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GENERAL AGRICULTURAL SITUATION  
STATEMENT OF THE SECRETARY OF AGRICULTURE

GOVERNMENT

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REVIEW

BEFORE THE

COMMITTEE ON AGRICULTURE  
HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SEPTEMBER 18, 1975, AND FEBRUARY 3, 1976

Serial No. 94-GG

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U.S. GOVERNMENT PRINTING OFFICE

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THE DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C.  
1911

## GENERAL AGRICULTURAL SITUATION

THURSDAY, SEPTEMBER 18, 1975

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

The committee met at 10 a.m., pursuant to notice, in room 1301, Longworth House Office Building, Hon. Thomas S. Foley (chairman) presiding.

Present: Representatives Poage, Vigorito, Jones of North Carolina, Jones of Tennessee, Mathis, Bergland, Bowen, Litton, Breckinridge, Richmond, Nolan, Weaver, Baldus, Krebs, Harkin, Hightower, Bedell, McHugh, English, Fithian, Jenrette, D'Amours, Wampler, Sebelius, Findley, Thone, Symms, Madigan, Peyser, Jeffords, Kelly, Grassley, Hagedorn, and Moore.

Also present: Fowler C. West, staff director; Robert M. Bor, counsel; Hyde H. Murray, counsel; John E. Hogan, associate counsel; John R. Kramer, special counsel; Steve Allen and Steve Pringle, staff consultants; L. T. Easley, press assistant; John Baize, staff consultant, Subcommittee on Livestock and Grains; Weldon Barton, staff consultant, Subcommittee on Domestic Marketing and Consumer Relations; Mary Jarratt and Susan Bell, staff assistants.

Mr. POAGE [vice chairman]. The committee will be in order, please.

We are meeting this morning to discuss some of the problems of the general agricultural situation.

Our chairman has had rather an unfortunate experience, in that during the night someone parked a car in front of his garage and he has not been able to move it. He will make his way here as quickly as he can.

Inasmuch as we have such a splendid group of visitors this morning, I thought that we would not postpone action but move right along to hear the Secretary because the House is in session at 11 o'clock.

Mr. Secretary, we are always glad to have you come up to this committee. I will not say whether you come in peace or war or to agree or disagree with us, but we are glad to discuss all of these matters with you.

Whether you agree or disagree, Secretary Butz always shows where he stands and in most cases gives a pretty good answer.

So, gentlemen, do not ask a question if you do not want to have an answer.

Mr. Secretary, do you have some comments that you would like to make? We would be glade to hear from you at this time.

Mr. Butz. I think you were ambivalent in most cases. If there is any doubt, then ask me again.

Mr. Chairman, we have a prepared statement that I would like to submit for the record if I may.

Mr. POAGE. Without objection that will be included in the record. [Mr. Butz' prepared statement appears on p. 35.]

**STATEMENT OF EARL L. BUTZ, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY RICHARD BELL, ASSISTANT SECRETARY; DR. DON PAARLBERG, DIRECTOR OF AGRICULTURAL ECONOMICS; JOE R. WRIGHT, ASSISTANT SECRETARY FOR ADMINISTRATION; AND JEROME A. MILES, DIRECTOR OF MANAGEMENT AND FINANCE**

Mr. BUTZ. I appreciate very much the invitation of this committee to appear before it to discuss the general agricultural situation.

I will make some comments on where we are and where we would like to be going, and comment on some of the issues current in agriculture and agricultural policy and give a chance for the exchange of ideas between the committee and some of our staff.

On my left is Dr. Paarlberg, on my right is Mr. Richard Bell. I have also Mr. Jerome Miles and Mr. Joe Wright with me this morning. There may be some others here that I do not know about.

We have a lot of instant experts on agriculture in the room also, I might add.

Mr. Chairman, these are days when we hear a lot of talk about inflation, the impact of food prices on inflation, and I would just like to point out at the outset that I think American agriculture is one of the greatest inflation fighters that we have in America. If you can accept the thesis that plenty is a good antedote for inflation, then our agricultural policy is indeed an inflation fighter.

We are having a record production of crops this year.

A month ago when the Wholesale Price Index was published by the Department of Labor, the headlines said, "Grain Prices Up 8 Percent." But nowhere in any story did I see mentioned the fact that in the 5 months prior to that, from January to June, grain prices declined 19 percent in this country.

Nobody mentioned that the 8-percent increase was less than half the recovery of a decline that the farmers had experienced in the previous 5 months. That is, in the prices they got for grain.

This year we are going to have a corn crop that will pass 5.7 million bushels, which is an all-time record high. We have a wheat crop in place now which is harvested of better than 2.1 million bushels up from last year's crop of 1.7. We are going to have the second largest soy bean crop this year on record.

I think we should place on the record at the start of these comments the fact that the American farmer has done a magnificent job this year of fighting inflation. I put that figure first here, because this is of concern to everybody.

I was quite perturbed a few weeks ago when we announced our first sales to the Soviet Union of how everybody jumped on the band wagon saying that the sales to the Soviets would be the cause of rising food prices. There were some Members of this body right here who have been voting for expenditure on top of expenditure, and deficit on top

of deficit, which in my opinion is a major contributor to inflation. They seized on this deal with the Russians as the bogey to cause inflation. Some labor leaders did that to detract attention, I think, from some of the increases in wage settlements that far outran reason. Indeed, some members of the administration did that, and I make some reference to some of my friends of the Federal Reserve Board who became very frightened of the Russian sale.

This detracts attention from the real cause of inflation.

Mr. Chairman, we simply have to stay in the export business, and I would like to point out that American farmers going for full production in 1975 have made it possible for America to maintain a full level of exports on the agricultural front.

Last year our exports were better than \$21 billion, of which all but about \$1 billion was commercial sales for cash on the barrelhead; \$1 billion representing concessional sales.

This represents our No. 1 source of foreign exchange.

This year we think our agricultural exports will continue at the same level, perhaps a little higher.

Before this increase in grain prices we thought that exports might be down \$2 billion or \$3 billion over last year. But they will be at about the same level.

Our agricultural imports may be a little less than last year, so that agriculture's net contribution to the balance of trade may well be a magnitude of \$12 billion to \$13 billion as contrasted with \$10 billion or \$11 billion last year.

I think that is all to the good, but let me point out that in this country any sale to the Russians becomes an emotional issue. It becomes a quasi-political issue. This was true of the sale 3 years ago. It was true last year when the Russians came into our market again to buy more than we felt we could safely give them last year, and we had to cut across those contracts last year, and it certainly is true now.

As you know from reports in the press, we have engaged in discussions with the Soviets on a long-term agreement that would even out their purchases in this country which I think would be all to the good.

The great destabilizing factor in world grain prices the last 3 or 4 years has been the sporadic character of the purchases by the U.S.S.R. in world markets, including the U.S. market.

Three years ago they were in heavy. Next year not so heavy, last year still lighter, this year is heavy again because of crop failures in Russia, and if those purchases can be evened out either through long-term agreements or through the increase of storage capacity in Russia where they tend to carry more of their own reserves against erratic production, I think it will be to the benefit of the American farmer, the American grain trade, and the American consumer. We are working toward that end, as you well know from reports that have appeared in the papers here.

So far this year the Soviets have bought 9.8 million tons of grain, mostly corn and wheat in this market. We think they will be in for more when this agreement is worked out. I want to state publicly, as I have stated before, that we will be wanting to give them and our other customers around the world their needs.

Purchases of the Eastern European countries are up this year, primarily because the Soviets are not moving the normal quantities of grain to them, which they normally do.

When we make allowance for our increased sales to the socialist nations of eastern Europe and for additional sales to the Soviets, plus the normal sales of grains that are taking place regularly and going ahead practically normally at the present time, then we will still come out at the end of this crop year with a heavier carryout than we had when we went into this crop year.

That means therefore, that because of the tremendous production record of our farmers this year, that we can meet our domestic needs and we can meet the sustained export needs and still build up stocks in this country at the end of the current marketing year.

Let us go back to the world situation briefly.

We have been considerably concerned about the world food situation. Last November at the time of the World Food Conference in Rome, we built up a tremendous public interest in this country and around the world in the so-called world food crisis.

Subsequent events have demonstrated that the situation last November was not of crisis proportions which many people were led to believe, because this issue was diffused as a public issue long before we had any additional production from the 1975 crops.

But world production this year will be up approximately 3 percent above last year as nearly as we can tell, chiefly because of the increase in the United States. That will bring it back about on the long-time trend. It was below that trend last year. Again, thanks to the American farmer this is the case this year.

The world grain situation now is back on a par and a per capita basis as before.

What has been the impact of all this on food prices in the United States?

As nearly as we can tell, the impact on food prices in the United States of the sales to the Soviets will be about 1½ percent. Part of that is spread through 1976. If we have additional sales, as I think we will, this figure might increase some, but not markedly. This does not mean that the impact will be to raise food prices 1½ percent. It means that they would be 1½ percent higher than they would have been in the absence of a sale to the Soviets.

As I said a while ago, current grain prices are substantially below where they were 6 months ago. They are substantially below right now where they were just a year ago. I just checked the morning paper, for example. After a substantial rise in grain prices yesterday in Chicago, the price of wheat closed yesterday in Chicago at approximately \$1 below the high reached a year ago.

This includes the rise that has occurred since the sale to the Soviets. The price of corn yesterday was approximately 60 cents below the high that occurred a year ago. The price of soybeans is approximately \$3.60 below a year ago. I do not know any other major sector of the American economy, Mr. Chairman—

We interrupt to give credit to the ingenuity and the mechanics in Washington!

The CHAIRMAN. I want to apologize for not being here to meet you when you arrived. I wish I knew what the penalty is for parking in front of one's garage.

Mr. BUTZ. But you get the car.

The CHAIRMAN. The police are responding. We are very happy to have you here, Mr. Secretary.

The Secretary and I had a conversation about 2 weeks ago in which he informed me that about every 3 months he will be appearing before the Senate Committee on Agriculture and Forestry for discussion of general agricultural problems. Of course, I welcome the opportunity of having the Secretary appear before this committee, too, so that we might discuss a wide variety of problems.

Mr. Secretary, you may continue without further interruption.

Mr. BUTZ. It is good to see you here, Mr. Chairman.

I was just talking about food prices and the impact of farm commodity prices on food prices.

We think food prices may increase through the remainder of this year in the magnitude of  $1\frac{1}{2}$  percent. The average increase of 1974 to the average of 1975 may be in the magnitude of  $8\frac{1}{2}$  to 9 percent which is our current figure.

Most of that is behind us. I am talking about the average of 1974 to the average of 1975. Perhaps a  $1\frac{1}{2}$  percent increase the rest of this year. If general inflation is toned down, then it might be some less.

For some agricultural food commodities there, we are going to be in good shape. Supply of beef will be up, supply of pork will be down, supply of poultry will be relatively short but will increase some later in the year.

Next year, what happens to food prices is pretty much dependent on what happens to the general inflation. I would like to point out that from 1973 to 1974 food prices increased 14 percent. Eighty percent of that increase was after the food left the farm. Therefore I think it is quite unfair to pin the blame on farmers and farm producers for the inflation in food prices.

The same thing is true right now. The principal factor pushing up the prices are those factors pushing the prices up everywhere else: Transportation, utilities, labor which is one of the chief causes of the rise in prices. I think we ought to recognize that it is not the farmer who is pushing up the price of food. The fact that he has gone out for full production this year, I must repeat, is one of the most counter-inflationary factors in our society.

I do not know of any other major sector in America which has taken the drop in prices, even comparing prices after yesterday's increase, that has been true of the American farmer in the last 6 months.

This year we estimate income will be in the mid-range of the twenties of millions of dollars. Last year the net farm income was estimated at \$27.7 billion. That was the second highest record in the United States.

In 1973 it was \$29 $\frac{1}{2}$  billion, which was by far and away the highest we have ever had. The highest prior to that time was \$17.5 billion. We estimate this year a net income will probably range around \$25 billion, plus or minus. It will be down some because of costs. This remains to be a major concern of ours and of this committee. I am sure.

The point that many of us have tried to make, and you yourself have made, Mr. Chairman, is that the farmers sell in a fluctuating market. The prices they receive are up and down. Their costs go up and stay up.

I have not seen any equipment dealer go out to a wheat farmer in the State of Washington, for example, and say "we realize wheat is down

a \$1 from the high it reached a year ago, and I am going to knock \$3,000 off the price of the combine." That has not been reported to me yet. Combine costs go up and stay up. I have not seen any tractor dealer go out and say the price of corn is down from last year, I am going to knock a couple of thousand dollars off the price of this tractor. I have yet to see that.

Therefore, I think farmers have a more basic interest in stopping inflation than any other sector in this society, primarily because when their costs go up they stay up, and they continue to sell in a fluctuating market.

Mr. Chairman, I think that constitutes the remarks I would like to make.

The CHAIRMAN. I ask the committee's indulgence, since we have many members who will not be able to ask as many questions as they might wish, I will invoke the 5-minute rule. The Chair recognized Mr. Bergland.

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

Mr. Secretary, can you tell us what progress has been made in negotiating with the Soviet Union on a long-term trade arrangement which I happen to endorse? I think it is a proper tactic.

Mr. BUTZ. I am glad to have your endorsement. There is not agreement on this, as you know, in the farm belt. I think we have made substantial progress.

I think we have to recognize that, even though we do have the capacity to meet additional sales, the sales to the Soviets have taken on an emotional character. If we can get a long-term agreement that will even out that shipment and those sales I think we can diffuse the emotional character of this in this country.

Progress is being made. Last week there was a negotiating team in Moscow headed by Under Secretary Robinson. Genuine progress was made; there are still some things to be ironed out. It is a rather complex can of worms, as you know. Some negotiations on this side have to be done as well involving the freight rate which the Soviets pay and so on. The whole merchant marine complex has to be worked out, but progress is being made.

Our best intelligence is that the Soviets themselves have committed capital for construction of additional storage capacity. They now have decided, it appears, to carry a larger share of their own reserves. All I can say is that we are quite optimistic about discussion at this point.

The CHAIRMAN. Mr. Poage.

Mr. POAGE. Mr. Secretary, I want to mention first your effort to make the public understand that farm prices are down and not up.

Farm prices are well below what they were a year ago. You did not hear any outcry or any appreciation for the fact that farm prices went down. You only hear complaints when they go up.

I am concerned, however, about the low prices we can expect in the future. For example, oil seed prices. What is your best guess as to what is going to happen to oil seeds? We are importing, as I understand it, more palm oil than we brought in in 6 months of normal import. There seems to be no stopping it.

The price of sunflowers, for instance, is just half what it was this spring. All of our oil seeds, which would include soybeans, seem to me to be in a really precarious position.

What is your judgment on that?

Mr. BUTZ. I think the soybean situation is one of the weakest we have in grains, Mr. Poage.

At the end of this year we will be up from last year. Our crush is down, our domestic consumption is down, primarily because of a lower level of hog and poultry production, and some diminution in beef feeding. Part of the problem is that oil seeds got awfully high priced 2 years ago. Eight dollar and a half, and \$9 soybeans were a pleasant thing in this country while they existed. It put Brazil in the soybean business. It encouraged the production of oilseed crops around the world, and this is a part of our problem.

I am not up on the import situation. Do you want to comment, Mr. Bell?

Mr. BELL. What you say is that there has been heavy importation of palm oil from Indonesia in the last 6 months.

As Secretary Butz has already indicated, that basically comes about because of the prices of soybeans on the U.S. market which have been well above the markets of oils from other places.

It is our view that with recovery of the economies in Western Europe and Japan, and increased livestock feeding and hopefully with some sales to the U.S.S.R. in soybeans, that we will be able to get a stronger export demand for soybeans than we have seen this past year.

We do expect that there will be continuing imports of palm oil for some time.

Mr. POAGE. I did not understand what you said about palm oil.

Mr. BELL. We expect that importation to continue at a high rate because in Indonesia the market prices are attracting into this market, as well as Western Europe and Japan, and India.

Mr. POAGE. Does this not boil down to the proposition that we can look for lower prices on our domestic oil seeds?

I am not talking about protein. I am talking about the oil seeds.

Mr. BELL. The prices of oil seeds have been coming down rather sharply during the past 3 or 4 months. There has been some decline in the oil component of it, but I have to agree with you that in order to move into the marketplace we are going to have to get more competitive with other oils; which means we are going to have the price come down a bit more.

Mr. POAGE. How much lower can it go?

Mr. BUTZ. The futures on soybeans are above the present contract, not far. So apparently the market does not discount this in the new crop.

Mr. POAGE. The price is always higher on the spot because of carrying costs.

Mr. BUTZ. Not if we get a big crop in soybeans like we will this year.

The CHAIRMAN. Mr. Wampler.

Mr. WAMPLER. Mr. Secretary, we deeply appreciate your presence here this morning. I want to commend you for your statement. I find myself in total agreement with your assessment of the grain situation. I think we need to continue to develop and expand these export markets.

I want to commend you, and I hope you will aggressively pursue the policy of developing the foreign export markets, because I think it is

essential not only for a sound and viable agriculture, but I think it is in the interests of consumers of this country as well.

I noted in your prepared statement, Mr. Secretary, that you made reference to the milk situation. Without dwelling on that, I would like to refresh your memory if I may, because on or about the 12th of May of this year when we were about to vote on the farm bill you wrote me a letter. I would like to read the text of that letter. It says:

Dear Bill, this is to inform you that it is our intention to make a semiannual review of the price support situation in the year ahead. If it appears advisable to make certain price support adjustments in order to secure the supply of milk as defined in the law, it is our intention to do so. This is permissible under the law even though the law maintains only annual adjustments. I assure you that we want to do everything possible to maintain the healthy and profitable dairy industry in the framework of expanding markets. Sincerely yours.

I think in last Friday's Federal Register that the Department is receiving testimony and having hearings to develop data with a possible view of giving us an indication in the near future of what the Department will do as it pertains to dairy prices.

Will you comment on that, Mr. Butz?

Mr. BUTZ. Thank you, Mr. Congressman, for reminding me of that letter.

May I remind you that the day after you received that letter I still lost your vote on the farm bill. I delivered, you see.

But you are quite right. We are receiving comments on that right now and it is under consideration. It did not commit us to make a change, it committed us to examine it.

Mr. WAMPLER. I notice you are in the process of the rulemaking process. I commend you for it.

The CHAIRMAN. I am going to ask members to seek recognition.

Mr. BUTZ. Mr. Chairman, before this group begins to filter out for other calls, I have a chart here that I think has a dramatic picture of where we are budget-wise in our Department, that I would like to present to this group and discuss it very briefly.

The CHAIRMAN. I think this would be a good time for that.

Mr. BUTZ. I do this because I think we face an alarming situation in our Department in the share of our total budget. That is, for something besides the traditional things which the Department has done.

We started our budget hearings in the Department two weeks ago for the 1977 budget. At the first session our budget people had a series of charts, and this one here shocked me. I want to discuss it with you for just a few moments.

This shows the 1975 estimate and the 1976 current estimate, and the 1977 Agency estimate. That Agency estimate is a long, long way from becoming budget, to be sure.

When I first showed this publicly, Mr. Miles, my budget officer, said "My goodness, that is confidential." I said "No, it is not any more because it is on national TV." You notice that big section in the middle called Income Security. That is a polite name which OMB put on that. I call it "Welfare", You can call it whatever you want to. But it is by far and away the biggest section of our budget. It is food stamps, it is nutrition, it is WIC, that vast variety of things that has the built-in escalator in it. It is almost out of control and growing.

That is not the only welfare item. The brown part above that is called "International Affairs." That includes Public Law 480. This is

international welfare. It is to the tune of \$1.3 billion which is charged against our budget. It has now become an item in, I call it, "International Welfare." Public Law 480 was started 20 years ago as a means of disposing of surplus commodities. We do not have surplus commodities, not to dispose of, but nevertheless a big chunk of that brown is "welfare".

At the bottom is CCC, that includes a variety of things. Part of this, I guess, would be domestic welfare. That is disaster payments and that type of thing.

When you take those three things out of there, I have approximately between 75 and 80 percent of that budget out. What else do we do? Where do you find the traditional things that this Department of Agriculture has done, and upon which it has built its reputation, and its service to American farmers and consumers?

I was shocked when my own budget people simply called all of these other things "other." I guess the reason they called it "other" was that there was not room on the chart to write "miscellaneous." What shocked me, Mr. Chairman, was that we have now gotten to the point in this Department that my own budget people, either consciously or subconsciously, call the traditional things like research and animal and plant health, and meat inspection service, and the meat grading service, and farm cooperative service, and I could tick them off, and they now classified it as "other".

I think we are in an extremely dangerous position in the Department of Agriculture.

With the legislative escalators in that central part, we are in trouble. When the inevitable crunch comes from OMB as it is right now, on manpower ceilings, on budgetary ceilings, and from this Congress on budgetary ceilings with your new budget arrangement in the Congress, and when that crunch comes—and I feel it right now—then I cannot make an adjustment in the big middle section because it is mandated.

It has automatic escalators in it. I am under court orders on food stamps. This will add another \$600 million or \$700 million dollars to the cost when this becomes operative. That means, therefore, that the only place left to squeeze is the place that is hurting me now, and hurting me bad in this Department.

We have to face the question: Can we really maintain an effective meat inspection service? This is of tremendous interest to our consumers. Can we make an effective animal health program? Can we move forward on brusemosis eradication? We are just within grasp of being brusemosis free in the country. Can we move forward in that kind of thing?

I just wanted to present that to you because it shocked me and I think all of us concerned with this Department of Agriculture should know where a little legislation after little legislation leads us to.

Everett Dirksen used to remark "you take these expenses, and you put a billion here and a billion there, and after a while it adds up to real money."

That is where we are coming.

Mr. Chairman, I know this is beside what we are talking about and I know it is not the appropriations committee, but it is a legislative committee. This is one of the reasons I have taken a strong stand that

that middle section should be transferred to HEW. I am the first Cabinet member in the history of the United States that wants to give away two-thirds of his budget. And they do not want it either. It ought to be transferred there and integrated into a completely re-structured welfare program that gets around the incentives.

I do that because I think it makes sense, and also because if that continues, then the Department of Agriculture with the mandated increases against the inevitable ceiling that you are going to face, both in this Congress and the executive branch, then it spells real trouble for the ongoing long time scientific and professional programs of my Department.

The CHAIRMAN. Thank you, Mr. Secretary. I will come back to this chart later, if we have time, because I realize it is important. Mr. Mathis?

Mr. MATHIS. Mr. Secretary, I find this presentation most interesting. I have had called to my attention in Georgia recently, a directive from the Food and Nutrition Service directing the State to offer family children services in Georgia to come up with an affirmative action plan on food stamps, where they have got to go out, as I understand it, and make slide presentations, TV appearances, and this kind of thing to sign up new eligible people who are not now receiving.

Do you think there is a basis for that?

Mr. BUTZ. It is an Outreach program. This was a part of the legislation a year ago. We had to mount an Outreach program. We did this. I will be perfectly frank about it. I told our people to do it in order to comply with the law, but not to go any further beyond it. In fact, we did not go that far. We got a court order that mandated us to go further, and to put our own money into it.

We had to have an Outreach director in each State, which we now have. As a matter of fact, some months ago shortly after we started that, I got in the car one morning and my driver handed me an 8½ by 11 flyer that he had picked up in the grocery store Saturday before, and I discovered that one of our assistant secretaries had gone into this grocery and had stuffed this in every grocery bag saying "You can qualify for food stamps" and it listed some things about it, and said, "Phone the hotline." That night I phoned the hotline and I had a very interesting conversation with a delightful young lady who answered the phone.

I said, "I just got this flyer in my grocery bag and I wanted to know if I am eligible for food stamps?" She said, "What is your salary?" and I made some calculations and I said about \$8,000 and she said, "Do you get paid monthly or biweekly" and I said "Monthly". "Monthly." She said, "What is your monthly take-home pay?" and I said—I made a calculation, and I told her. She said, "I think you will qualify—indeed you do qualify." I said, "Well, if I qualify now, why did I not last week?" Who has been cheating me on this deal?" She said, "Well, we did not get it out. The Department of Agriculture was dragging their feet on this and Secretary Butz did not sign the order in sending it out." I said, "Are you working for the food stamp program?" "No, I am a volunteer worker," she said. "Down in my church they said they needed volunteer workers." She had all the information, it was really good. She told me where to go, asked my address, I

told here where I lived, she gave me the address—apparently a lot of people here are getting it. It was all very good.

There was a national advertisement that appeared on the inside cover of Parade magazine a while back saying that you could make \$16,000 and still qualify for food stamps.

There was not a single statement in that advertisement that was not true.

Mr. MATHIS. Having said, as a preface to my question, that I almost entirely agree with you on this issue, where do we go from here? Do we need a change in the law to police the program to keep it from getting out of hand?

Mr. BUTZ. Mr. Mathis, I think the problem is broader than food stamps.

There are too many work disincentives built into the welfare program. People out in any rural county in America will tell you. Sometime during the last month, he has gone down to the courthouse and told them that he had a job and the people have refused because they did not want to interrupt their welfare program payments.

It is not food stamps alone. When Mr. Roudebush, head of the Veterans' Administration, and I were discussing this, he said the same thing is true in VA. He says you can make a pretty good living these days being a professional veteran. He says he knows veterans who are making \$16,000 a year just being a professional veteran taking advantage of all the programs we have.

I think we have to have a good look at this thing, with the Congress and the administration cooperating. I think there are enough people in this country getting fed up with this welfare mess that it is time for a restructuring, and this has to be part of the restructure.

Mr. MATHIS. Thank you.

The CHAIRMAN. Mr. Bowen.

Mr. BOWEN. Mr. Secretary, I have been told by some of the leaders of our rice industry that the Soviet Union would like to buy about 100,000 tons from us this year, which would be something on the order of 2 percent of our total rice stocks.

Inasmuch as we are expecting a record crop this year, is it your understanding that the administration plans to include rice in the agreement being made with the Soviet Union? If not, is there any particular reason that the moratorium should be placed upon rice exports to the Soviet Union at this time?

Mr. BUTZ. First the Soviets bought low last year. They are not heavy rice purchasers. We estimate that they will be in the market this year. This may be a good development for the rice producer. We need to export it. We normally export 60 percent of our rice.

At the moment there are no sales of that kind. The President said the other day that he has put a ban on this until mid-October, and by that time we sincerely hope that this will be wrapped up and that we can proceed normally.

Mr. BOWEN. You would presume then that rice would not be included in any complex arrangement with the Soviet Union?

Mr. BUTZ. Any arrangement would have to have considerable latitude, depending upon their needs and our needs.

Mr. BOWEN. Thank you.

The CHAIRMAN. Mr. Sebelius.

Mr. SEBELIUS. Mr. Secretary, you know, the basic commodities that I deal with—we grow a lot of corn out there also. We know your problem. My farmers know your problem. The longshoremen and the seafarers are trying to get things going their way. I think what they are worried about mainly is the thought that we broke faith by suggesting voluntary restriction on the sale of additional grains to Russia.

What they are readily worried about basically is the negotiations going on too long. What if the Russians decide to sit it out and tighten their belt. We are going to have a lot of wheat to carry over. Whenever we depress the price, then the American consumer may save \$1 but the foreigners can buy it for \$2 less, because twice as much must go overseas.

Have you got any thoughts on the long-time period of the negotiations?

Mr. BUTZ. At the present time we are loading ships for export at our practical capacity. We estimate that we have a capacity to load approximately 100 million tons of grain a year at the present time. That is, all grains including soybeans and rice.

If we fully utilize the Great Lakes port then it might be a little higher, but for some reasons which I do not fully understand, the Great Lakes have never been fully utilized for this purpose.

We are currently loading at capacity. This is an academic question right now. We could not send out any more if we had it.

The Russians have purchased 9.8 million tons from us, plus 500,000 tons in the previous purchase that came into this year's crop. That is enough to keep them going for 5 or 6 months. They have purchased about 4 or 5 million tons elsewhere. They can only handle about 2 million tons a month themselves. That is about all they can handle. The estimates vary about  $2\frac{1}{2}$  million tons.

So, there are practical and physical limitations as to how much you can move. We are at that limitation, that is, at that practical level right now.

Along that line I would like to say that if we exported 100 million tons of grain from this year's crop—and that is about our practical capacity—we would still end the current crop with an increase in carryout; so there is no way that we can come through this year with maximum exports without an increase in carryout, and I want to put that as firmly on the record as I can to assure the American consumer and the alarmists about exports that there is no way that we can avoid an increase in our carryouts.

Mr. SEBELIUS. I appreciate that, Mr. Secretary. I do not envy your position. We have too much carryover and you know what that does to prices.

The CHAIRMAN. Mr. Richmond.

Mr. RICHMOND. Mr. Secretary, getting back to the Russians I will say this. Originally roughly three firms negotiated with the Russians, did they not?

Mr. BUTZ. Yes.

Mr. RICHMOND. Then we all announced that it was a private sale, and being in favor of private enterprise, there was nothing we could do. Now we suddenly find that a high Government official is being dispatched to the Soviet Union to negotiate grain sales.

Mr. BUTZ. Not to negotiate grain sales. Let me say this. Let us make the record straight. Under authority of law passed by this Congress we now require that every export sale of 50,000 tons or more be reported within 24 hours. But in the case of the Soviets there was an informal consultation with all of the American exporters.

They played this in complete cooperation. Prior approval was given for the sale. This was not widely publicized. We had already determined that we could have a \$10 million offtake from this market with negligible impact on prices. It was within our capacity to do that. Working with the Russians the sales were up \$9.8 million and they were stopped at that point. It was stopped informally before there was any public announcement made of it.

We had this team over in Moscow, not negotiating sales but negotiating an agreement for a minimum annual offtake on their part and a maximum annual supply on our part. If you go outside of those, then you have consultations.

Also there was agreement for full exchange of information on the supply situation and the requirements which we get informally from many of our customers, such as the Japanese and the Poles.

But the sales still take place in the private sector.

Mr. RICHMOND. In other words, our Government officials are acting as agents for free enterprise?

Mr. BUTZ. Absolutely right. The Government will not negotiate the sale.

Mr. RICHMOND. Do you think it is proper for our officials to act as agents for the private companies who stand to gain millions of dollars?

Mr. BUTZ. I do not think they are acting as agents. They are going to do their own negotiating. All we are doing is negotiating an agreement that this customer will take a minimum annual quantity and we will supply the maximum.

Mr. RICHMOND. Do you not think it is time that we had a Wheat Control Board similar to Canada's or the Bank of England's Control Board so that we ourselves can set the price, make the profit, and handle the transaction?

Mr. BUTZ. It depends on your philosophy. Based on my own experience, I do not think the Government is a very good manager of business deals. That is my personal observation.

Frankly, I do not think the Department of Agriculture has the managerial capacity to do as well as the private sector.

You inferred that the private people make exorbitant profits. I hope they have made some profits, but it is a highly competitive game. You have a purchaser there that is a pretty shrewd purchaser too.

No; I am not ready myself to surrender this to the Government. I think the private sector in America is the way to do business. There are those that would like to do away with it. They want to go the British way, but I prefer our way.

Mr. RICHMOND. The only thing that bothers a lot of us is the fact that the Russians did buy the grain at a cheaper price than our own consumers.

Mr. BUTZ. Wait a minute. You mean in the recent sale? If they did, I would like you to give me the evidence.

Mr. RICHMOND. We all agree that the price for the American consumer will go up as a result of the wheat sale.

Mr. BUTZ. But there is only one market. There is no evidence that they bought it cheaper.

Mr. RICHMOND. The Russians were able to buy a large quantity before many of our American consumers bought it.

Mr. BUTZ. Many of our American companies did the same.

Mr. RICHMOND. It happened in 1972, right?

Mr. BUTZ. In 1972 the international price was below the domestic price, and the domestic price was up because of our domestic price support program and we had an export subsidy to equalize the difference between domestic market and international market.

You had to to sell it.

Mr. RICHMOND. In this case it has happened to a lesser degree, but it is the same pattern.

Mr. BUTZ. No; it has not happened at all in this case.

Mr. RICHMOND. My time is up, thank you.

The CHAIRMAN. Mr. Harkin.

Mr. HARKIN. I would like to ask the committee's indulgence for just a minute.

The CHAIRMAN. I am trying to skip around a little bit; and although I may not be entirely accurate in this recognition, I hope you bear with me.

Mr. HARKIN. I would like to take the committee's indulgence and yours, Mr. Secretary to introduce to you and to the committee a fine group of women from the State of Iowa who are here representing the Iowa Farm Bureau's Women's Federation.

They are in Washington this week to learn about the Government and it is my privilege to introduce them to you. I do not think they could see a better example as to how Government is working than this morning, when the full Agriculture Committee is meeting with the Secretary.

These women are from Mr. Bedell's and Mr. Grassley's districts, and my district, and I would like to ask them to stand.

[Applause from the audience.]

Mr. BUTZ. Thank you very much. One of the finest groups in America is the American farm woman.

Mr. HARKIN. I agree with you wholeheartedly.

You made the statement that the Government is not a good businessman. I could not agree with you more, but I wish you would tell that to Mr. Ford so we could lift the embargo so we could get the grain sales going, so we will not depress prices. Is that good business management?

Mr. BUTZ. Prices were not depressed yesterday.

Mr. HARKIN. You said it has been down 60 cents.

Mr. BUTZ. That is as of a year ago. I think you have to recognize that the President faces a very severe dilemma. Grain was not being loaded. You can argue as you choose whether it was a sellout to George Meany or not, but the plain fact is that he has stopped loading grain and there was a case-by-case approach. I personally think that too much power resides in the hands of some of our union leaders in this country.

Be that as it may, there was a dilemma. It was not being loaded. Negotiations had to be worked out on the rate the Russians would pay.

Negotiations had to be worked out with the owners of some 32 ships which are not in drydock but are in mothballs. They had to get them in operation so we could move that out.

I think the President made a tough decision here. It was not an easy one.

Mr. HARKIN. I could not disagree with you more. I think it was very unwise. The present evidence now is that the crops this year will be at record levels and that any extension of the embargo will further depress the prices. This means, when they sell grain during this year's harvest, the Russians will get in at bargain basement prices.

Mr. BUTZ. The market has come up since the announcement of the extension from September to October. The corn market and the wheat market have substantially increased. As I said a while ago, we are loading at full capacity right now. We are not under any severe time constraints on this, but in the meantime every other export sale is going normally. It is being reported regularly.

I think we are ahead of schedule in exports to some countries.

Mr. HARKIN. I have one last question. I know we are negotiating with the Russians now for a long-term agreement. I think you said you support that, and that most of the people from the farm belt would support that. There have been reports from the newspapers recently that the Russians a few years ago made some overtures to the Department of Agriculture and to our State Department to negotiate some long-term grain deals.

What I am wondering is, if it is a good thing now, then why did we not do it a few years ago when the Russians first made these overtures?

Mr. BUTZ. As a matter of fact we did do it a few years ago in the 1972 grain deal with the Russians. There was a 3-year deal. They agreed over a period to purchase \$1 billion of American grains in return for which we agreed to extend CCC credits for a maximum total of \$750 million and \$500 million outstanding at any one time. The way things turned out, they fulfilled their obligation the very first year. They have never quite used the full credit line.

Now the opportunity has expired and they did in fact have a 3-year deal.

The CHAIRMAN. Mr. Findley.

Mr. FINDLEY. Mr. Secretary, I want to congratulate you on the understanding with Japan. That is an agreement that makes sense. It is not state trading, it is an understanding that gives reassurance to the farmer and to the market system without being state trading.

I do not have the same confidence in the Department of State. There are a lot of people over there that believe in state trading. They believe in international grains agreements. It troubles me a little bit to see the State Department in negotiations with the Russians on this.

Can you give us any reassurance on behalf of the administration that what comes out of that will not be a state trading agreement? That is my first question.

Related to it is this. Does the administration have authority to establish grain trade with the Soviet Union on a state trading basis?

My third question is this. Regarding the tobacco, do you think that what we have passed is workable?

Mr. JONES of North Carolina. Mr. Secretary, I think the remarks you made about me last week in North Carolina are going to help reflect me.

Mr. BUTZ. The remarks I made last week might not be like the remarks I am going to make here.

Regarding the Japanese agreement, it is an agreement. It is not a treaty. This was a gentleman's agreement. They would like to buy 14 million tons of grain annually from us. We desire to supply them that much, that is about what they have been doing in recent years. This was not difficult because they are pretty constant customers of ours year after year.

They like this agreement because they are fearful that these sporadic purchases by the Russians may impair our ability to supply them their normal offtake.

What assurance can we give them that this would not be a state deal with the U.S.S.R.? As I said a while ago, this is simply a commitment on their part. It is a state trade agency to buy a minimum amount. It is a commitment on our part to make sure that they can buy that amount, and that they can buy up to a maximum amount. Beyond that we will consult. There has been consultation on 10 million tons, for example.

But, in every case the private trade has it. Now, with respect to tobacco let me say this.

Mr. PEYSER. I wonder if the gentleman from Illinois will yield for part of his own question?

The CHAIRMAN. The time is coming out of the Secretary's response.

Mr. PEYSER. I would like to simply read a letter which I wrote to the President of the United States a few days ago. You might want to respond.

On September 11, 1975, H.R. 9497, the tobacco support bill, slipped through the House of Representatives under unanimous consent request. According to USDA officials this could represent an additional \$70 million dollars in expense to the taxpayer. On September 15, the Senate, with a handful of Senators on the floor, actually four, passed by a voice vote the same bill. Any action of this nature and magnitude I believe is an affront to all of us when this action takes place in such an undemocratic process. I therefore urge you to veto this measure, and at least send it back in order that both bodies may act on it. The American taxpayer deserves a better break and I want you to support the veto.

Mr. BUTZ. I have a series of questions here, Mr. Chairman.

I am not pleased with the legislative route which this bill took. I think Congressman Peyser properly points this out. It is a devious route through this Congress. The number of the bill has changed. Even before it was introduced on the House floor.

The subcommittee had the hearing during the week that Congress was in a recess, which in itself is unusual. There was chicanery, or secrecy, if I may use those terms. We knew that an attempt would be made to pass this under suspension of the rules by unanimous consent. There was not an opponent of the bill present on the floor of the House on last Thursday morning when this came through, Mr. Peyser. You were there yourself.

The number had been changed. There were not many Members on the floor who knew what was taking place. Mr. Peyser was called out to take a telephone call from a constituent, I understand. However,

I have a suspicion about that. This could have been a part of the plot, I am not sure.

During the 2 minutes that he was out the bill was taken up, and it was passed unanimously. As you say, Mr. Jones, I was in North Carolina and the papers said that the House passed it unanimously. You got credit for it I might say. Then it went over to the Senate where it bypassed the normal procedures appearing before the Senate Agriculture Committee. It was introduced there to four people on the floor.

The North Carolina papers had the headlines saying "Passed the Senate Unanimously". It did under the rules, but as somebody has said, tobacco has more enemies in this Congress than a dog has fleas, and I presume that is about the only way it could pass. It would never have passed a record vote, I think we all agree on that. I think your point, Mr. Peyser, is that it ought to see the light of day.

Would I recommend a veto? I am inclined to, I will.

Why?

First, government outlays. That is not my primary reason. You will increase outlays. I know that the tobacco program has not cost anything but it does increase outlays.

Second, how do you make it operative this year with over half of the tobacco already marketed? We can make an additional payment on stabilization, but what about that that R. J. Reynolds bought, what about the practical difficulties of making it operative this year.

Third, we export a good chunk of our tobacco. About 45 percent of our flu-cured tobacco moves into export, 25 percent of our Burleigh tobacco moves into export. Exports this year are down about 8 percent. Our imports of flu cured are up markedly this year. This is a price factor. Europe has not bought less, they have just bought more from Africa and Asia because of the price factor. We come along and raise the effective price of flu cured by, let us say, 8 cents and that is approximately what this bill would do, then we hasten the death of the tobacco industry in the Southeast.

I do not want that. From the short-term political point of view the popular thing for me to do is to say, "Gee, this is great," "I want those farmers to be well-paid down there" but from an economic point of view this bill is very bad legislation.

We exported \$1.1 billion of tobacco last year. That is a nice chunk of exports. Some of these days, if the price differential is big enough, then Great Britain and the Common Market are going to start trading again with Rhodesia. I am convinced that, given time and economic pressures which force political realignments, and if the economic pressures like this get great enough, then Ian Smith, the Prime Minister of Rhodesia is beginning to take blacks into his government.

A few months ago one of the national magazines had a story that he was taking blacks into his government. I tore out that sheet, wrote across the top of it, and sent it down to my tobacco boys and said "This is the first nail in the coffin of the tobacco industry in North Carolina." North Carolina is the principal flu-cured State.

We can cut back production, to be sure. But if you cut back production to the point where you are going to lose a substantial part of the export market, it will be disastrous for the Southeast. Real disaster.

I think this kind of bill hastens the day when that comes.

So, the short-term politics of this are great. The long-term economics are impossible. Therefore, I shall recommend a veto. What the President will do is his choice.

The CHAIRMAN. Mr. Jones of Tennessee.

Mr. JONES of Tennessee. Mr. Secretary, we appreciate your being here. I have a question that I would like to ask you. You may know, or you may not know, that a subcommittee has been holding hearings all over the country to find out what the problem is in the dairy industry. In addition to the complaints about the low support price of milk, we have one common thread. There are farmers all over from Vermont to California who feel that they were betrayed by their own Government.

The administration had told dairy farmers that when prices were low to cut back on production and the market would solve their problems.

In 1973 prices began to rise due to decreased production and increased consumption. For once the dairy farmer was given a fair price for his product.

But on January 1 of 1973 and March 1974 an additional 415 million pounds of powder, 84 million pounds of butter equivalent, and lots of cheese totaling about 165 million pounds were all allowed to come into this country above the quotas by the administration. Of course, we all know what the results were. Disastrous as far as the dairy farmer was concerned because the prices just plummeted. Now we are beginning again to see the price of milk here in this country rise, I think because our supplies have been sharply reduced.

Most farmers we hear from in the hearings that we have been conducting expect the same kind of imports they experienced before.

My question to you, Mr. Secretary, is: Do you expect to increase the quotas on imports to hold the price down?

Mr. BUTZ. No. I am just one voice, of course. I think 2 years ago we raised the import quotas on dried skim because we were short of it at that time. Ice cream manufacturers, and cottage cheese manufacturers and bakers were using less of it. Had we not increased our supply at that moment, I think they might have got in the habit of using a substitute which would not have been good.

I think the butter that we imported had minimum impact on the price of butter. In the case of cheese, I think that import came too late and did impact the price of cheese. In retrospect I think it was a mistake. Now at the moment prices are up some. Butter has come up 16 or 17 cents, cheese up by almost a similar amount, and there is some light at the end of the tunnel. I am not aware of any movement right now to increase the quotas. As a matter of fact, we have been in negotiation with the Europeans on this.

The CHAIRMAN. Let me interrupt, Mr. Secretary, to say that there is a rollcall on the floor. I intend to keep the committee in session during the vote. I would, therefore, suggest that while Members respond to this call, we will continue to have comments for the record. When the questioning by Mr. Jones concludes, then we will hear from Mr. Nolan.

Mr. JONES of Tennessee. There is nothing in the mill at the present time, do I understand that correctly?

Mr. BUTZ. Yes. As long as the situation remains as it is I shall insist on it.

Mr. JONES of Tennessee. Thank you.

Incidentally, our hearings are bringing in a lot of data.

The CHAIRMAN. Mr. Nolan.

Mr. NOLAN. First of all I want to thank you for coming. I have two questions. What do you plan to be doing Sunday afternoon, and what do you expect the starting lineup to look like for the Washington Redskins?

Mr. BUTZ. You refer to my nephew, Dave Butz, who is bigger than I am. He is stronger than I am, and he is faster than I am, and he makes more money than I do.

Mr. NOLAN. I would like to take just a minute to reread for you the Agricultural Act of 1949. This is section 2. This is title 2, section 201, clause C. It reads:

The price of milk shall be supported at such a level not in excess of 90% or no less than 75% of parity price. Therefore as the Secretary determines necessary to insure adequate supply to meet the current needs, and to insure a level of farm income adequate to maintain a productive capacity sufficient to meet anticipated future needs.

In Minnesota our State secretary of agriculture just several days ago released statistics on milk production in Minnesota for the month of June. It fell 70 million gallons. That is the lowest volume for that month in 41 years. The inventory in milk cows in Minnesota is at an all-time low.

For well over a year now this committee has heard tales and stories and data on the decline of domestic dairy cows, and the decline in domestic dairy production, and farmers, and so on.

Last Saturday we were told about the impact of the increased feed costs and the increased labor costs, and the increase in steel costs, petroleum cost, et cetera. Yet, the price of milk is down.

The University of Indiana told us that at the current rate of decline, if this situation continues to exist, then we could very well be dependent on foreign producers for milk supplies in this country within 5 years.

My question is twofold: (1) Do not these factors and indications alarm you and (2) what do you intend to recommend that we do about the situation?

Mr. BUTZ. First, we did not have any shortage of dairy supplies a year ago. We were acquiring dairy products under our CCC program. We acquired dried milk, butter and cheese under that program. We are not acquiring them now, and the price has come up to the point that acquisitions have dropped.

We were able to get rid of most of the butter and cheese that we had. This was either through school lunch programs, but we did sell some butter. So we do not have any quantities on the market. We still have quantities of skim. Our total production will be 115 billion pounds as I recall. It is going to pick up some later in the year.

I think currently our supply and demand are in pretty good balance. There is a good enough balance that prices have recovered from the very low levels that they were a year ago.

I think the worst thing in the world that we could do would be to put our loan rates, and therefore our price support levels for dairy products at such a level that CCC acquires massive stocks. If we had done that a year ago, and had substantially increased the stocks we

held, it would have been virtually impossible for the current price of butter and cheese to be where it is because Government would be in competition with them, with the stocks we have.

We might argue that we would not have to sell the stocks, but that is right. But food prices are such a political issue in this country that if the Government did hold stocks of butter and cheese at the present time I think the political pressure to dispose of those would be almost beyond the power of resistance.

The CHAIRMAN. I will recognize Mr. Fithian.

Mr. BUTZ. This is my Congressman. We are both fugitives from the classroom.

The CHAIRMAN. Yes, from the great institution of Purdue.

Mr. FITHIAN. Mr. Secretary, I will make this very brief. There are some of us who are rather disappointed in the lack of progress being made in the public reports of the failure to act as promptly and thoroughly as some of us would hope in terms of the grain inspection scandals.

I now have some rumors out of your shop that one of the reasons you are not able to do as much as you would like to do is because of OMB constraints upon you.

We will be working the legislation on this in the next few days. It would help me a lot if I knew whether or not you personally felt that you were allowed to do all that your professional judgment would call for under the present situation.

Mr. BUTZ. It is no secret that my own personal recommendation in leaving budgetary considerations aside, was for a Federal/State system of grading and inspection. This would have made it consistent with our meat inspection, our dairy inspection, and our poultry inspection. We do have Federal/State arrangements that are working quite well.

In the case of grain, going back to the Grain Act of the 1920's and before that, inspection is performed by the public sector under supervision by the USDA. So my personal preference would be to make it consistent. There were budget constraints however. So our recommendation is for a beefed-up system of supervision with, I think, some 100 additional personnel and whatever additional budget figures are needed. I think that would work all right.

Mr. FITHIAN. Thank you.

The CHAIRMAN. Mr. Secretary, you will have to excuse me for just a moment while I go and vote.

[Recess taken.]

Mr. BERGLAND. The committee will come back to order. Are there any members who seek recognition? Mr. Hagedorn.

Mr. HAGEDORN. Mr. Secretary, you commented earlier about the soybean crop this year. Inasmuch as soybeans are anticipated as a carryover at the end of this crop year, and since soybeans are in a most precarious position from this standpoint, I am wondering why the administration does not move toward opening up sales to the Soviet Union. It is vitally important that we move forward as quickly as we can on that.

Mr. BUTZ. Traditionally the Soviets have not bought soybeans from us. I think they are going to have to buy more soybeans in the future. It is our feeling that they do not have an efficient feeding operation

in the Soviet Union because they do not use enough protein supplement in their feed to make effective use of their feed grains.

There have been feelers, we understand, from some of the private people about soybean purchases. I am sure they will need some, there is no place else to buy them.

Mr. HAGEDORN. A lot of my constituents say when we do open up exports again, we should export George Meany right along with the wheat and the corn and clear him out of here.

Mr. BUTZ. That is your comment!

Mr. BERGLAND. Mr. Baldus.

Mr. BALDUS. Mr. Secretary, inasmuch as the grain deal was getting discussion earlier, you said there was an informal agreement being made before the announcement. In light of your views about free trade, I found that many people in my district rather resented the idea that the news about this grain deal came from a news reporter who found it out from another reporter who came from Russia.

It seems that the USDA did have the information, but it was not made available to consumers and producers in the country.

Mr. BUTZ. On the contrary, we made a special announcement of the Russian sales even before the routine announcements would have been made, because of the public interest in it, and the emotional character of the sale. Not only did we make it, but the companies who consummated the deals made them even before they were final.

It is true that the Russians had engaged bottoms, which is not an unusual practice for whatever purpose they wanted to do it. This is not unusual for the Russians or for their shippers either. We were aware that they had engaged the [bottoms] ships too.

Mr. BALDUS. You said there was an agreement made before the announcement. I presume that was a large purchase and that you were then aware of it, and that you did defer announcement?

Mr. BUTZ. Perhaps I did not state it right. The information had been given by the firms, that is, that they could sell up to a certain amount and that would be within our agreed limitation.

Mr. BALDUS. That was publicly known, that is, that the firms had been given permission?

Mr. BUTZ. No. Not all of those negotiations had materialized in the States. That is, until the sale had been consummated. As you may know, the Russians contacted a number of firms on the same purchase.

Mr. BALDUS. On the same proposition, I think a number of us are disappointed that a member of the Department of Agriculture, yourself perhaps, was not on the team negotiating.

Mr. BUTZ. There was. We had Mr. Novotny from our Department, who has our Grain Division, who was in Moscow. It was a three-man team and we were a full-fledged member of the team.

Mr. BALDUS. On the Presidential named team?

Mr. BUTZ. Sir?

Mr. BALDUS. The Presidential named team?

Mr. BUTZ. They came back last Friday, I believe.

Mr. BERGLAND. Mr. English.

Mr. ENGLISH. Mr. Secretary, earlier you stated that the action by the longshoremen was taken before the request for a moratorium. It is my recollection—correct me if I am wrong—that the request from

you came before the actual longshoremen's announcement. Is that correct?

Mr. BUTZ. That is correct. Until we had our August crop report. Our August crop report was still preliminary. At that juncture we indicated that we would wait until we got the September one because the corn crop simply was not here yet. Last year we did have an early crop. These Iowa ladies who are here would know that the corn crop was late, and we had severe deterioration. This year we did not have it.

Mr. ENGLISH. While that is correct on corn, is it not true that most of the wheat was out at that time?

Mr. BUTZ. It was virtually assured, but we were waiting for the Northern States.

Mr. ENGLISH. My question is this: why was wheat included along with corn?

Mr. BUTZ. Because of the interchangeability of wheat and corn. The Soviets, as we do, feed a substantial amount of wheat and the amount that you can feed varies depending on availability and price relationships. If you have any kind of agreement on one, then it cuts across both.

Mr. ENGLISH. It would seem to me that if they are interchangeable that it would seem to be the proper thing, inasmuch as we have a surplus of wheat and we are virtually assured that this harvest was in, then why did we have a moratorium on wheat, why did we allow it to be sold like corn?

Mr. BUTZ. Last year, for example, in the face of the short corn crop, we fed 100 million bushels of wheat more than the year before. We have a great deal of substitution in this country. We have a short corn crop, then we feed a lot more wheat, and the corn crop was not yet assured.

Mr. ENGLISH. While we have a tremendous amount of wheat, if they are interchangeable then it appears to me, particularly from the cattle feeders point of view, that the thing to do would be to sell as much wheat as possible to the Soviet Union and, if we are going to come up with a short corn crop, then all the better.

That would be a plus as far as agriculture in this country is concerned, and the consumers also.

Mr. BUTZ. But we are not going to come up with a short corn crop either.

Mr. ENGLISH. Then we are in great shape.

The point that I want to try to make is, that since your request that no more wheat be sold to the Soviet Union, and before the longshoremen's action, is there not a chance that your action probably precipitated or brought about this action by the longshoremen?

Mr. BUTZ. No. The relationship of sales of shipments is this. We have sold enough grain now that if they took all of the shipments currently from us, and none from the non-American sources from which they purchase, then it would still take five months to move it through the Russian ports. What happened here was this. If you interrupt loading on any American port right now, then you are going to decrease our total volume of exports.

We have a capacity to export about 100 million tons of total grains. We are moving at about capacity. So that if you interrupt that for

any period of time, you cannot recover it, because this year I want to move exports at full capacity. We want to move about 100 million tons this year.

Mr. ENGLISH. But, my point is this. The press was full of reports in July, particularly in some of our larger metropolitan newspapers, that this grain sale was going to increase the price of food to consumers. We had longshoremen who were also members of the urban areas who saw those reports. It appears that what in effect has happened, or may have happened, is that whenever you request that the grain companies not sell any more wheat or corn to the Soviet Union, that you in effect were confirming their fears, and that may have brought about the action by the longshoremen.

If I remember this action was not favored by top labor leaders but was taken by the local longshoremen.

Mr. BUTZ. Let us get the issue on the table. They said they were doing it to protect the American consumer. The plain truth is that they wanted a bigger piece of the action. All of us have two reasons for anything, one is the real reason, the other is the stated reason, and frankly, if their interest was in protecting the American consumer, I have said, and I repeat it, the best thing they could do would be to cut out some of the feather-bedding that takes place on those docks, if they are really interested in protecting the American consumer.

But, they wanted a bigger piece of the action. They wanted an assurance of a third in American flag bottoms, they wanted a higher subsidy rate on shipping in American flag bottoms. This morning's paper said that a tentative agreement had been reached at \$16 a ton. It costs about \$30 a ton on American flag bottoms right now, with the going international ocean rate for third country ships being around \$10 or \$12. The United States Treasury makes up that difference. All these were part of the package, and let us make no mistake about it. They had about as much interest in protecting the American consumer costs in America as I did in learning to be the pilot of a 747.

Mr. ENGLISH. Would you agree that this has been a mistake, this moratorium?

Mr. BUTZ. Yes. If we could have gotten a resolution of the labor situation down there—I think one was needed because of uncertainty about our corn crop.

Mr. ENGLISH. At the time the decision was made, before the longshoremen indicated that they would take any action, would you not agree that it was a mistake to have a moratorium on the sale of wheat?

Mr. BUTZ. No, because I opposed it myself.

Mr. ENGLISH. That is exactly the point I am getting at.

Mr. BUTZ. I am not clear what your point is. If you are trying to say that the longshoremen walked out because we had a moratorium on further sales then I would not get that connection at all.

Mr. ENGLISH. The point is this. There was not action taken by the longshoremen at a local level. That is where this action began if I remember correctly. It began at a local level. This took place after you had announced the moratorium, or had requested that the companies not sell. We had most of our wheat crop in, and we knew that we had a proper crop.

I cannot understand why in the world you asked those companies to stop selling wheat to the Soviet Union at that time.

Mr. BUTZ. We did not know about the corn crop.

Mr. ENGLISH. That would end up being a plus.

The CHAIRMAN. I am sorry to interrupt, but the Chair recognizes Mr. Thone.

Mr. THONE. Mr. Secretary, I am one of the members of this committee who thinks that your Department has done a superlative job in the matter of export.

It is good to hear you again this morning. I think your exact quote was that "we have to stay in the export business." But I think we not only have to stay there, but we have to increase it. I know from the discussion you and I have had in the past that that is your position.

For the benefit of the record here, would you briefly tell us a little bit about the agriculture exports in the last 10 years?

I remember when Chancellor Hardin had your position we were trying to get up to \$10 billion a year in agricultural exports. Could you review the current situation briefly for us?

Mr. BUTZ. As recently as 4 years ago, it was approximately \$7 billion. It rose last year to \$21.3 billion. This year they are going to be in that same vicinity.

We will probably export more tons this year than last year because of a little lower unit price. We had a short corn crop last year.

As I say, we are at the \$21.3 billion. Our total agricultural imports last year, half the sugar we use, coffee, tea, bananas, and that type of thing ran approximately \$11 billion. This means that agriculture last year made a net plus contribution to our balance of payments of \$11 billion. This year there will be a \$12 million plus contribution. That is how we pay for that microphone that sits in front of me. That is the way we pay for some of those cameras that have been clicking back here. That is the way we pay for the compact cars we import. We pay for it with Nebraska wheat and corn, and Iowa soybeans back here. It is a pretty good trade I think.

Mr. THONE. We in Nebraska export about two-thirds of our wheat, half our corn, and we of course, have to have a viable export market. I am a little concerned, Mr. Secretary, about this. You indicate that the Great Lakes are not using the ports facility adequately. In addition, we in Nebraska are interested in more development of the west coast ports. Do you have any observations in regard to either of those?

Mr. BUTZ. It is hard to understand why the Great Lakes are in that situation. In the first place they are not a year-round port, and that makes some difference if you have got to be in and out seasonally. There is grain from northern Illinois that is right there at the Great Lakes that goes down the Illinois River and down the Mississippi River. I think the west coast is being developed with a good deal of wheat.

In Chairman Foley's area out there, 85% of the wheat out there goes to the west coast. Possibly it is cheaper to go down the Mississippi than to go overland.

Mr. THONE. It is my understanding that the Union Pacific office in New York is taking a good hard look at this right now. They are hopefully going to spend time, effort and money in developing this, and I think this will be good for agriculture and for the country.

Earlier on here you chided Mr. Wampler on his veto vote. One of the reasons Mr. Wampler voted that way, and one of the reasons why

the Congressman from Nebraska voted that way, was we could not get a strong statement in that veto message against embargos on exports.

You remember you and I had a couple of phone visitations about that, so here we are now in September and we might well say, we told you so, Mr. Secretary. It is fine to have a free market, we are all for it. We supported you all the way, Mr. Secretary. But can you see where an elected Congressman sits in a situation like this? How do we explain to your people that we are exporting all kinds of fertilizer and their production costs are skyrocketing, we are exporting all kinds of farm machinery and it has skyrocketed. Would you reply to that briefly?

Mr. BUTZ. For the record, let me say we could not write the veto message before your vote. I want to get it in proper sequence here.

Mr. THORNE. As I understand it, you wrote a portion of that. It was pretty much tamed down by others before it came out.

Mr. BUTZ. It did contain assurance for exports. I am sure the President is doing it. But, let us remember now that we have indeed sold the Soviet Union 10 million tons. That is more than we sold them last year. We are going to sell them some more.

Mr. THORNE. This was a cash sale, was it not?; \$4 a bushel for the wheat and \$3.15 for the corn?

Mr. BUTZ. Yes; complete cash, not one subsidy in it.

The CHAIRMAN. Mr. Bedell.

Mr. BEDELL. Following Mr. Thorne's conversation in regard to our export sales, I had the impression from what you said that you felt that it was important for us to get our ships loaded in order to get those exports, and that the President indeed needed to negotiate something, and that was, as much as anything, why the moratorium was continued. Is that correct?

Mr. BUTZ. The moratorium was partly to get a labor settlement, to be frank about it. It was partly to negotiate the long-term agreement. I think we are in a better negotiating position now than if sales had taken place prior to the negotiations.

Mr. BEDELL. My question is this. Last spring in our area there was a lot of talk about the possibility of farmers voluntarily cutting back their production. They were assured that, indeed, if they planted fencerow to fencerow that there would be no restriction on export sales and they went ahead and planted believing that this would happen.

We are going to come around to next spring, and there is certainly some possibility that there will be a big movement toward them trying to cut back on their planting of feed grains. If that happens, is it likely then that the administration will probably negotiate with them in a manner similar to the way they negotiated on the export bottom so that, indeed, there will be a negotiation with them as there was on this situation in order to get them to plant fencerow to fencerow as was negotiated in order to get the ships loaded?

Mr. BUTZ. I look in the paper and I see that next May corn is selling for \$3.24. Translate that into \$3. Do you think that they will fail to read that signal?

Mr. BEDELL. They had it a year ago. Their concern was that with overproduction, unless the sales could be made they can expect lower prices.

My question is: If there was a big movement to do that, would you anticipate a negotiation by the administration with them on that matter?

Mr. BUTZ. Obviously not. Your question is off base. They respond primarily to the price ceiling. They responded to that last spring. I know you have had these spontaneous meetings in Iowa. As nearly as we could tell, they were hoping their neighbors could hear that, and they went home and bought fertilizer.

Mr. BEDELL. Your answer is that you would expect that there would not be effort to negotiate to get them to raise their crops?

Mr. BUTZ. The best signal right now is the \$3 price right now for 1976 corn. That is a pretty strong signal.

Mr. BEDELL. Your answer is, "No"?

Mr. BUTZ. That is right.

Mr. BEDELL. My second question is this. When Mr. Wampler indicated, as he did, and I am new here in Congress, it is apparently customary to expect that the departments will indeed work for the passage or defeat of certain bills. Is that customary, or taken for granted?

Mr. BUTZ. It depends on the bill.

Mr. BEDELL. Certain bills.

Mr. BUTZ. That is correct.

Mr. BEDELL. If that is the case then we have a packer bonding bill coming up in which apparently the Department has felt one way, the administration has felt a different way; If you take action, are you likely to take action according to what the Department felt or the way the administration felt.

Mr. BUTZ. Obviously we have to take a unified administration position. In the case of that bonding bill, I know it is a highly emotional issue in Iowa and Nebraska as a result of the American beef packers failure. Many States, I do not know how many now have their own bonding requirements, and I do not know what the Congress will do. I suspect it will pass a mandatory Federal bonding regulation.

Mr. BEDELL. If they do, then my question is: Would it be anticipated that the Department, if it lobbies, would lobby against it or for it?

Mr. BUTZ. As is always the case, the Department is a part of the administrative position. It always involves budgetary considerations and other considerations.

Mr. BEDELL. The way it works, then, is that if the administration feels differently than a department, and if there is a lobbying effort by the Department, and if there is a difference of opinion between the Department and the administration, then the lobbying effort would be on behalf of the administration, is that correct?

Mr. BUTZ. That is the way it works with any department, because every department is a part of the administration.

The CHAIRMAN. Mr. Weaver.

Mr. WEAVER. As author of the bill to make the Commodity Credit Corporation the sole bargaining agent for export grains. I was interested that the USDA does not have the capacity to undertake business deals. I find that strange in that many of our officials have gone to work for the grain companies.

I would like to say that there is no ban today on export of grains. You have invoked no statutory authority whatsoever I trust your word is not law.

I find this to be devious political propaganda.

Third, I find the action of the administration without the authority of law to be less than a gig. You say that we have more commodities available to meet Soviet sales this year. But the facts are that we have less grain today than we did in 1972, the year when we were bought out and food prices rose so startlingly.

We have 600 million bushels less in this country today with all crops in the bin, according to your projections, than we did then in 1972. I would like to ask, in face of the idea that our weather has been extremely changeable, as to what would happen if we had a drought next year? This might destroy half our crop. Why, then, are we letting the Russians do what they are doing?

I want to sell the grain to the Russians, but I want to get a good price for it. The price we are selling to them now is absurdly low. Five years ago wheat and oil were the same price. A buck and a half a bushel; a buck and a half a barrel. Today oil is three times wheat, and we are selling wheat to the Russians cheap. Let us make the Russians pay for it.

Why are we going to let the Russians store our grain? The country that has the grain reserves in this world today has an important weapon.

You said last November that grain was a weapon. Why do we not keep our grain in this country and let the Russians buy it when they need it and when they will pay the price for it?

Mr. BUTZ. I detect in the tone of your voice that you have a change in attitude toward me. Two months ago, I believe, somebody showed me a copy of the Congressional Record in which you referred to me as the "economic imbecile."

Mr. WEAVER. I agreed to drop the "economic."

Mr. BUTZ. I have the same feeling about you, sir.

We sell to the Russians. We do have a two-price system for the Japanese. Grain can move among nations. It is a thing that always moves among nations.

Mr. WEAVER. You told the Japanese Agriculture Minister that you guaranteed him 14 million tons of grain a year even if it meant limiting Russian sales. That, in effect, requires the statutory authority of a government control of our exports. I would like to see long-term agreements with countries like Japan. They pay a premium price.

Mr. BUTZ. There was no price mentioned in that. It is the market price. That is precisely what we are doing with the Russians right now. It is the market price. We have come up in price from 3 years ago, not as much as petroleum has, as you say. There are petroleum discussions taking place with the Russians right now too. I do not know what will become of them. It may well be that there will be a two-way agreement. But you are talking about a two-price system. You sell to one customer at a different price than another. If you start doing that around the world, then you get into real trouble.

Mr. WEAVER. It is not a two-price system, it is a two-tier system. One price for the domestic economy, and one price overseas.

Mr. BUTZ. You mean you would make the American farmer feed the American public at a lower price than he feeds the Russians?

Mr. WEAVER. The Arabs are certainly selling their oil more expensive to us than they sell it to their own people.

Mr. BUTZ. But would you make the American farmer subsidize the American consumer at a lower price?

Mr. WEAVER. No. At a fair and good profit to the farmer.

Mr. BUTZ. Answer my question. Would you make the American farmer sell his wheat for less to the American consumer than he could get in the foreign market?

Mr. WEAVER. I want the same price for the American farmer.

Mr. BUTZ. Would you make these Iowa women back here sell their wheat for less to feed somebody in Chicago than to feed the Russians?

Mr. WEAVER. I want to sell to the Russians for far more.

The CHAIRMAN. The Chair will have to interrupt.

Later this year the committee will examine Mr. Weaver's proposal.

We will have to move on. Mr. Symms.

Mr. SYMMS. Mr. Secretary, I always thank you for being down here. I have two points. The Russian wheat sales seem to have dominated the morning's discussions. We have been delighted to have you in Idaho at different times. We think that you are doing an outstanding job as Secretary of Agriculture.

We also have the same questions about the export of coffee, and I understand the politics of that, but I would like to get into another subject.

I would like to go back over those percentages figures for the welfare and the Department of Agriculture which has been a concern of mine since I have been on this committee.

First I would like to talk to you a little bit about FIFRA. In 1973 you were kind enough to come out and see the disastrous results of one of EPA's decisions about DDT on the Tussock Moth. We have had disastrous results as far as providing food stamps, and the situation of the coyotes in the West also.

I was disappointed about what happened with the passage of FIFRA legislation. The Secretary of Agriculture did not get the veto power. Many of us felt he should have. In view of this, I guess we got the best we could get. Comments can be made in the Federal Register.

I wonder if you have any comments with regard to our Nation's health. We now have malaria in the United States. I see bubonic plague. We have sleeping sickness right here in the D.C. area. I was wondering if you feel that the Department has any opinion on the FIFRA legislation in the stage that it is in. The Secretary of Agriculture does not have veto power over the regulations that come out of EPA.

Mr. GRASSLEY. Will the gentleman yield for an extension of that question?

Mr. SYMMS. I yield.

Mr. GRASSLEY. Thank you, Mr. Symms.

Along that line our food policy is endangered by the EPA regulations. Do you see the actions of the EPA affecting that to such a point that we will not be able to continue to produce cheap food in this country?

Mr. SYMMS. Before you start answering that, Mr. Secretary, I wonder if we could have a quick yes or no. I wanted to get the one question about the food stamp legislation. We had quite a row in here. What this committee did was to pass a bill which said that you would not have to call the hotline, but you could self-qualify yourself. Would

you recommend a veto on this legislation if it does ever come to the House floor? I do not know where it is now.

Mr. BUTZ. I cannot answer that until I see the legislation obviously.

Mr. SYMMS. It is going to expand the income security part of your budget chart.

Mr. BUTZ. This is a very dangerous situation. You know how I feel about it. Let me come back to the FIFRA point. At some point this Congress and this Government and this administration have to face up to the problem of the shackles that we are placing on the American farmer to be an efficient producer of food and fiber. I think that poses the real problem.

You mentioned health hazards, Mr. Symms. We have encephalitis now. It is in epidemic proportions in some places because we have opted that the mosquito is more important than a little fishkill in the streams. I think that is what the options are. We have made a common criminal out of DDT, in not recognizing that literally millions of people are alive in the world today that would not have been alive had it not been for DDT.

Somehow we have to move into the world of reason in the application of these environmental rules. I think the rule of reason means that we have got to move back on the side of fewer restrictions and registration and uses of these very useful tools that the American farmer has found do, in fact, lower the cost of food and fiber in this country.

The CHAIRMAN. The time of the gentleman has about expired.

Mr. SYMMS. Are you in support of the Michael bill which has over 70 Members of Congress on it in regard to the food stamp program?

Mr. BUTZ. Yes; in general. There are some changes, but in general we are in support of it. What we need is to stop the easy eligibility at the top of the income spectrum of the people who qualify so that we have more money to put it down where you really need it.

I think we can reform it in that direction. I think that is the general thrust of the Mico bill.

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

The CHAIRMAN. Mr. Jenrette.

Mr. JENRETTE. I find that I am very much in agreement with your work decentive, and I hope that you, as a member of the Cabinet, will talk with other members of the administration so that we can get to a work incentive. It seems that we are not getting the proper incentives. I wonder if you would explain to me the green line on your chart—is it one of those “other agriculture” factors?

Mr. BUTZ. This includes essentially the agriculturally directed programs. At the top is the “all other” which are the ASCS programs, agricultural conservation programs, and that kind of thing fits in there.

Mr. JENRETTE. In your comments about tobacco, you noted an increase in flue-cured and Burley tobacco imports. Would you support an increase in import duty?

Mr. BUTZ. It would place us in a very difficult situation right now to substantially increase imports on any commodity as we are on the eve of our trade negotiations in Geneva. We would try our level best to remove some of the nontariff barriers as well as tariff barriers. This is going to be a tough and sticky negotiation.

I think that if we put ourselves in the posture now of increasing tariffs for purely an internal situation where we have artificial price supports as we have with tobacco, then we would substantially weaken our negotiations position.

Agriculture has so much to lose if we get into that situation.

Mr. JENRETTE. I regret that you will recommend a veto of the bill. I regret even more your comments about the deception on the floor.

Mr. BUTZ. What would you call it?

Mr. JENRETTE. I regret that you would say that, because I remember a statement made recently that the gentleman made, "If you do not play the game, then you do not make the rules."

Mr. BUTZ. I did not play this game. I simply think the public ought to know that this did not go through in an open fashion. The legislative rule was used primarily because the sponsors of the bill knew it would not survive a record vote.

I think that ought to be put on the table. I think your people in South Carolina should understand that. They should understand, moreover, that there economic objections to this bill, that it hastens the death of the export market of tobacco.

Mr. JENRETTE. Tobacco now is selling in North Carolina and South Carolina at 7 or 8 cents a pound more than the price supports that this bill itself signing into law would make. This is a one-shot deal for the farmers.

Mr. BUTZ. We have a built-in escalator in the stabilization loan rate every year based on parity, and all this does is permanently jack it up by this amount so that it would be up that much every year. It would substantially increase the amount that would move into stabilization.

Mr. JENRETTE. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Jones of North Carolina.

Mr. JONES of North Carolina. Mr. Secretary, what is the Department's position on the devious Jones amendment, where the private applicator can be self-certified?

Mr. BUTZ. I do not think we have taken a position on that. I personally favored it. I think our current method of certification is entirely too cumbersome where you have to go down and have someone else certify you.

Mr. JONES of North Carolina. Thank you.

Getting back to the tobacco bill, I think that your use of words may be your choice, but I think you need to know that this subcommittee went into these various States to try to get a reading from the farmers in regard to this point. Out of those hearings we got consensus that there was a great amount of dissatisfaction due to the increased cost of fertilizer, labor, chemicals. So, the bill to which you have referred was, in the broadest sense, an emergency sort of thing. I took no pleasure in flying back to Washington at my own expense during the recess, but something had to be done.

So, this was the result of the demand of the farmer. This, I think, comes first before the amount of exports. If he cannot survive and be encouraged by his own Government then where do we go?

I make no apologies whatsoever for the bill, and I can assure you that I had nothing to do with Mr. Peyser's phone call. Not a rule of the House was violated. It was cleared completely with everybody

concerned. I agree with you that on a record vote a tobacco bill would be in serious trouble.

So, using some of the parliamentary tools which are at hand, I want the record to show that I make no apologies whatsoever for the bill.

Mr. BUTZ. I give you an A plus on being clever.

Mr. JONES of North Carolina. I will yield briefly to the gentleman from Virginia.

Mr. WAMPLER. I think it is unfortunate that the Secretary chose to characterize the legislative procedures under which the tobacco bill H.R. 8841 was considered in the House. I cannot speak for the procedure in the Senate, but I simply want to associate myself with what the gentleman from North Carolina has said. I know in my case, I was in bed with the flu in my district when this special meeting was called, and I came back at a good deal of personal discomfort. The Department was represented at that hearing. It was advertised. I regret that Mr. Peyser is not here now, but I ask the clerk to get a copy of the minutes of the committee meeting on Friday, September 5, 1975, where the public subject of the hearings was the extension of FIFRA and the tobacco bill in question.

In the minutes of the meeting the gentleman from New York, Mr. Peyser, was not present. Maybe because it was a Friday meeting that he was not there, I do not know. The fact that he was not present when the bill was considered I think is a matter for him to discuss, and to justify in his own mind.

As a ranking minority member of this committee, and as the ranking minority member of the Tobacco Subcommittee, this bill was cleared with me and so far as I know it was cleared with both the majority and minority people on the floor, and it is something that happens frequently. I know of no rules of the House that were violated. I know of a number of tobacco bills and other bills affecting agriculture that have followed the same procedure.

So while one may disagree with the bill, I think it is unfortunate to characterize it as devious.

There was a division of opinion, but it was the best collective judgment of the subcommittee plus this committee, plus the House of Representatives, and of the Senate, that this was the proper action to take.

We see the problem one way, and I am sure the Secretary sees it another. This is not the first time that we have disagreed. I have served in Congress during the terms of four different Secretaries of Agriculture. As a rule of thumb, the Secretary of Agriculture will disagree with most bills considered by this committee.

I am saying that this bill was considered under the rules of the House and no rule was violated. I suggest the gentleman from New York review the rules of the House, and that he be present when votes are counted.

The CHAIRMAN. Mr. Jeffords.

Mr. JEFFORDS. I am sorry I missed Mr. Nolan's statements and your answers, on the dairy industry.

As the chairman of the subcommittee has indicated, we have been traveling about the country listening to farmers in the Northeast. We heard over a thousand farmers who turned out to testify indicating that the dairy industry is still in very bad condition.

I have listened to your comments to Mr. Wampler indicating that you are reviewing the dairy situation. I read your statement here, and it seems to have an optimism which indicates to me that there may be a built-in feeling that you are not going to have parity at this time. I hope it is not true, because as I read the statement, some of the comments in there do not give me that kind of optimism.

For example, you note that the grain price has gone down but I know in talking with the farmers in California, they are on the up-swing again and they have increased this month rather significantly.

You say that it is up from a low of a year ago by some 73 cents, but that was a disastrous low, and if you take inflation of 10 percent then you still are worse off than you were a year ago.

So, I would hold from all indications that we have had that the situation is not any better. I hope that we are not going to get ourselves in a position that we were in 1973 when Congress urged the Secretary to increase the price-support levels to prevent the wholesale number of cows going out, and then the rapid increase in the price and then back down again.

It seems to me that it is time to prevent that from happening. Maybe I am reading something into the statement that I should not be. I simply do not feel the optimism that you have here.

Mr. BUTZ. It would be improper for me to comment on what my opinion is as long as we are receiving comments on this during this period.

The CHAIRMAN. Mr. McHugh.

Mr. McHUGH. Mr. Secretary, I am one of those people who sits on the Dairy Subcommittee. I have had the opportunity to participate in some of these hearings. I would simply like to confirm what Mr. Jones and Mr. Jeffords have said. One of the farmers at a meeting in Minnesota last week characterized the dairy farmers in his State as "broke and bitter." Frankly, that would conform to what the dairy farmers tell me in my own State of New York.

To follow up briefly on one of the questions which Mr. Jones asked with regard to imports, which I think is clearly one of the prime concerns of our dairy farmers, let me say this. You indicated that you had plans to recommend at this time any change in the import situation.

You also said that, under the present circumstances, that would be your position.

What circumstances would prompt you to change your view and encourage imports?

Mr. BUTZ. Those circumstances would be similar to what it was 2 or 3 years ago. We simply do not have enough product to meet the physical needs of the manufacturing industry in this country. The worst thing we could do would be to get the users of dairy products in the habit of using a substitute. I do not see any chance of that occurring in the foreseeable future.

Mr. McHUGH. Thank you. One other question. I am referring to what Mr. Symms discussed on FIFRA. I know that he is one of those on the committee enthused about giving you, as Secretary of Agriculture, a veto over the EPA on regulations.

Would you say that generally that is a good policy, that is, to give one head of a department the veto power over another agency?

Mr. BUTZ. No, I do not think it is good organizational policy where you have got two agencies, where one has veto over the other. I do not think it is good government. I think the veto power should be exercised at some level above those agencies.

In this case you do have an independent agency as contrasted with a Cabinet department. I think the benefit that will come out of this action of Congress should be a strong signal to the management in EPA that there is a wave of dissatisfaction over the way things have been going, and it is time to moderate those decisions.

Mr. MCHUGH. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Krebs.

Mr. KREBS. I appreciate your being here today. I think these types of exchanges are beneficial regardless of whether we agree or not.

I represent, just as Mr. Jeffords and other members of the committee do, a relatively large number of dairy farmers. Some of the statistics that were presented to us last Saturday when we had a Dairy Subcommittee hearing were along the following lines. In 1950 there were approximately 19,450 dairy farmers in California. Twenty-five years later we now have approximately 3,300 dairy farmers in California.

Needless to say, this is not your fault. There have been many Secretaries of Agriculture over that period of time.

But, I am wondering if you could tell us what you foresee for the dairy industry in light of this constant cost-price squeeze in which the dairy industry finds itself. More specifically—and this may have been covered while I was out of the room—what is behind your consistent reluctance to provide for a quarterly review at 80 percent of parity? It seems to me that this is something that has the unanimous consent of the dairy people.

I wonder if you could shed additional light on that.

Mr. BUTZ. First, if you get into a quarterly change situation there are so many mechanical difficulties involved in the whole pricing structure. If you do it too frequently, the mere mechanics of it become difficult.

Second, we have indicated a semiannual review and we are just in the process right now of doing that semiannual review.

Third, commenting on the amount of decline in the number of dairy farms in California, this is taking place throughout the Nation. The technology of dairying has changed a great deal. The old one-man family dairy farm was a very confining operation. You had to be there 7 days a week, rain or shine. I think dairying is tending to move into multimanagement units, still family units. It may be two brothers or father-son, or whatever it may be, so that somebody can get off over the weekend if he wants off.

The total dairy production has just about held its own. It has declined some. Twenty years ago we were producing about 123 billion pounds of milk. This year it is going to be around 114 to 115 billion pounds. In the meantime we have increased our population by 30 million people. Our per capita consumption of milk has gone down and continues down. This is a very alarming thing, and it is hard to find out why it is.

It continues down while the per capita consumption of soda drinks is zooming, our per capita consumption of beer is zooming. I am not

quite sure about these figures, but last year we consumed approximately 28 gallons of milk per capita in this country, and going down. That is total milk consumption.

Our consumption of beer is around 22 gallons per capita, including babies and grandmothers, and going up. A little while back I asked my staff to go down to the store and price a half gallon of milk and a six-pack of beer, and that we should figure out what the cost of an 8-ounce glass of each would be in the kitchen. The milk came at ten cents, the beer at 20 cents. And yet we get all kinds of flak about the price of milk. Nobody complains about the price of beer.

It is a problem the industry faces. We have been able to hold our own in the aggregate volume because of increased population. We have been losing ground on a per capita basis in dairy consumption. For awhile it was because of the shift from butter to margarine. That shift is completed now, and we still lose ground.

Mr. KREBS. Do you have any solutions that you can offer? I know that is a loaded question.

Mr. BUTZ. We have a special school milk program with the requirement that milk be served in every school. Then we have a special program for midafternoon. I think the American Dairy Association is doing a great job in promotion. It is an educational job. The situation would be much worse without it.

Beyond that I think we have got to watch our imports into this country, and we are. Right now the quotas are being maintained rigorously, and they are at a very nominal level, a very low level. I think that is it.

Mr. KREBS. Thank you very much.

The CHAIRMAN. Mr. Secretary, we have run a little over the normal time at which to conclude this meeting.

Obviously we cannot cover everything this morning.

I want again to thank you very sincerely on behalf of all members of the committee, not only for your appearance but for the encouragement and concern you have always exhibited in seizing opportunities for discussion with this committee.

In Great Britain they have the institution of the question hour, where ministers of the Crown appear before the full House of Commons. The American equivalent of that is having high officers of the administration appear before a committee. This is a large committee with 41 members. A simple mathematical calculation would indicate that it takes  $3\frac{1}{2}$  hours to allow each member five minutes. Obviously we do not have  $3\frac{1}{2}$  hours; and under the circumstances, members have been most cooperative and, I hope, understanding of the Chair's difficulty in apportioning time with perfect equity.

We will look forward to inviting you to return from time to time and so that we may continue this process. There is a real need to insure that the issues facing agriculture are thoroughly exposed and discussed before the American people. I think we would probably all agree that problems frequently result from confusion and misinformation. Often, too, agriculture's voice is not loudly enough heard.

I also want to thank your associates, Mr. Secretary, for being with you today, and particularly Assistant Secretary Bell and Dr. Paarlberg. We hope that in a couple of months we will again have the

opportunity to welcome you before the committee. This has been an extremely useful and informative session.

The committee will stand adjourned at the call of the Chair.

[Whereupon, at 12:15 p.m., the hearing adjourned.]

[The prepared statement of Mr. Butz follows:]

STATEMENT OF EARL L. BUTZ, SECRETARY OF AGRICULTURE

When the credits are handed out for pulling our economy out of the doldrums this year, the American farmer will rightfully be first in line; first among few, in fact.

Doubts have been raised over whether some others of us can still hack it in today's world. Detroit worries about its ability to compete in car making. Washington agonizes over how to get people to save energy and rely less on foreign oil. New York can't muster the discipline to save itself from financial humiliation.

Meanwhile, the farmer has been busy working. And now the results of his efforts are becoming apparent: Record production and a new all-time high in productivity for American agriculture. Here's the acid test: the farmer's output per unit of input such as labor, fertilizer, land, etc. It will be 1 percent above the previous records in 1971 and 1973, and 7 percent above 1974's showing. This is how to fight inflation.

Record crops are like a chain reaction in boosting employment and investment, requiring more harvesting, storage, and transportation inputs. The brisk sales of our agricultural products abroad give a boost to our balance of trade. Farm exports this fiscal year may reach a new high in value, while agricultural imports will be down a little, thus providing an agricultural balance of trade of over \$12 billion on the positive side.

Agriculture's earning power is also perking up. Even with the bumper harvest prospects, farmers' prices are responding to increasing consumer demand and foreign sales. These developments will give us a 1975 realized net farm income in the mid-twenty billions of dollars. That's still a little below last year, but the third highest on record.

We have adjusted our forecast of food price increases for 1975 up a little since last spring. Then we were predicting a 6-8 percent increase on average for 1975 over 1974. Now it looks as if it may be at the top of that range, and perhaps a bit higher. I will go into this further in a few minutes.

The reason for the food price adjustment? Mostly, it's traceable to lingering effects of last fall's weather-plagued short crops, to rising marketing costs, and the recent stimulus in consumer demand as a result of tax rebates and the prospects for economic pickup generally this year. The sale of grain to the Soviet Union is a minor factor.

As you know, we are having talks with the Russians over their becoming a steadier buyer of our farm products. If those talks are successful, farmers will be helped immeasurably in making production and marketing plans.

I fully support those talks; our farmers must have firm markets and must make more money in order to meet rising costs. Farmers can become just as nostalgic as others in thinking back to the days when a gallon of gas or a hamburger cost a quarter, when a good new car cost \$2,000. But just as farmers do not expect a return to those conditions, neither should anyone else expect to see corn again at a dollar a bushel.

U.S. CROP PROSPECTS

Feed grain production may total a little over a fifth larger than last year's drought-shortened crop of 165 million short tons, despite this summer's drought in the western Corn Belt. We feel certain that feed grain production this year will be large enough to provide for some expansion in domestic feed use, much larger exports, and at least a moderate increase in the carryover by the end of the 1975/76 marketing season.

Corn prices in the 1974/75 marketing year which is now drawing to a close will average about \$3 per bushel. Rising feed prices, poor feeding margins early in the season, and poor harvests on corn-hog farms last fall, which reduced farrowing plans, combined to sharply reduce the feed demands for grain. Exports of corn declined during 1974/75, but stayed above 1 billion bushels for the third straight year. Recent sales to the USSR for delivery during 1975/76, and tight

supplies, have strengthened corn prices this summer, even though the corn crop is expected to be more than 1 billion bushels larger than last year's small harvest of 4.6 billion bushels.

The 1975 wheat crop will top 2.1 billion bushels, more than 300 million bushels larger than last year's record crop. Thus, wheat supplies in 1975/76 will be substantially above last year and the largest since the early 1960's. The larger crop this year will provide enough wheat for domestic needs and still allow for sizable additional sales of wheat abroad, including export sales to the USSR.

The 1975 soybean crop could exceed the weather-reduced 1974 crop of 1.2 billion bushels by 200 million bushels or more. A moderate increase in domestic crushings is expected during 1975/76 as livestock production increases. Also, some increase in exports seems likely. But there likely will be a continued buildup in carryover stocks by the fall of 1976.

Farmer's soybean prices for the 1974/75 marketing year just ended averaged above \$6 per bushel. This compares with about \$5.70 during the previous year. Soybean prices held up even though 1974/75 exports were off about a fifth or more and domestic crushings fell above 15 percent.

#### LIVESTOCK, POULTRY, AND DAIRY

Meat and poultry production has been down so far this year, reflecting the short 1974 feed crops, high prices and generally unfavorable feeding margins late in 1974. But the situation changed this summer, and will likely improve further this fall. Livestock and poultry feeding margins improved this summer as prices of livestock and poultry increased in response to reduced output. Broiler producers have already placed more chicks for fall marketings, and the supply of beef coming to market during the next few months likely will be larger than it has been this summer or in October-December 1974. However, all of the increase in beef production is coming from cattle moving off grass directly to slaughter. Fed cattle marketings will remain relatively low. Pork production may inch up seasonally this fall, but remain well below year-earlier levels.

Fed cattle are now selling for about \$49 per 100 pounds, down several dollars from the midyear high. But even with larger beef and broiler output, fed cattle prices will retain much of that strength this fall, possibly averaging in the mid \$40's. Hog prices could decline this fall from the summer average of around \$58 per 100 pounds, but any declines will likely be small and prices will probably remain at least \$15 above last year's fourth quarter average of \$39. Despite expected larger cattle marketings, a continued low level of pork production during the next few months will help bolster prices of livestock this fall and winter.

Milk production fell below year-earlier levels this summer. Reduced feeding of grain brought a decline in output per cow. Improved milk-feed price relationships later this year and greater availability of home-grown feed could lead to a resumption of more normal gains in output per cow. The slow downtrend in milk cow numbers is expected to continue. Accordingly, milk production may begin to show some gains over levels of a year earlier.

With the summer cut in milk production, wholesale prices jumped, the government purchases ceased and butter was sold back to the industry at market prices.

Farmers averaged \$8.47 per 100 pounds of all milk sold in August, up 53 cents from the June low and 73 cents above last August. Farm milk prices likely will rise seasonally during the rest of 1975 and remain above year-earlier levels. Dairy ration costs reported for mid-August averaged around a tenth below a year ago.

#### THE WORLD SITUATION

The world outlook is for a grain crop, excluding rice, of about 950 million tons—3 percent above last year but below our earlier expectation and below the record 976 million tons harvested in 1973/74.

The effect of all this is to frustrate hopes for a recovery in world grain stocks at the end of 1975/76. While stocks should enlarge considerably in the United States, other countries will likely draw down their own stocks during the season.

Rice production prospects appear to be brightening. The world may produce about 5 percent more rice in 1975 than it did in the record 1974 year. The monsoon season in Asia, the world's rice bowl, has been favorable. It appears that much of the increased production will be in South Asia and East Asia, particularly India, Indonesia and Bangladesh, where it is needed the most.

Trade will increase in the year ahead due mostly to increased import requirements in the Soviet Union. Part of the estimated increase in Soviet needs is offset

by prospects for lower imports by other countries, such as the People's Republic of China. Also, there probably will be more rice to export from other exporting countries: Canada, Australia, and Argentina. Nevertheless, the United States will supply the bulk of the increase in world grain exports.

Overseas sales of agricultural products have been important to America for over 3 centuries. Today, they are more important than ever. Our farmers have built a large and efficient agriculture based in considerable part on export markets. They were asked this year to produce all-out to meet the needs of overseas markets as well as domestic requirements and an increased level of concessional sales. They have responded with record or near-record crops. They need markets for this production, and that means exports. If they are not allowed to make full use of overseas marketing opportunities, they will not have the incentive—and the financial ability—to produce big crops next year.

#### U.S. EXPORTS AND THE SOVIET BUYING SITUATION

We are estimating total grain exports, including rice, at between 74 and 87 million metric tons against a production of 248 million tons. The share of our production going into exports is very close to what it was last year and in other recent years. We will export between 53 and 63 percent of our wheat crop this year, compared with 58 percent in 1974-75 and 67 percent the year before. We will export between 22 and 26 percent of our feed grain crop, compared with 24 percent in 1974-75 and 22 percent the year before. Thus, while we are exporting more this year, our larger harvest will more than take care of that increase. We will, therefore, have larger carryovers at the end of the marketing year.

Our estimate of grain exports this season is somewhere between 7 and 20 million tons above last year. Crops will be larger by 42 million tons and supplies—production plus carrying stocks—by 36 million tons. Stocks at the end of the marketing year—a year from now—will be increased by 8 to 16 million tons over the 21 million tons recorded this year.

These export estimates allow for additional purchases by the Soviet Union. The Soviets have purchased so far this year 4.2 million tons of wheat, 4.5 million tons of corn, and 1.1 million tons of barley. In addition, there is a half million tons of corn and wheat outstanding from purchases last October. The new sales were no great surprise.

We expected the Soviets would buy grain from our 1975 crops, particularly feed grains and some high-quality wheat. We also knew early this year that Soviet spring grain prospects were declining, and we reported this fully.

We are now projecting the Soviet Union's import needs at about 25 million tons of grain and their own output at 175 million tons. We believe that so far the Soviets have purchased between 17 and 18 million tons in the world market, although I cannot document all of this. But we believe there have been some Soviet purchases—perhaps from Canada, Australia, Argentina, and Brazil—beyond the 15.2 million tons that exporters here and in Canada and Australia have made public.

A U.S. team has just visited Moscow with the aim of regularizing Soviet purchases in this country in the years ahead. The USSR has been a fairly stable market for U.S. corn the past three years. Wheat, however, is another matter: The Soviets have been very uneven in their purchases of U.S. wheat. We hope that purchases can be evened out from year to year. Even so, the new Soviet purchases come in a year in which we have plenty of grain. It is well within our capability to make further sales to the Soviet Union.

Any sales to the Soviet Union or to anyone provide a supportive pressure to the market. This is true of grains as it is of kumquats, garbanzos, and automobiles. In some cases, additional sales may cause prices to rise. In other cases, they may prevent prices from falling as far or as fast as they otherwise would. They may prevent prices from falling to a level that would discourage production the following year.

We are predicting that season average prices for grain will be lower this season as compared with the year just past. The price decline at the farm gate will not offset as much of the rise in labor and other marketing costs as we might otherwise expect. Therefore, while it is accurate to say that food prices will be slightly higher *with* the Soviet sales than they would be *without* the Soviet sales, it is an extreme exaggeration to say that selling to the Soviets is the cause of rising food prices.

Even with further sales to the Soviets, we still expect grain prices in the year ahead will be slightly lower than last year. Marketing costs, however, will continue to rise no matter what happens to commodity prices.

It should be recognized, too, that the 10 million tons of U.S. grain already contracted by the USSR have been built into our estimates for some time. They are built into export estimates and consumer price estimates. Therefore, the July sales should not be blamed for addition food price impetus beyond what had already been predicted.

#### U.S. FARM INCOME PROSPECTS

Although the cost-price squeeze on farmers substantially reduced realized net farm income early in the first half of 1975, prospects in the second half have improved. Strengthening prices for hogs, poultry, eggs and milk, as well as higher prices and larger marketing for cattle, will bolster livestock receipts in the second half. Crop receipts prospects have improved materially a strong foreign and domestic demand, coupled with some deterioration in otherwise bumper crop forecasts, are pushing farmers' prices higher. For 1975 as a whole, a small decline in total cash receipts in contrast to further increases in production expenses may leave realized net farm income in the mid-\$20 billion range, compared with \$27.7 billion last year.

#### FOOD PRICES

After 2 years of rising retail food costs, there was a virtual halt this spring. The increase at retail food counters for the second quarter was only 0.5 percent, the smallest quarterly rise in nearly 3 years. This was over-shadowed by a larger increase in the past 2 months. The timing was coincidental with the reports of grain sales to the USSR. It wasn't cause and effect. Price increases for livestock products appear to have simmered down, but average retail food prices for the third quarter will probably run 4 to 5 percent above April-June levels.

This fall, a number of things point to a bit more price strength, including strong world demand for U.S. crops and increasingly solid prospects for improvements in the domestic economy. However, larger market supplies are expected for beef and poultry as well as fresh fruits and vegetables. These larger food supplies could bring some price declines at retail for some products in these categories. In fact, the more abundant supply picture is likely to quell the advance in retail food prices for the fourth quarter. But the farm-retail spread, which was compressed earlier in the year, is likely to widen this fall due to increased costs of labor, transportation, and energy.

Looking at 1975 as a whole, with per capita food supplies down 1½ percent from last year, retail food prices may on average be up about 9 percent. This forecast includes an allowance for the grain purchases by the USSR which were estimated to boost the overall level of food prices for the next sixteen months by something less than 1½ percent above price levels that would have existed in the absence of the purchases. Much of this impact would come in late 1975 and early 1976. Our conclusions suggest that the overall effect of the USSR purchases made thus far will not seriously affect U.S. retail food prices or materially alter the adjustments underway in the livestock industry.

## GENERAL AGRICULTURAL SITUATION

TUESDAY, FEBRUARY 3, 1976

HOUSE OF REPRESENTATIVE,  
COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The committee met at 10:35 a.m., pursuant to call, in room 1301, Longworth House Office Building, Hon. Thomas S. Foley (chairman of the committee) presiding.

Present: Representatives Foley, Poage, de la Garza, Vigorito, Jones of North Carolina, Jones of Tennessee, Melcher, Mathis, Bergland, Brown, Bowan, Rose, Litton, Breckinridge, Richmond, Nolan, Weaver, Baldus, Krebs, Harkin, Hightower, Bedell, English, Fithian, Jenrette, Thornton, Wampler, Sebelius, Thone, Madigan, Peyser, Heckler, Kelly, Grassley, Hagedorn, and Moore.

Also present: Fowler C. West, staff director; Robert M. Bor, counsel; Hyde H. Murray, counsel; John E. Hogan, associate counsel; John Kramer, special counsel; Steve Pringle, Nick Ashmore, John Lindley, staff assistants; Eugene Moos, staff analyst; L. T. Easley, press assistant; John Baize and Alan Gray, staff consultants, Subcommittee on Livestock and Grains; Gerald Jorgensen, staff consultant, Subcommittee on Department Operations, Investigations and Oversight; James Culver, staff consultant, Subcommittee on Dairy and Poultry; Leighton Lang, staff consultant, Subcommittee on Oilseeds and Rice; Glenda Temple and Susan Bell, staff assistants.

The CHAIRMAN. The Committee on Agriculture will come to order.

The committee meets this morning to welcome Hon. Earl Butz, Secretary of Agriculture.

We are fortunate to hear from the Secretary from time to time on the general problems facing the Agriculture Committee and the Department of Agriculture.

This is not a hearing in any formal sense of the word and does not deal with any particular piece of legislation. Rather, it is an opportunity for the Secretary to address himself to any subjects that he chooses.

We earlier attempted to arrange a meeting of the committee for this purpose just before the closing of the first session of Congress, but our schedule did not make this possible.

It is a great pleasure to welcome you again this morning Mr. Secretary. We appreciate your willingness to come to the committee and to give us your views on the general field of agriculture.

I also want to say that it is always a pleasure to welcome the new Under Secretary of Agriculture and former distinguished member of our committee's legal staff, Hon. John Knebel, and of course, Dr. Paarlberg, Director of the Department for Economic Analysis and

Mr. Paul Theis, who is a new assistant for congressional relations. Mr. Theis is with us today for the first time, and I know many members will welcome an opportunity for close association with him in the coming months.

Mr. Secretary, I understand that you are going to speak informally for 10 minutes or so before we go directly into questions and answers.

#### STATEMENT OF EARL L. BUTZ, SECRETARY OF AGRICULTURE

Mr. BUTZ. Thank you very much, Mr. Chairman. As you indicated I have no formal statement. I think we can make the best use of time and allow the maximum amount of time for questions and answers and dialog.

Our purpose this morning, as you stated, is not to propose any specific legislation or comment on any particular legislation, but rather to discuss the general agricultural situation and some of the problems we face.

It is important, I think, that we take an overall look at where we are in American agriculture.

This committee was instrumental in passing the Farm Act of 1970 and the Farm Act of 1973, under which we currently operate. This is a new direction in agricultural policy and got us away from our 40-year commitment to quotas and allotments and the philosophy of cutback and curtailment. This is particularly true with respect to our major staple crops and cotton.

We have also changed to a philosophy of full production. Under which we have fared pretty well on farm income. Although the final figures on 1975 have not yet been released, there is every indication that net farm income, for the third year in a row, will be above \$25 billion.

Prior to 1972 the best we could ever do was a net farm income of \$17.3 billion. That figure included nearly \$4 billion of Government payments which had been made as a part of our effort to immobilize up to 60 million acres of farmland in this country.

The \$25 billion-plus figure of the last year did not include Government payments of nearly that magnitude. They were a little better than \$5 billion which included the disaster payments because of poor crop conditions in localized areas.

I don't know what the figure will be for 1976, but there is every indication now that the net farm income will be at least as good as 1975 and perhaps a little better. So much depends on crop conditions. But, the prospects are for a continuing level of net farm income at or above \$25 billion.

I hasten to point out that because of the erosion in purchasing power, accompanied by inflation, a net dollar does not buy as many things now as it did 4 years ago. You have to recognize that.

I also want to point out that the figures on net are after payment of production expenses, so the inflation and production expenses have been taken into account as we calculate the net position of agriculture.

At the time we passed the Agricultural Act of 1973 the Government was substantially in the storage and the commodity business. We had substantial sums of grains and some cotton, but these have practically been liquidated. We still have some held for emergency feed conditions; however, other than that the Government does not

have any feed grains or food grains or cotton in its inventory. This reduction has greatly reduced our storage costs which as recently as 4 years ago were \$1 million a day.

Our chief inventory items right now are dairy products, nonfat dried milk, and oil seeds which we have in rather substantial quantities as a result of our peanut program.

We have freed some 60 million acres which had been immobilized for production. They did not all come back into production. We discovered when we freed them that we had been paying for some acres that we didn't have.

Nonetheless, there has been a substantial movement of those idle acres back into production.

As a result of this, we have virtually tripled our farm exports dollarwise and doubled the physical quantities which are being exported.

Last year our exports from agricultural sources totaled nearly \$22 billion. This is up from approximately \$7 billion 4 years ago. Agriculture has now moved into the No. 1 export earning position in this country. It is our single most important source of exchange, and we want to keep it that way.

We had a net plus contribution last year from agriculture to our balance of payments of approximately \$12 billion, ever though we imported about \$10 billion of agriculture products last year.

A little while back, Rogers Morton, who was then Secretary of Commerce, was in a rather boastful tone saying that we had a net plus balance of payments in overall trade last year of \$11 billion.

When he finished I took it to the President and I said, "Mr. President, of the \$11 billion plus over the overall, agriculture contributed \$12 billion." I think it's important that we make that point.

Without this very substantial flow of agricultural exports we would be in real trouble on our balance of payments in this country.

Without these agricultural exports we would be in trouble maintaining the value of the dollar abroad, and could not import the volume of commodities we import. Last year agriculture came within \$3 billion of paying for our total imported energy bill.

I think these are important points which are associated with the new agricultural program—that is, full production and a vigorous export market.

I would like to tell you about our prospects for 1976.

We are going to have full plantings of our acreage in 1976. There is some apprehension and some worry that we may overproduce in 1976. If I had to take my choice between risking on the side of overproduction and risking on the side of not having enough, I would have to vote on the side of risking for too much.

I think we cannot afford to take the risk of not having enough.

We came out of the 1974-75 crop marketing year with carryouts of our basic crops that were dangerously small. This resulted from our short production in 1974. As I recall, we had a carryout last July of old crop wheat that was in the magnitude of 300 million bushels, which is well below normal. It's on the dangerously short side, that is unless we are assured of a big wheat crop this year.

Last October 1 we came out of our corn market with a carryout of old crop corn equivalent roughly to a 6 week's utilization in this

country. That is too small a carryout for comfort, especially when you have no assurance that you are going to have good weather the next production year.

Fortunately, last year we did have good growing weather in the Corn Belt. The year before we did not. We had to reduce our corn crop estimate in 1974 from the initial July 1 estimate to the final December 1 estimate by approximately 1.5 billion bushels. If this had happen again in 1975, then our livestock, dairy, and poultry industry in this country would have been in trouble.

We are going to come out of this marketing year with somewhat of a heavier carryout in both food grains and feed grains than we had the year before, but they will not be excessive in terms of our requirements and in terms of the safe level of carryout.

We now have our exports geared up to a high level. We are going to export out of our 1975 crops approximately 100 million tons of grains total, including rice and soybeans.

This is by far and away a record physical volume of exports from American farms.

We are currently loading ships about as fast as the ports will take the grain. They are running at full capacity and have been for some while. Some of our customers likewise are unloading at full capacity.

The sale to Russia, which had a great deal of publicity, was important. The Russians are unloading grain as fast as they can unload it. They can only handle between 2 and 2.5 million tons a month in the Russian unloading facilities. Even through they are unloading as fast as they can, the best estimates now are that they are backed up as much as 1 or 2 months.

At the time last summer when we had the temporary interruption of sales to the Russians, we had already sold them 9.8 million tons of grain. They had purchased approximately 4 million tons elsewhere. At that time they had enough purchased to keep their unloading facilities going at full capacity for approximately 7 months. Our feeling is that we did not skip a beat in loading on the Russian side. We skipped a beat or two unloading on this side last summer because of the longshoremen's refusal to unload some boats although we did not miss too much. That's the only place that we have missed opportunities for loading and unloading ships.

The export market looks good in the year ahead. Our best projections are that we may exceed the \$22 billion by \$1 billion or \$1.5 billion. It's hard to tell just what that will be. Even at lower unit prices this will happen. This means that we will export physically as much as we can through our ports in the year ahead. That looks good.

Our livestock industry is looking up. Hogs have been very good and have had a very good price. They are down some now, but the hog situation will continue to go up through the year. The cattle situation is looking up. Just yesterday we got a report on the numbers of cattle on hand by January 1 which showed a 3.5 million decrease in the cattle numbers compared to a year ago.

This is in sharp contrast to the buildup in cattle numbers which we have had the last 2 years. This is simply the cattle cycle operating which is approximately 10 to 12 years long. It operates with a great deal of irregularity but 2 years ago we had a buildup of approximately 5 million head of cattle on farms and 1 year ago approximately a little

under 3 million. This year there is a decrease of 3 million which reflects the slaughter of female stock of cows and heifers that has occurred in the past year.

I think we have to interpret that as evidence that we are coming out of this phase of the cattle cycle and shortly, perhaps some time in the next year, we will begin again to build up numbers. This means that we will decrease the percentage in the slaughters of cows and heifers which should result in substantial improvement in cattle prices to our cattle farmers.

I think this will be reflected both in the price of fed cattle which of course has its own market and the price of feeder cattle off the range. You are going to see some improvement there as we begin to hold back our female stock in this country. They will not only replenish the herds but build them up because the long time trend is to build them up resulting in an increase in total cattle numbers. Instead of having a cycle that operates around horizontally we tend to have a cycle now that operates on an upward trend. I think the numbers will continue to go up in this country. Perhaps the most expansion will come in the Southeast because we are using approximately all of the moisture we have in the intermountain areas now. There just isn't grass enough to support any more cow-calf units out there.

In the case of dairy, we have come through several months of reasonably good prices. The prices are down some now but production picks up seasonally and it always does at this time of the year.

I think the dairy farmer can continue to look forward to a reasonable level of profits with lower feed costs than a year ago and with milk prices substantially above a year ago.

On the whole, Mr. Chairman, I think we have a rather good picture for agriculture in the year ahead.

I'm sure there are comments and questions.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Because the committee could not begin its session at 10 o'clock, we are a little short of time for the questioning period. Without objection, therefore I will ask the gentlemen to limit their time to 3 minutes rather than the accustomed 5.

Mr. BUTZ. I will have short answers, Mr. Chairman.

The CHAIRMAN. Mr. Wampler.

Mr. WAMPLER. Mr. Secretary, we appreciate your presence here and your fine presentation and observations as to what we might expect by way of agricultural outlook for this year.

I was particularly pleased with your comments pertaining to the livestock industry because most experts with whom I have talked, including you, indicate that this should be a profitable year for the industry. I know this is welcome news to livestock producers who have faced depressed profits for 2 years.

I realize that feed supplies were short and high priced in 1975 because of crop failures the preceding year, 1974.

I have read Department reports which estimate that food grain production will be up—probably 23 percent from a year ago. This is indeed encouraging.

How do you foresee the problem of imports of beef into this country? We hear repeatedly from producer groups saying this will have a depressing effect on the market.

I wonder if you would care to make any observation on that?

Mr. BUTZ. I think the Beef Import Control Act passed by the Congress in 1965 dealt with this.

Each quarter, as you know, the Secretary of Agriculture is required to make an estimate to the President on the volume of imports we will have and if the estimate exceeds a trigger point well defined in the law. When this point is reached the President must either impose import quotas or in the absence of them have voluntary agreements with the principal exporting nations to us to limit their shipments. That is in effect right now.

We have the voluntary agreements negotiated at the level of, I think, 1.8 billion pounds as defined in the law.

It has operated quite well. As nearly as I can tell that will be kept in effect during the entire year.

Mr. WAMPLER. I want to commend you and say that I am one of those who advocates a strong export policy for American agriculture. I think this is one area that we can clearly compete in with any country in the world because it has natural advantages such as climate and the productivity.

I am highly optimistic from your presentation this morning and I hope that this Congress can act responsibly in trying to keep inflation in tow to the extent we can and try to balance the budget because I think it would be tremendously helpful in maintaining a strong viable and hopefully profitable American agriculture.

We appreciate your coming.

The CHAIRMAN. Mr. Bergland.

Mr. BERGLAND. Mr. Secretary, I have been reading the works of weather researchers at the University of Wisconsin and elsewhere. They have been extrapolating from trends of the past and suggest that we may be on the verge of a prolonged drought similar to the drought of the 1930's.

In the event that we should have a drought, what contingency plan does the Department have in the allocation of these grains in the event we see a continued demand for grain abroad and a limited supply at home?

Mr. BUTZ. By any other name it is still an embargo.

I think we will have to face that when the time comes.

First let me say that we are aware of these various projections of a long-range weather cycle. It is difficult for our people in the Department or in the weather bureau to discover any indication that would substantiate those projections. It may always happen as we had the dry season in 1974.

I hope that we do not have to come back again to an embargo on exports. I know that if we get into a dry season with a short production, the pressure will develop from all over the country. You can feel it in this body right here. It's a pressure to impose the restraints on sales abroad.

I hope we don't get into that. I think President Ford, speaking to the American Farm Bureau Federation in St. Louis 2 weeks ago, went about as far as a President dare go on giving assurances on this. He discussed the Angolan situation. He said he was getting a great deal of pressure to interfere with the shipments to Russia until they showed cooperation in Angola.

He said he would probably not do it.

Somebody asked me why didn't he come out and flat say that he wasn't going to do it.

I pointed out that no sitting President dare close his options that completely. You don't know what is going to happen in the next year.

Yet, I think we have to be very careful: One, that we do have enough domestic supplies to service our domestic livestock and dairy and poultry industry; two, that we do have enough available to take care of our traditional customers, including Japan which orders about the same volume year after year; and three, from agriculture's point of view we have to be careful that we do not let the American farmer become a pawn on the chessboard of the State Department. Do I make myself Clear?

There is always pressure to do that. One of the strong tools which we have in America today is food. It is going to continue to be strong. As long as that is true I think you are going to have pressures to use it as a diplomatic pawn. I think we should not succumb to that.

Mr. BERGLAND. Thank you, Mr. Secretary.

The CHAIRMAN. Mr. BROWN.

Mr. BROWN. Mr. Secretary, the Committee on Agriculture in the near future is going to have hearings on agriculture research centered around legislation introduced by Mr. Wampler and last week legislation which I introduced dealing with the general subject.

There seems to be some feeling that we are moving into an era which the agriculture research establishment might need to give greater attention to. I'm talking about long-range climate research, nitrogen fixation, photosynthesis, being more responsive to the urban consumer, and a number of things of that sort.

Without any derogation of the great value which the establishment has made to the health of American agriculture, I wonder if you could comment in a general way as to how you see the health of agricultural research and any possible changes in the broad thrust of research in the Department?

Mr. BUTZ. I would be glad to.

You touch on a subject near and dear to me because I've spent my life in academic work and research.

I think it is one of the most important areas we have to face in the days ahead. As I look down the road 25 years to the end of the century, the world is going to have 80 percent more people than we have today.

All of our efforts at family planning will not stop that.

What that means is that in the next 25 years we must learn in this world how to feed almost as many more people as we have learned to feed since the dawn of history. We must do that at a time when there are no more prairies to plow, there are no more hemispheres to discover, there are no more valleys in California to irrigate.

We have to do it with research and science.

You asked why have we not put more emphasis on this in our budget for 1977. We have. We went as far as I felt we should dare go within the constraints placed upon us. We are increasing our request for agriculture research in the new budget, but even so, by the time you take the inflation factor into account, we are just about holding our own.

The State agricultural experiment stations, like the one you have at Davis, Calif., is just about holding its own when you take into account the inflation factor in doing research.

So, we are at least holding our own in next year's budget. We will have some restructuring of priorities. I think we are at a time when we need to give priority to the basic kind of research you mention, that is to discover ways that we can meet what I think is the No. 1 challenge: How are we going to double food production in the rest of the century?

Mr. BROWN. Thank you, Mr. Secretary.

The CHAIRMAN. Mr. Sebelius.

Mr. SEBELIUS. Mr. Secretary, it's good to have you. I will ask one question.

We have a full committee here today.

Do you have a conjecture or statement as to what would have happened to grain prices, and especially wheat, if George Meany had not led the longshoremen and the seafarers on a prolonged strike last August?

Mr. BUTZ. I think this had, at least in the short run, a negative impact on wheat prices, grain prices in general, but especially wheat because our corn had not yet been harvested. I think we have overstated the impact however.

Unfortunately, the interruption of export sales and loadings came at a time when our big production in 1975 was becoming increasingly apparent. The prices would have gone down some anyway.

As I said a while ago, I don't think that we missed any sales. Some sales from the U.S.S.R. did go to Brazil. That's quite right. Some went to Argentina.

But some of those that went to Argentina have shifted back to this market because of the shortage of the Argentine corn crop which is coming off right now. Last week I read of 300,000 tons of corn shipments coming back to this country.

But, inasmuch as we are all on a world market price now, I don't think it had that much impact on price.

I think we kept our embargo on sales on a month longer than we should have. As you know there were discussions taking place at that time with respect to a petroleum agreement that had to be postponed. They are discussing that very agreement right now in this town.

Unfortunately, the extra month that the embargo was kept on coincided with the time that prices would have come down anyway.

Mr. SEBELIUS. Thank you, Mr. Secretary.

The CHAIRMAN. Mr. Mathis.

Mr. MATHIS. Thank you, Mr. Chairman and Mr. Secretary.

In line with one of the earlier questions asked regarding beef imports I am worried and concerned—and I know you are too—about the import problem of palm oil.

I understand we are up to almost 400,000 metric tons. This has had an adverse impact on our soybean people, our cottonseed people, and our peanut people as well. I understand also that we are the only country that imports palm oil without imposing some kind of import duty. I wonder what your general reaction would be and some suggestions you might have as to what we might do with this problem.

Mr. BUTZ. You put your finger on a difficult problem. The oil situation is in surplus around the world.

A part of it is palm oil. Unfortunately, some of this palm oil production results from our own technical assistance and loans and investment abroad to help people get in the palm business.

On the other hand, this was about the only source of foreign exchange that some of those countries could generate. In the absence of this, there was a continuing basket case. You raised the question, do you want to have these people as basket cases or do you want them to produce palm oil.

As you pointed out it comes in duty-free. From my point of view this has to be examined because it is impacting adversely on the price of soybean oil which reflects adversely on the price of soybeans and adversely on the price of peanut oil which as you know is one of our problems in the whole peanut program.

All I can say is that this is under examination. My personal position is that we need to take a hard look at it and perhaps place some protection on it if it can be done under existing arrangements.

Mr. MATHIS. Will you have recommendations to make to the committee at some future time for a possible course of action?

Mr. BUTZ. I do not know that we will have that kind of recommendation.

This is a matter for the Tariff Commission to look into.

Mr. MATHIS. You mentioned basket cases. I think you know that this is making basket cases of some of our soybean growers.

Mr. BUTZ. One of the unfortunate things about palm oil is that the oil is about the only product of the palm tree. In the case of soybeans you have a joint product. In the case of peanuts you have a joint product.

But, in the case of palm oil it's practically all oil.

Mr. MATHIS. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Rose will speak and then Mr. Thone.

Mr. ROSE. Thank you, Mr. Chairman.

Mr. Secretary, I am very happy to hear your optimistic outlook for 1976 and the good news that you bring us about agriculture in this country.

However, there are several things which have come to my attention and to the members of my subcommittee on family farms and rural development. We have expressed these things to our colleagues and they are not so optimistic.

I will parenthetically note this. Farm income, as you have said, looks good for 1976.

If the redefinition of the term "farm" becomes policy as your department and the Bureau of the Census intend, which states that only farms producing over \$1,000 a year of produce will be counted as farms, then we will redefine out of existence some 570,000 small farms in this country.

By that statistical manipulation alone the average farm income will take a healthy leap from \$9,000 a year to come \$11,000 a year to further the statistics of what is happening to the American farmer.

I notice in a publication by your Office of Planning and Evaluation called Alternative Futures for U.S. Agriculture a Progress Report that maximum efficiency farming would produce superior benefits to consumers taxpayers, and those farmers who are left to farm. However, your department study conceded that there could be a "somewhat difficult transition period through 1990 while up to 1.1 million farms would be integrated into larger farm units and food prices and farm income would be subject to disturbing fluctuations."

Let us set that against your 1977 budget and what is in it, for the Rural Development Service and rural development programs and some of us are concerned that we are moving more rapidly than we need to toward the supposed goal of maximum efficiency farming.

I personally—and I think many of my colleagues—feel that the family farm has been and will continue to be, and should continue to be, a way of life in this country. We have a responsibility to protect those who would make the family farm a way of life.

The people who settled this country were small family farmers.

But in the 1977 budget, Rural Water and Waste Disposal Grants had no program for 1977. Rural Development Grants had no program for 1977. Rural Housing for Domestic Farming and Mutual and Self-help Housing, title 5 of the Rural Development Act: No program for 1977.

However, the Rural Development Service is going to get five more people and \$355,000 more for employment.

Last week your new Under Secretary for Rural Development came in and anguished with us over what he is having to work with for fiscal year 1977. He told us about an exciting computer program called FAPPERS which computerized the Federal Domestic Systems cataloging.

Your people very efficiently produced this service only to learn a few days later that it is to be transferred to the Commerce Department.

That is not my main point. My main point is this: Why do we have to leave rural America and the small family farmer behind as we rush forward to feed the world? I am afraid that we are going to tamper too much with the framework of our great Nation.

Mr. BURZ. Mr. Rose, I cannot respond in 3 minutes, I think, to your 5-minute question.

First, whenever you have a series of statistical data that you compare from year to year and you substantially change the base and method of calculation in one year you always have to adjust those for comparability.

If you feel that we are going to have a smaller number of farms which will raise the income a proportional amount, then you have to make it comparable whenever you have the series.

Second, with respect to the family farm, let me say this. Last year we had a net loss of 11,000 farm units in the United States. You can argue 11,000 is too many. It is substantially better than the roughly 100,000 per year we lost during the 4 years 1965 to 1969. Incidentally, this happened to be the last years of the Democratic administration.

That is purely incidental. I just picked those figures out of the air.

Mr. ROSE. That doesn't make it any better.

Mr. BURZ. You can argue 11,000 is too many, but it's better than 100,000.

Now, having done my bit of demagoging, let's get down to facts.

Of course we want to preserve the family structure but any farm that grosses less than \$1,000 is not a family farm. It is one-half of a family farm or one-fourth of a family farm.

If we pursue policies that perpetuate that kind of situation—that they are going to gross less than \$1,000, then we simply preserve misery out there.

Our object is to have a family farm large enough and productive enough that it can make a decent living for the farm family.

That is to be our goal.

It is true that in our budget we have nothing in there for grants of these kinds but we have substantially increased the loan clause.

There are grants available for sewers under HUD appropriations. This is partly a matter of eliminating duplicating authorities.

If you take a look at this, you may argue that the administration in HUD is not sympathetic to rural America as it is in Agriculture. I will grant that.

On the other hand, it is an effort to eliminate overlapping authorities in order to streamline it. As you say we developed this method of retrieval of information so that county *x* could plug into the computer and find out what is available. I think this is where it belongs.

There are many other aids which impinge on rural development. Many are in the Commerce Department. Many are in HEW.

Mr. ROSE. Is this program going to Commerce?

Mr. BUTZ. I cannot tell you that now. I know our people developed the program. I think it will be useful, but whether it is going to Commerce I can't say.

There are programs entirely outside of Agriculture. This permits county *x* to get a full spectrum.

Mr. ROSE. Some of your colleagues at Purdue University were in town the other day. They were explaining to some of us a very exciting program called "Remote Sensing of Agriculture." It was in a program at Purdue University.

With the use of our Satellites Landsat 1 and 2 the technology exists today for us to predict world crop yields and, in some instances, the types of acreage we can predict in some instances with local knowledge, the yields and we will be able to measure stress on costs.

You said a minute ago that you didn't want the American farmer to become a part of the State Department.

Has the State Department decreed that we are not going to put into effect a worldwide sensing system which could give us more up-to-date information about agriculture production?

Mr. BUTZ. The program is underway now. We call it the LACIE program.

Mr. ROSE. LACIE is limited to this country. Is it not limited to just the United States?

Mr. BUTZ. The United States and Canada.

Dr. Paarlberg can deal with this.

Dr. PAARLBERG. We have just initiated a program cooperatively with the Soviet Union to exchange both ground and remote sensing data in an area in the Soviet Union and in Dakota. This is indicative of the fact that we are advancing our use of this new technique in order to obtain information on a much better basis than just in this country.

Mr. ROSE. We are also permitting Near Eastern countries to get this information from our satellites, are we not?

Dr. PAARLBERG. Yes, we are.

The CHAIRMAN. This is an extremely important subject. I am sorry to cut it off, but we have other questions.

Mr. Thone.

Mr. THONE. I hesitate to shift from the current glamour area of exports and overall research to the somewhat mundane area of legislation and administration.

Some of us on this committee in recent weeks and months have been active in four fields: the Grain Standards Act, Packers and Stockyards Act, Food Stamps, meat marketing and movement restrictions thereon.

In my limited time here we cannot go into all of those, but I would like for the record to show that you and I visited on this and I would like to then briefly explore the Stockyards Act amendments. We have held hearings in Texas and Nebraska on this as well as here in Washington.

We worked closely with Mr. Poage on it. Mr. Bergland and I have a bill which will be marked up Friday, H.R. 8410.

If you remember some time ago we wanted to put some teeth in that paper tiger called the Stockyards Administration. At the eleventh hour we had the rug pulled out from under us by OMB, Justice, USDA, and I don't really know who else. One of your emissaries came up and apologized for it.

That did not help us too much at that time.

Is it my understanding that if we come up with a meaningful bill that will effectively do something in this area, we will have strong administration support. Is this correct?

Mr. BUTZ. Yes. I think the objection earlier was based on the fact that they did have budgetary implications and manpower implications, but in the meantime there are some 22 states that passed bonding requirements. We have a crazy quilt pattern in no-man's land out there. Somebody has to cooperate with across stateline situations.

There is a need for standardization.

Mr. THONE. Thank you.

The CHAIRMAN. Mr. Melcher.

Mr. MELCHER. Mr. Secretary, in New Orleans the foreign grain sales have experienced scores of indictments of private grain inspectors for misweighing, misgrading, allowing filth and dunnage to be shipped with American grain.

So far there have not been any employees of the Department of Agriculture, the Marketing Service, or the Office of Investigation indicted.

I hope that none are guilty but it is a little difficult to watch scores of people being either indicted or pleading guilty in the New Orleans area and assume that none of that touched any of the Department of Agriculture employees.

I know of your Audit Department's recommendation that there be an investigation of the Department itself in this role and that you have agreed to such an investigation.

My question is this. Would you welcome an outside investigation by an independent group rather than an in-house investigation of the Department of Agriculture investigating itself on this very sensitive point? The question then is, is or is not the Department entirely clean in this situation?

Mr. BUTZ. If it would serve a useful purpose, I certainly would. On the other hand, the Office of Investigation is a reasonably independent organization. They report directly to the Secretary. They are not in the administrative structure.

They were set up by Secretary Freeman. The Billy Sol Estes case was connected to this.

It's my impression that they are a pretty competent and pretty independent group of investigators. They are under instructions from

us to follow any lead they can subject to the manpower limitations and let the chips fall where they will.

As you say, so far we have had no indictments of the departmental personnel. That is not to say there will not be.

I sincerely hope that there will not be.

On the other hand, I think we have to point out that if we transfer this grading and inspection function to a Federal system, as has been proposed, that is no guarantee in and of itself that there will not be irregularities then. Federal employees, like private employees, I suppose are subject to human frailty.

MR. MELCHER. Mr. Secretary, are you aware of Mr. Arechiga's deposition about the investigation of a former employee where he says that he was stonewalled and shut off from sufficient help from the Office of Investigation? Does that not more or less indicate that the Office of Investigation has to be checked out on this and that they would hardly be the watchdog to investigate themselves?

MR. BUTZ. First let me point out this. Our Department of Agriculture, like this committee right here, has limited manpower. We only have so many investigators. We only have so many lawyers.

My hindsight is 20-20 without glasses. I'm perfect in that respect. I can say that we should have put more investigators on this; we should have put more auditors on this.

We have pulled out a substantial number of auditors and investigators to be on this. My only hope is that the place we pull them from does not show up with a problem there.

With that comment, I'd like to have Secretary Knebel answer your question.

MR. KNEBEL. As you know, Mr. Graziano, the head of the Office of Investigation came to the Department recently. I think you will find that the independence of this man is unscathed and there is no reason for him to cover up anything. He is reporting directly to me.

With respect to your comments with regard to Mr. Arechiga and other employees who have been so-called muzzled, very frankly we have talked to all of those people and we had an on-going investigation within the Department. We are cooperating, not only with the U.S. attorney, but the F.B.I. is helping us in this thing. I don't really see at this point any benefit to be gained by bringing in yet another investigative force.

I think the Office of Investigation, which as I say is reporting directly to me, and with the F.B.I. and the U.S. attorney both in New Orleans and elsewhere is sufficient. They are well able to look into the matter and keep it in proper perspective.

MR. MELCHER. Is the F.B.I. investigating the Office of Investigation?

MR. KNEBEL. There are certain people within the Department, some of whom are in the Office of Investigation, who are being looked at, yes.

MR. MELCHER. Thank you.

MR. KNEBEL. They will be looked at in detail and if indictments are merited, they will be passed out.

THE CHAIRMAN. Mr. Litton.

MR. LITTON. Mr. Secretary, in response to Mr. Rose you said that you wanted to preserve the family farm structure. You said you

wanted to upgrade the definition of family farms. Did you know that in 1942 we said \$60,000 of the estate would be tax-free?

Did you know that many farmers find they can't give their farms to their sons because when the farmer dies he is forced to sell off so much of the farm that he is not left with anything and it is not economical to operate?

The point is that if we want to preserve the family farm and if we upgrade the definition of family farm, then why don't we upgrade the exemption from \$60,000, if it was fair in 1942, to a figure of \$200,000, which it would be today, adjusting for inflationary impact.

I think it was indicated in St. Louis that they did not want to change that figure. It was desired that it be spread out over 20 years.

So, if we are going to upgrade the definition of family farm, why don't we upgrade the exemption so we can preserve the family farm?

Mr. BUTZ. This applies to any family entrepreneur business, the supermarket operator, the druggist, or whomever it may be.

I think first we have to make this across the board. You cannot have class legislation that applies just to one vocational group in America.

The President recognized that, I think, in his proposal to spread the liability over a 25-year period.

I quite agree with you that a \$60,000 exemption in 1942 would be the equivalent of more than double that now. You get into a nice philosophical argument as to whether or not we should raise the figure up to a higher level and that impacts on total tax revenue.

You wonder whether or not you should spread it out and make it possible to pay it back.

The President's proposal is a 5-year moratorium with no payments required and no interest and then you would pick up and spread the rest over a 20-year period at 4-percent interest which is substantially below the current rate.

Whether or not you should have that or simply raise the exemption to a figure of \$120,000 or \$180,000 is a matter that involves public finance.

Mr. LITTON. If a man and his wife work for 40 years on a farm and when he dies she can't even keep the farm, that's immoral treatment and deserves more than philosophical consideration.

Mr. BUTZ. Yes; I suppose you can make the same argument about the man who had his estate all in securities. You might apply the same argument there.

Mr. LITTON. Except the man's wife who has securities did not work by his side day after day to pay off his securities.

Mr. BUTZ. That's right.

The CHAIRMAN. Mr. Peyser.

Mr. PEYSER. Mr. Secretary, is the administration going to come up with a solid recommendation for a Peanut Act this year?

Mr. BUTZ. It depends on what happens in the peanut industry.

We met with the leadership in the peanut industry 2 years ago. We met with this House and on the Senate side. We came forth with a proposed bill last year. It did not fly.

At the present time we have backed off of it. I have asked Bill Lenier, who heads our Oilseeds and Tobacco Division in the Department, to be our contact man with the industry. He has been meeting with the industry.

We had legislation that I thought was coming forward and would have been acceptable to us that would have moved us away from this currently untenable position.

I understand that there are friends from Virginia and North Carolina who have now withdrawn. Do I understand that correctly, Mr. Wampler? That is, our Virginia and North Carolina industries have withdrawn their support from this proposal?

Mr. JONES of North Carolina. Basically, yes.

Mr. BUTZ. That's where we are. Until we can get some kind of unanimity from the industry on this, I don't see much chance of having it fly.

Mr. PEYSER. I would hope, Mr. Secretary, that we are at least going to make the effort because if we don't get a bill out that we can work on then maybe nothing will happen.

It's always nice to say positive things when you are here. I want to take the opportunity to go to the other side.

My final question is this. It seems to me that the Department has to do something to convince consumers that they truly have an input in the Department of Agriculture.

People do not feel that they have. I think one of the most blatant examples of this was in regard to the beef grading program. There were literally thousands and thousands of people who responded in opposition to this system. Nevertheless, you moved ahead, and, as I understand it, on the 23d of February a new regrading program will go into effect. I think it is not in the consumers' interest. And the consumers don't think so either.

The point is this. The consumer response, which you asked for, was so overwhelmingly against the program yet nothing happened.

I really think we have to do something to let people feel that they have an input in the Department of Agriculture.

Mr. BUTZ. Let me comment about the beef grading proposals.

There is more than one voice that purports to speak for consumers, as you know. As I understand this case, one consumer organization was opposed to the proposed revisions and the other was in favor of it. This is just as the livestock industry was divided. We had divided recommendations on that. We had the National Livestock Feeders' Association that did not want it and the American National Cattlemen's Association that did want it. We had consumers divided on it. I have heard the same comments that you didn't listen to consumer groups. Well, it depends on which consumer groups you are talking to.

Mr. PEYSER. Is there any way that you can do something to let the public know?

Mr. BUTZ. We have a Special Assistant to the Secretary for Consumer Affairs, Mrs. Nancy Stewarts, who is pretty vocal in our Department about this and is maintaining liaison with these people. Whenever we propose any change like this it goes into the Federal Register. We have public hearings and everybody is entitled to have his say.

The CHAIRMAN. Mr. Jones of Tennessee.

Mr. JONES of Tennessee. Mr. Secretary, I want to tell you that we appreciate your being here.

When I look at the 1977 budget for the Department of Agriculture I notice the deletion of the amount for the Dairy Herd Improvement Association, DHIA, \$1,500,000.

Mr. Secretary, I would like to ask you why all of this money was deleted when DHIA through the years has probably contributed as much to the improvement of production per cow in this country as anything that I can think of?

Mr. BUTZ. I presume, Mr. Jones, you would raise that question about any item that you reduce or delete. In and of themselves they are all good, I think.

This is a program that is 40 or 50 years old. In the old days of producing cows they did make a tremendous contribution, as you say, to the culling of cows and upgrading production per cow.

It is felt that the marginal impact of this program now is potentially much less than it used to be.

Second, it's the type of program that many producers cannot and perhaps should not carry out on their own. It was just felt that in the stress we were under for a more responsible budgeting that this was not that high on the budget scale.

Mr. JONES of Tennessee. With the problems that the dairy industry is having today, it seems that this is one of the difficult things to do on a private and individual basis.

I noticed that at the working conference on research which met in Kansas City in July of last year—one of your assistant secretaries, Mr. Young, was there—that the average rating of research need there is by magnitude of averages, they had their production 11th from the top.

Mr. BUTZ. We have experienced very substantial increases in the production per cow in the last 20 years as you are fully aware.

That is not to say that research in dairy is unimportant. Research is going forward in the fundamental areas of nutrition and genetics and they cut across all livestock.

Mr. JONES of Tennessee. It grieves me to see a cut like this when I see that in the budget there is a much greater amount for GSA rental space.

One of the questions, Mr. Secretary, is this. Is the USDA asking for enough funds for brucellosis eradication?

Mr. BUTZ. Enough is never asked for. In a case like this we've had the 40 year old program. I personally feel very strongly that we are close enough to success in this that we cannot relax our efforts.

I know the veterinary profession asked for something more on this. On this we usually come in for a supplemental appropriation because we don't know what the level of indemnities will be at the budget making time.

We've had problems with Texas as you know. Roughly one-third of the cases are in Texas unfortunately. I know they have some severe problems down there. They are rounding them up for testing. The tests are not 100 percent sure yet, so we had to stand tight on this. Many of the State commissioners of agriculture took the position that they would impose a quarantine if there was no cooperation.

We have a number of States as well as a number of areas in States that are brucellosis free. I think we are within grasp of making the Nation brucellosis free.

Do we ask for enough? You never ask for enough. They may come back with a supplemental.

Mr. JONES of Tennessee. Mr. Secretary, there is a budget proposal of providing depopulation to—

Mr. BUTZ. For depopulation of cattle?

Mr. JONES of Tennessee. Yes, sir.

Mr. BUTZ. Yes; it is a depopulation process.

Mr. JONES of Tennessee. Thank you.

Mr. BUTZ. The budget is for indemnity payments for those who lose cows.

The CHAIRMAN. Mr. Richmond.

Mr. RICHMOND. Mr. Secretary during your remarks you indicated that there are basically no commodities in storage right now, except for a very small amount, is that correct?

Mr. BUTZ. Yes.

Mr. RICHMOND. You also said that you are contemplating very few surpluses.

Mr. BUTZ. Correct.

Mr. RICHMOND. You also agreed that nobody today knows anything about the vagaries of the weather.

We also remember that about a little over a year ago the USDA agreed at the World Food Conference that it would undertake to develop food reserves.

What is being done at the Department as far as drafting legislation which would mandate a substantial and reasonable U.S. grain reserve similar, for example, to the Canadian grain reserve?

Mr. BUTZ. First let me point out that we have a very substantial grain reserve in this country. The fact that the Government does not own it doesn't mean that we don't have the grain reserve. We have 1 billion bushels of wheat in the country now. It's physically there.

The Government doesn't own a bushel of it. It's owned by farmers and people in the trade but it is a reserve.

We are going to come out of this wheat marketing year next June 30 with a carryout that will be 50 million to 100 million bushels above last year's carryout, so we are in fact adding to the reserve.

You asked what the United States is doing about our efforts to get a world food reserve system.

We met three times at the International Wheat Committee and proposed a reserve system with a suggested allocation of reserves to be held by the importing nations and the exporting nations. As I recall it was approximately 40 percent importing and 50 some percent exporting, but the suggested allocation was for allocation among each nation.

It has not been flying as a result of the good production we got in the United States and Canada last year. These countries don't see the need to participate in the world reserve program.

On the other hand, I think any shift we can make in the responsibility to carry reserves from this country to the other countries is a step in the right direction.

Historically the United States and Canada have carried the world's reserves of grain. We did not do it purposely. We did it as a byproduct of our price support program. But, this meant that the rest of the world did not have to carry reserves.

If we can get Japan, for example, to assume responsibility for carrying part of her own reserves, that's to the good, or if we can get Russia to do that, as Russia is doing with this new grain agreement that's to the good. Our best evidence is that Russia is building substantial storage space inside Russia and some estimates are as high as

30 million tons. To the extent that they do that, they move the responsibility off our shoulders to do it, and I think it is a step in the right direction.

Mr. RICHMOND. Last June, I think we would both agree, there were literally no reserves on hand in the United States. We may have a big carryover now in the middle of the year but my estimate is that last year we had very little in reserve.

Mr. BUTZ. We came out with 320 million bushels of wheat by June 30 last year.

Mr. RICHMOND. Would you call that a reserve?

Mr. BUTZ. That's on June 30, but we already had 300 million to 400 million bushels of the new crop already harvested by that time.

Mr. RICHMOND. For a nation this size I would not call that much of a reserve, would you?

Mr. BUTZ. 350 million bushels of wheat is one-half of our annual requirement of wheat in this country. We produced 2.1 billion bushels last year. Our domestic disappearance will be right at 700 million bushels or a little less. We eat about 550 million bushels, 100 million bushels are for feed and the rest is for seed.

So, even that minimum was half of our total requirements. It still was a little too low for comfort.

Mr. RICHMOND. So both agree that wheat, corn and soybean reserves were too low.

My only question is this: Would your Department back some type of legislation involving a real U.S. Grain Reserve Act, where the government would administer specific levels of reserves?

Mr. BUTZ. We have a real U.S. Grain Reserve Act. Now, would I back legislation requiring the Government doing it? The answer is no. That does not mean that we don't have a grain reserve. Let's get that point straight. That billion bushels is out there. It is there to be used.

It is a safer reserve rather than if the Government owned it. If the Government owned it, right now there is enough pressure coming out of New York to do anything to get food prices down. One of the best ways to get prices down would be to force the dissolution of the Government owning it and therefore it is not as safe a reserve as it is now.

The CHAIRMAN. Mrs. Heckler.

Mrs. HECKLER. Mr. Secretary, you have been a very articulate champion for the farmer. I think in our inflammatory rhetoric the farmer has been placed in a position of confrontation with the consumer. I think this is unfortunate. I come from a consumer area. We have some dairy farmers. But, I think most people whom I represent are very concerned with the success of the farmer and realize that without the farmer's success, we would not have a food supply at all.

So, there is no reason why there should be tension between these two quarters. In fact, I would urge you to advocate the consumers' interest as well as the farmers' interest with equal strength.

But, I think obviously something has happened between the time the product leaves the farm and reaches the marketplace.

We get into the whole question of the little man. That is a major concern. That still remains a mysterious area clouded by the lack of firm investigations.

Your department is one of three agencies of this Government, the FTC, Department of Justice, and the Department of Agriculture, which is responsible for antitrust action in the marketplace.

It seems to me that the Agriculture Department should be looking for cases of monopolistic development in the area of food chains which result in a decrease in competition.

Yes I am told that the Department very rarely, if ever, takes initiative in this area.

Just last year, as you know, seven cattlemen in San Francisco accused A&P of price-fixing and pursued their case privately. They won and were granted by the jury an award of \$32.7 million.

It seems to me that the watchdog effort should not be relegated to the private citizen.

What is the Department of Agriculture doing, or going to do, about potential monopolistic practices? You can assert both the interests of the farmer and the consumer but obviously a lot of things are happening which your department has not investigated fully.

Is there any new policy that you are going to take to prevent this kind of situation?

Mr. BUTZ. You raise a number of questions.

First, let me say this. I think the program in agriculture now has resulted, that is action passed by this committee here under the act of 1973, in the posture of full production. It's the best pro-consumer program that this country has had. The best thing for the consumer is to have plenty. That is the posture of American agriculture. That's the posture of this administration and this committee.

Second, with respect to marketing processing costs, you are quite right. Right now the farmer gets about 40 cents of the consumer's food dollar. I quite agree that we've been chasing the 40 cent rabbit too long. I'd like to chase the 60 cent rabbit.

I guess that's what you were doing.

We want to make sure we don't have monopoly. We want competition but I think in that 60 cent rabbit there are inefficiencies built in. These are either by custom or by labor and management contracts.

Let's take a loaf of bread as a case in point. I'm sorry I don't have my loaf of bread here with me.

At the present price of Kansas wheat—Pardon me, Mr. Chairman, Washington wheat. At the present price of Washington wheat, about \$3.50 a bushel right now, you get 71 one-pound loaves of white bread out of one bushel of wheat. If you divide 70 into \$3.50 you get a nickel's worth of wheat in a one-pound loaf of white bread.

How much did you pay for that last week in the store? What did it cost you?

Mrs. HECKLER. I think it has to be 69 cents.

Mr. BUTZ. You eat out so much apparently that you don't know the price.

Let's say that that loaf of bread costs 40 cents. You have a nickel's worth of wheat in it. The wheat was one-tenth the cost of that loaf of bread. It costs more in American cities to move that loaf of bread from the bakery door to the supermarket shelf than it costs to put the wheat in it. The woman who complains the loudest about the cost is often the wife of the man who drives the truck. I'm getting kind of personal now, but it is the inefficiencies that are built into

the upper management contracts that have run the price of food up.

Mrs. HECKLER. Mr. Secretary, that is true. And, I'm sure there are a lot of inefficiencies but the fact is there are certain combinations that might be considered in the restraint of trade.

I think the growth and acquisition of the number of horizontally or vertically related industries constitutes a warning.

What is your agency doing in terms of the development of competition and how are you looking at that middleman other than to point out the labor costs?

Mr. BUTZ. We have people in contact with the Federal Trade Commission and the Justice Department wherever a trade monopoly exists and I think we can pursue it.

Mrs. HECKLER. Does your counsel pursue the questions of the investigation of potential monopoly?

Mr. BUTZ. Yes. Our Office of Investigation and our General Counsel's Office both do it.

The CHAIRMAN. Mr. Weaver.

Mr. WEAVER. Mr. Secretary, I believe that Congressman Bergland and Congressman Richmond have raised the most urgent question in American agriculture: The coming drought.

Carryovers are not reserves. We do not have a reserve in export policy.

But, it's very clear that you do not have a policy. You do not have any answers here so I won't ask it.

Mr. BUTZ. I have a policy but it's not your policy.

Mr. WEAVER. I represent the largest timber producing district in the United States. My question then is this.

Under the planning resources act, called the Humphrey-Rarich Act, the Department of Agriculture is to report to Congress on the first day of the meeting of Congress in 1976, a day which has already passed, with an assessment of our timber resources and a program for the management of our timber resources.

You have not done so.

I ask you why you have not done so and why hasn't this assessment and program come to us and when can we expect it?

Mr. BUTZ. The assessment has been made. I think it was an adequate assessment. It was made under rather severe time constraints. It was a mammoth job.

This came to me in December. It was transmitted to the White House on December 31, I believe.

It is in the process of evaluation and transmission to the Congress and will come over promptly.

Mr. WEAVER. May I have a date, Mr. Secretary?

Mr. BUTZ. I hope very promptly. I have the pressure on.

Mr. WEAVER. Within a week?

Mr. BUTZ. I hope so.

The CHAIRMAN. Mr. Nolan.

Mr. NOLAN. Mr. Secretary, I have an easy question for you to answer. It is not as weighty as some of the others which have been addressed to you.

As you know, this year the farmers have completed their 5-year agricultural census. That is a 20-page, 900 question questionnaire which takes the average farmer 1 day to fill out.

I cannot imagine the task of trying to assemble that information from 2.7 million farmers all across the country. It must take 5 years to put it together.

Would you support administrative or legislative efforts to replace that with a simple sample method for collecting data which is now employed by Labor for collecting unemployment statistics?

Mr. BUTZ. I would like Dr. Paarlberg to respond to that.

Dr. PAARLBERG. Yes; Congressman, we would support a change of that kind. We have discussed this at length with our advisory groups.

It does seem to us to be justified on the basis of relieving the responsibility as well as the accuracy of the information we would obtain.

Mr. NOLAN. Thank you.

The CHAIRMAN. Judge Kelly.

Mr. KELLY. Mr. Secretary, the President has recently vetoed the price support legislation for milk that was passed by Congress.

In the event this veto is sustained, what would you think the prospect would be for a more frequent adjustment of the support price and for the support price—absent some more bills such as that one?

Mr. BUTZ. In his veto message the President indicated that he was directing the Secretary of Agriculture to make a quarterly review.

Mr. KELLY. Would that accomplish the same purpose as a quarterly adjustment?

Mr. BUTZ. The legislation made the quarterly adjustment mandatory. It made it mandatory at 85 percent parity.

At the present time the legislation gives the Secretary discretion to set the price support as of the start of the marketing year which is April 1, at a range between 75 and 90 percent of parity and at such a range that would bring an adequate supply of milk.

Last October in line with the commitment we made to Mr. Wampler at the time that the farm bill was up for consideration last May, we made a semiannual review and an adjustment. We went to 80 percent as of last October. The situation appeared warranted at that time.

The President directed in his veto message that the Secretary make a quarterly review and make such adjustments as are appropriate to comply with the law to bring the supply up to an adequate one.

I cannot commit myself right now. I don't know what that will be on April 1, although the April 1 parity figure as it now appears at 80 percent would be only a few cents above the present level.

Mr. KELLY. Do you anticipate that 80 percent—

Mr. BUTZ. I can't make the commitment now because I don't have the analysis in front of me of the likely supply.

We have at the present time 360 million pounds of nonfat dried milk in inventory with no home for it. If this bill were to become law our best guess is we would add another 100 to 150 million pounds to that with no home for it. And, if we did that next fall when dairy prices normally get pretty good to producers, you would find the Government selling this back into the market in competition with producers.

Had that situation prevailed in recent months it would have been impossible for dairy farmers to have had the income status they've had in recent months.

Mr. KELLY. Do you anticipate that the price support level would go down?

Mr. BUTZ. No, because I don't think it would be below the current level.

The CHAIRMAN. Mr. Baldus.

Mr. BALDUS. Mr. Secretary, I'm impressed that you are worried about 25 percent now when we will have 80 million more people. I assume that accounts for stress on crops versus meats, but I am concerned about the effect that it has on cropland versus grassland.

I couple that with the attitude, or what seems to be your attitude, toward soil conservation funding.

I hope it's not true but it has been reported that you call it a "pork barrel for rural legislators". Coupling all of that together and knowing that the top soil will affect the food at the turn of the century, would you comment?

Mr. BUTZ. Yes, but let's distinguish between the Soil Conservation Service and the ACP payments. My reference was to the cost-sharing payments, the so-called ACP payments, currently funded at the level of \$190 million.

In the present budget for 1977 we put that in at the \$90 million level. It's enough to fund long-term conservation practices and to stop the annual practices that currently are being funded.

In recent years the average level of payments to cooperating farmers has been \$190 per farm. I don't think that's enough to induce compliance or encourage compliance.

The best way I think to get conservation in farming is to get income to those farmers.

Your extension service at the University of Wisconsin has done a magnificent job through the years in education and good sound conservation farming.

I think our farmers understand this if they have the income. There was a year 2 years ago during which those payments dropped substantially. Our best evidence is that during that year conservation practices dropped some but not markedly because the income was there to do it.

I have confidence in our farmers.

I may say that every President since and including Harry Truman has attempted to abolish this program. President Truman did, President Eisenhower did, President Kennedy did, President Johnson did, President Nixon did, and President Ford is.

Mr. BALDUS. In my district we are experiencing considerable practices in order to get more income, squaring up the fields and plowing more of it on land that should not be.

They will get more income that way but the soil is going down into Louisiana from my State.

Mr. BUTZ. This is something that the ACP payments will not stop because \$190 per farm will not reverse that.

We don't want some land to be put to the plow and some of that is taking place in view of some attractive prices for grains.

On the other hand, I think the extension services have done a good job in this respect.

The CHAIRMAN. Mr. Krebs.

Mr. KREBS. Mr. Secretary, within the last two decades we saw the demise of the citrus industry in Orange County and Los Angeles County and urban sprawl in the Central Valley. With as solid a background in agriculture as you have, Mr. Secretary, what solution do

you see to the continuous gobbling up of prime agricultural land—which I suspect is happening all over the State of California and in the United States?

For almost 10 years I've found myself frustrated with the lack of ability or lack of willingness of local government to face the problem.

I have noticed an increase in awareness on the part of our farmers, however. I think that's a positive sign.

What thoughts or views do you have on this subject?

Mr. BUTZ. That is a critical problem, especially in California.

I am distressed to see that good level land gobbled up by asphalt, while the hillside right nearby remains undeveloped and is used for pasture.

I think we need good State planning organizations and planning programs.

A year ago there was a National Land Use Planning Act passed which the President vetoed. I think it's wrong to try to impose a national pattern on all the States, but we need State by State to proceed on this.

I'd like to see some of this development in California go on the hillside and not on the flatland. Once they have taken the flatlands they are gone forever.

Mr. KREBS. I'm familiar with the foothills of the Sierras. There is simply no water for the type of development that you would advocate. I would agree with you if water were available, but it is not.

One final question—Are you in agreement with the legislation passed by the California Assembly by a very close vote of 41 to 37 last week, which, in effect, for the first time, would face this issue of designating prime agriculture land and limiting development?

Mr. BUTZ. I'm not familiar with the legislation but offhand I would agree with it.

Mr. KREBS. On the basis of limited information?

Mr. BUTZ. In principle, yes; but I haven't seen the legislation.

The CHAIRMAN. Mr. Grassley.

Mr. GRASSLEY. I know that you are voicing the concerns of the administration.

I have a kind of philosophical question. It's a basic question and one the farmers in my district bring up either directly or by inference.

I will give you a couple of examples of why they ask such a question.

The question is: Just how much does the Secretary of Agriculture, or we could mean the Secretary of Agriculture generally, just how much does the Secretary of Agriculture have to say about agricultural policy in this or for that matter any administration?

Some of the things that are brought up to me are: There is an article in the Washington Post which reminded me of this. It talks about the agricultural policy to halt the importation of palm oil. Then, it says here in one little paragraph:

However, a Treasury Department official said last week that the Government would look with skepticism on any new requests pending the completion of an agricultural study of the impact of global palm oil.

My constituents read also about the Secretary of Agriculture being one out of many administration members on a food policy council. They read about the influence of George Meany on the President and on the export of grain.

They read about the influence of the Secretary of State and his use of food in foreign policy.

These things are cropping up more in the discussions of farmers. These are questions about agriculture. There are more questions on this than about grain reserves or about the veto of the dairy bill or about a new farm program which this Congress might enact which would increase support prices.

These basic material things, which you would think the farmer would be concerned about, I find him less concerned about. I find more concern about the question I just asked you.

Mr. BUTZ. So I may understand it, let me rephrase your question.

Did you lie down so Kissinger could walk over you, is that your question?

Mr. GRASSLEY. Remember, it's not you personally. It is the position of the Secretary of Agriculture in this or any other administration that might be in existence in the next 10 or 15 years.

Mr. BUTZ. Let me give you some specific illustrations.

There is the question of export controls, and the question of impact on food prices. Foreign policy in many respects is broader than the State Department.

I sit as Secretary of Agriculture as a member of the Economic Policy Board, as does the Secretary of State and as does the Secretary of Commerce and as does the Secretary of Labor.

Some White House people also sit there.

The Board is chaired by Bill Simon in Treasury.

Some of the issues came before the Economic Policy Board. I do not attend the Board all the time, but if any agricultural matter comes up we are there.

When we are there, we vote on things entirely outside of agriculture. I presume some people could say, "What business is it for the Secretary of Agriculture to pass on some of these things?" These transcend departmental jurisdictions.

In the case of export controls, for example, I will get specific. Last May, or perhaps in April, it became apparent to us that the Russians were going to be in trouble on the grain problem. You could tell it by their booking of ships. That was the first indication. In late May or early June we determined in Agriculture that we could sell Russia up to 10 million tons of grain without serious impact on our supply situation or prices because by that time the wheat crop was virtually made. It had not all been harvested but we knew it was in hand.

The Russians knew they could have 10 million tons. Our major exporters knew it. Not a ton was sold to Russia without prior approval by Assistant Secretary Bell. That was concentrated in his hands. We didn't make any noise about this.

There was a 24-hour reporting requirement for a sale over 50,000 tons but with Russia we had it under firm control.

That decision was made in Agriculture. The Economic Policy Board was aware of it. It was our decision however.

We reached that and the sales quietly shut off.

At that point tremendous pressure was developing; if you remember, it was from the consumer section. There was pressure on you folks in this committee about what you were going to do.

At that time we didn't know what the corn crop was going to be. We took the decision ourselves to shut that off.

Then it escalated. At that point we were trying to get a long-term agreement from the U.S.S.R.

That became a joint function of Agriculture and the Departments of State and Treasury. This was headed, as it should have been, by somebody from the State Department because it took on the aspects of international treaty negotiations.

Our Dick Bell was right beside the negotiations in Moscow. He was on the phone with me daily practically. We had our daily input.

I think very properly at that point it became broader than agriculture as things like this do.

It is no secret that I opposed the embargo on sales to Poland. I thought it was unnecessary. I still feel that way. I lost on that one.

I did, however, get it removed 1 month before the embargo on sales to Russia. I won on that one.

Sometimes you win; sometimes you lose.

I think I have won more than my fair share down there.

But, I am a team player. I hope I am a team player, not a sorehead.

The CHAIRMAN. The Chair feels that we can impose on the Secretary for only about 4 more minutes. I made a commitment to him earlier that he would be able to meet a commitment that he has very shortly.

Mr. BUTZ. My time is yours.

The CHAIRMAN. I hope we can ask the members, who have not yet had an opportunity to keep their questions short.

Mr. Harkin.

Mr. HARKIN. Mr. Secretary, I have two questions. Mr. Baldus really asked the first one about the conservation program.

You made the statement in Iowa that it was a boondoggle and it was a Congressman's pork barrel.

Mr. BUTZ. Not that alone.

The chief pushes of that are really not farmers. In many respects they are those who farm the farmers. They are the Limestone Institute. Bob Cook who lambasts me daily because of my position has parlayed that into a good issue for himself.

It is the land levelers.

Mr. HARKIN. I understand that, but with the intensive farming that we are doing, especially in hilly areas, farmers find that they are cutting down their profits if they go ahead and terrace, for example.

They are losing a certain percentage of their land that they can be cropping if they go ahead and terrace.

Now, certainly you've got SCS to provide the technological input and the information and that type of thing. We are just talking about an 80-20 cost sharing program. That's all we're talking about. It's not that much money.

**Your statement that every President since Harry Truman has supported cutting this does not carry any water with me. Every President since Harry Truman has supported what came to be known as the common sites picketing bill last year. I didn't buy that, and I don't buy your point either.**

I think we all have a stake in it. The farmers in my area are very interested in conservation.

Let me ask you one question on this grain reserve idea.

If in fact farmers are going to hold their reserve, which I think they ought to, and have control of it, which I think they ought to, it only seems fair that they, No. 1, be given the assurance that their grain can move freely in international markets. They don't have it.

Second: If they are going to hold that reserve they have to be able to borrow money. They have to be able to borrow more than what is now on corn at \$1.10 a bushel. That doesn't give them enough to put the next crop in.

I'm asking you this. Are you going to administratively raise the loan rates?

Mr. BUTZ. That's up for examination. The target price is automatically escalated this year under existing legislation.

I suspect they will go up.

Mr. HARKIN. How much?

Mr. BUTZ. I don't know.

If you get them to a close to target price, you destroy the concept.

Mr. HARKIN. The target price is only \$1.38, isn't it?

Mr. BUTZ. Perhaps it will raise 20 cents.

Mr. HARKIN. Will the loan rate go up 20 cents?

Mr. BUTZ. I don't know, but I think the target price will go up that much.

Mr. HARKIN. I'm not concerned about that.

Mr. BUTZ. We haven't determined that yet.

Mr. HARKIN. You don't have any anticipation that you are going to raise the loan rates which are allotted to you under the law?

Mr. BUTZ. I didn't say that.

I said we had not determined it yet.

The CHAIRMAN. Mr. Bedell.

Mr. BEDELL. Mr. Secretary, you say you opposed the embargo on the sales to Poland. You said you were a team player. Was that a team decision?

Mr. BUTZ. Yes.

Mr. BEDELL. You were overruled by the Economic Policy Board?

Mr. BUTZ. Yes.

Mr. BEDELL. Has there been any decision or a change of organizational policy within the administration with regard to agricultural export policy, or will the Department of State actually continue to have this heavy say in what is to be done as far as farm exports are concerned?

Can we expect it to continue to operate this year as it operated this past year? I'm talking about the team operation.

Mr. BUTZ. I think so because we removed the principal destabilizing factor in prices with the long-term Russian agreement.

Mr. BEDELL. Do you think it will continue to operate wherein the State Department will have the same voice they had this last year?

Mr. BUTZ. I think unusual items like this should and will come before the Economic Policy Board.

As I said, I think we've removed the destabilizing pricing factor.

The CHAIRMAN. Mr. English.

Mr. ENGLISH. Mr. Secretary, being that we are all secretly or openly extremely concerned about preventing American agriculture from becoming a pawn of any other department in the administration and seeing as we are all here to preserve the free market setup and we all want to protect the American farmer from the consequences of inroads from other departments, would you strongly object to a 100-percent nonrecourse loan at any time that an embargo or moratorium is placed on grain?

Mr. BUTZ. Yes, sir, I would. I think 100-percent nonrecourse loans would get us straight into the commodity business again. It would make us a residual supplier in world markets and would put us in the position of competing with farmers. It would not be good for agriculture.

Mr. ENGLISH. Would it not also be true that if we are going to truly believe in the free market system that no President would dare impose an embargo or a moratorium such as we had this last year at any time that we had a healthy surplus on hand? This would be due also to the fiscal difficulties it would cause the Treasury and wouldn't it also be true that at a time whenever we do have a genuine shortage, the free market would react to the point that the prices would be very little different than what parity would be?

Mr. BUTZ. Well, in the case you have surplus on hand, you obviously wouldn't have the embargo on exports.

Mr. ENGLISH. We did this year.

Mr. BUTZ. We didn't have that kind of surplus held by the Government though.

Mr. ENGLISH. As you pointed out, it doesn't make a whole lot of difference between what the Government is holding and what the farmer is holding out there. We have it on hand. I'm quoting your very words.

Mr. BUTZ. Let me point out that we had an embargo on sales to only two nations for 3 months. Other sales went right on uninterrupted. We did not shut down a single loading spot in our harbors except George Meaney shut them down.

Mr. ENGLISH. That's exactly my point. We should not have had a moratorium this year.

The CHAIRMAN. I am sorry to cut this off and apologize most sincerely to those members who were not able to ask questions.

The second round of the recorded quorum call has been called and is in effect.

Mr. Secretary, this meeting with you has proved enormously informative. I know all of our members join me in expressing their appreciation to you for coming before this committee and for your willingness to respond so straightforwardly with respect to the wide range of issues facing this committee and your Department.

With our very sincere thanks to you, we look forward to an early opportunity later in the year to repeat the process.

The committee will stand adjourned subject to the call of the Chair.  
[Whereupon, at 12:15 p.m., the hearing was adjourned.]





