommodated by the traditional producers.

Now, I just raise the question, we do have members of our board of directors who are also in cotton production, and in talking to them, they say, "School is still out on the question of whether the target bill is any good in cotton because the price, the market price has exceeded the target." We haven't gone into the problem yet in these other commodities of what happens when the market price is less than the target price. So, the Government is talking about this being a successful theory without having yet put it to the test. But they still think enough of it without the test to want to make it applicable to the rice program: I think that's wrong. I think they are going to live to regret it, and I think it's going to be much more difficult to care for the people that they have invited into this program 3 years from now than it is today.

You know this question of whether it's fashionable, or whatever you want to call it, for people in a monopoly position to want to prevent others coming into their backyard, this is not a new thought in our economy in many areas. I see nothing wrong with a man who has been in something for 30 or 40 years in good times and in bad, trying to preserve what he has built up. I shudder to think of what the accounting problem is with a man who bought a thousand acres and an acreage allotment in terms of what they are costing today, and now in effect the allotments become worthless.

I think, and there is no doubt in my mind that 3 years from now, the way this formula changes under the new bill, the calculation of what acreage you get 3 years from now if you go back to the old legislation is not what it is today. You are going to have an entirely new calculation, and a lot of people are going to get squeezed, particularly if we are unable to hold the present demand for rice in the world markets. And whether we like it or not, in the United States, we are in a dilemma. All of us followed very closely the releases that came out

of the Rome Conference. We know of the statements by some of the Members of Congress who wired back here and wanted another million tons committed, and so on. I heard Secretary Butz on television a day or two later defending the fact that rice was committed to 1 million tons under the 480 program—but he didn't say that only 250,000 tons had been programmed.

My point is, when you have that problem and the United States should participate in helping needy nations, as if we had to apologize for that—

Senator HUDDLESTON. Mr. Leahy, we are running out of time.

Mr. LEAHY. I'll just finish. But we also have some budgetary problems in that connection which I think Senator Clark brought out today, also.

Senator HUDDLESTON. I appreciate your testimony.

Mr. LEAHY. Thank you very much.

Senator HUDDLESTON. We will have to recess for approximately 15 minutes to vote.

Mr. LEAHY. I ask that my written statement be made a part of the record.

Senator HUDDLESTON. The entire statement will be made a part of the record.

[The prepared statement of Mr. Leahy follows:]

STATEMENT OF MARSHALL E. LEAHY, EXECUTIVE VICE PRESIDENT, FARMERS' RICE COOPERATIVE, SAN FRANCISCO, CALIF.

Farmers' Rice Cooperative, organized under the Agricultural Code of the State of California is engaged in the milling and marketing of rice for more than 550 grower-members. In the 1974 season the Cooperative will process over 400 million pounds of rice, more than 1/5th of the California crop.

The Cooperative in common with all elements of the California rice industry opposes S. 4121. The variations of theme which have emanated from the office of the Secretary of Agriculture since the introduction in the House of Department sponsored Bills relating to both rice and peanuts are indicative of an attitude of change-for-change sake. The Secretary would substitute experimental, temporary legislation for a stable program.

It would be a Departmental employee of short tenure who could not recall the chaotic surplus conditions of a few years ago and the burden placed upon Commodity Credit Corporation to dispose of over-planted crops. The contrasting experience of the past several years in the orderly marketing of the U.S. rice crop without substantial cost to Government, argues most eloquently against change of a program which brought about the satisfactory adjustment of surpluses.

Nor should it be forgotten that the pattern of acreage allotment and marketing controls established by the Congress and by Departmental regulation encouraged the investment of incalculable millions of dollars by rice farmers, in acreage, units, equipment and water development. Growers responded to the edicts of the Secretary year after year—curtailing production or expanding production as the nation's economic needs dictated. Remaining in compliance with the program was often costly to the grower—this was unquestionably true when, several years ago the farmer re-acted to the inducement of the Secretary to increase his capacity to produce. The historical grower is entitled to consideration for the years of faithfulness to the program of the Department and entitled to protection of the investment made at the urging of the Government.

It should be obvious that the principal support for this bill is coming from millers and breweries. Apparently, they would welcome a surplus condition and a buyers' market which would restore the conditions under which they could acquire their requirements at their own prices. One of our growers can testify to a year in which he received from the mill less for his crop than he paid for the seed. Favorable conditions for the farmer rather than advantage for the miller or brewer should be the concern of any responsible Committee on Agriculture.

It has been the avowed purpose of the Secretary of Agriculture, and no small concern of the Congress, to reduce the cost of the Agriculture program. This purpose and concern would not be served by a modification of the present legislation governing the production and marketing of rice. Cost to the Government since the existing legislation has become effective has been negligible. The only consequential expenditure made for the acquisition of United States grown rice within the past few years has been under Public Law 480 which is grounded in foreign policy and aid to needy nations. The extension of P.L. 480 is frankly labeled "Food For Peace Act of 1966". It is not proper to charge these expenditures to the rice program. The fact that rice may have been a purchased crop to satisfy the demands of the needy or friendly nation was not by way of a designed sop to the rice producer but only because the staple diet of the needy or friendly nation was rice. No other commodity would have sufficed. The bill for this beneficence is properly mailed to the State Department rather than to the Department of Agriculture.

If the cost of the rice program is of major concern, as it should be, the Committee must have regard for the potential expenditures required under S. 4121 to subsidize experimental growers without number and then the incalculable cost of recommencing the cycle of purchasing the surplus crops.

The emphasis is being placed upon the obligation of the United States to produce more rice and to feed the world's hungry. This is a commendable attitude, but hardly compatible with the objective of reducing the cost to government of the agricultural program. The hungry nations are also the penniless nations and there is no escape from the reality that the only solvent purchaser for increased rice production is the United States Government.

The need of a new program which will assure greater production is also questionable. During the 1973 crop year under the existing legislation all demands for rice were met and a surplus of approximately 25 million hundred-weight is projected. The questioning of the Secretary of Agriculture by Chairman Poage at the August 7, 1974 hearing before the Committee on Agriculture, House of Representatives, would seem to expose the purpose of this bill. It was established that the crux of the question was "not how much rice" was to be grown, but "who is going to grow rice". It is an attempt to "provide for geographical shifts"—to take production away from Texas, Louisiana and California, and locate it in Arkansas and Mississippi—all else is window dressing. (page 375, Hearings on Proposed Changes in Peanut and Rice Program, Serial 93-ZZ).

It is respectfully urged that no legislative changes be made in a rice program which has been proven to be effective and inexpensive.

[Whereupon, at 4:04 p.m. a short recess was taken.]

Senator HUDDLESTON. The committee will come to order. The next witness will be Mr. Bossley.

**STATEMENT OF S. R. BOSSLEY, PRESIDENT, WEST TEXAS RICE, INC.,
ALVIN, TEX.**

MR. BOSSLEY. Mr. Chairman, I appreciate your giving me this time to express my views. I am the president of West Texas Rice, a rice mill in Alvin, Tex. I also have a rice drier and a production company in Bay City, Tex. I have been in the rice business for about 29 years and love it very much.

The opportunity I'm being afforded here today I appreciate very much because I see the need for quite a few of us that have been in the industry and love the industry to stand up and be counted now that this new program is being introduced.

I would like to go on the record stating that I am against your new bill, S. 4121. My main opposition to this bill is the very thing that—if you don't mind, this is an off-the-cuff speech, and I have heard my speech related several times and will not take the Senator's time to go over some of the points that have been hit on before—but I would like

to recap my own thoughts in that matter and these thoughts are, who is for the new bill, and who is opposed to the new bill.

I find that my exporter friends are for this new bill, and the reasoning for being for this new bill, it will increase the export of rice. I very much agree with them, if we raise more rice, and we can process this rice and ship it, we will certainly do well; but at what price? For over 20 years now we have noticed that the world market has been such that the Federal Government had to come to our aid and subsidize rice to in effect move it. We have had a continuous fight to have the government subsidize it in such a way that would allow us to stay on the market and move our product.

Now, the processors and the rice millers, we should be for the bill, and I am one of them. And as a mill I will definitely say that if we grow more rice I'll certainly get a chance to process more rice, that's wonderful. But I don't feel like this bill will do this, I don't think it will do that. I don't think it will allow us to grow more rice for any period of time. I'll bring this one out a little later.

Our domestic users, I know there is a great concern for all you domestic users to get cheaper commodities. In the case of the brewery, I understand these gentlemen's plea very much. They have never been able to buy our rice unless they bought the inferior rice, as they say, the broken rice; and the year before last they bought this rice for \$4.75 a hundredweight. Last year they were forced into a situation where the importing of rice and the world market of rice, they had to go on the regular market and buy rice for prices upward of \$10. So, certainly they would like to see a situation where they could buy rice cheaper.

If the domestic users of rice would see a real noticeable change on their shelves when the rice changes 5 cents a pound, I could see their concern here very much and say, well, we will get the rice for half the price, one-third of the price off. But, last year was the highest price we have ever had on rice in over 20 years. This year the price is down a little. And what happened to the rice on the shelf? The rice on the shelf is up this year a little bit. We'd say we have reasons for this, there is no use for me going into this, but this is a fact, prices are not down.

Now, farmers, why would farmers be for this new bill? We have large farm groups represented here today from Arkansas of 25,000 farmers, 5,000 of which are rice farmers. I would like to know which one of the group, the 5,000 rice farmers, if they are for this program, or if it's the 20,000 bean farmers who are for this program. I wouldn't be a bit surprised if we found that the 5,000 rice farmers of Arkansas Co-op were not in accord with the Texas and Louisiana and California farmers, in that we know that we'd better stay with what we have.

This particular bill says that new farmers will now be able to raise rice, I challenge that very much. A new farmer going into business today when it costs him—if he goes in on an economical amount of rice, where he can economically grow it and consider himself a rice grower, it's going to have to be 200, 250 acres, otherwise he is going to have to be doing something else to subsidize his income.

On the basis of 250 acres a man's cash outlay will be close to \$100,000 to be any kind of farm at all. And to be this most successful farmer, this most efficient farmer who is more efficient than the people who have the history of growing rice for 20 years, he is going to have to have a little

bit more machinery than that because the rice farmer today in the United States is one of the most efficient farmers in the world when it comes to farming rice; and this is a proven fact.

So, a new farmer getting out there and growing rice cheaper in an area where all you can get is water—you can't get the labor any cheaper, we are paying minimum wages. We have "wetbacks" coming up there in the Texas area, and we are paying them minimum wages, things like that. We pay the same price for machinery; we pay the same price—I'm selling feed rice in Arkansas, ship it from Texas; well, they pay the same price for seed rice. Commercial fertilizers, we pay the same price for them. So, how are they going to grow rice cheaper than we are, by virtue of having a little cheaper water? Water is not that big an item, water is \$20, \$25 an acre, that's no big deal.

Senator HUDDLESTON. Let me ask you this, we haven't talked a lot today about the capacity to process, mill rice. What is the situation there if we would substantially increase production?

Mr. BOSSLEY. As to what, Senator?

Senator HUDDLESTON. Do we have the milling facilities for processing, the facilities to handle it?

Mr. BOSSLEY. If we get off to a good start, yes. We are going to process this crop, we are going to just about process this crop because we got off to a bad start this year. But we will process this crop, but we won't do it by new crop time, considering new crop time is July in Texas. We will be harvesting rice in July in Texas. Now, Arkansas in August, late August. We'll be through in August with this crop, providing the 480 business is processed and they'll let us go along with our business.

Senator HUDDLESTON. There is no shortage, then, of the milling facilities.

Mr. BOSSLEY. Not on the basis of what we have grown in this last year. The shortage that I would see in milling—and I'm one mill that expanded my facilities in the last 3 years, every year, and continued to do so—I think the industry can take care of itself. I know that Arkansas is very able to take care of a little added production. It will bear the market, or lower the price of rice to the farmer, if we can't mill this rice in time and have it sitting there when the new crop comes in, as it did last year.

Senator, I wish you would recall, or reflect on this: Last year was the highest price we ever got for rice. When the new crop was getting ready to come in in the month of June, the price of rough rice had fallen to a price of \$8.65 for a lot of rice that would have brought \$21 at the peak of the season. It had fallen from \$21 to \$8.65 a hundred-weight. Now, that was last year.

This year, when the market started and we got the first rice from the Bay City-El Campo, Tex., area there, we started bidding, my mill started bidding at the price of around \$9.50, and were successful bidders from there on up. Now, that is in the face of a wonderful price abroad, and everything else. But yearly we get beaten down on our export prices, meaning by that our exporters are trying to buy as reasonable as they can so that they can ship, and we can in effect capture the early market that we usually enjoy.

Recently China has come in, has come into the market on rice, and they are shipping rice far under what we can sell rice for. China is a tremendous threat to the rice market today.

Senator HUDDLESTON. Do you think our present system is adequate?

Mr. BOSSLEY. I think it's very adequate. The only thing that I can see wrong with our present system certainly wouldn't warrant a change, it would be an adjustment.

Senator HUDDLESTON. Thank you very much, we appreciate your testimony.

Mr. BOSSLEY. Thank you very much.

Senator HUDDLESTON. Mr. Halbach, would you identify yourself for the record?

STATEMENT OF JOSEPH J. HALBACH, VICE PRESIDENT AND SECRETARY, RIVIANA FOODS, HOUSTON, TEX.

Mr. HALBACH. Senator, I'm Joseph Halbach with Riviana Foods, Inc., in Houston; I am vice president and secretary of Riviana. Riviana is a Texas-based, Texas-headquartered, multinational food corporation. We are primarily in the rice business. We have major rice facilities in Texas, Louisiana, Arkansas, all through the rice-growing areas in the South.

In addition Riviana is the largest exporter of packaged rice in the United States. As you know, we grow 1.4 percent of the world's rice, and export between 25 and 30 percent, depending upon whose figures you use.

In addition, we are one of the largest domestic marketers of rice, and I suppose at least second to the co-ops in Arkansas as represented by Mr. Carter and Mr. Jones. We are also members of the Ad Hoc Committee of Rice Users, which is a rather curious amalgamation of folks.

I would appreciate the chairman's concurrence in my submitting for the record the statement of Mr. Robert B. Goff, who is our rice expert in the company, and who would have been here today had it not been he just spent 3 weeks overseas looking at the Asian crop and looking at things affecting the rice industry, for he is also president of the rice association and we are all trying to sell some rice.

Senator HUDDLESTON. It will be made a part of the record.

Mr. HALBACH. And instead of summarizing that statement for the committee as I had planned, I would rather make a few somewhat extemporaneous comments about some of the statements that have been made today, and especially answer some of what I thought were rather perceptive and pervasive questions asked by committee members that I might have a different response to.

First of all, I wish Senator Clark was here because I would like to respond to one of his questions about what the Rice Users group has to gain. I can of course guess about others, but I can clearly speak for ourselves. And, leaving altruistic motives aside, basically we have been working very hard for consideration and passage of target price legislation because we think it means more business for us. We think it means a lot more business, and hopefully considerably more profit, based on that increased business. Maybe not margins, but certainly to total profits.

Senator HUDDLESTON. How would you do that, larger supplies and lower price?

Mr. HALBACH. Yes. Right now there are tremendous opportunities in the export field. I want to make a couple of comments about the questions that were asked about that later in context. But basically, several things have happened. The world's rice-consuming population—and that population, about 3.8 billion today, I understand, is going to double by 1980, it will be an unbelievable, four times that amount by the year 2000. Two-thirds of that population, and that is the one that is increasing the fastest, has rice as the staple of its diet. And world production, as you have heard many times today, and I won't repeat those statistics, in the last several years has gone down. It doesn't keep up with the growth of population, much less with the increase in consumption.

But it's a special part of that increase in consumption that provides new markets, potential markets for U.S. exporters today that we have never ever had before; it's only been in the last 18 to 25 months, depending on how you look at it.

First of all, a considerable amount of hard currency, especially Petro dollars, are available today to purchase rice, that were never available before. As a matter of fact, in response to one of your previous questions—which I thought was very good—you asked about mechanisms. You said, "I take for granted that there is demand in the world, and there is a need for it, for rice; what are the mechanisms by which we can distribute it?"

Well, I will give you just two examples that we are using. First of all, in the good old American way, risk investment. This means, as long as we are close to the world market in price, we don't have to be equal, because our quality is so much higher for the kind of rice we sell and the hard currency market that we sell to; if we have an assured supply of rice, then we can guarantee delivery; we can guarantee delivery of a certain quality and kind, and packaging; and then we use the good old American ingenuity of advertising, packaging techniques, point of sales, and I could go on and on. That's what we do, just like we do it here at home.

And the rest of the world doesn't do it the way we do it plus, they don't consume, up until recent times, our kind of rice. And when we crack those markets, we've got them.

Now, I want to re-emphasize that is risk business for us. Even though we are in effect asking the Government to change its program to do such things as guarantee producers, in the event of catastrophe, that they have certain protections and kinds of guarantee; we are not getting any guarantees ourselves. Our money is going in the front end, we wouldn't be putting it there if we weren't damned sure the markets were there. We have been wrong before, but we are awful sure about it. And we *are* spending our dollars. And it even comes to the question of investing here or overseas, we have to do some of both because we just can't build supplies fast enough here. But when it comes to decisions, do we buy mills over there and expand them; do we build them ourselves, which we have been doing. How fast can we increase production and build more facilities here. As you heard there is a problem. We aren't going to do it until we know the rice is going

to be here. So, it's necessary on both ends, that's not a one way risk, it's a demand-supply situation. We'll build demand if there's supply.

But more importantly, again in the good old American way, I'll tell you of something we are doing now, that we are attempting to do. We are working on an arrangement with one of the largest international oil companies right now to work out a way to poly-line the inside of the huge new tankers they are building—there has never been anything on the seas like that before of any kind—so that when those ships come here full of heavy Indonesian crude, we can just load them right back up and ship them back to Indonesia for Petro dollars, with rice. Unbelievable. We'll do it, and we'll do it at a tremendous cost. And we'll beat the pants off the people who are shipping rice out of Asia for cost, and it will be better quality rice. So, I don't want to take the time, but I can give you a lot of those examples.

One of the things that hit me today, and that I would like to say a couple words about is this idea of carryover. I was very happy to see the Assistant Secretary and his staff come in today with the changed carryover figures. I think that was prompted in large part by a very insistent letter by Congressman Alexander and because of our pressure on them (the department), meaning fellows like me who are in the industry. We know how much rice has already been sold around the world. We know what the demand is. The carryover will be even less than current figures today indicates to the department. There is huge dollar demand.

Another thing you asked, can we handle that rice in international markets. I'll tell you right now we just don't have enough rice. If we knew we had a supply of rice, we have Middle Eastern countries—Petro dollars again—asking us to give them a five-year supply right now. Unbelievable prices, unbelievable quantities of rice. We don't know why they are doing it, but they are serious. It's no game. And these are people we have already sold tremendous quantities to at really good prices, prices heretofore never thought of in this country until last year.

I certainly want to agree with something Mr. Leahy said before. He said he didn't quite understand the Department's contention—and this has to do with carryover—talking on the one hand about shortages and on the other hand about surpluses. As a matter of fact, a lot of people have done that knowingly, or unknowingly today from both sides, opponents and proponents of the bill.

I'm here to tell you from our point of view, and we are investing a lot of money, we are convinced of that viewpoint—and there are a number of other major exporters of rice in this country, much bigger than we are that are convinced that we will move all the rice we've got in this country this year.

Now, it depends upon how you look at it. I think the Department is playing "games." But they are the kinds of "games," you have to play to analyze all sorts of nuances in this business. It would be abhorrent if they were trying to pressure people who are opponents of this bill into going along with it. And I have heard a lot of such talk, and I don't have a comment except it's terrible if they are. But they certainly have a lot of reasons, I think, that are good for not wanting to program rice until we knew a lot about this international crop; until we knew

about our own prices; there are just lots of reasons for that, and they certainly do have to get after it right now. And there are budget reasons.

But in summary I can speak for myself and several other major exporters and distributors of rice that there is going to be far less than a 10 million hundredweight carryover this year. And the figures we worked out with Congressman Alexander; that he finally took to the Department and from which the Department did decide to finally have that special meeting yesterday with all of us; our figures were 6.6 million. That's a shortage of rice, and it may be lower. And that's on what we know today. And we don't know what to think about Public Law 480, by the way.

Well, I might say in that regard that we have countries now like Indonesia, like Japan, large recipients of Public Law 480 rice in the past. There is every reason that they are going to be buying rice from us for hard currency. South Korea is in the market right now, buying rice. They've always been a recipient of Public Law 480, and now buying for hard currency.

So, we have lots of things that are happening here. You asked, also, do we have the milling capacity? No question, for this huge rice crop this year we have the milling capacity. If the Department waits very much longer—and I don't know when that is myself, not being in the technical end of this business—we are going to have trouble processing it just because of the logistics of it this year. But that does speak of future years. And whether we can take a 5, or a 10, or a 20 percent increase next year and the year after, I'm not sure what the exact figure is, but we think we can take what the industry is going to have for us to handle in the next year or two. But I assure you that as millers of rice, if there is target price legislation, we can go to farmers and work out a deal instead of the Government telling them who can and who can't grow rice. We'll build the needed facilities, and they will be up and ready to go before that rice gets out of the field, no question about it; and a lot of other people will too.

I think something Mr. Bossley said, I would like to comment on, and others have made them in good spirits before me. I think it's interesting to analyze who are the people who are opponents and proponents of this bill because I agree it does tell you something.

First of all, from the grower's point of view, we have a major division. But, as I analyze it, I see it's the heavily vested areas in the old, in the current, but long-standing allotment system that are very much against change. As one of the men said here very candidly, they do have a monopoly situation. And I must say, if I were in their shoes, I don't think I would want to change it either. But it is the American system, and that is what our Congress does do. We put together all the information and you check it out, and come up with the best way for everybody, hopefully, considering all of the economic factors in this country. Certainly they aren't to be criticized. They developed their land. They did it under adverse conditions many times, and certainly under public policy of these United States. This is the first year the rice industry has been divided that I have ever heard of.

On the other hand we have Arkansas and Northern Louisiana, and to a large extent, Mississippi, Tennessee, and Missouri, places where

there are new growers that want to get into rice growing, and many other places, I am sure, too, across the South and Florida, the Carolinas, where rice was grown, Georgia, and who knows where else, where they want to grow rice. Plus existing producers there want to grow more rice. They have the available supply of water and the proper climatic conditions.

EXPORTERS

I know of no exporters that aren't in full agreement that this new legislation would be much more desirable. I know of none of them, as we talk among ourselves, that don't agree that we are going to sell unbelievable quantities for hard currency, in the future. And we are going to sell it, whether we are going to do it from here, or from abroad, because that's the business we are in, we are paid to do it by our stockholders. And it would be a lot better for us, I might say, to do it from here; and it would be a lot better for others.

Again, I say, we put our dollars on the front end. They are risk dollars.

Look at the consumers. We have heard testimony here that consumer prices in the last year and a half have increased from two to four times. As for four times, there was very little of that. But I think it is worthwhile looking at the prices if you want to see why the prices are that way. I have in front of me—and I'll leave it if it is interesting to you—a marked up copy of the most recent rice situation. It breaks down for the years 1967 to 1974 retail prices, net farm prices, farm retail spread, and the farmer's share. You will see that rice has gone up in terms of dollar value to them, and their share of each dollar has gone up. Now, I don't think that's bad, I'm not saying it for that reason. But it just shows that there is a tremendous amount of money made by the grower. I know, as a marketer and as a processor of rice we certainly are not operating on the same margins as we were before. They are considerably less. Most of that is because of the law. We were only able to pass along cost increases—so, I don't say that is entirely consistent with the free market system which we will be under again.

RICE, LONG GRAIN: PRICES, VALUE AND FARMERS' SHARE OF RETAIL PRICE, BY QUARTERS, 1967-74

| Year | Retail price | | | | Net farm values ¹ | | | | Farm retail spread | | | | Farmers' share | | | |
|------|---------------|---------------|----------------|---------------|------------------------------|---------------|----------------|---------------|--------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | Jan.- Mar. | Apr.- June | July- Sept. | Oct.- Dec. | Jan.- Mar. | Apr.- June | July- Sept. | Oct.- Dec. | Jan.- Mar. | Apr.- June | July- Sept. | Oct.- Dec. | Jan.- Mar. | Apr.- June | July- Sept. | Oct.- Dec. |
| | Cents per lb. | | | | Cents per lb. | | | | Cents per lb. | | | | Percent | | | |
| 1967 | 21.8 | 21.9 | 21.9 | 22.0 | 7.5 | 7.5 | 7.0 | 7.4 | 14.3 | 14.4 | 14.9 | 14.6 | 34 | 34 | 32 | 34 |
| 1968 | 22.0 | 22.1 | 22.1 | 22.1 | 7.7 | 7.8 | 7.4 | 7.3 | 14.3 | 14.3 | 14.7 | 14.8 | 35 | 35 | 33 | 33 |
| 1969 | 22.3 | 22.4 | 22.5 | 22.6 | 6.9 | 7.0 | 6.7 | 7.2 | 15.4 | 15.4 | 15.8 | 15.4 | 31 | 31 | 30 | 32 |
| 1970 | 22.9 | 23.2 | 23.1 | 23.3 | 7.2 | 7.3 | 7.2 | 7.4 | 15.7 | 15.9 | 15.9 | 15.9 | 31 | 31 | 31 | 32 |
| 1971 | 23.6 | 23.8 | 24.0 | 24.0 | 7.8 | 7.7 | 7.7 | 7.7 | 15.8 | 16.1 | 16.3 | 16.3 | 33 | 32 | 32 | 32 |
| 1972 | 24.1 | 24.0 | 23.9 | 24.0 | 8.1 | 8.0 | 8.2 | 10.6 | 16.0 | 16.0 | 15.7 | 13.4 | 34 | 33 | 34 | 44 |
| 1973 | 25.2 | 26.7 | 28.2 | 42.9 | 11.6 | 12.3 | 15.1 | 22.7 | 13.6 | 14.4 | 13.1 | 20.2 | 46 | 46 | 54 | 53 |
| 1974 | 51.5 | 53.2 | | | 24.2 | 22.3 | | | 27.3 | 30.9 | | | 47 | 42 | | |

¹ Payment to farmers for equivalent quantities of rough rice (gross farm value) minus imputed value of by-products obtained in processing.

Source: National Economic Analysis Division, ERS.

I think I can also speak for most of the other members of the ad hoc committee and say it also will be very beneficial to their business, not only will consumers benefit by it, but their business will expand and grow. We will be much better off selling a product at a lower price and have an available supply of high quality that follows from that.

Several other comments that I think are worthy of note. One of the gentlemen from Texas whom we respect and like, who is an opponent of the bill, suggests that the present legislation has all the facts out in its support, and that target price is all theory. Well, I am sure target price is a fair amount of theory; and he suggests that the present law accomplished the objectives that we sought, among which were stable prices. And I suggest to you that we haven't had stable prices, and you only need to look at this report to see that; and I don't think that we have stable prices in prospect in the next several years under the current act. That is certainly conjecture, but I also say it as a matter of my best opinion and our best information in the industry.

I think there is a very good likelihood we will start to increase international business now, if we do have target price legislation.

Another question that you discussed, Senator, with several members of the group testifying today was the impact upon existing rice areas where the producers say they are primarily rice producing areas and which aren't fit for other kinds of crops, at least with the same—and these will be my words, of course—where they have the same profitability, the same flexibility in developing and planning the crops.

There isn't anything about this bill which suggests that must rice move away from there and go some place else. I think the sure thing to say is that the rice industry will grow considerably over a period of years, and that the growth from that industry is going to be in other directions. But on the other hand, there isn't much room for growth anyhow in these areas that we are talking about now. They have pretty much tapped the available source of water; they have pretty much tapped the economic available land for it. So, they are still going to be very much in competition. And I remember in the House committee, several members who have testified today, and I recall hearing it at least once today, say, the great producers are going to do all right, it's the little ones you are going to have to watch out for. That is one of those anomalies that you see in their testimony. These are the big producers we are talking about; these are the guys in California, and Texas, and the southwestern part of Louisiana. And they are going to do all right, they have a lot of clout, and they are very efficient. And they are going to keep producing rice, so we don't have to worry about rice going away from there, unless some economic desirability occurs that induces it to do so. And I suggest that that really isn't a problem.

Senator HUDDLESTON. That brings up the point whether or not this increased production will be achieved under the present law, or whether a new law is essential in order to produce additional rice.

Mr. HALBACH. You know, my guess is the present law can, a certain percentage of the years. But, we have two basic problems. If you are going to have people increase rice production and particularly on land that is more economically fitted for rice production, those are going to be growers that don't have allotments under the current program. And

you have two problems affecting them. First of all, any time supply and demand are in balance, they aren't going to be able to grow rice. That kind of guy can't go to the bank and say, I want to borrow money when that banker knows he might produce it this year or next year, but a year from then he is out. It takes 3, or 4, or 5 years, basically it takes quite a while, it's a heavy investment, and there is no question what's been said here about that is true.

The second thing is, how can a man take that risk himself to do it when he doesn't know? The Government may very well just because we have an unusual year maybe around the world, be forced to restrict production. The law requires a set of quotas and restricts the acres that can be planted, and that would work against all of us who want to expand international harvests. We couldn't tolerate it, it would be wholly inconsistent with everything we want to do. We just couldn't do it, couldn't put all that money in the front end and then not grow rice; it can't be done.

In that regard, though, Senator Clark first asked and you did later too about the various aspects of why rice is unique, and if it is unique. And I think for a number of the reasons mentioned here rice is unique. But it still fits, I can't think of a better crop for one reason I said before, because it is the staple of the world's population. We are totally dependent for such a small part of the world's production here on what happens in the world's pricing. That is what this program really does, sets us up on the marketplace, farmers and growers will have to get together with the millers and marketers of rice, and we are going to have to plan production. We are going to put our stake in the front end, and that's how we will determine what to produce, and what to sell, and when and where to sell it. And that's why it fits perfectly, it is different for all the reasons noted, and that's why it fits. I accept all of those.

And I have one more comment I would like to make about international marketing being government controlled. I focus on that aspect of it because that's the one we care so much about and are so heavily involved in. It is true that much of the world's rice trading is done government to government. But I assure you that U.S. distributors and marketers aren't doing it government to government. Most of the rice, more than half the rice that is going to move this year is international markets, isn't going to be moved by our Government. And I guarantee you these people who may seem like they are representing governments because they are backed by governments, are the sharpest traders in the world; people from Hong Kong, from China, from the Middle East, and those are individual people out there bargaining with us just like any free enterprise. And the fact that most of those sales are governments buying just gives them that much more leverage. And as marketers in this country, we are going to be the ones that sell it, and we have got to have a stable supply of high quality rice to do it.

Senator HUDDLESTON. What percentage of your output is sold in this country, and what percentage abroad?

Mr. HALBACH. Well, I would have to say it is about 40 percent. It should work out to about 40 percent abroad.

Senator HUDDLESTON. Abroad?

Mr. HALBACH. Yes, which must be up from about 15, 2 or 3 years ago.

Senator HUDDLESTON. You sell actually packaged products over there, or bulk?

Mr. HALBACH. When price controls were here, and for some other reasons because of changes in the international markets, we started getting in with the big guys, some of the big traders, Connell, and Cargill for example. We are not in their league, of course in the trading area but, yes, primarily we are marketers and distributors of packaged rice, table rice in anywhere from a 1 to 100-pound bag, and 1 to 25 that you can see through. That is primarily our business.

Senator HUDDLESTON. Thank you very much.

Mr. HALBACH. I appreciate the opportunity to meet with you, Senator; and thank you for your attention.

[The statement of Mr. Goff, Riviana Foods, Inc., follows:]

STATEMENT OF ROBERT B. GOFF, SENIOR VICE PRESIDENT AND DIRECTOR,
RIVIANA FOODS, INC., HOUSTON, TEX.

Thank you Mr. Chairman. I am Robert B. Goff with Riviana Foods Inc., whose corporate headquarters are located in Houston Texas. I am a Senior Vice President and Director of the Company with responsibility for the Company's rice operations.

Our company is today engaged in many facets of the food business having grown from strictly a rice milling organization. However, our roots are deeply entrenched in the rice business. We operate drying, milling and packaging facilities in all of the southern rice producing states and we are one of the largest processors and marketers of packaged rice in the world. Many of our Board members and top management officers have spent a good portion of their professional lives in the rice industry.

I am here today to give you our view as to why we feel it is important to us as a company and to the rice industry generally for this committee to report out a bill embodying the target price concept.

The objective of our company in serving our stockholders' interest is to continue a pattern of growth in our rice business in a profitable fashion in the future as we have done in the past. To do this we must expand our business and our feeling is that the largest potential lies with our large industrial users here at home and in international markets. In order for us to develop these outlets it is essential that we have a healthy and vibrant industry and an assured source of supply available at competitive prices.

I submit to you Mr. Chairman and members of this committee that we do have some unusually good opportunities to capitalize upon. Some countries who in the past were recipients of U.S. aid now have money with which to purchase rice and rice in these countries is a commodity with very high per capita consumption. There are other countries that have in the past bought some quantities from us but who we feel can now buy even more. We feel that we can capture these markets because of efficient U.S. production, processing and marketing capabilities, providing we can offer our rice at realistic prices.

We all must recognize that times are changing and that some of our past programs are coming to an end and that the rice industry must also undergo changes. But, there continues to be a need for protection for certain segments of the industry which we feel the target price concept provides.

As a processor and marketer of rice our company wants the industry to grow and to do so in a sound business like manner. A continuation of present legislation can only mean a reversion to the minimum acreage permitted, a reinstatement of subsidies and/or extension of PL 480 programs, all of which are undesirable and very unlikely.

So what is the alternative? The legislation that we have before us meets most of our needs. Instead of heavily influencing the movement of our production by Government induced programs, it would allow marketers and producers more readily to work together on the determinations of the amount and type of rice to produce and the prices at which it can be grown and sold—in effect supply

and demand forces would be the influencing factor rather than Government. In the present world situation it is no longer necessary to restrict food production artificially.

We are efficient producers of rice and notwithstanding our higher standard of living, our higher cost of materials, supplies, labor and land. We can be competitive in international markets. We will be priced out of the market place if the present artificial and inflationary parity system is allowed to continue.

Much has been said recently about the need to grow more food and all of us can see the desirability from a humanitarian point of view. In the wake of the Rome Conference, it is inconceivable that the public policy of the United States should continue to restrict the production of any food.

We know the problem with our balance of payments and the role that agriculture can play in bringing home dollars. We point out that major new rice markets are opening up in the oil producing nations.

At home we have the serious problem of inflation and the higher cost of everything including the cost of operating our Government and its programs. We feel that target price legislation will allow the rice industry the opportunity to provide food for humanitarian or national security purposes, to aid in the improvement of our balance of payment problems by developing new markets and increasing our share in existing markets, and to provide our domestic consumers a good wholesome product.

To maintain our excellent rice industry in this country we must have the proper environment to grow and to prosper which we feel requires new legislation and we urge this committee to vote favorably for the approval of S. 4121.

We wish to point out the necessity of acting now. If this legislation is deferred to the New Congress, we will lose an entire year. The rice crop will be planted in February 1975, harvested in August and September 1975 and marketed in the winter of 1975 and 1976. If forced to act under existing law, the Department of Agriculture will be faced with a sharp increase in the parity support level and with the need to restrict product resulting in inflation and shortage to be felt through 1976. This situation must be avoided.

Mr. Chairman and members of the committee we thank you for giving us this opportunity to present our views.

Senator HUDDLESTON. Our next witness is Mr. Mauritz.

STATEMENT OF M. W. MAURITZ, PRESIDENT, BLUE RIBBON RICE MILLS, GANADO, TEX.

Mr. MAURITZ. Mr. Chairman, thank you for the opportunity of being here. My name is M. W. Mauritz. I'm from Ganado, Tex., I'm a rice producer; and I'm president of Blue Ribbon Rice Mills of Houston, Tex. Blue Ribbon processes about 25 percent of the rice raised in Texas. We export about 60 percent of what we produce.

I'm a little bit lost as to just what I should say here today because I have heard more nonrice farmers tell me how well off we are.

Senator HUDDLESTON. I'm glad we have a farmer with us.

Mr. MAURITZ. I just don't know which way to turn.

I am also a member of the organization Mr. Ralph Newman testified for and the one that Mr. Guthrie testified for. So, I subscribe to their testimony 100 percent, and I am very much against the passage of S. 4121.

We have 2,700 members in our rice mill, it's a cooperative mill. There is a big difference, of course, in looking at volume whether you are looking at it from the standpoint of an independent mill such as Riviana Foods, or from the standpoint of a co-op mill because we are primarily interested in what our producers finally get for their product, not what we make off of it as a milling unit.

I would like to stress a couple of things, though. First, that the testimony I have heard here today, and in reading the bill, our people feel

like the whole idea is to produce enough to where there will be a supply that will make the price of rice go down. Everything is pointing to that point. I have been in the rice business all my life, my family has been in it before me, and I have gone through various stages of over-supply where we were penalized and finally had to cut back. Lots of them went broke, got out of the business, and came back in and built up again.

I happen to be one that was instrumental in getting the Congress to pass this present legislation which was needed then, what we were asking for then was something that would take care of our feast and famine production. At that particular time we had rice that we couldn't sell at all. It has worked, it was designed to take care of that. It has worked this year when they wanted more by taking off the marketing quotas and letting rice be grown by anybody.

We think that any bill that is to be for the benefit of the rice producer should take into consideration what would happen if there is an overproduction. This present bill does not take any consideration of there being overproduction other than saying the price would be so low that they would quit producing because there is nothing there, mandatory, to reduce the production at all of it. I think that is a bad feature, a very bad feature because rice farmers, as well as other farmers, are pretty much an independent lot, and they don't seem to get together like coal miners, or something like that, and strike out for themselves and demand that they do it; and I'm glad of that, it would be bad for us to have a farm strike, we have to have food.

But we do need somebody to lead us in curtailing when we see that we do have an overproduction.

Senator HUDDLESTON. You do have set-aside, take land out of production?

Mr. MAURITZ. Yes, but I have very much misgivings with that program working because I have been in the cotton farming and grain farming business, and I've seen that tried, and it didn't accomplish much at that time. I think it would have some effect, but very small effect, mainly because the payment is to be on the allotment and not on the other acreage. Those people if they go broke, they hurt the industry, I don't care who they are, whether they are newcomers or what.

I think we had a very good example this year what overproduction will do to us. Our mill normally buys rice the first time it's cut there in Texas, we cut it on the 1st of July; and they are normally in the market immediately. This year, due to the fact that everybody knew that we had a large acreage—and when I say everybody, I mean people that we sell the rice to, our customers—due to the fact we had a large acreage the Government had predicted this enormous crop, and there was also the prospect of a pretty good crop in Asia and other countries. And as a result our customers were waiting for the market to go down because of this overproduction, and we couldn't sell rice, and therefore we couldn't buy it. And it was at least a month into the market before we had any activity at all, as far as buying rice was concerned.

As a result of that it is going to be very, very hard for this season to mill the amount of rice that we have. You asked if we have the milling capacity, it all depends on how many sales we make, how soon we

make them and for what delivery because you can only mill so much in 24 hours, depending on whether you run your mill 6 days, or 7 days; whether you run 24 hours, or 18 hours, whatever it is. But it is possible to mill the crop that we have this year.

Also, as I said, there are so many things that have been given to you, facts, I will not take any more of your time and I thank you very much for the opportunity.

Senator HUDDLESTON. Thank you, we appreciate your testimony. Mr. Tsang and Mr. Key Mok.

STATEMENT OF ROBERT TSANG, VICE PRESIDENT, CHINESE-AMERICAN RESTAURANT ASSOCIATION, AND PRESIDENT, RICE CONSUMERS INSTITUTE OF AMERICA, NEW YORK, N.Y.

Mr. TSANG. Thank you, Mr. Chairman. My name is Robert Tsang, and next to me is Mr. Key Mok. With your permission I would like to have him work together with me to express our views.

Senator HUDDLESTON. Very well.

Mr. TSANG. We have been sitting here most of the day and listening to the battle royal between the big producer and industrialists. I am happy to see that we have our opportunity to express the consumer's viewpoint. Unfortunately most of the consumers could not be here due to their capital and working time.

I am vice president of the Chinese-American Restaurant Association of Greater New York, Inc. The Chinese-American Restaurant Association has over 1,000 member restaurants throughout the New York Metropolitan Area and often represents the Chinese-American community in matters of common concern. I am also president of the Rice Consumers Institute of America, which comprises several consumer organizations sharing interest in rice.

I appreciate this opportunity to appear before you in support of S. 4121, the Rice Act of 1974.

Rice is the main staple food of the Chinese-American people. We eat rice three times a day—at breakfast, lunch, and dinner. The price of rice has risen sharply during the past 18 months and has become a severe burden on the elderly, the poor, and the unemployed of our community. Many Chinese-Americans have been forced to work extra hours or, if they could, to find extra jobs in order to feed their families. The sharp and sudden rise in the price of rice has not been matched by a rise in wages, thereby resulting in a decline in our real standard of living.

At the outset of the problem, we had no idea or understanding of the cause for the explosive rise in rice prices. We discussed the situation with many government officials, but the explanation was far from satisfactory. In the meantime, rice prices continued to rise. Chinese restaurants were forced to raise prices and even to charge extra for a bowl of rice. Business declined, a large number of restaurants failed, and layoffs mounted. Rice prices have eased somewhat in the past months following the large new rice crop, but we remain apprehensive about the future.

We remain concerned because we now have studied the U.S. rice market in some depth and have uncovered some rather interesting facts. The current rice program is really an incredible deal for the

present rice producer, and we are amazed it has persisted so long. Imagine being part of an industry in which production is deliberately controlled, entry into the industry is prohibited unless you have an acreage allotment, you are guaranteed a profit through the establishment of high support prices, and you always have Uncle Sam prepared to buy your surplus. Furthermore, Uncle Sam helps you market your surplus by increasing exports through food aid programs and with the use of export subsidies. This has to be the business heaven on earth. How do we go about arranging this kind of setup for the Chinese restaurant business? What qualifies one industry for this kind of super protection and not another?

We applaud S. 4121, the "Rice Act of 1974" as an important step toward correcting these excesses. It would open up rice production to any and all producers. It would end acreage restrictions in keeping the President's request in his anti-inflation message. It would lower support price protection to more reasonable levels, and, in the process, end the need for export subsidies. The current program frequently required export subsidies because it often resulted in domestic support prices being set at levels over world prices.

We are opposed to export subsidies and any program dependent upon them because it is the consumer who finances the subsidy through taxes and then ends up paying a higher price for American rice than others in the world are paying. Nothing could be unfairer to the American rice consumer; if we are going to pay the high world price when prices rise, we should also pay the lower world price when prices fall. With the present world food crisis and gloomy food prospects for the future, world rice prices may stay higher than U.S. support price levels and export subsidies continue unnecessary. However, it does not alter the fundamental unreasonableness of the current rice program and the need for it to be changed.

Our community has been hurt and hurt badly by the high rice prices. However, we are aware of the food crisis that presently exists in South Asia and other parts of the world. We support food aid and want you to know that if the choice is between high rice prices here and starvation in South Asia, we are prepared to sacrifice. Under no circumstances can we let people starve to death, if we have the means to prevent it. However, the present rice producers should not be allowed to thrust the full burden of this sacrifice on the consumer. We are prepared to do our part, but there must be an end to the superprotection of the present program that causes rice prices to be higher than they should and rice production smaller than it should be.

The current rice program is not fair to all Americans; it benefits a few at the expense of the general public. All growers who want to should be permitted to grow rice.

We believe S. 4121 is a fair program that would benefit both producers and consumers of rice. It should be, it must be enacted into law in this session of Congress so that it may become effective for the next rice crop.

In conclusion I would like to point out that last year that CBS had a TV program in Chinatown showing some people, in fact some senior citizen groups having their lunch, and they found out—in fact, the reporter was Lucille Rich from CBS—that the Chinese senior citizens were eating sandwiches instead of rice. And the question was brought

up, I thought you people were eating rice three times a day, and they are having sandwiches now. And one of the senior citizens replied they can't afford buying rice anymore.

And, in the restaurant industry, there has been 35 percent turnover last year, these people have failed because of the rice and the high cost of food. I'm sure the consumer would jump into the producers' jobs, take over their places; this way we do not have to stand on unemployment lines as urban people are doing.

Right now I would like to introduce Mr. Mok. Unfortunately Mr. Mok is limited in English. With your permission I would like to translate his Chinese into English.

Senator HUDDLESTON. All right, you may proceed.

**STATEMENT OF KEY MOK, PROJECT OPEN DOOR, NEW YORK, N.Y.,
TRANSLATED BY ROBERT TSANG**

Mr. MOK. Thank you, Honorable Chairman, for allowing me to speak before this committee. My name is Key Mok, a senior citizen from Project Open Door, and also the president of the project for the senior citizens committee. We have 800 senior citizens in our project.

What I have to say, I'm sure, that many young friends have already brought to your attention, please support S. 4121, the Rice Act of 1974, so we can have rice for all the hungry people all over the world.

So, with your permission, may I present you with a picture of "White Gold" to express our feelings on the high cost of rice. Thank you.

Senator HUDDLESTON. Thank you very much.

Mrs. Florence Rice? That is a very apt name, Mrs. Rice.

**STATEMENT OF MRS. FLORENCE M. RICE, PRESIDENT, HARLEM
CONSUMER EDUCATION COUNCIL, NEW YORK, N.Y.**

Mrs. RICE. Senator Huddleston, my name is Florence M. Rice, and I'm president of the Harlem Consumer Education Council, Inc., acting chairman of the National Black Consumer Association, and involved with other consumer organizations. I'm also consultant to the New York State Consumer Protection Board.

The Harlem Consumer Education Council is also a member of the Ad Hoc Committee of Rice Users. I am here to testify in support of S. 4121, the "Rice Act of 1974". Rice is an important staple food in Harlem as well as among all black people in the United States. Although my organizations are concerned primarily with servicing black and Puerto Rican consumers, I am sure that I am speaking for all the poor people in America who depend upon rice in their daily diet.

Rice became a critical issue in Harlem and a focus of attention toward the end of last year when prices suddenly or so it seemed—shot upward. And we were really looking for solutions to find out what happened, then.

Senator HUDDLESTON. How big an increase was it?

Mrs. RICE. The price of rice went from 27 to 80 cents especially in the area of small stores in Harlem, which is a bit frightening.

We are a poor community and the effect of the explosion in rice prices on Harlem families was most severe. Many people simply cannot afford to buy rice any longer. What once was a necessity has become a luxury; what once was a staple has become a delicacy.

Many consumers live on fixed incomes, and are the working poor. Many are unemployed at this time. Rising food prices are squeezing them intolerably. They have been forced to downgrade their diets, and this is one of my very concerns. It is said, "You are what you eat." What are we to become if we can't afford the foods that are nutritionally important? What are our children to become? Are any of you concerned? I hope so.

The aim of the Harlem Consumer Education Council is to keep the Harlem consumer informed on matters affecting her nutritionally or economically. To inform others, we have to be informed ourselves, and so we set out to learn why rice prices have risen so sharply. In the process, we uncovered some startling facts. It is true we learned about shortages and strong demand, but there was more. Many of the facts regarding rice supply and demand and the government programs involved are well known to you—you are experts in agricultural matters, and I am not—but they were eye-openers to us.

We learned that rice is grown in the United States under an allotment system that restricts production and the number of grower participants. We learned that, under the allotment, we grow more rice than is needed domestically and that the balance must be exported if accumulations of burdensome stocks are to be avoided. We learned of the support price structure for American rice which sets a floor to domestic prices and the fact that world prices for rice were often lower than the U.S. prices; I think that's sort of what began to knock us out, really. That subsidies were paid in order to enable the rice to be exported. We also learned that exports of rice were also promoted by various Government food aid programs such as those under Public Law 480, which we support. Under no circumstances can we object to helping hungry and starving people, here or abroad, but we need to produce more at reasonable cost if we are to further this policy without pitting one needy group against another. This is one of our concerns. We learned of H.R. 15263 and S. 4121 and the changes they propose to make in the present rice program.

By the way, what I wanted to say here, I was so concerned with rice, prior, before I even got involved with this, that I had called Jerry Gold to tell him the difference between rice and beans, and how different the prices had increased.

When we consider the present rice program, it is the export subsidy with which we have particular difficulty. As I understand it, we produce, or have produced in most years, more rice than could be sold at the support price. We then come along and grant a subsidy that allows the surplus rice to be sold into world markets. This means, does it not, that the American rice consumer is paying a higher price for American rice than consumers of American rice elsewhere in the world.

This means, does it not, that the American rice consumer, by paying a higher price for American rice than would be the case under free market conditions, in effect is subsidizing the American rice farmer.

This means, does it not, that the low-income Americans who happen to use the most rice per capita are carrying most of the subsidy burden. Can anyone here justify an American rice program paid for by American taxpayers that results in American rice being sold to foreign consumers at lower prices than to American consumers, and that in the process places most of the burden on the poor in America?

We trust it will be given your favorable and rapid consideration. Time is of the essence.

And I would like to say that many of the people I just sort of checked with before coming here have just stopped purchasing rice. Now, I understand rice has dropped down a few pennies, but in our community I don't see it. That is one of the things I would like to leave here, and hope you will give it consideration.

Senator HUDDLESTON. We certainly will, and I appreciate your testimony very much. Thank you, Mrs. Rice.

Mrs. RICE. Thank you.

Senator HUDDLESTON. Dr. Hiraoka? Doctor, you have the distinction of being the last witness today.

STATEMENT OF DR. LESLIE S. HIRAOKA, CHAIRMAN, RICE ACT COMMITTEE, JAPANESE-AMERICAN CITIZENS LEAGUE, UNION, N.J.

Dr. HIRAOKA. Last but hopefully not least. I guess it would make my testimony of bigger impact if I gave it in Japanese, but as a third-generation American, I have lost quite a bit of the tongue of my ancestors. So, I will read my prepared statement, which is fairly short.

Senator HUDDLESTON. Very good.

Dr. HIRAOKA. My name is Leslie S. Hiraoka, and I am chairman of the Rice Act Committee of the Japanese American Citizens League. I am also a professor of management science of Kean College of New Jersey.

I am told that no export subsidy is presently being paid on American rice and none is contemplated. However, the rice program that resulted in export subsidies in past years still exists and presumably conditions that in the past resulted in export subsidies could recur. Gentlemen, the export subsidy is a rip-off of the American consumer and is intolerable to her. Programs that require export subsidies in order to work must be changed. Export subsidies must never be re-established without prior public approval. As I understand it, one of the major advantages of S. 4121 is that it would not require export subsidies and thus would not penalize consumers by requiring them to pay prices higher than world prices.

There is an injunction from biblical times that says, "Let your house be opened wide and let the poor be members of your household." We are not now.

The present rice program is a closed house that benefits certain growers as it discriminates against consumers, the poorer ones in particular. It came out of a period when concern was over surpluses and low prices. These conditions do not prevail today. Concern today is with shortages and inflation. The proposed program represented by S. 4121 benefits both producers and consumers. It permits new growers to enter an industry that has been closed to them. Discrimination

against the consumer in the form of export subsidies would be ended. It provides for an expansion in production and is counter-inflationary in philosophy.

The Japanese-American Citizens League is a national organization of 28,000 members with 96 chapters throughout the continental United States. I might add, quite a few of the chapters are in California where I have heard today quite a bit of the rice is grown. It is a cultural, educational, and human rights organization, also. The Japanese-American Citizens League is open to all Americans of any ethnic background, but its membership is predominantly Asian-American.

And because of our Asian heritage rice plays an important part in our diet, just as it does with the Chinese-Americans. As a matter of fact, in Japanese the term "rice" is synonymous with "meal." And because of the fact that it is in every meal in our households, the current price spiral in this staple is particularly devastating on the budget of Asian Americans. This price rise is even more vicious because it hits hardest the elderly, the immigrants, the poorer segments of the community who because of habit, pride, or language barriers do not know of suitable substitutes and are thus shackled in this free enterprise system.

Now, rice by the way, was economically cheap because in its preparation, it is boiled, it absorbs a lot of water, and a little amount of the grain can go a long way in terms of numbers of meals. It was thus sought out by the poor because of this relative economy, and now, I guess, the poor must grimly do with less food. The economically disadvantaged and the minorities in this country who tend to consume so much of the rice, must bear another discriminating economic burden.

Another aspect is dwindling world supply of rice that poses another specter particularly to the Japanese-Americans, this is because of our experience in World War II when Japanese-Americans on the west coast were interned in concentration camps, losing quite a bit of their rights and most of their property with the start of World War II at Pearl Harbor. And that war was, to a large extent, begun by militarists in Japan who came to power because of Japan's inability to control and feed its burgeoning population.

And once again we see that food is extremely scarce on the Asian continent—and elsewhere too, I might add—and hence we think that political change if not chaos is almost inevitable in those countries. Now, the Japanese-Americans who were victims of racism in the outbreak of World War II are apprehensive about this current chain of events, and we feel that our Government should not stand by and "write off" this or that Asian country because the consequences, as they were for us, can indeed be grave for everyone concerned.

But to a large extent I might add, the United States is not idly standing by. It is the single largest exporter of rice and has one of the largest food-aid programs. But more can be done, especially with the passage of S. 4121.

I feel that acreage allotments must be ended to help meet the shortages throughout the world. Farmers should be allowed to grow more rice as they now can with wheat and other crops, thus granting them greater efficiency in the use of their land.

Furthermore, I feel that a target price system must be adopted such that the consumer alone is not called upon to subsidize the production

of rice with continually inflating prices. And finally I feel the producer, who is now reaping a considerable profit, should shoulder, I believe, more of the risk.

I thank you for your attention.

Senator HUDDLESTON. Thank you, Doctor.

I might point out, the experience with the rice, the increase, is not unique. The other food and grains that are also under the target price system have experienced the same kinds of increases, the same kinds of shortages. So, I don't know that that's going to solve that particular problem overnight.

We certainly appreciate your testimony.

Mr. HIRAOKA. Thank you very much.

Senator HUDDLESTON. I believe that concludes our list of witnesses. The record will remain open for a period of a week for any additional comments, or statements that might be added to it. If there are no other witnesses, we will adjourn the hearing of the subcommittee.

[Whereupon, at 5:45 p.m. the subcommittee adjourned, subject to call of the Chair.]

ADDITIONAL STATEMENTS FOR THE RECORD

STATEMENT OF ROBERT W. FREELAND, EXECUTIVE VICE PRESIDENT, RICE GROWERS ASSOCIATION OF CALIFORNIA, SACRAMENTO, CALIF.

Mr. Chairman and members of the committee, my name is Robert W. Freeland and I am Executive Vice President of the Rice Growers Association of California which is a rice milling and marketing cooperative whose members produce approximately 55% of the rice grown in the State of California. Our rice grower-members are emphatically opposed to the proposed Target Price legislation contained in S-4121.

The present rice legislation has served well the farmer and other segments of the rice industry, the consumer and the Federal Government. In most years it has provided a stability of prices at reasonable levels to the advantage of both the consumer and the rice industry, and it has avoided burdensome surpluses.

Rice, as produced in the United States, is in somewhat of a unique position as compared to other crops. Year in and year out approximately two-third's of this country's rice production has to be exported. The United States is basically a residual supplier of rice in the world market. With a few minor exceptions we have no permanent export markets for our rice. Our situation in the world market is dependent upon conditions, namely the weather, in other rice producing areas of the world. The United States produces less than 2% of the world's rice and, therefore, the marketing of the American crop has very little effect on total world supplies. A very small increase or decrease in the major rice producing areas of the world can radically affect the demand of our product. It therefore becomes very important that we have the ability to increase or decrease the production of United States' rice in accordance with the changes in the world supply and demand. Much as the farmer has an inherent dislike for government controls, the U.S. Government is the only practical source for an effective attempt to control production. Without some type of production controls the only control that comes into play is the financial loss of producers, resulting in the control of their own production one year too late.

The proponents of S-4121 have pointed to the provision contained in the bill in regard to set-aside acreage as being an effective control of production in times of surplus. To the contrary--the set-aside would result in practically no control whatsoever. Since it applies only to allotted acreage, growers could still produce as much rice as they wished apart from their allotted acreage even when such a set-aside program was in effect.

The United States has recently completed harvesting the largest crop ever raised in its history and, to date, the marketing of this huge crop is not at all assured. The Department of Agriculture has estimated that as of November 1 a carry-over at the end of the 1974 crop marketing year will total 20 to 27 million cwt. It seems rather appropriate that at a time we are facing a possible substantial surplus of U.S. rice that legislation is being considered in which no production controls are being included. If this crop is to be marketed, leaving only a normal carry-over, exports of U.S. rice will have to increase by a million tons over the approximate 1.8 million tons of 1973 crop milled rice exports. At present the outlook for an increase of this size appears rather doubtful. This does not appear to be the time to be considering changes in our rice program which would give up our ability to control production.

I am sure that members of this committee are well aware that the cost to the Federal Government of the present rice program has been very minor in the past years. We are, of course, excluding PL-480 costs from our definition of costs of the program since a change to a new type legislation would have no influence whatsoever on the PL-480 program and its related costs. For the past two years the government has had to acquire practically no rice under the support program, and current interest rates charged on C.C.C. loans are not substantially less than current commercial interest rates.

Proponents of the Target Price legislation have accused those of us who are opposed to this new concept of trying to restrict production to something less than the market demand for the enhancement of prices. This is entirely false—no rice grower in California objects to raising all the rice that the market can absorb. Our present program contains the flexibility whereby the operations of the industry can be adapted to changing conditions. In fact, the formula in the present program makes it mandatory that there be no marketing quotas when the production can be marketed. The actions taken by the Secretary of Agriculture in regard to the 1974 crop program proved just how flexible our current legislation can be. The Secretary removed marketing quotas for the 1974 crop as indicated by the formula provided in the current legislation. He originally announced a minimum acreage allotment of 1,650,000 acres and subsequently revised the acreage allotment to 2,100,000 acres. Actual plantings exceeded 2½ million acres. These actions by the Secretary certainly emphasizes the great flexibility of the present legislation to react to rapidly changing situations.

The complete lack of production controls under the Target Price concept can only lead to eventual over-production. The Target Price program with its lack of production controls would undoubtedly result in the Federal Government's acquiring large amounts of rice in future years for which it would have no home. The total cost exposure to the Federal Government appears to be substantially higher under the proposed Target Price legislation than under the present program. No grower wants to place the rice industry in the position of raising rice simply to receive payments from the U.S. Government.

We respectfully urge members of this committee not to recommend the adoption of the Target Price legislation contained in S-4121 and to recommend no changes in the present rice program.

Thank you.

STATEMENT OF R. E. SHORT, JR., PRESIDENT, WHEATLEY GRAIN DRYING
COOPERATIVE, LEE COUNTY, ARK.

Mr. Chairman and members of the committee, my name is R. E. Short, Jr. I own and operate a 2,200 acre rice, soybean, and cotton farm in Lee County, Arkansas. My 1974 rice allotment is 385 acres, 19% of my available rice land. I am, also, President of a receiving, drying, and storing cooperative, which receives approximately 3 million bushels of rice for 560 farmer members.

I appreciate the opportunity to present this statement to this committee. The statement expresses my position and the views of the farmers I represent. I support S. 4121.

In the past, I have vigorously supported the present rice program. It has served our industry well, but present conditions indicate we must look for a program designed to meet new challenges and give our industry an opportunity to grow.

The present rice program is restrictive—it has fixed acreage allotments and marketing quotas and a minimum support of 65% of parity, available on non-recourse loans from the Commodity Credit Corporation. In times of overproduction, support has become the market price and CCC the market. These CCC stocks then become burdensome to the operation of a free market and remained so, until overall supply is reduced and CCC stocks are eliminated. S. 4121, in establishing a target price, gives the present grower a sustenance price for his established allotment and the freedom to gamble on additional production. The basic concept of target price gives producers almost unlimited flexibility in planning their production.

Mr. Chairman, I believe S. 4121 is suited the needs of Arkansas producers. We need the flexibility target price offers. We need the opportunity to let the rice industry grow. Grow in the areas most suited to economical production. Producers in our areas want to grow more rice. For example, figures released by the United States Department of Agriculture show Arkansas' 1974 production up 26% from 1973; Mississippi up 44%; and Missouri up 25%. These are revealing percentage versus national average up only 13%.

Gentlemen, testimony given before your committee during these hearings will probably indicate a division of opinion within the rice industry as to the proposed legislations. This is the first time that I can remember when the rice industry hasn't been united on an issue affecting us. This division of opinion within our industry is brought about, in my opinion, primarily by the cost of production

and because certain geographical areas have produced allotments, which can be leased or sold, while in other areas, allotments are on the land, which cannot be leased or sold. In areas, which have producer allotments, allotments have been consolidated into efficient units. Therefore, these producers are more inclined to favor lower national acreage allotments than areas without that privilege. In areas where allotments are on the land, a minimum consolidation has occurred and there remains many small, inefficient 5-10-15 acre allotments. Thus, we support the concept of lease or sale of allotments.

Mr. Chairman and members of the committee, it is your burdensome responsibility to receive the testimony presented at this hearing. It is you who must sort the grain from the chaff of what is presented here. I am confident when you review the present rigid non-flexible rice program, you will see S. 4121 as necessary to let the rice industry grow, to let us as rice producers participate in the expanding future of American agriculture.

Again, may I thank the committee for the opportunity to express my views on the proposed legislation.

STATEMENT OF THOMAS HOLLANGER, JR., MER ROUGE, LA.

Mr. Chairman and members of the committee, I appreciate the opportunity of submitting this statement to your committee. I am Thomas Hollanger, Jr., a rice farmer. My farming operation is located near Mer Rouge, Louisiana.

The statement I am presenting to you, today, could be made by any one of a great number of farmers from my area. It illustrates very simply an increasing problem of American agriculture and suggests a possible solution.

In 1970, I found myself in a situation very common, in rural America.

I grew up on a farm, a so-called family farm. It originally supported and provided employment for my father, mother, sister, two brothers, and myself.

As our family matured, it became evident our home place could not support our families and, with increased mechanization, there was no need for this total labor force and no possibility of providing full employment for each of us.

There was no possibility of expanding our acreage in that location, and so I was placed in a position of either leaving agriculture or re-locating, in an area where land was obtainable and with the hope of continuing my occupation as a farmer.

To re-locate into an old established agricultural area, at today's land values, is virtually an impossibility for a young farmer. Competition for such land that might be available from adjoining land owners, investors and land speculators, make such a purchase, supported from the earnings of the farm, highly improbable.

I was, however, able to locate unimproved land in eastern Louisiana. This land, poorly drained, was primarily cut-over timber land.

It was to this area that I moved and began a program of purchasing, renting, and improving such acreage, as it became available, at a price, which I felt would, at least, offer the opportunity for full employment and some return on my investment.

The area has not, for the most part, until the last few years, been suitable for efficient and economical agriculture production.

It does have the potential, when improved and drained, to produce rice abundantly and after a few years of rice production has the potential of producing soybeans and other important food crops.

To try to farm this land, without first improving the drainage and reducing the weed infestation, is very risky. I, personally, lost 400 acres of soybeans, earlier this year, because of a drainage situation.

This is my fifth year to farm in this area and I am presently operating 2,800 acres. This year, I have planted 1,690 acres of rice and 600 acres of soybeans. My present rice allotment is 900 acres. Fortunately, the area in which I farm, presently, has provisions for the sale or lease of rice allotments and in this manner I have acquired the 900 acres of allotment.

Mr. Chairman, the total point of my statement is to convince this Committee that I must have the opportunity to produce a commodity or commodities, which are in demand. The opportunity to supply food for the world will bring increasing pressures on American agriculture. There are a great number of young farmers, who also must have this opportunity, if they are to remain as farmers. It may seem unusual to the Committee, but I am one of the older farmers, in my area, and I am 38. I, personally, feel that if our country is to remain healthy and strong,

it must have a healthy and strong agricultural industry. We are all aware of the increasing advanced age of the American farmer. There must be some provision made for young persons to become engaged in farming. This is why I support this legislation S. 4121, the "Target Price" concept for rice. It will enable those of us, who choose to produce food for the world, the opportunity to produce.

Thank you.

CLEVELAND, MISS., November 29, 1974.

Subject: Concerning any bill (or bills) dealing with rice planting in 1975.

Senator HERMAN E. TALMADGE,
Senate Agriculture Committee, Senate Office Building, Washington, D.C.

DEAR SENATOR: In trying to stay abreast of legislative developments that affect my livelihood and national and world food supplies, I have sought information lately from Sam Thompson of Senator Eastland's staff.

Sam informs me of a subcommittee hearing for rice legislation chaired by Senator Huddleston and scheduled for December 3 or 4. Said meeting to take testimony on recommendations for the planting of that crop in 1975.

On November 16, 1974, I submitted written comments (by invitation) to the Director of Cotton, Rice, and Oilseeds Division of ASCS, USDA, on this subject.

I would like these comments to be offered to Senator Huddleston's subcommittee (and any subsequent) as my testimony on the question.

Enclosed is a copy of those comments. Will you be so kind as to see that it reaches the Subcommittee in time for inclusion in the record of that meeting?

Gratefully yours,

A. V. HENRY.

CLEVELAND, MISS., November 16, 1974.

DIRECTOR OF COTTON, RICE, AND OILSEEDS DIVISION,
Agricultural Stabilization and Conservation Service,
U.S. Department of Agriculture, Washington, D.C.

DEAR SIR: The executive director of our Bolivar County ASCS Office tells us that local farmers are invited to comment on various aspects of the 1975 rice crop.

In order that my comments may appear in proper perspective, may I give you a profile of our family and farm? We are 3: Self, age 56; wife, age 56; son, age 21. We are white, we live on our farm (33 years). We are active in our church, community, and county affairs. The son is a senior at State University and wants to farm as a vocation. Our farm acreage is 470 with 410 cultivatable: Cotton allotment is 66a (92 planted in 1974). Rice (non-allotted) was planted on 170a in 1974. Soybeans were planted on the balance.

Most of the soil on our farm is clay and suitable only for soybeans (or rice).

Some extra investment in rice-oriented machinery was made this year and payment either completed or a balance carried forward. Our yields of rice for this year (1st.) were satisfactory. We planted only a limited acreage to allow for proper rotation of subsequent crops.

COMMENTS

Relative to planted acreage (and consequent production) in this area in 1974. I would like to call your attention to the fact that surplus production (if any) was caused as much or more by allotted growers who increased their planted acreage up to double amounts as by the efforts of new growers.

Certainly you are aware that Mississippi has a better potential for an increase in rice production than any other State. We have suitable clean and fertile soil, ample underground and surface water of good quality, an excellent source of nitrogen fertilizer, and professional & innovative farmers.

We need the added income that rice would bring to our economy as we are still on the bottom rung of that ladder.

This area now has its own milling facility—and a Mississippi River port is certain in our county in the near future.

Since I am not at all aware of the rice supply situation in the U.S. or worldwide—I cannot help by any personal suggestions as to determinations of quotas, allotments, apportionments, etc.—but I can assure you that quite a few Mississippi Delta farmers *can* grow rice and would like to make that contribution to world food production.

These determinations need to be made as quickly as possible in order that additional machinery and supplies might be ordered or secured in time for use in 1975.

If you deem it advisable or necessary to declare quotas for the 1975 crop, those of us who planted rice in 1974 without supports or any other assurances would certainly appreciate any consideration toward allotments that might accrue to us.

Sincerely and respectfully yours,

A. V. HENRY.

UNCLE BEN'S FOODS,
Houston, Tex., November 27, 1974.

HON. WALTER HUDDLESTON,
Chairman of the Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Senate Committee on Agriculture and Forestry, Senate Office Building, Washington, D.C.

DEAR SIR: Uncle Ben's Foods is a major processor and merchandiser of rice both in the U.S.A. and around the world. We sell rice processed from rough rice grown in the U.S.A. in over 95 countries throughout the world. As President of Uncle Ben's Foods I would like to go on record with your Subcommittee as favoring S-4121, on which you are holding a Hearing on December 3, 1974.

Uncle Ben's is a member of the Rice Millers' Association. Mr. J. P. Gaines is testifying before your Committee on behalf of the Association's members in favor of this bill. We fully endorse Mr. Gaines' statement.

In addition, we would like to point out to you our reasons for supporting this bill. We think that the proposed program offers many advantages over the present program.

1. It would permit any farmer in the U.S. who feels he can grow rough rice in competition with world producers to do so without penalties.

2. It will permit rice mills, exporters, packers, brewers, brand names, etc., to plan their expected needs based upon what they anticipate can be sold at anticipated prices together with what farmers are willing to produce at such prices. It would place part of the responsibility on the mills and rice sellers to plan inventories and anticipated needs without leaving this function solely within the Department of Agriculture.

3. It would protect farms who have capital investment in allotments under the "target price system." If the world price dropped below the target price, then farmers holding allotments would be guaranteed the difference between market price and target prices through a direct subsidy to farmers holding such allotments.

4. It would insure that domestic consumers would benefit if for some reason world prices dropped below the target prices, in that they (domestic consumers) would enjoy lower prices and the cost of maintaining rice farmers' incomes would accrue to the entire population and not merely to rice consumers. Under the present program when world prices drop below the support prices, domestic consumers must pay the higher prices for rice and at the same time participate as taxpayers in paying for the subsidy program. Under the target price system it can be shown that the cost of the program would be less than the equivalent present support program if the extra cost in the form of domestic prices was charged as a cost of the present program.

5. The target price would permit the cost of rice used by the government for national security purposes and Food for Peace program to be shared by all taxpayers rather than partly by domestic consumers.

6. It would permit farmers to use their productive resources for what the market deems to be most desirable and profitable rather than leaving this function to the Department of Agriculture.

The strict acreage allotments under the present program left all planning for future rice needs in the hands of the Department of Agriculture, since this agency solely determines acreage. Even when the Department increased acreage in anticipation of greater rice needs in the world, farmers had difficulty in gearing up for increased production because there was no assurance they could continue to grow rice at a reasonable price should the acreage be cut the following year.

The world will need increasing amounts of rice in the future. Food supplies are low and with adverse weather, massive food shortages will be with the world for many years to come. The U.S.A. cannot continue to maintain restriction on rice production when the world is so badly in need of this product. The rice

program of the past two decades simply does not meet the needs of the world in the decades ahead. The present program does not serve our own interest or that of the remainder of the world.

It certainly would appear that the advantages of the proposed program over the present program would justify strong support.

Sincerely yours,

JOHN J. COADY,
President.

STATEMENT OF RONALD W. BAILEY, EXECUTIVE VICE PRESIDENT, PRODUCERS RICE MILL, INC., STUTTGART, ARK.

Mr. Chairman and members of the committee, I am Ronald W. Bailey, executive vice president and general manager of Producers Rice Mill, Inc., Stuttgart, Ark. Producers is a farmer-owned and operated cooperative serving approximately 1,100 farmers in Arkansas, Louisiana, and Mississippi. Producers markets approximately 20 percent of Arkansas' rice.

Producers Rice Mill has realized for 2 years that changes were inevitable in rice legislation. Changes brought about by world political and economic policies as well as world food shortages have forced others to reconsider their position on rice legislation.

Producers remains steadfast in our support of "Target Price" legislation for rice as we have testified before the House Agriculture Committee. However, to use a well known phrase—let us make one thing perfectly clear—there are great risks involved for rice producers in such a program. Risks that favorable weather in the great rice producing areas of Asia could enable surplus production of rice in the world—risks that inflation and increased production costs will overtake returns—risks that we cannot compete in the world price arena.

Storage bins are now filled with the largest rice crop in our history—yet cries from hungry nations around the world are answered with bureaucratic indecision in Washington.

We have been told by USDA that we must increase rice production to feed a "Hungry World." We've increased production with the 1974 crop, but the "Hungry World" has no money. Our immediate question is, "Where is the 1974 crop going?" Early, USDA projected 1 million tons would move under Public Law 480—that left approximately 1.4 million tons to move into dollar markets. The industry has already registered 1.1 million tons in dollar sales. While USDA and AID has moved only 125,000 tons under Public Law 480. The industry has reached over 75 percent of its goal while Government has only reached 12½ percent.

Yes, we'll grow all the rice the world is willing to pay for. We expect a fair return on our capital, labor, and management. Government has said increased rice production is needed. We are willing to gamble if Government will share the risks of providing adequate protection—protection of the cost of production of approximately \$8 per hundredweight, and protection against surpluses by maintaining an aggressive Public Law 480 program. We support "Target Price" legislation with these provisions "Perfectly Clear."

[Telegram]

ROUTE 1, BOX 918J,
Beaumont, Tex., December 3, 1974.

SENATE AGRICULTURE AND FORESTRY,
Committee Room 322, Senate Office,
Washington, D.C.

DEAR SIR: This message is in opposition to rice acreage allotment control. Many farmers have been washed out of business because volume is so low and cost per acre is so high. Please be advised the American Rice, Inc. is 40 percent of Texas rice farmers. Set price support where the farmers can stay in business.

Sincerely,

T. J. APPERSON.

[Telegram]

DECEMBER 3, 1974.

SENATE AGRICULTURE COMMITTEE,
Washington, D.C.

DEAR SIR: Please accept this telegram in opposition to the rice acreage allotment control.

I have been farming rice 40 years and have paid over \$300,000 for the right to farm under acreage allotment control.

Please set the price support where the farmer and the Government can live with and the rice farmer will do his part to produce food for the world.

Sincerely,

G. G. MAUBOULES.

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