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COTTON RESEARCH AND PROMOTION ACT AMENDMENT

GOVERNMENT

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BEFORE THE

SUBCOMMITTEE ON COTTON

OF THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

H.R. 10930

DECEMBER 16 AND 17, 1975

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COTTON RESEARCH AND PROMOTION ACT AMENDMENT

TUESDAY, DECEMBER 16, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 2 p.m., pursuant to notice, in room 1301, Longworth House Office Building, Hon. John Krebs (substitute chairman of the subcommittee) presiding.

Present: Representatives Krebs, Hightower, Poage, de la Garza, Jenrette, and Moore.

Also present: John E. Hogan, associate counsel; Nick Ashmore, staff consultant; Leon Geyer, staff consultant, Subcommittee on Domestic Marketing and Consumer Relations; Anita Brown, staff assistant.

Mr. KREBS. The subcommittee will come to order.

The subject of the hearing this afternoon is to consider amending section 7(2) of the Cotton Research and Promotion Act to provide for an additional checkoff assessment, as set forth in H.R. 10930.

[The bill H.R. 10930 and the report from the U.S. Department of Agriculture follow:]

[H.R. 10930, 94th Cong., 1st sess.]

A BILL To amend section 7(e) of the Cotton Research and Promotion Act to provide for an additional assessment and for reimbursement of certain expenses incurred by the Secretary of Agriculture and to repeal section 610 of the Agricultural Act of 1970 pertaining to the use of Commodity Credit Corporation funds for research and promotion.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 7(e) of the Cotton Research and Promotion Act (7 U.S.C. 2106(e)) is amended as follows:

(1) At the end of the first sentence strike the period and add the following: “, and for administrative costs incurred by the Secretary for supervisory work involving 2.5 employee years after an order or amendment to an order has been issued and made effective.”.

(2) At the end of the second sentence strike the period and add the following: “, unless specifically authorized by provisions of this subsection.”.

(3) At the end of the third sentence strike the period and add the following: “but, subject to approval in a referendum as provided in section 8, the Secretary shall issue an amendment to the order which shall provide that in each marketing year, the rate shall be supplemented by an additional per bale amount to be collected or paid as provided in this subsection, such amount to be at a rate as prescribed in the amendment to the order, but not to exceed one per centum of the value of cotton as determined by the Cotton Board and the Secretary. Neither the amended order authorized by the foregoing provisions nor the disapproval of such order in a referendum shall operate to decrease or otherwise affect the amount of the assessment of \$1.00 per bale in effect under the order published in the Federal Register on December 31, 1966.”.

Sec. 2. Section 610 of the Agricultural Act of 1970, as amended (7 U.S.C. 2119), is repealed effective July 1, 1977.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., December 17, 1975.

Hon. THOMAS S. FOLEY,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request for a report on H.R. 10930, a bill "To amend section 7(e) of the Cotton Research and Promotion Act to provide for an additional assessment and for reimbursement of certain expenses incurred by the Secretary of Agriculture and to repeal section 610 of the Agricultural Act of 1970 pertaining to the use of Commodity Credit Corporation funds for research and promotion."

The Department has no objection to the enactment of H.R. 10930 if amended and clarified as set forth herein.

Section 1(1) of the bill would provide for the reimbursement of administrative costs incurred by the Department for supervisory work involving 2.5 employee years after an order or amendment to an order has been issued and made effective. We recommend that a provision be made for reimbursement of all administrative costs incurred by the agency within the Department directly responsible for program administration—in this case the Agricultural Marketing Service. We further recommend that the Department be reimbursed for all costs associated with the holding of a producer referendum to approve additional assessments. The Department assumed all costs of developing the Order, holding public hearings, and holding the producer referendum in 1966. Any costs associated with other than the initial referendum of 1966 should be defrayed from program assessments.

Section 1(2) contains language necessary to authorize the collection of an additional assessment on each bale over and above the present \$1 per bale assessment.

Section 1(3) of the bill provides for an additional producer assessment for research and promotion. This is a decision that must ultimately be reached in a referendum by cotton producers themselves if Congress approves this amendment. The language in this section is not clear as to whether the additional assessment is to be an amount per bale or a percentage of some value of cotton to be determined in some undefined means by the Cotton Board and the Secretary. Neither is it clear as to who would establish the rate of the additional assessment.

The Committee may want to consider changing the language to specify an exact per bale amount of the additional assessment rather than providing that the amount be prescribed in an amendment to the Order. This would be consistent with the action taken by Congress when it set the initial \$1 per bale in the Act. It would also facilitate and simplify the collection and remittance of assessments by handlers to the Cotton Board as well as eliminate the need for an annual determination of the value of cotton by the Cotton Board and the Secretary.

In any event, we recommend that the language be revised to clarify the amount of the assessment and the basis on which it is to be established.

Section 2 provides for the repeal of section 610 of the Agricultural Act of 1970 effective July 1, 1977. Thus, authority for the use of section 610 funds would be continued for most of fiscal year 1977. Section 610 authorizes the use of Commodity Credit Corporation funds for cotton research activities. The Department agrees with the repeal of section 610 of the Agricultural Act of 1970. This would be consistent with the approach taken in other commodity research and promotion programs in that they are fully producer-financed. However, it should be noted that the repeal of section 610 would in no way affect our responsibility for supervising the producer-financed program. The Department has well-defined oversight and surveillance responsibilities in the Cotton Research and Promotion Act. We assure the Congress that these activities will continue.

Because of the ambiguity in the assessment provisions of the bill, we are unable to estimate the total amount of revenue to be generated by this proposal.

With respect to the provisions of Public Law 91-190, Section 102(2)(C), we believe this legislation would have no significant impact on the quality of the environment.

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

Sincerely,

RICHARD L. FELTNER,
Assistant Secretary.

Mr. KREBS. The members of the subcommittee are currently on the floor and will be coming in from time to time. I suspect that these proceedings will be interrupted occasionally by votes. If you will bear with us, we will try to be back as fast as we can.

We would also appreciate it if you could keep your remarks to 10 minutes, to allow as many people as possible an opportunity to be heard.

Contrary to the agenda which is in front of you, we would like to begin this afternoon with Mr. Hervey Evans.

Would you step forward please, Mr. Evans?

Mr. EVANS. My statement is not very long.

I would also, with your permission, like to place in the record the testimony from two of our fellow directors of Cotton Inc., who could not be with us due to other engagements, and who have asked me to present their testimony. I will give that to the committee.

Mr. KREBS. For the record would you be good enough to give us the names of these gentlemen?

Mr. EVANS. Mr. Otis W. Howe, Jr., who is a cotton producer from Wabash, Ark., and is chairman of our Marketing Committee, and also Mr. Murray Williams, chairman, Oklahoma State unit, National Cotton Council, and a member of our committee.

Mr. KREBS. Thank you, Mr. Evans.

Without objection these statements will be included in the record.

You may proceed, Mr. Evans.

Statement of E. Hervey Evans, Jr.,
Chairman of the Board, Cotton Incorporated,
Vice President, National Cotton Council

Mr. Chairman, my name is Hervey Evans. I am from Laurinburg, North Carolina. I am a cotton producer there, and I also serve as Chairman of the Board of Directors of Cotton Incorporated, the research and marketing company that works for America's cotton producers. In my position as both cotton producer and Chairman of Cotton Incorporated, I have had the opportunity to travel and talk with cotton producers not only throughout the southeastern United States, but also across the entire cotton belt.

The record shows that cotton producers everywhere are interested in taking action to assure the future of their research and promotion activities. This is typical of America's cotton producers. We are entrepreneurs with our fate in our own hands. In the 1950's, cotton producers saw the beginnings of synthetic competition from chemical companies eroding their market for cotton. That is why we organized under the National Cotton Council in 1960 to add \$1 per bale voluntarily on top of the regular dues we were paying to the Council. This \$1 per bale was to be used for research and promotion activities. Now, we struggled for about five years in the early 1960's; we found we did not have enough money to mount the necessary program. While cotton was slipping during this period, synthetics were growing at a rapid rate. Their vast resources provided fully adequate money for research and development and increasing advertising and marketing support. We saw that in this period of the early 1960's synthetic fiber corporations were already spending about \$120 million a year on research and advertising alone. This strong support fueled the synthetics to even greater growth. Their formula was so successful that it pushed cotton off the shelves. Cotton had about 65% of the fiber market in 1960, and this fell below 30% in 1973. That is why some of you, until recent months, have had difficulty in purchasing apparel products with a lot of cotton in them.

Cotton producers came to the Congress in 1966 and asked for aid in helping themselves. Thanks to the Congress of the United States, the Cotton Research and Promotion Act was enacted in 1966 and subsequently approved by cotton producers in a beltwide referendum. The results greatly increased funding for research and promotion.

In order to make it purely voluntary, the law wisely permits any producer to file for a refund. Nevertheless, 97% of individual producers stay in each year, which is why some people characterize it as the largest self-help program in agriculture. However, Mr. Chairman, money alone is not enough. Despite the increased funds made possible by this good legislation, cotton continued to lose market share. That is why in the late 1960's, cotton producers voted through our Board of Directors to commission Booz Allen & Hamilton, a leading management consulting firm, to study the problems cotton

faced and come up with some recommendations. As a result of this thorough study, a major overhaul of what was then called the Cotton Producers Institute took place. In 1970 the Cotton Producers Institute was reorganized and new goals were set. Cotton Incorporated, as the new reorganized company was known, began to approach cotton's research and marketing in much the same way as the sophisticated and giant synthetic fiber companies approached their business. Some of my colleagues here today will cite examples of how Cotton Incorporated works and will dramatize to you a few of the accomplishments that have been made on behalf of this nation's cotton producers. But it is important to stress that Cotton Incorporated is now getting results because it is approaching the problems of cotton as an integrated research and fiber marketing corporation. This is new for cotton. The basic purpose of Cotton Incorporated is to provide the benefits to the individual cotton producer of the unique skills and capabilities of modern, large private American enterprise. Cotton Incorporated exists to increase the producer's profits through research on the farm that will lower his costs, and through product development and marketing to enlarge his market for cotton. These objectives permeate the entire structure of Cotton Incorporated, but they are also entirely consistent with good business practices aimed at developing better products for the consumer. The consumer wins, too, by the fiber choice in the market which this preserves.

The program is also good for textile mills because it guarantees a strongly competitive fiber market, competition which might otherwise diminish given the concentration that exists in synthetics. There are seven major chemical companies, each with annual sales exceeding one billion dollars, who control an estimated 84% of synthetic production capacity. In 1974 the two largest dominated the market with 54% of sales. This is the kind of strength and concentration that confronts the 150,000-plus cotton producers. Obviously, 150,000 cotton farmers are unable to carry out individual research and marketing programs on their own. Their survival against synthetic competition requires a cooperative effort. Cotton Incorporated is how cotton producers have chosen to accomplish this cooperative research and marketing effort. From first hand experience I know the program to be well-conceived and skillfully executed and now we are receiving positive results on all sides. But it is essential that there be adequate resources if this effort is to be completely effective. That is why we welcome the opportunity to present our case before this Committee.

Unfortunately, even as the program has been successful, the funding which is necessary to keep the success rolling has been cut back by other forces. Since the dollar per bale was enacted in 1966, that dollar has shrunk in value, due to the terrible inflation we have experienced over the past several years, to only 60 cents today.

Nine years ago, cotton faced strong competition, but it still had over half the fiber business in this country. Although the onslaught of synthetics was checked finally in 1974, and cotton is at last holding its own, cotton is today fighting much bigger competition from a much reduced base. The underdog has to step up the pace, not step down.

Over the years, the Congress has aided cotton, strengthened it with various programs. It has been good to both cotton and to the country.

Today, new demands are felt by Congress, and the money that is available has been reallocated to other areas of our society. While this has been necessary, the effect upon cotton is just the same. The government has stepped down its program to aid cotton.

Inflation has slashed the producer's own funding to aid cotton, government money has been redirected toward new and serious problems, and yet cotton faces even greater opposition than ever before. But the record is clear that cotton can meet the competition, that research and promotion does pay off. It took cotton producers all through the 1960's to perfect a mechanism for successful research and promotion. That decade-long job resulted in the right way to allow producers to raise their own funds with the passage of the Cotton Research and Promotion Act of 1966 and the creation of the Cotton Board, and, in 1970, with the culmination of the Cotton Producers Institute becoming Cotton Incorporated.

We have had the right package going for us for five years now. Success doesn't come easily. It doesn't come quickly. It takes time to get results in the textile world, even for an ongoing organization. The styles, fashions, and colors we buy today took at least two years to move from designer to mill to cutter to retailer. And you can imagine how carefully and deliberately decisions must be reached with these long lead-times conflicting with the whimsey of fashion.

Cotton Incorporated hit the ground running in 1970. By 1971 and 1972 real results were showing up. But the momentum of cotton's falling market share was strong. The long slide from 64.5 percent of the fiber market in 1960 continued, but it was stopped at 29.8 percent in 1973. In 1974 cotton has moved back up for the first time in all those years to 30.3 percent. The latest figure available is for October, 1975, when cotton was up to 30.6 percent, and it looks better yet for next year.

It works. The Board of Directors of Cotton Incorporated, each one a cotton producer himself, has unanimously recommended increased funding. Out of their own pockets, not out of the taxpayer's pockets. We wish only the opportunity to present the case for increased funding to the man who will pay, the cotton producer himself. For those who examine it, the results of the present program are worth many times the costs. The bill which Chairman Bowen has presented provides the flexibility in funding needed so that cotton producers can adjust their own support of this job of research and promotion to the optimum level. What we have now is paying off, but the future will return to the bleak conditions of the past unless we have the opportunity to do what is necessary for ourselves. This is what we ask today: The right to make our own opportunities for the future.

Mr. KREBS. Thank you very much, Mr. Evans.

We appreciate your fine and informative statement.

We hope that you can stay for the question and answer period which will follow the other witnesses' presentations.

[The prepared statements of Otis Howe, Jr., and Murray Williams follow:]

STATEMENT OF OTIS W. HOWE, JR., MEMBER, BOARD OF DIRECTORS, AND EXECUTIVE COMMITTEE, COTTON, INC.

My name is Otis W. Howe, Jr. I am a cotton producer from Wabash, Arkansas. I serve on the Board of Cotton Incorporated, its Executive Committee, and am Chairman of the Board's Marketing Budget Committee.

Cotton producers would like to have the opportunity to vote in a referendum for the ability to pay a higher amount for research and marketing for a number of reasons. Briefly, the main points are:

1. Cotton is the only large agricultural commodity facing well organized and highly financed synthetic competition. Cotton Incorporated is well organized now. We need next to become well financed. Practically speaking, only we producers can solve this problem, and it is by investing more funds.

2. Supplemental Section 610 funds provided by Congress through the USDA via Commodity Credit Corporation have been a tremendous help to research and marketing programs which have benefited not only cotton producers, but also the entire cotton industry and consumers. Since fiscal 1972 through fiscal 1976, approximately \$29 million have been utilized. A number of our most productive and essential programs have been made possible by Section 610 funds. However, the \$10 million authorization in the current fiscal year as well as in the two preceding fiscal years has been reduced to \$3 million annually. It is questionable if future appropriations will include any Section 610 funds. For this reason producers must assume the entire financial burden for research and marketing. This we do willingly rather than jeopardize the success of our program. Without this program our very livelihood is threatened.

3. The need for cotton producers to assume greater financial responsibility for their research and marketing programs is further borne out by the alarming trend in research devoted to cotton by the USDA and State Agricultural Experimental Stations. Expressed in Scientist Years, we see that agricultural and utilization research for cotton has dropped from 507 Scientist Years in 1966 to 457 in 1974. This is a 10% decrease in eight years. During the same period synthetic fiber research has at least doubled.

My point is not to criticize the reduction in USDA or State research on cotton. Rather, it is to illustrate graphically why cotton producers using their privately contributed funds want to step in and fill the breach. We ask Congress simply to provide us the means of competing effectively against synthetic producers.

4. Another reason for more adequate funding is to permit better fiscal planning and management. Despite what may have been stated in the past, we currently are on a hand-to-mouth basis. We have no reserve for a "rainy day," or more accurately stated, a bad crop year. This year, for example, when adverse weather and unusual insect problems are resulting in an abnormally small crop, we have been forced to reduce, postpone or cancel vital programs in research and marketing. We must move to a new funding basis, one that will permit a smoother cash flow and more businesslike management of programs.

For these reasons, we urge passage of H.R. 10930.

STATEMENT OF MURRAY WILLIAMS, CHAIRMAN, OKLAHOMA STATE UNIT, NATIONAL COTTON COUNCIL AND MEMBER, EXECUTIVE COMMITTEE, COTTON INC.

My name is Murray Williams. I live in Altus, Oklahoma and produce cotton there. I also currently serve as Chairman of a cooperative cotton gin in Altus and as Vice Chairman of the Southwest Oklahoma Cotton Improvement Association, which has passed a resolution in support of additional funding by producers for research and marketing.

Mr. Chairman, you will find if you talk to other Oklahoma cotton producers, as I have, that we are convinced that expanded research and promotion for

cotton are essential to the future of cotton as fiber and food. To do the job will require more money. If supplemental government funds are not sufficient or are not available, then we are ready to assume full responsibility to fund our own program. We simply ask Congress to amend the Cotton Research and Promotion Act to permit producers to increase their assessment.

Mr. KREBS. We will now hear from Dr. C. R. Sayre, vice chairman, Cotton Inc.

[The prepared statement of Dr. Sayre follows:]

Statement of Dr. C. R. Sayre,
Vice Chairman, Cotton Incorporated,
President, Staple Cotton Cooperative Assoc.

My name is Charles R. Sayre. I reside in Greenwood, Mississippi, and grow cotton there. I am President of the Staple Cotton Cooperative Association, which serves cotton producers in Tennessee, Mississippi, Arkansas, and Louisiana. My fellow cotton producers have elected me to help represent them on the Board of Directors of Cotton Incorporated, where I have the position of Vice Chairman. I have in the past also been President of the National Cotton Council.

I would like to offer support for legislation that would permit cotton producers to vote in a referendum to increase our assessment for research and marketing. I strongly believe that such an increase will be approved by growers because of the benefits we are starting to enjoy from our past investment. This is particularly the case in the area of Processing and Handling Research.

Processing and Handling Research has had high priority from the time that a Cotton Incorporated supported project determined that 50% or more of the cost of a bale of cotton was associated with operations from the start of harvesting until it reached the mill door. At the time, a comprehensive material handling system analysis was conducted by our staff showing that a bale of cotton is handled at least 24 times on its way from the stalk to the mill door. Further, this analysis showed that the biggest immediate gain to cutting the cost is in better methods of handling seed cotton to permit harvesters to operate at maximum capacity when weather and crop maturity would permit, at the same time allowing the gin to operate on a fixed, uniform daily schedule.

As you probably know, seed cotton storage has been practiced for many years. Research results for the past 25 years have proven that the quality of both lint and seed could be preserved. The basic problems with earlier systems were labor and the cost of getting seed cotton into and out of storage. The cost of dead storage itself was inexpensive.

Therefore, Cotton Incorporated initiated a well coordinated research program in 1970 through contracts and cooperative agreements with State experiment stations. Results of this effort was the development of mechanical rick compactors in 1971 and the module builder system in 1972. Working with several private machinery companies, immediately made them available to growers across the belt. By 1975, approximately twelve percent of the crop was handled

with these systems. The system was further improved by the development of a module transporter and a mechanical feeder at the gin. The development of the systems and their application by growers resulted largely from a totally coordinated effort between existing public and private organizations using regional seminars and state and local meetings. Educational materials, such as films, slides, seminar proceedings, news releases and printed literature have been used extensively. In short, we work hard to spread the news of any research development that helps producers save money. In this way producers get a fast payback on their \$1 a bale.

The economic impact of these new developments have been felt regionally as well as at an individual grower level. In 1973, the High Plains of Texas harvested and ginned a record yield, thanks in large measure to this harvesting and ginning equipment, and in 1974 the California area did the same thing. Some growers have shown a savings of up to twenty dollars a bale using the module system. We estimate that producers saved \$7,000,000 in 1974 by using the module system. That is good return on investment. Many individual growers with their own gins have gone completely to the module system. In addition to handling greater quantity at more efficiency, we have closely monitored lint and seed quality under grower conditions. We have found that: (1) quality is maintained due to equilibrium of moisture and better trash extraction during the more controlled rate of ginning; (2) seed deterioration is reduced because the seed is not exposed to the frequent wetting and drying it undergoes when it is left in the field for longer periods of time.

While Cotton Incorporated has reduced direct financial support of this research recently, our implementation group has continued to work closely with The Extension Service and with private companies to expand and improve on these systems. This effort is now paying off with a special truck loading device that can move modules with or without a pallet. This development will be a great aid to our higher yield per acre areas.

In summarizing the Cotton Incorporated effort in leading the industry into new and more efficient methods to reduce cost, I would like to quote a paragraph from the recently published "National Cotton Marketing Study Committee Report" which was requested by your cotton subcommittee by former chairman Congressman Sisk.

"...The seed cotton storage study group feels strongly that seed cotton storage and handling systems are essential for efficient marketing of cotton that more and larger immediate benefits can be derived from its use than anything else on the horizon in the area of cotton marketing."

In addition to the highly successful seed cotton handling research just described, I would like to report to the Subcommittee on an equally important area of research -- one that has not yet reached a successful conclusion but which nevertheless is critical to every U. S. cotton producer.

This area of research deals with the problem of byssinosis, a disease that few of us had heard of until recently. Because many are not familiar with the problems associated with byssinosis, I feel that it is important to cite a number of important details.

Because some workers are found to have the occupational lung disease called byssinosis after long exposure to plant related dust, this "dust" has been labeled a health hazard for textile workers by the Occupational Safety and Health Administration (OSHA) of the U. S. Department of Labor. An airborne concentration of one milligram of total dust per cubic meter of air has been established as the present standard. Workers may not be exposed to dust concentrations higher than this level based on an eight hour work day. Many mills are installing dust capture systems on their textile machinery and filter systems in their plants in an attempt to meet this dust standard.

The byssinosis problem is intensified because OSHA is in the process of changing the standard so that the maximum allowable airborne concentration will be 0.2 mg/m^3 . This new standard, which is five times more stringent, will make it terribly difficult for American textile manufacturers to control the dust to within the acceptable limits. If this standard is accepted, the U. S. will have the lowest cotton dust standard by far of any country in the world. Great Britain, where until recent years most of the research on byssinosis has been done, has a standard of 0.5 mg/m^3 , Switzerland has a standard of 1.0 mg/m^3 , Germany a standard of 1.5 mg/m^3 , and Russia a standard of 4.0 mg/m^3 . When the threat of byssinosis standards began, Cotton Incorporated initiated a comprehensive research program covering medical, biological, processing and economic aspects of the problem. For example, one Cotton Incorporated study showed that it could cost U. S. textile mills over \$1 billion to meet the new standard. It is not economically possible for the textile mill to control dust at the 0.2 mg/m^3 level in some processing areas within the mill. No plant surveyed had dust concentrations lower than this level in all processing areas. Textile mills will be forced to add more synthetic fiber to their blend or to go to synthetics entirely to meet the dust standard. Thus, consumption of cotton will decrease and producers, as well as consumers, would be hurt.

Under the proposed standard, textile mills would not only have to maintain low concentrations of dust in the plants but programs of medical surveillance and dust monitoring would be required. The cost of these programs to the textile industry is estimated to be \$7.8 million annually.

These problems for the textile mills due to cotton dust are a major concern for cotton producers. Domestic mills are the major consumers of U. S. cotton. As Federal regulations and problems increase, mills will increasingly turn to synthetic fibers. Because of this concern, Cotton Incorporated has assigned highest research priority to the byssinosis problem.

Our biggest problem with byssinosis is that the agent or agents that cause byssinosis are not known. The evidence is pretty conclusive that the problem originates with the dust in the lint and not the cotton fibers themselves. The dust varies greatly in composition and includes cotton plant parts, soil mineral matter, microorganisms, etc.

Cotton Incorporated has launched a broad, but intensive, research program to solve the byssinosis problem. At the heart of the program is a model card room at North Carolina State University. The carding process is early in the textile operations that change raw, disoriented fiber into yarn. In the carding process, much of the trash and dust is separated from the fiber.

The basic objective of the model card room is to evaluate the effectiveness of our program to reduce dust under simulated mill conditions. We accomplish this two ways: first, by measuring dust levels generated during the carding process, and secondly by collecting dust for evaluation of its propensity to cause byssinotic symptoms.

Several other Cotton Incorporated research projects generate material to be tested in the model card room. For example, bales of cotton with frego bract have been tested from a breeding project. The bract are the small leaves immediately below the bolls of cotton on the plant. They become entangled in the fiber during the harvesting operation. Several researchers have suggested that these leaves are the source of the pulmonary problems. In another project, cottons of different varieties are collected for dust level testing.

In the seed cotton cleaning project we have at Texas A&M University, we are trying to determine where in the harvesting and ginning processes the dust can be best eliminated in order to prevent it from ever reaching the textile mill. The sources and types of foreign material in seed cotton are to be identified and new principles for their removal are being investigated.

We are studying the dust-generating capacities of such cultural practices as the use of defoliants and the time of harvest. Bales subjected to different gin cleaning treatments are being run in the model card room.

We have learned that steaming the lint reduces the byssinotic activity in workers who process cotton. Cotton Incorporated has built a facility at Oklahoma State University to steam treat a continuous batt of lint. The best combination of exposure time, steam rates, steam quality, batt density, etc., are being determined by subsequently testing treated cottons in the model card room.

Other projects are evaluating various dust samples from the model card room for byssinotic activity. The samples are screened with animal bioassay tests in the model card room and with direct human challenge tests at the University of North Carolina at Chapel Hill. Dusts are fractionated by chemists at North Carolina State University and tested for microbial activity at Chapel Hill. Fractions are screened again by the animal and human tests. Those found to be active are broken down into compound form for still further tests.

In a project at the University of Missouri, an animal bioassay using hamsters is used to isolate and identify chemotactically active compounds in cotton trash.

In still another project, guinea pigs are used to measure the biological activity of the dust. This work suggests an involvement of the microorganisms that are in the dust in the respiratory response in the animals.

Other projects are studying such diverse factors as dust particle sizes, cotton plant parts such as bracts, and the relationship of histamine to the acute pulmonary reaction to cotton dust.

You can readily understand from this brief review of our byssinosis research what a professional research team Cotton Incorporated has and why a large portion of our research budget is targeted at this serious problem.

The study of byssinosis is difficult and complicated. The causative agent has eluded researchers throughout the world, but the answer to byssinosis will be found only through research to find the causative agent and by developing an economical means of controlling the dust. Intensive and dedicated research efforts are underway. The research is expensive and time consuming, yet efforts must be continued or the use of cotton as a textile fiber will diminish. This could mean disaster not only for cotton producers but also for many employees of American textile mills, oil seed mills, warehouses, and farm chemicals and machinery manufacturers.

The solving of the byssinosis problem is another reason why cotton producers need to and want to increase their assessment for expanded research and marketing.

Although most of my remarks have been addressed to the need for greater funding, I find that cotton producers are recognizing that their investment in research and marketing is just as important as their investment for seed and fertilizer.

One individual has looked at the additional funding in terms of market insurance. As agri-businessmen, no producer would fail to insure his equipment, buildings or home. Similarly, that same producer now wants to increase his market insurance.

We had an actual example of insurance estimated. Equipment, building and home insurance for liability, theft and fire for a typical 300 acre producer in mid-Mississippi would have an annual premium of \$1,550. At the same time, \$1 a bale plus 1% of sales price, which is what our Board recommends, would cost that same producer \$1,525. That is reasonable insurance to maintain markets through research and promotion.

Mr. KREBS. Thank you, Dr. Sayre, for a fine statement. We hope that you can stay for the question and answer period.

We will now have Mr. Unfred, president of Plains Cotton Cooperative Association.

[The prepared statement of Mr. Unfred follows:]

Statement by L. C. Unfred
Secretary, Board of Directors, Cotton Incorporated
and President of Plains Cotton Cooperative Assoc.
before the Cotton Subcommittee
of the House Agriculture Committee
December 16, 1975

My name is L. C. Unfred; I reside at Rt. 4, Tahoka, Texas and produce cotton there on what is called the High Plains. I am the President of the Plains Cotton Cooperative Assoc. in Lubbock which has a membership in Texas and Oklahoma numbering over 22,000 cotton producers. I serve on the Board of Directors of Cotton Incorporated with position of Secretary. I am also President of American Cotton Growers which operates a large ginning complex on the High Plains.

I want to offer testimony in support of an amendment to the Cotton Research and Promotion Act that would permit producers to increase our assessment for needed research and marketing. It is important for the subcommittee to understand the sweeping changes that have occurred in the textile industry over the past three decades. Before World War II, generally speaking, there were woolen mills in the northeast and cotton mills in the south. During the past thirty years, the textile mill as we know it today has evolved. Textile conglomerate may be a better description because the textile mill of 1975 is frequently a giant, multi-million dollar complex. This makes a big difference to cotton producers because today's mills no longer have allegiance to a single fiber. They use a variety of fibers seeking first to achieve a good return for their stockholders. Having no fiber allegiance has further ramifications to cotton producers. Today's mill does not conduct research and development with cotton in mind. Similarly, machinery manufacturers no longer develop machinery with cotton mills in mind. They also have converted to textile thinking.

This change has not gone unnoticed by synthetic fiber companies. Their huge resources have been applied to the modern textile mill. They help the mill utilize more of their synthetic fiber by providing research know-how, fabric ideas, technical support and promotional push. Synthetic producers also work closely with machinery manufacturers to assure that their artificial fibers run smoothly and efficiently on this equipment. This carefully orchestrated approach started to eat into cotton's share of fiber sales starting the early 1950's and greedily continued until 1974.

We believe that our counterattack via Cotton Incorporated's research and marketing programs have begun to turn the tide. How are we doing this? Gentlemen, the answer is simple. We are doing essentially what the synthetic producers do -- except that we conduct our programs with cotton and the cotton producer in mind. Let me give two typical examples.

Doubleknit fabrics have grown tremendously in the past ten years. Doubleknit garments have an easy-wearing quality because of their stretch-and-recovery construction. However, doubleknit fabrics were developed with no cotton in consideration. They were dominated by synthetic fibers.

When Cotton Incorporated's staff was given the assignment to get cotton into the doubleknit field, researchers quickly identified several serious deficiencies in all synthetic doubleknits. They pilled, snagged, had static and were cold in winter, hot in summer. In our in-house knitting laboratory at our Raleigh Research Center we eventually perfected a superior doubleknit utilizing 60% cotton/40% polyester. This fabric retains the good stretch-and-recovery features of earlier all-synthetic doubleknits, but has eliminated the pilling, snagging, and static. Apparel made from the 60% cotton doubleknit is far more comfortable, is cool in summer, and warm in winter.

Solving this problem took nearly two years of development. New yarn mixes had to be determined. The knitting equipment had to be slightly modified to handle these new yarns. Special finishing technology had to be developed.

Cotton Incorporated's Sales/Marketing division has been working closely with knitting mills and manufacturers to launch this development into the market. You will be seeing more of this fabric in the near future.

The doubleknit example typifies why cotton must solve its own problems. If we do not, we lose a market.

Another area which is currently under intensive development is what is called Open-End Spinning.

Open-End Spinning is a new yarn manufacturing method, as opposed to ring-spinning, which has been the mainstay of yarn manufacturing for fifty years. It developed in Europe and has spread rapidly throughout the textile industry worldwide. The US was slow to adopt this technology because of high capital investment, but during the past three years, it has received accelerated attention by mill management because of the dramatic increase in productivity and the possibility of labor savings through elimination of other supplementary processing. Cotton must adapt to this technology or lose to synthetic fibers. We have seen the pressures that the synthetic fiber manufacturer can bring to have equipment refined to fit their needs and often times to the exclusion of cotton. However, Open-End Spinning may give cotton an opportunity to capitalize on a technology which appears, initially, to favor cotton fiber.

The first efforts made by Cotton Incorporated and the cotton yarn producing industry, point to the need to identify the specific characteristics in fiber and their relationship to the efficiency of manufacturing yarn and to its subsequent utilization in knitting and weaving.

Some of the considerations we are dealing with are: cotton fibers are not identical in character and physical properties. Cotton grown in different locations and climates and from different seed varieties produce fibers of varying properties. We must first relate fiber properties to the methods of textile manufacturing. Next, fiber characteristics must be related to the qualities expected of the end product. In Texas, the largest cotton-producing state, we produce fibers covering a wide range of properties. We have a vital interest in knowing where these fibers best fit because that should be where we will get the best price for our cotton. We also want to know what must be done to produce fiber properties that best exploit the open-end spinning process. Work has started to identify the relationships between fiber properties and spinning systems and this information is made available to the textile industry as it is developed. Much of the work is done on our own Open-End Spinning frame at Raleigh. But more needs to be done as soon as funds permit.

One of the revelations from early fiber studies indicates that certain fiber characteristics inherent in some varieties produced in Texas and other states are ideally suited to Open-End Spinning. It is particularly associated with fine diameter fibers, or what we call fine micronaire. However, use of our fine micronaire cotton is dependent on research that results in methods of cleaning and preparing the fiber for the spinning operation. Otherwise dust can collect inside the turbine of the open-end spinning machine. We are seeking better ways of removing this dust and small plant particles from the cotton fiber and aiming to do it in a way that will not create a price penalty to the mill or the consumer. Work by Cotton Incorporated centers on entirely new methods of cleaning dust from cotton fiber, and a dramatic breakthrough may be imminent.

What will be the net benefits of a successful research program in fiber preparation for open-end spinning? First, it will enable the use of more short season cotton varieties from all over the United States on this productive system. Second, in Texas it would mean use of land for cotton production less suitable for food crops. This means more efficient use of our land resources. Third, it means fuller exploitation of cotton varieties that today must be sold at a discount price because of fiber qualities. Fourth, most importantly, this spinning technology and its product offer completely new opportunities for cotton in apparel products where ring-spun yarns are at a disadvantage.

One of these new markets is in the warp knitting, more specifically the Tricot method. Today, the Tricot machine is designed to run continuous filament synthetics. We do not grow cotton in continuous filament form, as you know. However, open-end spun yarn has more of the continuous filament synthetic fiber properties. We have demonstrated that it is feasible to knit open-end yarns on high-speed Tricot machines whereas all previous efforts with ring-spun yarn had failed to produce a satisfactory consumer product. Slack fabrics, suitings, women's wear, athletic garments and intimate apparel are all logical market objectives for cotton in warp knitting technology with the use of open-end yarns. Several markets, like women's wear and intimate apparel, heretofore have been synthetic dominated.

As exciting as that opportunity is, it may be over shadowed by a completely different research area involving better utilization of what, in the past, has been waste. In an era that demands recycling and re-use of our raw resources, we have opened the possibility of an exciting new way of utilizing cotton waste. Reclaimed gin motes have been processed successfully using open-end spinning techniques into products such as cotton bale covering, tobacco wrapping, decorative fabrics and even some rough industrial clothing products. If perfected, this research should lead to greater economic value for gin motes and bring a better price to cotton producers.

You can see from these examples why cotton producers recognize the need for increased funding to see these exciting developments brought to completion as well as to undertake expanded programs that will be of even greater value in the future to cotton's markets. Texas producers urge speedy passage of H. R. 10930.

Mr. KREBS. Thank you very much for your fine statement.
I hope you too can stay with us for the question and answer period.
We will now hear from Mr. James B. Fisher.
Mr. Fisher, we welcome your presence here.
[The prepared statement of Mr. Fisher follows:]

TESTIMONY OF JAMES B. FISHER
EXECUTIVE VICE PRESIDENT, J. G. BOSWELL COMPANY

MEMBER OF THE BOARD OF DIRECTORS & EXECUTIVE COMMITTEE OF
COTTON INCORPORATED
MEMBER OF THE INDUSTRY-WIDE COTTON COMMUNICATIONS & LIASION COMMITTEE

BEFORE THE COTTON SUBCOMMITTEE OF THE
HOUSE AGRICULTURE COMMITTEE
DECEMBER 16, 1975

My name is James B. Fisher. I am a resident of California and Executive Vice President of J. G. Boswell Company, a California agricultural production company whose principal crop is cotton. By serving on the Board of Directors of Cotton Incorporated, I also represent other cotton producers from California. My purpose in being here today is to tell the Subcommittee why so many California cotton producers are in favor of increasing their assessment to support the vital research and marketing programs that are created and carried out by Cotton Incorporated.

We California cotton producers think of ourselves as agri-businessmen and approach production with the tools of agricultural technology. Combined with dedication, capital and the excellence of California soil and weather, these tools reward us with generous yields of high-quality cotton. However, good production does not necessarily mean a receptive market. You realize, as many thousands of cotton producers do, that markets must be produced just as cotton is grown: with creativity, know-how, hard work and, equally essential, sufficient funds.

Building markets takes money. Although J. G. Boswell Company is one of the largest cotton producers, we alone do not have the resources to develop new cotton products and markets. For this reason we gladly join our fellow producers, regardless of size, in urging that Congress amend the existing Cotton Research & Promotion Act to permit us to increase our assessment for research and marketing.

The term "marketing" means different things to different people. At Cotton Incorporated our marketing efforts are based on creativity, and we are striving to be the most creative fiber company in the world. In research and marketing we use new ideas to help textile mills and manufacturers capitalize on cotton. Our "stock in trade" includes new products for the home and new fashion concepts. We also provide technical service to mills and manufacturers, working with them to solve problems quickly. This vital function is possible, due to the blending of our technical expertise with creativity.

To illustrate the kind of projects Cotton Incorporated is deeply involved with, I would like to relate how we have worked to increase cotton's share of the men's dress-shirt market.

We can all remember a dozen or more years ago, prior to the formation of Cotton Incorporated, when virtually all men's shirts were 100% cotton. Men liked them because they were comfortable to wear, but housewives everywhere dreaded the thought of ironing them. Then a finish was invented that gave the cotton fiber "memory", and durable press was created. Unfortunately, the cotton fiber was severely weakened by the durable press finish and some of the early products rushed to market were disasters. However, as a result of synthetic fiber research, the reinforcement of weakened cotton with polyester was developed and synthetics soon achieved a durable press, shirting-broadcloth with 65% polyester/35% cotton. Although you and I might find this kind of shirt uncomfortable on a warm day, women like it and buy it for their husbands because it eliminates ironing. Today, it is the industry standard.

Durable press is a high-priority research area for Cotton Incorporated. When we saw no "miracle" technology, we began to look for a practical solution to restore this lost market. Our researchers found that an excellent durable press broadcloth was feasible with a blend of 60% cotton/40% polyester. With nearly double the cotton content, the durable press performance is better and cotton comfort much greater.

But an improved fabric does not automatically assure a welcome in the marketplace. Mills and manufacturers are skeptical, requiring assurance that our product will sell, and consumers must be reminded of the aesthetics and comfort of cotton. Cotton Incorporated is actively working to help launch this new 60% broadcloth into the mass market. The Manhattan Shirt Company has adopted our fabric. Springs Mills was the first to make it for them and Springs has been joined by three other textile mills. Over 2½ million yards of our blend have been sold and interest is growing.

This program will achieve optimum success when the 60% cotton concept is extended to other garments such as pajamas, underwear and women's apparel.

Textile research at Cotton Incorporated is also aimed at other high-priority areas. One that has required substantial investment has been fire retardance, which became a serious problem when federal standards were imposed upon the apparel industry, specifically on children's sleepwear. Intensive process research, utilizing an earlier USDA chemical discovery, led to successful commercialization under the name of FIRE STOP® cotton. Now all-cotton fabrics, such as soft flannelette, can be treated to meet regulations. In addition to greater protection, the consumer continues to enjoy cotton's unique softness and comfort.

In another instance, the proficiency of our cotton research team enabled us to move quickly in helping the New York City Fire Department solve a critical problem. Firemen had rejected their uniform of 65% polyester because under actual fire fighting conditions, the polyester melted onto the skin, putting at least one fireman into the hospital with second degree burns. After ten months of impartial evaluation, the New York City Fire Department has officially adopted FIRE STOP®, 100% cotton uniforms over synthetic alternatives. Cotton Incorporated played a key-role in helping the Firefighter's Safety Committee in its objective evaluation.

Since that time, other fire organizations, including the federal Forest Service, have selected FIRE STOP® cotton uniforms.

In all of these instances, research has made the breakthrough possible, but an alert marketing group was also required to produce the commercial realization that ultimately paid off for cotton producers and the American public.

We have organized Cotton Incorporated in order to achieve maximum research effectiveness. Our marketing activities utilize our textile research not only in the U.S. but overseas. Presently this international marketing activity is extended to the nine leading textile countries in Western Europe. Results are promising, but with greater funds much more could be accomplished for U.S. cotton, and I needn't remind you of the important role that cotton exports play in maintaining a favorable U.S. trade balance.

The point of my describing these activities to you is to illustrate how cotton's research and marketing is being coordinated. It takes a well-managed, aggressive, and creative team. We now have that in our own private, producer-controlled company--Cotton Incorporated. It also requires money. Research and marketing of the type reported is costly. With more resources, more could be accomplished. Upon seeing the results that Cotton Incorporated is achieving, the majority of California cotton producers are eager to invest more.

Earlier in my presentation I told you that no one cotton producer was large enough to finance his own fiber research and promotion program. Therefore, cotton producers across the nation must join together in order to develop their own successful program. On the other hand, our competitor, the synthetic fiber companies, sponsors its own, individual company research and promotion programs.

By comparison, let me give you some idea of their size.

America's largest cotton grower produces approximately 1.32% of this country's total cotton production - the country's largest synthetic fiber producing company produces approximately 32.3% of America's synthetics.

If the largest American cotton producer were equal in size to the largest synthetic fiber producer, he would farm over 11 million acres in row crops and produce over 5½ million bales of cotton. And, if the average American cotton producer were equal in size to the average synthetic fiber producer, there would only be 24 cotton growers in the United States rather than approximately 150,000.

The cotton producers in the United States are very much aware of this situation and readily accept it. We are ready to meet this challenge. Speaking for California growers, we are proud to be cotton producers and proud of our product. We desire only for the Congress to amend the Cotton Research & Promotion Act so that we may successfully continue to support the vital research and marketing programs carried out for us by Cotton Incorporated.

Mr. KREBS. Thank you very much, Mr. Fisher.

Now, I would appreciate it if Mr. Unfred, Dr. Sayre, Mr. Evans, and Mr. Fisher would join us at the table for a round of questioning.

May I again, by way of information, tell you gentlemen that the reason the chairman of this subcommittee is not present, and the reason that various other members are not present, is that there is agricultural legislation on the floor of the House at this time.

I want to apologize for their absence. Hopefully, they will be able to be here later on to participate.

Mr. Hightower, do you have any questions?

Mr. HIGHTOWER. Thank you Mr. Chairman.

I have not had an opportunity to review H.R. 10930. So, I will just ask this.

The purpose of the bill is to get additional money. How much money do you think the passage of this bill will provide to cotton?

Mr. EVANS. The bill is written in such a way as to permit a flexible determination based on need, but with a limit. This limit would be placed at not to exceed 1 percent of the value of the crop.

The idea, we would hope, is that the dialog between the industry and the Cotton Board would determine what the rate ought to be based on the need, but without limit being placed on it.

Mr. HIGHTOWER. One percent of gross?

Mr. EVANS. Yes.

Mr. HIGHTOWER. What percentage of individual cotton producers now constitute the contributors to Cotton Inc.?

Mr. EVANS. About 97 percent of the individual producers.

Mr. HIGHTOWER. Is there any forum within the industry—excuse me, let me put it this way, does Cotton Inc. have a way of getting the ideas and individual contributions that a producer might make as to its program?

Mr. EVANS. Determining the program itself, is that the question?

Mr. HIGHTOWER. Yes.

Mr. EVANS. Yes.

Our board of directors are all cotton producers and we are geographically related to the volume of production. That is to say the States with the most production have the most directors, with each State having at least one director represented. Those directors are elected by the certified producer organizations in their respective States, which of course puts them in a position of being responsible to those certified producer organizations.

All our directors carry on a dialog both with their own constituents and with the organizations to which they are related, and we have periodic meetings in the country where we talk about what the program is, and we communicate back to growers what the program is.

We get inputs and questions. We get plenty of good questions from growers which our directors then carry back to our board and our executive committee, and translate this into policy actions which we communicate to the staff.

Mr. HIGHTOWER. George Mahon, chairman of the Appropriations Committee, I see, is here. I wondered if you wanted an opportunity to say something.

Mr. MAHON. I wanted to greet one of my constituents who is here testifying, because next year is an election year and I want to speak to him.

Mr. HIGHTOWER. That had skipped my mind.

Mr. MAHON. I will be here a few minutes, but thank you very much. You are very kind to recognize me.

Mr. KREBS. You are more than welcome to join us.

Mr. MAHON. Thank you very much.

Mr. HIGHTOWER. I have one other question.

I would like to follow up on the last question I asked about the program contact with the producers

Is there a desire, in your opinion, on the part of the producers to bring about this increased—that is, do you think it would have the support of most of the producers to change the law and provide for this?

Mr. EVANS. Yes; let me tell you how I arrive at that conclusion.

We have had a number of meetings already, including meetings of all the certified producer organizations. Cotton Inc.'s program was communicated to them.

These certified producer organizations have also gone back to their constituency and to their directors, and communicated the recommendation of Cotton Inc. to seek additional funding.

In nearly every case—I am not sure whether it is 100 percent—but these organizations have passed resolutions supporting this action.

I think in the process of carrying out a referendum which the bill calls for, obviously we will need to communicate in a much deeper sense to everybody, because everybody of course votes. All cotton producers I assume would vote.

Mr. KREBS. Are there any further questions?

Let me pursue this matter.

Do you know of any organized or unorganized opposition to this legislation, as far as the industry is concerned?

Mr. EVANS. We know of no organization to my knowledge that has been presented.

Dr. SAYRE. I would be surprised, Mr. Chairman, if that would be so.

Mr. HIGHTOWER. Mr. Chairman, I might suggest to the gentlemen who are with Cotton Inc. that it would be well for them to solicit the support of the major farm organizations and others, because we have found it increasingly difficult to pass farm legislation.

We had an experience last night at the beef board bill. If we are not moving together in the agricultural area, we will not move very far at all.

Mr. EVANS. We certainly appreciate those remarks and agree with them. We are actively seeking to get all of the farm organizations to support this. We have received very good indications of support all along the way.

Mr. KREBS. Mr. Jenrette, do you have any questions?

Mr. JENRETTE. Thank you, Mr. Chairman. I apologize, I was on the floor and I have no questions at this time.

Mr. KREBS. All right, gentlemen, we thank you very much for being with us.

We invite you to stay, if time permits you to do so.

The next witness is Mr. C. L. Denton, Jr., president of the National Cotton Council of America. He is accompanied by Mr. Hoke Leggett, chairman of the Producers Steering Committee from Hobgood, N.C.

Welcome, gentlemen.

**STATEMENT OF CHAUNCEY L. DENTON, JR., PRESIDENT, NATIONAL
COTTON COUNCIL OF AMERICA**

Mr. DENTON. Mr. Chairman, my name is Chauncey L. Denton, Jr., and I am a cotton farmer and ginner of Denwood, Ark.

I am appearing before you today in my capacity as president of the National Cotton Council. As most of you perhaps know, the council represents the entire raw cotton industry—including producers, ginnermen, warehousemen, merchants, cooperatives, manufacturers, and cottonseed crushers.

We are here to give our unqualified support for H.R. 10930, which amends section 7(e) of the Cotton Research and Promotion Act. By unanimous action at the annual meeting in February of this year, council delegates approved the following resolution:

Initiate at the earliest practical date legislation which will enable cotton producers to develop more adequate producer research and promotion funds for cotton, and continue its full educational and legislative support for the producer research and promotion program.

You have already heard testimony from witnesses for Cotton Inc. concerning the urgent need for increased producer funding of cotton research and promotion.

Among other reasons, they cited the cutback in Cotton Inc.'s research efforts necessitated by a decline in collections due to inflation, smaller crops, and reduced funding under section 610.

Inflation and budget problems also have cut heavily into government cotton research. As a result, total research efforts for cotton are now substantially below those of a few years ago in face of needs that are just as great if not greater.

We feel it is essential that research funding be shored up as soon as possible with additional producer funds. Of course, an immediate question is how additional funding can best be provided.

By way of background, I believe a brief history of cotton research and promotion funding, beginning with the council's finance plans and continuing through today's Cotton Inc., will add perspective to the approach embodied in H.R. 10930.

In 1938, rayon was just beginning to make inroads into cotton's markets. To help combat this threat, a group of cotton leaders organized the National Cotton Council with a single objective—to increase the consumption of U.S. cotton and its products. Its programs were to include research and promotion, as well as other needed projects.

Responsibility for financing these programs was placed on 14 State units which were organized during the latter part of 1938 from the 18 cotton-producing States. These units were composed of representatives from the five cotton interests originally involved in the council, namely, the producers, ginnermen, warehousemen, merchants, and cottonseed crushers.

The initial financing plan for the 1938-39 crop year called for producers to contribute 1 cent a bale on the cotton they produced, ginnermen 1 cent a bale on cotton ginned, crushers 1½ cents per ton of seed handled, and warehousemen and merchants one-half cent of each bale handled. The plan also stipulated that ginnermen were to collect the producers' 1 cent per bale and remit it to the council.

This was done because it was far easier and less expensive to make collection agreements through 11,000 or 12,000 gins than to try to collect directly from more than 1 million cotton producers. Collections as a result of this first effort amounted to a little over \$153,000.

Since that first year, the council's fund-raising program has involved a variety of finance plans. These included a 2 cent per bale quota on a State-by-State basis; a lint plan of 5 cents per bale and a seed plan of 3 cents per ton.

And, beginning in the 1945 crop year, a plan that provided producer-ginner rates of 10 cents per bale ginned; crusher rates of 5 cents per ton crushed; merchant, 2 cents per bale shipped; compress-warehouse, one-half cent per bale shipped; and manufacturer, 5 cents per bale consumed.

Beginning with the 1957-58 crop year, the council increased producer-ginner dues to 20 cents per bale; crusher to 7½ cents per ton crushed; merchant to 3 cents per bale shipped; compress-warehouse to 1 cent per bale shipped; and manufacturer to 10 cents per bale consumed. Inflation has necessitated a further increase in council dues beginning next season.

Producer-ginner dues go to 30 cents; crushers to 10 cents per ton; and phased in over several years, compress-warehouse dues go to 2 cents; merchants to 4 cents; and manufacturers to 12 cents.

The Council finance program has been one of improvement through trial and error, with changes based on experience gained from those things that work and those that will not.

Throughout the 1950's, manmade fiber producers greatly expanded their research and promotion programs, and cotton producer leaders began to come to the realization that they were trying to put out a bonfire with a water pistol.

In 1959, the Council made a survey of the industry's top leadership to determine the feasibility of another across-the-board increase in dues.

This survey showed that because of competitive factors and probable reduction in membership, any substantial increase in the dues of interests other than producers at that time would likely result in less than rather than more revenue.

In January of 1960, Council producers called a special meeting to study the problem. They readily agreed that cotton was in dire need of a research and promotion program that was more realistic in size, and that cotton producers themselves had the greatest stake in getting this done.

A committee, composed of some Cotton Belt Farm Bureau presidents and leadership of other cotton-producer organizations, was appointed to develop a procedure and mechanism for raising additional producer funds for supplementary cotton research and promotion projects, utilizing the concept and staff facilities of the Council.

The committee completed its assignment during 1960, and its proposal for raising the supplementary funds was approved by Council directors in January of 1961.

Under this plan, the Cotton Producers Institute—or CPI—was organized as a division of the Council with its funds going entirely to research and promotion projects. All staff and overhead expense was to be borne by the Council. CPI's administration and control were

placed under a cotton producer board of trustees elected by the producer organizations which elect producer delegates to the Council.

The finance plan for the new organization called for \$1 per bale to be paid wholly by the producer and collected by the ginner.

Due to the tremendous organizational requirements, CPI was set up on a staggered basis, with the program being initiated in the area of heaviest production over a 5-year period. During this time, over 2,135 organizational meetings were held with an accumulative attendance of over 111,000.

More than 75-percent of the growers attending these meetings signed agreements. Collections went from a little over \$1 million the first year to a high of about \$3 million before beginning to drop off.

What caused this decline? Why did not this first effort succeed? Let us look briefly at what happened.

Every conceivable idea was tried. In the first year an attempt was made to sign growers representing 25-50 percent of the total volume around each gin that had agreed to participate. In the second and third years an effort was made to get gins to collect from all customers uniformly, with refunds made on request at the end of the season.

This worked reasonably well for a time in the Far West, with its larger units, especially where gins wrote advance letters to their customers saying what they planned to do.

But in west Texas, where the number of units was greater and the ginning season very short, some gins would either not take the time or would forget to check the list of signed producers every time a load of cotton came across the scales.

As a result, only about \$280,000 was collected in the first year from the 850,000 bales signed; and this amount came largely as a result of collection letters sent direct to growers.

In the second year, enough gins agreed to collect—and so notified their growers—that at one point over \$1 million had been collected.

However, a few gins failed to make the deductions as a means of price cutting. Nearby gins which had collected began encouraging refunds to meet the competition. Once this started, it spread like wild-fire. And, after all refunds were made, final collections in this area came to only \$425,000 out of the more than \$1 million that had been collected.

Over the next 2 years, seven new areas came into the program. But, despite this additional participation plus a substantial increase in Mississippi and Arkansas, total revenue for the 1963-64 season decreased by \$63,000. The program started eroding in California and Arizona, and revenue dropped more than \$200,000 in the Texas high plains.

Since the west Texas situation was different from that of a number of other areas only in degree, other collection points were suggested and tested with industry leadership in some areas—the warehouse, the oil mill, or the buyer.

Widespread agreement could not be reached on such ideas, although some cooperatives did collect very substantial funds for a few years.

By 1964, it had become clear that a more uniform method of financing CPI was needed. At the request of CPI trustees, the Council authorized a special committee for this purpose. After a series of meetings with key management and processor-handler representatives

in later 1964 and early 1965, the committee recognized that agreement could not be reached on a uniform system with firms handling sufficient volume to make any of the proposed plans work.

Consequently, the committee requested the Council's management and attorneys to outline tentative legislation to allow growers to vote in a referendum on whether or not they wished to assess themselves for research and promotion funds and establish a uniform collection system.

CPI trustees approved the tentative draft in April 1965, and requested the Council to sponsor its enactment into law. The Council Board approved the request in June.

Literally thousands of cotton industry people had worked hard over a period of 7 years to make the first effort succeed. They had spent many thousands of dollars and had tried a variety of approaches.

But the competitive factor among handlers making the collection proved to be the fatal flaw—the one defect—in the original finance plan.

The Cotton Research and Promotion Act and Order—which became effective with the 1967 crop following congressional action, USDA hearings, and producer approval in a referendum—provided the uniform collection system that corrected this failure. It set up a quasi-governmental agency called the Cotton Board to collect the funds, contract with an organization to carry out the program, and review budgets. Collections have been made on well over 99 percent of the production since its establishment.

This was the only practical way to provide every producer the opportunity to participate with a minimum of effort. And the collection method's cost was so low that interest on collected funds more than covered the collection expense.

The act also maintained the voluntary nature of the original producer effort by allowing refunds to producers who did not wish to participate. Less than 3 percent of them have asked for refunds over the 8 complete years of experience under the program.

Because of the growing regulatory and legislative issues facing the cotton industry and the necessity of keeping these activities separate from research and promotion efforts, CPI's program was separated from the Council in 1970. Cotton Inc., with a separate producer board, was formed to succeed CPI.

The Agricultural Act of 1970 authorized \$10 million annually in Government funds—to supplement producer support of research and promotion, and made a second \$10 million discretionary with the Secretary of Agriculture. Ten million dollars was made available for 2 years, but the amount was then cut to \$3 million for the next 3 years, including fiscal year 1976. This year's appropriation is expected to be the last that will be forthcoming from Government.

With Government funds thus ending in fiscal year 1976 and with inflation having eaten away nearly 40 percent of the value of the dollar since the uniform collection program began in 1967, today's cotton producer leadership is taking a positive step in seeking new enabling legislation for a referendum on increased funding—funding that will come from producers themselves—not from Government.

When we sought your support for supplemental funding under the Agricultural Act of 1970 to get our program going, we envisioned

the day when we would be sufficiently established to operate on our own without additional Government funds.

That time has now arrived, and cotton producers are simply asking for the opportunity to assume full financial responsibility for their own self-help programs of research and promotion.

Mr. Chairman, we hope that all members of this committee will see fit to exert their considerable influence toward having H.R. 10930 signed into law at an early date.

The Council is prepared to commit its full resources toward producer acceptance of the increase funding envisioned by the bill in the referendum that it authorizes. Thank you.

Mr. KREBS. Thank you, Mr. Denton, for your very fine statement and for your offer to help bring about the implementation of this legislation.

Mr. Leggett, would you like to say a few words?

Mr. LEGGETT. Yes, sir, I have a short statement.

STATEMENT OF C. HOKE LEGGETT, CHAIRMAN, PRODUCER STEERING COMMITTEE, NATIONAL COTTON COUNCIL

Mr. LEGGETT. Thank you, Mr. Chairman. My name is C. Hoke Leggett. I am a cotton farmer from Hobgood, N.C. I serve as chairman of the Producer Steering Committee of the National Cotton Council, and appear before you on behalf of that committee.

The Producer Steering Committee, which represents the largest segment of the council—the producer—is made up of farmers from each of the 14 cotton States, each man elected by his fellow producers.

The committee membership is uniformly distributed across the Cotton Belt, and we believe provides a true cross section of producer viewpoint in the cotton-producing States.

The Producer Steering Committee is an arm of the National Cotton Council, and I strongly commend to you the testimony presented here today by our president, Chauncey Denton.

As Mr. Denton pointed out, producers across the Cotton Belt realize that we find ourselves in a new ball game today—no longer does the responsibility of producers stop at just producing cotton. They must follow their product all the way to the consumer. This takes research and promotion. Effective research and promotion programs cost a great deal of money.

The Producer Steering Committee went on record in January 1975, in a recommendation later adopted by the full delegate body of the National Cotton Council convened in Phoenix, Ariz., that the National Cotton Council should, quote:

Initiate at the earliest practical date legislation which will enable cotton producers to develop more adequate producer research and promotion funds for cotton, and continue its full educational and legislative support for the producer research and promotion program.

Again, at a Producer Steering Committee meeting in Washington on June 24 of this year, attended by executive officers from regional cotton associations across the belt, the committee members and producer executives unanimously agreed to the following position:

That the Producer Steering Committee support enabling legislation calling for increased funding for research and promotion programs up to one percent of gross sales price plus the current dollar.

On July 17 and 18 a meeting was called in New York to review with the heads of the 52 certified cotton producer associations the need to secure legislation to permit additional funding for these vital programs. Some 125 men—cotton's top leadership from every cotton State—discussed the issues in depth for 2 days and arrived at the following position:

RESOLVED, that representatives of certified cotton producer organizations assembled here today, acting as individuals and recognizing that urgent need for increased funding for research and promotion, work to obtain legislative authority as proposed by the Producer Steering Committee of the National Cotton Council and work to gain support by our respective organizations and other industry interest to achieve the needed funds.

So you can see, Mr. Chairman, the position of the Producer Steering Committee is very clear.

We are in favor of increased funding for cotton research and promotion programs.

We hope that you and the members of your subcommittee will see fit to endorse enabling legislation.

We appreciate the opportunity to express our views.

We will be glad to answer any questions.

Mr. KREBS. Thank you, Mr. Leggett.

We will postpone questions until after we have heard from our next witness. I hope you can stay with us for the question and answer period.

At this time I would like to call on Mr. Carter Stovall, president, Delta Council.

Mr. Stovall, you may proceed.

STATEMENT OF CARTER STOVALL, PRESIDENT, DELTA COUNCIL

Mr. STOVALL. Mr. Chairman and members of the subcommittee. My name is Carter Stovall. I am a cotton farmer from Coahoma County, Miss., and am president of Delta Council, an organization representing the 18 Delta and part-Delta counties of Mississippi. Our area is largely dependent upon agriculture for a livelihood and cotton is our principal crop.

Delta Council was one of the original sponsors of the present producer financed cotton research and promotion program and Delta cotton farmers have a record of providing strong support for this very essential self-help effort.

Cotton today, and in the immediate future, faces problems that can only be solved by continued intensive research efforts.

Byssinosis, the need to develop flame retardancy and an acceptable easy-care finish for 100-percent cotton fabrics are industry problems that we feel must be conquered soon.

New product development and trial commercialization coupled with effective and imaginative advertising offer the best hope for cotton to meet its competition and expand its markets.

I mention these as key areas of research and promotion problems that cotton farmers will have to solve for themselves.

The only medium that we have through which we can concentrate and focus our efforts toward solving these problems is the program that is funded through the Cotton Research and Promotion Act and

it is generally recognized that we need a more adequate level of funding to do the job.

The Delta Council Board of Directors met in Cleveland, Miss., on November 18 for our semiannual board of directors business meeting. This meeting was attended by 80 agricultural and business leaders representing each of our 18 Delta and part-Delta counties.

After a review of the program and the need for increased funding, the following resolution was adopted by unanimous assent.

MORE ADEQUATE FUNDING FOR COTTON RESEARCH AND PROMOTION

We recognize that the current level of funding for cotton research and promotion is inadequate—approximately \$10 million maximum—and that around \$30 million is needed to do an adequate job.

Legislative action to provide additional financing should be undertaken in a manner that will not jeopardize the current \$1 per bale program and a financing plan should be proposed that will maximize producer support in a referendum.

Specifically, the legislation should provide for additional financing not to exceed 1 percent of the average price per bale received by farmers for the previous year.

The marketing order should specify the amount that will be collected which should be stated in terms of dollars and/or cents rather than in a percentage of a bale value.

We believe that our objective should be to attain the optimum level of program financing over a several-year period rather than in a single year.

Thank you very much for this opportunity to present our views.

Mr. KREBS. We thank you for your statement.

We now request that Mr. Denton, Mr. Leggett, and Mr. Stovall come to the table for questions.

Mr. KREBS. Mr. Hightower, do you have any questions?

Mr. HIGHTOWER. I have no questions.

Mr. KREBS. Mr. Jenrette, do you have any questions?

Mr. JENRETTE. Mr. Denton, do not take me as a consumer advocate, but I have found in the Congress in my first year that consumers feel that they bear the brunt of every cost, no matter where it comes from.

It appears from my quick calculations that in 37 years, starting at 1 cent per bale, you have gone up a little less than 3 cents per year to your present funding even with Federal assistance.

With the 1 percent now, plus the dollar, are we or the consumers looking in the next 30 years for 30 percent increase for this research?

You are cutting out funds now. Where do we stop funding for this promotion and research?

Mr. DENTON. I am glad you ask the question. If I had more time earlier I would have addressed myself to this.

It is my conviction that the consumer stands to gain out of this because a good bit of this money goes for research to enable us to learn how to produce cotton cheaper. It is also to create more markets to expand our production. It is like the assembly line here in industry. If we can raise more and produce more, then we can have a better bargain for our consumers.

I think the consumers' interest will be well served with this.

Mr. JENRETTE. You answered almost as I had anticipated that you would.

The problem that I have living in an agricultural district is this. This is education for the consumer.

In farm commodities, many Members of Congress feel that if you have supermarkets you do not need farmers. The same thing is true for those of you in cotton.

Many feel that as long as you have cotton shirts in the stores, then you do not need farmers, so we have an education problem.

I think that maybe you answered my question as to what percentage of the funds you have will go to research and what percentage would go to promotion.

Mr. DENTON. Let me address the first matter first, and then probably someone from the Cotton Inc. staff could better answer your last question.

Speaking of public relations with consumers, you are 100 percent right. I would like to point out that we have an organization which we have developed in the last 2 or 3 years, called the Agricultural Council of America. I hope you have heard of it. It has the hotlines of communications between farmers.

Mr. JENRETTE. That is not Russell Train's hotline, is it?

Mr. DENTON. It addresses itself to the thing you were talking about. People take for granted the shirts on the shelves and the beef in the market, until it is not there. We need communication so they understand more of our problems, because the consumers and the farmers have a close relationship there. We need them to consume our stuff, and they need us to raise it.

Mr. STOVALL. May I have a comment here.

We described this effort as a self-help effort. It is just that. This call for increased funding is going to come out of the gross sales value of a bale of cotton.

Therefore, it comes out of the producer's pocket.

It is not passed on to the consumer in any way.

Unlike a manufactured product, the farmer cannot put the price tag on what he raises, so he takes it to the market place and he takes what it brings that particular day. It is being bid on by a willing buyer, if there is one on that particular day.

So we really feel that we probably do have a public relations problem and a message to get over to the consumer in this effort. Our point is that this is just really a program that will be financed by cotton farmers at their own expense. It will not be passed on to the consumer. This is not something that ends up as an add on to the cost of cotton. It is something that is subtracted from each producer's gross income.

Mr. JENRETTE. Do you feel that the provisions of this legislation would be adequate to do the job you have outlined?

Mr. DENTON. I think we have to rely on the testimony of the Cotton Inc. board of directors here. Their recommendation was up to 1 percent, so they have undoubtedly considered it, and think that as far as the near future is concerned it is adequate.

Mr. JENRETTE. The cotton farmers in my district say that they are getting less for their cotton in relation to the cost of production. I know from my own purchasing of underwear and other items that it is costing more.

In your research and the Cotton Council's research, and all of you put together: can you tell me—and I have asked GAO to give me a report on why farmers' income is so small and the consumers' costs are so great—where is the differential? What is happening in cotton as well as any other farm commodity, where the farmers are receiving less in relation to the cost of production?

It is costing the consumer more.

Mr. DENTON. You have almost answered your question yourself.

It is very simple to use a loaf of bread. The price of bread, The price of wheat goes down and the cost of a loaf of bread goes up. Similar things have happened in the other agricultural commodities.

That cost that is changing upward so much happens after it leaves the farm.

Mr. JENRETTE. Is your research going to do anything about that to help educate the consumer or the public?

Each of you farmers are part of the consuming American public yourselves.

I believe in the free enterprise system. I believe in the marketplace. But I also believe that it is the responsibility of the Government to give incentive for the free enterprise system to make a profit, so that if any segment of the free enterprise system is hurting, then it is the responsibility of the Government to come in with restrictions or limitations.

I want to know where those restrictions or limitations should be placed.

Everywhere I go they put them on the farmer. I do not like that. Where can we find this differential?

Mr. DENTON. We are on your side there. We wish we knew how to do that.

Mr. STOVALL. I think your point is well taken. If I understand you correctly, you are suggesting that it would not be ill advised to have the research money used for public education to make the consumer aware of the disparity here.

Mr. JENRETTE. That is correct.

I think a percentage of it should be used for that to help any other consumer oriented agencies to be counterbalanced.

I hope some of the money which will be enacted will be used to show by charts and graphs or whatever, exactly where the farmer really fits into the picture as it relates to the total cost of the consumer commodity.

Thank you, Mr. Chairman.

Mr. KREBS. Thank you, Mr. Jenrette.

I have a couple of questions.

Your particular industry, as well as other farming industries, would probably rather not discuss one of them.

In light of what has happened in the last 24 hours, I think it would be a mistake not to discuss the matter and just hope that it will go away.

I am not here to advocate it or to oppose it; but it is a matter that should be discussed. I am referring to the issue of consumer representation.

I suppose that any one of us may differ in his opinion as to why the beef checkoff legislation was so soundly recommitted yesterday. One

thing is that the manner in which the consumer representation issue was handled—and I assume you gentlemen have followed this and are familiar with it—caused the demise of that piece of legislation. I wonder if any of you gentlemen or ladies have observations or comments as to what the industry's feeling is with regard to this matter.

Let me say in all fairness, that in my meetings with the farmers in my district, whether they be egg producers or cotton producers, my own feeling has been that—in light of the mood of the country and what I perceive to be at least some indications in the Congress of a desire for consumer representation on various boards—it would be in the interest—and that may be somewhat unorthodox—of the various industries, and again, I mean farm industries of various segments of agriculture, to have this type of representation.

The reason I feel this way is because I think marketing orders are under attack and cooperatives are under attack. Thus, it would seem to me that we might be able to get away from a lot of the alleged mystery surrounding these tools if we educated consumers as to how various industries operate. There is nothing mysterious or underhanded in the manner in which they do business.

I have told my friends in agriculture during the course of my meetings with them that, in my opinion, agriculture has nothing to hide. I think it would lead to a better relationship between producer and consumer, which I think we can all agree is needed.

So, I would be interested in any thoughts and in anything that one of you ladies or gentlemen may have to share regarding this particular subject, because I think those thoughts will help us.

Before I forget, let me also say—in light of the experience of the beef bill yesterday—that I would hope that the industry can remain as united as possible. One of the things of which I am absolutely convinced is that the deep split that had developed among the cattle growers throughout this Nation helped defeat yesterday's legislation.

I would hope that we can try to pass this legislation in a united fashion.

My apologies for my lengthy comment.

If you have any remarks, we would appreciate them.

Mr. DENTON. I do not mind commenting but I would like to invite the chairman of the Cotton Board to come and address that.

Mr. EVANS. Mr. Chairman, I appreciate your comments and I would like to say this.

We, of all people in the cotton industry, have nothing to hide from the consumer.

Our whole approach is to put better products on the market for consumers. We know that whether we rise or fall all rests on how good a job we do for the consumer.

The consumer votes for us when he decides whether to buy products which we present to him on the shelves of America.

We would be concerned if so-called consumer representatives were placed on the board who were not truly consumer representatives or anything of that type.

As you know, that can get to be a problem.

But, let me point out that the consumers of America would really get ripped off, as Mr. Jenrette said, if this cotton industry failed to provide an alternative to synthetic fiber producers' competition.

You could see right quickly with just a few people in the synthetic fiber business what would happen to the consumer if there was no competition coming from cotton in order to keep adequate supplies of good quality products at a reasonable price on the shelves of America for consumers to buy.

Mr. KREBS. Thank you very much.

Are there any further comments?

We now will have a brief presentation in the form of a movie. You are all invited to watch it.

If there are no further comments, I suggest that we show the movie.

[At 3:40 p.m., a video tape movie was shown.]

Mr. KREBS. Ladies and gentlemen, the meeting will adjourn for today to be resumed tomorrow afternoon for the balance of the testimony.

[Whereupon, at 3:50 p.m., the subcommittee adjourned.]

COTTON RESEARCH AND PROMOTION ACT AMENDMENT

WEDNESDAY, DECEMBER 17, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 2 p.m., pursuant to notice, in room 1301 Longworth House Office Building, Hon. David R. Bowen (chairman of the subcommittee) presiding.

Present: Representatives Jones of Tennessee, Krebs, Hightower, English, Jenrette, Wampler, and Moore.

Also present: Robert M. Bor, counsel; William A. Imhof and John E. Hogan, associate counsels; Nick Ashmore, staff consultant; Anita Brown and Carol Dubard, staff assistants.

Mr. BOWEN. The subcommittee will be in order.

I would like first to apologize to those of you who testified yesterday for my absence here. I had a matter that kept me on the House floor. I want to thank my colleague, Congressman Krebs, for presiding in my absence.

I want to welcome you all here today.

We are moving into the second day of hearings on the Cotton Research and Promotion Act.

First of all, I would like to ask if our colleague, Ed Jones, is here. We will let our colleagues testify, which is our practice, initially.

I would like to point out to those of you who are testifying today that because of the length of our witness list we will have to limit testimony to 5 minutes. So, you might prefer to give a summary of what you have written, and if so, I will assure you that your entire statement will be included in the record.

Congressman Jones, if you would honor us with your presence we would be delighted to have your testimony. He is a member of this subcommittee and chairman of the Dairy and Poultry Subcommittee.

Mr. JONES. Thank you, Mr. Chairman, and members of the subcommittee.

STATEMENT OF HON. ED JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. JONES. I would like to take just a few minutes to report the sentiment that cotton farmers in my district have expressed to me on H.R. 10930, along with some of my own observations; after which, I will introduce one of my constituents, a cotton producer, who is here to testify on the proposition at hand.

First of all, let me say that I favor a producer-funded research and promotion program. It is a program that makes sense and one to which we can point with considerable pride in accomplishment for several agricultural products. I have supported numerous of these programs when they came up in Congress.

However, bringing this particular legislation up right now scares me a little bit for several reasons.

First of all, cotton farmers have not done so well recently. Particularly in the Southeast, producers have had serious problems with weather and production. Everyone has had problems with the cost-price squeeze. The 1974 cotton price averaged about 43 cents, while parity was at 69.94 for cotton in June of 1974.

In 1975, prices are up some, but inflation has taken its toll as evidenced by the fact that in June of 1975 parity for cotton was up to 77.12.

Farmers are in no mood for this kind of legislation right now. The proposal before us would allow an additional check off of up to 1 percent of the value of the cotton. Add that to what we already have and it comes up to almost 1½ percent of the gross value of the product. To me this is awfully high when you consider how much profit cotton farmers are making.

If a farmer's net profit is 10 to 25 percent of gross value in cotton, he is probably doing pretty well. This is 1½ percent of gross value translates into 6 to 15 percent of net profit. Right now farmers simply would not be willing to accept such a program.

But this really is not the most serious problem that this proposition faces. The basic problem is that we do not have the kind of support that is necessary to keep this bill out of trouble in the House.

NFO and NFU are opposed to it. The AFB has not taken a position on it at present, and if we take it to the floor we will face amendments to include consumers on the board and on all other checkoff boards. Add to this the adverse publicity that Cotton Inc. has received, and I think the bill will have serious trouble.

In fact, there seems to me to be the possibility that by trying to push the bill through, we face the likelihood of having the whole program killed. One amendment that has already been suggested in some quarters would put the whole program up for referendum and not just the additional funds. If such an amendment were included and the bill failed, our research and promotion program would be out in the cold.

Finally, let me say that I do support the cotton research and promotion program, and I realize the need for additional funding for the program.

But I am worried about our timing of this. Particularly since we took a beating on the beef checkoff earlier this week.

Now, I would like to introduce to you a good friend of mine, and a neighbor. He is a cotton farmer and a cotton ginner. He has been very active and very helpful in promoting cotton production and cotton research in my district and in the State of Tennessee.

Mr. Wayne Griggs of Humbolt, Tenn. is a cotton farmer, a ginner, and is president of the Tennessee Agricultural Council.

At this time I would like to present Mr. Griggs to you.

Mr. BOWEN. Thank you.

We are glad to have Mr. Griggs with us today.

Mr. Griggs, you may proceed.

By the way, we will be asking those of you who are testifying to remain with us after all the speakers have been heard for a question and answer period.

STATEMENT OF J. WAYNE GRIGGS, PRESIDENT, TENNESSEE AGRICULTURAL COUNCIL

Mr. GRIGGS. Mr. Chairman, my name is J. Wayne Griggs and I am a cotton farmer and ginner of Humbolt, Tenn.

I am appearing before you today in my capacity as president of the Tennessee Agricultural Council.

Our organization is one of over 50 producer organizations that has been certified by the Secretary of Agriculture.

As a certified producer organization, we participate in naming Cotton Inc. directors from Tennessee, as well as participate in nominating to the Secretary of Agriculture nominees for appointment to the Cotton Board.

We heartily endorse the Research and Promotion Act and this bill which allows cotton producers to vote in referendum whether or not to increase their funding.

We subscribe to the provision that the Cotton Board and Secretary of Agriculture are allowed to set the additional rate within the guidelines established by this bill. We think it proper that this bill does allow producers to vote whether or not to increase their current \$1 per bale assessment by the amount set in an amended order.

Our interpretation is that this bill gives the Cotton Board and the Secretary of Agriculture flexibility as to the proposed additional rate as well as set the exact timing of the producer referendum.

We think it important to have some flexibility on these two points so that the additional rate is set at a level that will be supported by the overwhelming majority of producers and at a time where the economic and emotional climate is right to pass a referendum.

Thank you.

Mr. BOWEN. Thank you, Mr. Griggs. We appreciate your being with us.

If you would care to stay we might ask you questions later.

I believe our first witness on the witness list is the Honorable Albert McDonald, State Senator from Alabama. We will have him now.

STATEMENT OF ALBERT McDONALD, MEMBER OF THE STATE SENATE OF ALABAMA

Mr. McDONALD. Mr. Chairman, gentlemen of the committee, my name is Albert McDonald. I live in Huntsville, Ala.

I am a cotton farmer by occupation, and my livelihood is derived principally from cotton farming.

I am immediate past president of Southern Cotton Growers, Inc., a producer-delegate to the National Cotton Council and have served several years as a member of the executive committee of Cotton Inc. I am a member of the Senate of the State of Alabama serving as vice chairman of the Senate Agricultural Committee.

Gentlemen, I appreciate the opportunity to let you know how I feel about the need for research and promotion funds for the cotton industry.

I have been closely involved with the present research and promotion program since its inception. It is my opinion that the program is necessary for maintaining a viable cotton economy in the United States and we are just now reaching the point that past efforts are beginning to pay off.

An increased effort is badly needed at the present time. I ask that you pass legislation which will allow farmers to determine for themselves, through a referendum, if they wish to increase their support for their cotton research and promotion program.

I think the plan to allow additional support up to an increase of 1 percent of the sales price is probably the best alternative I have seen offered.

It is not my intent to burden you with lengthy testimony, therefore I close my statement and offer to answer any questions you may have.

I am grateful for the opportunity to appear before you.

Mr. BOWEN. Let me announce that we have an important matter to vote for on the floor. This is tax legislation. We will proceed over there and will be in recess here for 10 or 15 minutes.

We will return as soon as we can.

[Recess taken.]

Mr. BOWEN. The subcommittee will come back to order.

We will now hear from Mr. Wannamaker. I will let Mr. Jenrette introduce Mr. Wannamaker.

Mr. JENRETTE. Thank you, Mr. Chairman.

Mr. Wannamaker is not truly a constituent. He lives across the line. He is an outstanding gentleman who has been in cotton most of his life.

He has been very helpful to me in my endeavor to deal with the problems of the cotton industry. I think we are very fortunate to have Wes Wannamaker of South Carolina, the president of the American Cotton Growers, with us.

As one of your personal friends, I hope that is the case and I welcome you, Mr. Wannamaker.

Mr. WANNAMAKER. All those good remarks might cause me to move across the river.

STATEMENT OF WESLEY K. WANNAMAKER, PRESIDENT, SOUTHERN COTTON GROWERS, INCORPORATED

Mr. WANNAMAKER. Mr. Chairman, and members of the committee, my name is Wes Wannamaker. I am a cotton farmer and ginner from St. Matthews, S.C. I presently serve as president of Southern Cotton Growers, Inc. on whose behalf I appear before you today.

Southern Cotton Growers, Inc. is the regional cotton producers' organization in the Southeastern United States which represents cotton farmers in Alabama, Georgia, North Carolina, South Carolina, and parts of Florida, Tennessee, and Virginia. The Southeast planted about 900,000 acres of cotton in 1975, or approximately 10 percent of the total U.S. crop.

Southern Cotton Growers, Inc. was a strong supporter of the initial legislation which established Cotton Inc. and we have over the years

strongly supported the work Cotton Inc. has engaged in on behalf of producers throughout this country.

I appear before you, Mr. Chairman, and members of the committee, today, to give our support to enacting enabling legislation that would provide for a referendum of cotton producers to approve a much-needed increase in producers contributions to Cotton Inc.

We feel that Cotton Inc., since its inception, has done an outstanding job on behalf of cotton farmers throughout the country. The research and promotion activities of Cotton Inc. have contributed significantly to the increase marketability of our product.

As I am sure you gentlemen are aware, the cost of cotton research and promotional activities has experienced a significant increase, brought about primarily by inflation, consequently the cost of Cotton Inc.'s programs have skyrocketed.

We, in the Southeast, feel that the work of Cotton Inc. is of such importance that its activities must be expanded if cotton is to continue to be a viable agricultural industry in this country.

As Government funds become impossible to obtain for cotton research it is quite obvious that increased funding of Cotton Inc. can only be accomplished through additional financial participation at the grower level.

On behalf of the members of Southern Cotton Growers, Inc., I strongly urge the Congress of the United States to enact legislation which would provide for a referendum of cotton producers to approve an increase in the funding of Cotton Inc.

I have a couple of other things that I would like to say, if I am permitted, Mr. Chairman. This is not in my written testimony.

With the veto of the last farm bill, and the current market-oriented agricultural program, a good well-financed research and promotion organization is our only hope for the future.

Unlike most agricultural products, cotton has competition from synthetic fibers. This makes marketing and research for cotton farmers and their fiber of even greater significance and importance.

Cotton has, and, if permitted, will continue to roll down the cost of raw fiber.

This is in the interest of the consumer. As we stated yesterday, some seven synthetic producing companies produce 85 percent of the synthetic fibers in this country. There are 150,000 farmers who produce the cotton.

It is my opinion that the price of fibers will rise dramatically if seven companies have the virtual control of the fiber market.

A friend of mine, who is a lot smarter than myself, once told a group of local farmers that it is better to own the market than it is to own the farm.

We need that market, Mr. Chairman.

I thank you for the time and for this opportunity to appear before you.

Mr. Bowen. Thank you very much. We especially appreciate having the representation from the Southern Cotton Growers.

Mr. Donald E. Wilkinson is with us. We appreciate your joining us here.

If you would identify your associates, we would appreciate it.

Mr. WILKINSON. I am pleased to have with me Mr. John Chernauskas, Office of General Counsel, and Mr. Alvin Deck, Cotton Division, of AMS, the individual who works very closely with the administration, of the event and the project that we are speaking of here today.

STATEMENT OF DONALD WILKINSON, ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY JOHN CHERNAUSKAS, OFFICE OF GENERAL COUNSEL, AND ALVIN DECK, COTTON DIVISION, AMS

Mr. WILKINSON. Mr. Chairman and members of the committee.

I appreciate the opportunity to appear before this committee to present the views of the Department of Agriculture on H.R. 10930, a bill to amend the Cotton Research and Promotion Act, 1966, to provide for an additional producer assessment and for the reimbursement of certain expenses incurred by the Secretary of Agriculture in the administration of the act.

The amendment would also repeal section 610 of the Agricultural Act of 1970 pertaining to the use of Commodity Credit Corporation funds for cotton research and promotion.

The Department has no objection to the enactment of H.R. 10930 if it is amended as we will outline in our statement.

Before discussing H.R. 10930 in detail, I would like to present a very brief resumé of operations of the cotton research and promotion program up to this date.

The Cotton Research and Promotion Act was enacted July 13, 1966. Public hearings were held on a proposed cotton research and promotion order and a referendum vote by cotton producers approved the order by a 68-percent majority of growers voting.

The implementing order was issued on December 31, 1966.

In early 1967, the Secretary of Agriculture appointed 20 members and 20 alternate members to the Cotton Board which met for its initial meeting in March.

The Cotton Board developed and issued regulations governing the collection and refund of producer assessments and entered into a contract with the Cotton Producers Institute—now Cotton Inc.—to develop and implement a research and promotion program.

Collection of producer assessments began with the 1967 cotton crop and the first research and promotion program and budget was approved and implemented in calendar year 1968.

Through June 30, 1975, \$85 million in producer funds has been collected; \$8 million has been refunded leaving net collections of \$77 million. Refunds have ranged from 3 percent in 1967 to 12.5 percent in 1974.

Section 610 of the Agricultural Act of 1970 as amended by the Agriculture and Consumer Protection Act of 1973 authorizes the use of \$10 million of Commodity Credit Corporation funds annually in fiscal years 1972-78. The Agricultural Appropriations Acts for 1974, 1975, and 1976 limited the section 610 funds to \$3 million annually to be used for research only.

Therefore, through fiscal year 1975 a total of \$26 million of CCC funds has been made available for this program.

One of the major responsibilities of the Cotton Board is the collection and refund of the producer assessments and related compliance activities.

The Board maintains a staff of 20 employees in Memphis, Tenn., for this purpose. Since the inception of the program, the Cotton Board has spent about \$2.6 million in performing its functions. The Board's budget for fiscal year 1976 is \$485,500.

Through June 30, 1975, \$71 million of producer funds has been expended with about 60 percent devoted to promotion and 40 percent to research; \$25 million of section 610 funds has been spent through the same date, about equally divided between promotion and research. As mentioned earlier, beginning in fiscal 1974 the use of section 610 funds has been limited to research.

The current fiscal year producer-funded program is budgeted at \$10.1 million. Available producer funds for the fiscal year 1977 budget will be around \$9 million, the smallest annual budget since the first year of the program. The only other funds available to increase fiscal 1977 program would be Cotton Inc.'s own funds of just over \$1 million which were inherited from the voluntary program prior to 1966 and about \$500,000 in patent and royalty funds.

In this connection, there is a difference of opinion as to the ownership of patents and the use of funds earned from such patents. At present Cotton Inc. is securing patents in its own name and retaining in its own private account the funds derived from patents and royalties.

Cotton Inc. maintains these patents are developed from private producer funds and ownership of the patents should be in the name of Cotton Inc. and any funds derived from them are private funds of Cotton Inc. and not subject to budgeting and approval by the Cotton Board and the Department.

It is the Department's position, and it has so recommended to the Cotton Board and Cotton Inc. that any patents, copyrights, or inventions developed through the use of funds collected under provisions of the act should become the property of the Cotton Board and that any income derived therefrom should be expected for cotton research and promotion under existing procedures for approval of projects and budgets.

Cotton Inc. would be entitled to an exclusive patent license, subject to an irrevocable, royalty-free license in the Government for governmental purposes, and could administer the patents in essentially the same manner as they are doing at present.

An expression of the intent of Congress with respect to patents, either as an amendment to the act or a directive in the report on H.R. 10930, would be most helpful in resolving this question.

Current areas of concentration by Cotton Inc. in research efforts include byssinosis, short season cotton, insect control processing handling, fabric development, durable press, and fire retardance.

In the promotion area Cotton Inc. is concentrating heavily in advertising, mill motivation, and new product merchandising to increase cotton consumption at the mill, manufacturer, and retail levels.

In its continuing review and appraisal of this program the Department is currently financing a study by a private consultant to (1) evaluate the effectiveness of Cotton Inc.'s marketing and promotion

programs, (2) evaluate the extent to which research projects further domestic marketing, and (3) determine if sufficient provisions exist to avoid duplication of research provided by public and private agencies. This study is scheduled for completion by the end of January 1976.

The Department supports section 1(1) of H.R. 10930 which provides for the reimbursement of administrative costs incurred by the Department. I would like to comment on two aspects of the reimbursement provisions.

First: Reimbursement for administrative costs should not be confined to a specific number of employee years. We recommend that a provision be made for reimbursement of all administrative costs incurred by the agency within the Department directly responsible for program administration—in this case the Agricultural Marketing Service.

AMS has received \$70,000 in appropriated funds to cover administrative costs in fiscal 1976. When the Egg Research and Consumer Information Act is implemented, AMS administrative costs will be recovered from program assessment funds.

Second: The Department should be reimbursed for all costs associated with the holding of a producer referendum to approve additional assessments. The Department assumed all costs of developing the order, holding public hearings, and holding the producer referendum in 1966. Any costs associated with a future referendum should be defrayed from program assessments.

We will be glad to work with the committee in redrafting this provision of H.R. 10930.

The principal feature of the bill provides for an additional producer assessment for research and promotion. This is a decision that must ultimately be reached in referendum by cotton producers themselves if Congress approves this amendment. Testimony has already been presented to this committee to show the need for additional research and promotion funds if cotton is to maintain and expand its markets.

Likewise, evidence has been presented relative to the accomplishments and merits of the program at the current level of funding. These are factors that Congress, first, and then producers, will have to weigh against the burden of an additional assessment.

However, I would like to comment on the language providing for the additional assessment.

It is not clear if the additional assessment is to be an amount per bale or a percentage of some value of cotton to be determined in some undefined means by the Cotton Board and the Secretary. Neither is it clear as to who would establish the rate of the additional assessment.

This committee may want to consider changing the language to specify an exact per bale amount of the additional assessment rather than providing that the amount be prescribed in an amendment to the order. This would be consistent with the action taken by Congress when it set the initial \$1 per bale in the act.

It would also facilitate and simplify the collection and remittance of assessments by handlers to the Cotton Board. Further, it would eliminate the need for an annual determination of the value of cotton by the Cotton Board of the Secretary.

In any event, I strongly recommend that the language be revised to clarify the amount of the assessment and the basis on which it is to be established.

The Department agrees with the repeal of section 610 of the Agricultural Act of 1970. Section 2 of H.R. 10930 provides that section 610 is repealed effective July 1, 1977. Thus, authority for the use of section 610 funds would be continued for most of fiscal year 1977.

Although section 610 is a source of additional funds for research and promotion, I can appreciate the desire of producers to finance a program totally with their own funds.

This would be consistent with the approach taken in other commodity research and promotion programs in that they are full producer financed.

The repeal of section 610 would in no way affect our responsibility for supervising the producer-financed program. The Department has well-defined oversight and surveillance responsibilities in the Cotton Research and Promotion Act.

Moreover, the Congress on several occasions during the last 2 years has given specific direction relative to the Department's surveillance of this program. As one example of this direction from Congress, I would like to submit for the record an excerpt from the Conference Report on the Agriculture, Environmental and Consumer Protection Appropriation Act of 1974.

There has been some criticism that the Department has attempted to exceed its authority in supervising this program.

I want to assure this committee and the Congress that we have no desire whatsoever to interfere with the operations of the program. Our mission is to carry out our responsibilities and defined in the act and directives from the Congress.

We stand ready at all times to cooperate fully with the Congress, the Cotton Board, Cotton Inc., and all segments of the cotton industry in achieving the worthy objectives of this cotton research and promotion program.

Mr. Chairman, this concludes my statement. I will be happy to answer any questions the committee may have.

Mr. BOWEN. Without objection, the excerpt will be entered into the record.

[The excerpt from Conference Report submitted by Mr. Wilkinson follows:]

Excerpt from Conference Report on the Agriculture, Environmental and Consumer Protection Appropriation Act of 1974 (H. Rept. No. 93-520)

With regard to the provisions of section 610 of the Agricultural Act of 1970 which authorizes funds for cotton research and development, the conference report includes language which limits the amount of funding for this program to \$3,000,000 for research only. In addition, the conference language specifically provides that each project sponsored under this program must have approval by the Secretary of Agriculture as provided by law. The conferees direct that research under this program be coordinated with other cotton research activity of the Department of Agriculture.

This action was taken as a result of the findings of the General Accounting Office and the report of the Department of Agriculture to the Congress. The House Appropriations Committee spelled out directives for the operations of this activity in its report on the 1974 appropriations bill, and such directives, as repeated below, are approved by the conferees.

[Excerpt from H. Rept. 93-275]

During the past several months, the Committee has received increasingly critical reports on the handling of research and promotional funds in the cotton industry. It would appear that the criticisms are of sufficient stature to warrant an immediate general review by the Department of all activities in this connection in order to make certain that the intent of the law for the use of these funds is being carried out without exception. Immediate corrective action should be taken where deficiencies are noted. The Committee will expect periodic reports informing it of the progress being made in this connection.

The Committee does not wish to pre-judge the merit of these programs at this time. However, in order to provide the Maximum benefits from funds made available from the Treasury and from producers as a result of Federal law, the Committee directs the Secretary to maintain annual supervision, including approval in advance, of the use of Federal funds, as well as producer funds which are collected as a result of Federal law; to maintain annual audits of Cotton, Inc., including surveillance of salaries paid and programs sponsored and funds spent; and to require full reports from Cotton Council International as a condition precedent to cooperation in either promotion or research, all in order to obtain maximum results and to promote the use of American cotton.

We are in the throes of a serious shortage of cotton. Current prices on the cotton market are about three times what they were a year ago. Commodity Credit Corporation stocks of cotton are practically non-existent. The export demand for cotton is booming. Many of the textile mills in this country are unable to obtain sufficient supplies of cotton. Additional research breakthroughs in lowering production costs and increasing supplies are vital.

The conferees are in agreement that to obtain coordination to avoid duplication of effort, and to obtain maximum results funds available for this program under the one dollar per bale check-off (7 U.S.C. 2106) shall be subject to the same scrutiny by the Secretary of Agriculture as those provided under section 610 of the Agricultural Act of 1970.

Mr. BOWEN. Thank you, Mr. Wilkinson. After a few more witnesses I think we will recall the group back for questioning.

Our next witness is a constituent of our fine colleague from California, Mr. Krebs.

I will ask him to introduce him.

Mr. KREBS. Thank you very much for affording me this opportunity.

The gentleman whom I am about to introduce, Mr. Jack Stone, is a resident of Stratford in Kings County and needs no introduction to those in the audience. He is a highly respected cotton grower in my district, and an articulate spokesman of industry. It is a great privilege for me to welcome Mr. Stone for his testimony.

STATEMENT OF JACK G. STONE, PRESIDENT, WESTERN COTTON GROWERS ASSOCIATION OF CALIFORNIA

Mr. STONE. My name is Jack Stone. I am a cotton farmer from Stratford, Calif. I am president of the Western Cotton Growers Association of California.

Our association of cotton growers was among the first, if not the first, grower group to endorse the principle of grower-support research and promotion.

We believe the days of producing cotton, putting it in the bale yard, and waiting for someone to come by and buy it are over. This is now a big competitive business, a good one, and we must stand up to the job of protecting and improving it. No one else is going to do it for us. It is our business and our job.

We feel that the work that has already been done by Cotton Inc. has opened big fields of sales opportunity. They have been a great help to the whole cotton industry and also to the farmers and consumers.

The idea is working and I am sure is well worth the farmer's investment. I only wish that all farmers could see all of the research opportunities that I have seen.

The Cotton Inc. program is young and of course can be improved. I hope that all farmers will pull together to bring about such improvements in their company.

Right now due to inflation, et cetera, we must improve our financial base. Our Western Cotton Growers board resolution states that we would support increased grower contributions at the appropriate time. Obviously that time is here. We must finance our program on a larger competitive scale.

We have confidence in those involved in this program: the Secretary of Agriculture, the Cotton Board, the Board of Cotton, Inc., and their staffs. I would welcome the continued monitoring of these programs by the Department to prevent duplication and for valuable guidance from its years of experience.

Also I should like to respond to the feeling expressed yesterday by my own distinguished Congressman, John Krebs, that consumer representation on these promotion boards may be essential to enactment by the Congress.

This is a new idea for farmers who would naturally feel that inasmuch as they put up all the money, they should call the shots.

But we are always saying that we in agriculture need better understanding on the part of the consumer. Perhaps this is a place to get it.

I, too, believe that the consumer needs to know about the problems of agriculture, and he needs to know more farmers. The board of Cotton, Inc., is made up of farmers; they discuss the problems of cotton farmers, of the marketplace, and the natural advantages of cotton.

I feel that appropriate consumer representation on the board of Cotton, Inc., could lead to a better understanding of cotton's problems and could broaden the scope of our activities and consumer acceptance.

I feel that growers across the belt will most likely support a program which benefits the entire belt and is not being, or cannot be, carried on by other agencies. I feel that such projects should concentrate on textile research and on promotion which benefits the whole belt and are not regionally oriented.

We are grateful to this committee, the other committees, and to the House and Senate who have provided the growers with Government funds to help launch this program.

At this time we are not asking for Federal funds, but for more opportunity to help ourselves. Growers have given good support to the \$1 a bale assessment now in effect. We think that they should have the opportunity to vote on whether they wish to increase that assessment.

Now, as to the level of assessment, this is a very critical and important point, both in accomplishing the job of research and promotion and in passing the referendum. It has been suggested that this level be up to 1 percent of the crop value.

I know that this is a good and needed level. However, remembering that we must pass this referendum, I think that growers will more likely support an additional assessment program that they are familiar with and will know how much it will be each year. This has been one of the virtues of the straight \$1 a bale in our existing successful program. It has also been very practical to collect the contributions at the gin level, with each gin responsible for collections and remittance.

Therefore, I believe that \$1 a bale, under the new legislation, at this time would double our funds and be most likely acceptable by the growers; however, I personally would support a higher per bale assessment to support a proper program.

We have a most difficult task to properly explain this need to all involved.

We want to work with this committee, the Congress, the Secretary of Agriculture, the Cotton Board, Cotton Inc., and the farmers across the belt to get the best program that will receive beltwide support and do the best job over the years for every section of the belt.

Thank you.

Mr. BOWEN. Thank you very much.

Is Mr. Hilton Bracey here?

Will you please come forward.

STATEMENT OF HILTON BRACEY, VICE PRESIDENT, DELTA AREA PUBLIC AFFAIRS, MIDCONTINENT FARMERS ASSOCIATION

Mr. BRACEY. My name is Hilton Bracey. My address is P.O. Box 127, Portageville, Miss. I am vice president for delta area public affairs

of Midcontinent Farmers Association. And, I am here as spokesman for our cotton farmer membership which is primarily located in the delta areas of northeast Arkansas and southwest Missouri.

We appreciate this opportunity to be heard on H.R. 10930 and related matters having to do with the objectives and operation of programs as authorized by the Cotton Research and Promotion Act of 1966.

First of all, on behalf of our cotton farmer membership we wish to express our appreciation to you as individual members and to the Congress as a whole for your efforts to insure that cotton, rather than individuals, benefit from the \$1 a bale assessment on cotton sales, and from public funds provided for cotton research.

Your efforts through the 1975 Appropriations Act well demonstrate your concern for the welfare of the cotton farmer. The restrictions you placed in the act on salaries and other types of compensation that can be paid to employees of Cotton Inc. will, of course, make more money available for actual research work.

But, even more importantly your actions on a long-range basis stand to produce spending reforms to the end that public funds and funds collected through the \$1 a bale assessment will be utilized in keeping with the objectives of the Cotton Research and Promotion Act. Cotton farmers are indebted to you for your demonstrated concern which is so well stated in the report of your House Committee on Appropriations as follows:

This research work appears to be of real value to the cotton industry. Accordingly, the Committee has again included this language in the 1976 bill to provide \$3 million for research activities in the next year. (Sec. 609 of the General Provisions). The Committee feels, however, that an organization which receives these funds from the Federal Treasury, should conduct its activities on a fully sound, reasonable and economical basis, particularly in view of charges made in the House of Representatives that exorbitant salaries and other types of valuable compensation are being incurred both from government and producer funds.

Cotton is too important, domestically and in international trade, and research too essential to allow such salaries and expenses to destroy the program.

Accordingly, the Committee has included a provision which limits remuneration from any source of any official or employee of Cotton Inc. to the salary level of the Secretary of Agriculture, and expenses to those determined to be reasonable by the Secretary of Agriculture.

We would feel remiss if we did not also recognize and express appreciation to the professional career employees of the U.S. Department of Agriculture for their productive efforts to bring their concerns about activities of Cotton Inc. to the attention of the Congress and the cotton farmer.

We ask permission to insert in the record an unedited transcript of a USDA statement entitled, "Major Areas of Concern to USDA" to the Agriculture Subcommittee of the House Committee on Appropriations. This statement makes several observations and recommendations with which cotton farmers wholeheartedly agree including the following:

1. PROGRAM EVALUATION LONG OVERDUE

A hard-hitting evaluation of Cotton Inc.'s past expenditures and future spending proposals, is in order. Cotton Inc. needs a continuing program of self-evaluation, and an impartial periodic evaluation by an independent outside source.

2. STAFF AND OVERHEAD COST REDUCTIONS NEEDED

Prudence has not been exercised in salaries, overhead, and other administrative costs of the program. Salaries and fringe benefits appear to be out of line with going rates, and excessive rents and other costs of administration on such items as unnecessarily lavish office accommodations are involved.

3. ACCUMULATION OF LARGE RESERVES

We recommend that use of these funds not be approved by the Secretary pending satisfactory solution of some of the broader issues discussed. Cotton Inc. should submit budgets in line with their actual plans rather than budgets designed to cover all available income.

4. UNNECESSARY FRICTION WITH OTHER INDUSTRY GROUPS

Cotton Inc. has unfortunately not been willing to cooperate with other cotton industry groups in the achievement of common objectives. Cotton Inc. has attempted to obtain approval for export promotion without demonstrating significant willingness to work with other U.S. export promotion groups already successfully operating in the field.

5. MORE PRECISE BUDGETING, PLANNING, AND REPORTING NECESSARY

Cotton Inc.'s budget proposals and research and promotion plans have been so general in nature that they amount to little more than cost estimates for broadly defined areas of work. Cotton Inc.'s reports are equally general and vague and fail to relate achievements to prior program objectives.

The USDA statement also notes that in spite of Cotton Inc.'s stated mission to increase domestic consumption of cotton, consumption actually dropped in spite of the expenditure of many, many millions of dollars derived from farmers and appropriated funds. The USDA concludes, "Consequently, the continued use of taxpayers' dollars to promote cotton in the domestic market is seriously questioned." Obviously, the USDA statement coupled with concerns expressed by cotton farmers impressed members of the Agriculture Subcommittee of the House Committee on Appropriations.

Official statistics show that during the last 5 years—since Cotton Inc. programs have been in full operation—of the most recent 10-year period, cotton has lost sales averaging more than 1 million bales a year in the domestic market—a sales loss in excess of 15 percent.

These official statistics show that while cotton has been losing, manmade fibers have been gaining at an accelerated rate. The single exception that some would have us believe is evidence that cotton is making gains is in cotton's share of the fiber market.

It is true that cotton's share of the fiber market has at least temporarily improved since the advent of the energy crisis. But, we believe everyone should understand that this improvement is the result of the energy crisis, and resulting scarcity and high prices for petrochemicals, that is operating to cotton's advantage. Certainly, there is little to support claims and inferences that the improvement has resulted from activities of Cotton Inc.

In explaining the concerns of cotton farmers, we are simply trying to point up the need for an evaluation of programs and the use of Federal funds, as well as funds collected from farmers as a result of Federal law. We urge that farmers and the Congress can no longer afford the usual negative explanations for the ineffectiveness of such programs.

What would we have lost if we had not done what we did? We have not had enough time to show what we can do. We must have more money to really be effective. We are in a temporary slump, but there is light at the end of the tunnel.

We feel that the farmer is entitled to some tangible results from his dollar-a-bale—and certainly he has the right to expect to be protected against counter productive spending of his cotton dollars.

We feel that results should be related to money spent; that duplication of effort should be avoided; that patronage type allocations of research funds should not be permitted; that accountings should be required from all grantees; that prudence should be exercised in salaries, overhead, and other administrative expenditures; and that credibility standards should be above reproach.

We supported enactment of the Cotton Research and Promotion Act of 1966. And, we urged farmer support in the subsequent referendum. We still subscribe to the official objectives of the act. But, we believe the record very clearly shows that something different needs to be done and must be done very quickly if the objectives of the act are to be achieved.

We respectfully urge that you defer action on H.R. 10930 and any other related proposal at this time and instead immediately require an impartial evaluation by an independent outside source of (a) program effectiveness and (b) the use of Federal funds as well as funds collected from farmers as a result of the enactment of the Cotton Research and Promotion Act of 1966.

With such an evaluation we believe the interest of farmers would be served and the Congress could proceed with some assurance that the interests of all concerned would be protected.

Without the recommended evaluation, we fear that actions could be taken that could prove disastrous to the laudable objectives of the Cotton Research and Promotion Act.

Enactment of legislation without the recommended evaluation would imply congressional approval and endorsement of the same activities that Congress, through the 1975 Appropriations Act, saw fit to question.

It should also be recognized that no new legislation is required to permit farmers to contribute more money to research and promotion. The farmer is completely free to make any contribution that he cares to make. The need at the present is not for legislation to get more money from farmers, but to assure that money being collected is used in keeping with the intent of the Congress and the understanding of farmers at the time existing legislation authority was enacted.

We respectfully urge that if additional legislation is to be seriously considered without the recommended evaluation, the responsibility for protection of the farmer's interests rests squarely with the Congress. We are confident that it would not be ignored and it would not appear reasonable to think it would be delegated.

Under such a circumstance, we would urge:

First: That administrative and overhead costs be limited to a reasonable percentage of overall expenditures, and that all types of compensation to individuals be limited to levels paid and allowed by Government and private industry.

Second: That all political activities be prohibited—including grants and payments for services to other groups or organizations that do engage in political activities designed to influence governmental decisions of any kind.

Third: That at least an annual accounting as to use of funds received be required of Cotton Inc., and any other primary or secondary grantee.

Fourth: That the Cotton Board not be limited to contracts for services with Cotton Inc. And, further that the Cotton Board be authorized to contract for services on a competitive bid basis with any State or Federal body, or private institution.

Fifth: That the question of an additional assessment be combined with the current assessment of \$1 per bale, and farmers be permitted to approve or reject the entire assessment in a single referendum.

Sixth: That refund of assessment be permitted at time of sale, and that required refund request forms be made available to farmers through the first buyer, and all county ASCS, FmHA, and extension offices.

Thank you.

Mr. BOWER. Thank you, Mr. Bracey.

Without objection, the USDA statement will be included in the record.

[The statement "Major Areas of Concern to USDA," submitted by Mr. Bracey follows:]

MAJOR AREAS OF CONCERN TO USDA

1. *Program evaluation long overdue.*—CI has stated their mission is to increase domestic consumption but after the expenditure of more than \$50 million in producer derived and appropriated funds, domestic consumption of cotton has declined 400,000 bales. It is USDA's position therefore that a hard-hitting evaluation of CI's past expenditures and future spending proposals, is in order. CI needs a continuing program of self-evaluation, a more careful evaluation by the CI Board of Directors each year and an impartial periodic evaluation by an independent outside source. The latter evaluation has been recommended to CI in the past but has not been instigated by CI.

2. *Staff and overhead cost reductions needed.*—Prudence has not been exercised in salaries, overhead, and other administrative costs of the program. Salaries and fringe benefits appear to be out of line with going rates, and excessive rents and other costs of administration on such items as unnecessarily lavish office accommodations are involved. Salary costs alone for fiscal year 1974 are estimated at \$2.14 million. The salary of the President of CI is \$100,000 per annum and six other officials have salaries in the \$35,000 to \$44,000 range. Fringe benefits in FY 1974 are estimated at nearly \$700,000. Employees do not contribute to the costs of these fringe benefits. We strongly recommend that CI administrative and overhead costs be reduced to a reasonable percentage of overall expenditures and thereafter held to a lower, more realistic level.

3. *Accumulation of large reserve.*—CI has been underspending its approved budgets under the \$1 per bale program by significant sums since the CCC funds became available. Unspent funds in 1971, 1972, and the current fiscal year ending June 30, 1973, may total \$12 million to \$15 million by July 1. We recommend (1) that use of these funds not be approved by the Secretary pending satisfactory solution of some of the broader issues discussed herein; and (2) CI must submit budgets in line with their actual plans rather than budgets designed to cover all available income.

4. *Program direction needed.*—CI despite USDA urging has insisted on entering fields of marketing research which overlap USDA functions and involve CI in highly controversial areas. For example, CI's FY 1974 budget proposals suggest a survey of existing government crop forecasting systems. This responsibility belongs to the Statistical Reporting Service, and such a survey by CI would offer no additional benefits.

5. *Unnecessary friction with other industry groups.*—CI has unfortunately not been willing to cooperate with other cotton industry groups in the achievement of common objectives. For example, in a December 1972 release, CI referred to "unethical misrepresentation of U.S. cotton" by our exporters. This accusation created such strong reaction that it is highly unlikely that exporters will ever be willing to work with CI in export promotion. CI has attempted to obtain approval for export promotion without demonstrating significant willingness to work with other U.S. export promotion groups already successfully operating in the field.

6. *More precise budgeting, planning, and reporting necessary.*—CI's budget proposals and research and promotion plans have been so general in nature that they amount to little more than cost estimates for broadly defined areas of work. It is not possible for USDA to tell with any degree of precision how money will be spent. CI's reports are equally general and vague, and fail to relate achievements to prior program objectives. USDA will require detailed planning, budgeting, and reporting.

USDA will restudy its control over the CI program so that ways can be found to insure that necessary program improvements are effected in the interest of the cotton producer.

There is a growing body of thought that questions the propriety of public funds being used for promotional purposes for any products in the domestic market. Traditionally, other farm commodities have been promoted by funds provided by the growers who produce these products. The Florida Citrus Commission has very successfully promoted Florida Citrus since 1924 with funds from Florida growers. Some other commodities with farmer check-offs providing funds are milk, wheat, pork, soybeans, tobacco, peanuts, and many fruits and vegetables.

Consequently, the continued use of tax payers dollars to promote cotton in the domestic market is seriously questioned.

Mr. BOWEN. Mr. Bracey, we appreciate your testimony.

I would now like to ask those who have already testified to move forward to the table for the question and answer period.

While we are assembling, let me make one small comment. This is in regard to Mr. Bracey's observations.

We do feel that this hearing process, which we are participating in right now, in which we invite people throughout the industry to come and testify, is one of the best ways to evaluate the program.

By asking you and inviting anybody else, both hostile or favorable, to come forward and testify we are engaging in what we feel is a fine evaluation process.

I hope this will lead us to wise conclusion about the program.

In as much as my name is on the bill, this bill is introduced as a working document. It is there for the committee to have something to look at. It is not necessarily regarded as a be all and end all. I would say that the flexibility and the language speaking to the level of funding is based upon the premise that, in terms of the changing times the fact of action by Congress at one point in time and a later implementation after the referendum process and other delays are involved might be such that too rigid a tying down of the specific dollar figure in statutory language might not be altogether wise, and that we might be well advised to give some degree of flexibility to the Secretary of Agriculture and the Cotton Board.

That is part of the reasoning involved in that language which Mr. Wilkinson spoke to.

I will kick off with the first question.

I would like to ask Mr. Wilkinson this. What is your thinking about the distinction between the Department's role in an area where there are public tax funds involved, as opposed to where there are no public funds involved? Why do you not feel that there should be a ready distinction made in terms of the Department's supervisory role and the patent issue in a case where you have clear-cut public investment on the part of the taxpayers as we do now?

And then there is the new system which we are here to examine. We have no taxpayer participation, but a supervisory or conduit role on the part of the Department of Agriculture.

Why would you not see a ready distinction between those?

Could you give us your thinking about why you hold the views you do, even under the circumstances of new legislation where there would be no tax funds involved?

Mr. WILKINSON. Yes, I think Mr. Chairman that we were trying to determine the intent of Congress, and our direction was coming from the Department of Agriculture Appropriations Act of 1974. This is the excerpt which I have submitted.

I would like to just read the last paragraph of our excerpt where it says:

The conferencees are in agreement that to obtain coordination to avoid duplication of effort, and to obtain maximum results, funds available for this program, and under the \$1 per bale checkoff, shall be subject to the same scrutiny by the Secretary of Agriculture as those provided under Section 610 of the Agriculture Act of 1970.

Mr. BOWEN. Of course, there has been some question about the intermingling of those funds. You might argue that it is difficult to distinguish, although there are those that argue that you can do so.

But once we remove the 610 funds, there is no issue of public dollars involved, but merely producer contributions. What would your justification be at that point?

Mr. WILKINSON. I think that we would probably feel that as long as the Federal Government was being used as the body to administer this program that we would scrutinize the expenditure of those funds in much the same way that we have the total program, basically with the idea of providing the best stewardship to the producers for the use of those moneys.

We would continue to coordinate closely with the Cotton Board and, in turn, Cotton Inc.

Mr. BOWEN. You are suggesting that the area is unclear now?

Mr. WILKINSON. That is exactly right. We need direction.

Mr. BOWEN. At this point I will call on our ranking minority member, Mr. Moore. Does he have any questions?

Mr. MOORE. I have no questions, Mr. Chairman.

Mr. BOWEN. Mr. Krebs?

Mr. KREBS. Yes, Mr. Chairman. First of all, I have a question for Mr. Bracey relating to point two on page 5 of his statement dealing with the question of political activities.

Would you elaborate as to what you mean by political activity.

Mr. BRACEY. The current law, of course, today does permit political activity. What we are concerned about here is funds from Cotton Inc. being given to the National Cotton Council, for example. In effect

the money is just transferred from one group to another and the National Cotton Council is engaged in political activity. We just do not think that politics should be involved in any way with this particular fund. We think it ought to be for research and promotion.

We think that all necessary safeguards should be built in to prohibit transfer of funds or contracting with other people for services, and having this money used in lieu of other money for political purposes.

Mr. KREBS. Do you have any evidence that money from Cotton Inc. has been channeled to political campaigns?

Mr. BRACEY. I am not talking about political contributions to candidates. I am talking about activities that relate to farm policy and farm legislation and so forth.

Mr. KREBS. Mr. Chairman, may I ask another question?

Mr. BOWEN. Yes.

Mr. KREBS. I wonder if anyone connected with Cotton Inc. would care to comment on whether Cotton Inc. would have any objections to the first three points raised on page 5 of Mr. Bracey's presentation.

With your permission, Mr. Chairman, I will read the first three points and then ask for comments from Cotton Inc.

Before I begin, let me say that it would seem to me—and other members may or may not agree—that if these first three points are satisfied, some of the sting would probably be taken out of the opposition that I would anticipate on the floor.

Point No. 1 is: That administrative and overhead costs be limited to a reasonable percentage of overall expenditures, and that all types of compensation to individuals be limited to levels paid and allowed by government and private industry.

Point No. 2 is: That all political activities be prohibited—including grants and payments for services to other groups or organizations that do engage in political activities designed to influence governmental decisions of any kind.

Point No. 3 is: That at least an annual accounting as to use of funds received be required of Cotton Incorporated, and any other primary or secondary grantee.

I wonder if we could have some response from Cotton Inc. if there are any comments.

Dr. SAYRE. I rise to speak in the absence of the chairman of the board, Mr. Hervey Evans.

I regret to say, Mr. Krebs, that I could not hear all of the points that you raised.

Let me first comment on the point of the reasonable percentage in relation to the total expenditures. It has been my opportunity as vice chairman of the board, and working with this program, to scrutinize each and every budget proposal that has been put forward in the programing of Cotton Inc.

I respectfully submit to the gentleman that I think we do have in our current approach and our current budgeting and the implementation of our research product development promotion plans, a really basically sound relationship between our overhead and our total expenditures.

The next point about compensation being limited in regard to Government and private industry, I would say this.

The inclusion of private industry along with this statement makes for consistency. If we were prohibited from competing for talent, such as the talent that is used to take the market away from cotton, then there is no amount of money that can accomplish the job that Cotton Inc. has the responsibility to do which is to regain markets.

Mr. BOWEN. May I ask you this? You might conclude that in the first place this is a little confusing, that is, this first statement saying Government and private industry. You point out that there are two very distinct standards, you might then conclude that attempting to apply the standards appropriate to Civil Service employees, or a Government agency, to the operation of a program which is in competition with highly financed and well organized private enterprise corporations, such as the seven companies that were alluded to earlier, might place the cotton industry in an extremely difficult competitive position. Is that not what you suggested?

Dr. SAYRE. Yes.

Mr. BOWEN. If we are going to do business in the private enterprise climate such as we hope to do, and we are asking the cotton industry to survive in a free enterprise, open-market world, then we might feel that it is in the interest of the cotton industry to allow it to compete on the same terms with the same kind of qualifications of personnel, and in terms of the same kind of budgeting operations as those private enterprises, is that correct?

Dr. SAYRE. Yes, exactly.

Mr. KREBS. I would like to be heard on that point.

It seems to me really, the way the statement is written, namely "that all types of compensation to individuals be limited to levels paid and allowed by government and private industry" that you are given such a limit. The statement says "in private industry." So it does not restrict you to governmental structures.

Realizing you cannot commit your whole group, I would like to get some guidance to possibly offer some amendments later on which would make this legislation easier to pass.

With reference to point 1, would you say that you would be in accord?

Dr. SAYRE. Yes; as long as the private industry scale is included.

Mr. KREBS. That is what it says, as I read it.

Mr. BOWEN. It says "and."

Mr. KREBS. Yes; it does say "and" and not "or."

Dr. SAYRE. Yes; we can accept that.

Mr. KREBS. Could we go to point 2?

Dr. SAYRE. Yes; responding to point 2, the policy development of Cotton Inc. since its inception, is that we do not participate in any political activities. We do not, as I read this, grant any payments to any other groups which relate to political activity.

Let me point out, gentlemen, that we at this point are the research and product development and promotion arm of a very large industry. We do service many parts of the industry with our information, or industry information which is derived from the work programs of Cotton Inc.

I would only hope that if we are asked from time to time, as I would anticipate that we would be, to do specific things for particular parts of the industry, then we could be paid for that kind of service.

I hope that that would not be precluded.

Mr. KREBS. Do I gather, then, that Cotton Inc. could live with the provision No. 2?

Dr. SAYRE. Yes; but I hope that that limiting feature would not preclude us from doing actual work for some of the needed areas that relate to cotton's problems that come under the scope of research.

Mr. KREBS. I, as one member, would certainly not interpret it so. Could you quickly go on to point No. 3 which deals with the requirement of an annual accounting.

Would your organization have any objection to that?

Dr. SAYRE. No.

We think we are pretty well scrutinized and held accountable for and we would feel that that would not give us a problem.

Mr. KREBS. Thank you.

Mr. BOWEN. Thank you. We will have to go and vote. We will be right back.

[Recess taken.]

Mr. BOWEN. One or two of the members indicated that they had questions they would like to put to those who have already testified, and even though we will proceed we will give those members that opportunity when they return.

At this time I would like to call on Mr. Sam Leake.

I am sure that Henson Moore will be here shortly and will be pleased to see you.

STATEMENT OF SAM LEAKE, PRESIDENT, LOUISIANA COTTON PRODUCERS ASSOCIATION, ACCOMPANIED BY DUKE SHACKELFORD

Mr. LEAKE. Mr. Chairman, my name is Sam Leake. I am a cotton farmer from Newellton, La., and currently serve as president of the Louisiana Cotton Producers Association, in whose behalf I am offering testimony here today.

With me is Duke Shackelford, a cotton farmer from Bonita, La., and a member of our organization. We appreciate the opportunity to share a few of our thoughts with this committee.

We are pleased that one of our own Louisiana Congressmen, Mr. Henson Moore, serves on this committee. He has been a real friend to cotton farmers everywhere, and we are grateful.

Mr. Chairman, our statement will be brief. The main point we want to make here today is the urgent and critical need for more money for our producer's research and promotion program.

In fiscal 1972, funds available from all sources were over \$17½ million; in fiscal 1973, almost \$20 million; in fiscal 1974, almost \$17 million; in fiscal 1975, \$14½ million; and in fiscal 1976, we have budgeted a little over \$13 million.

If the Cotton Board's estimate for fiscal 1977 is correct, and we operate under our present program with no funds available from section 610—even though they have been approved by law—we will have less than \$9 million to carry on our work.

All of this in the face of galloping inflation! Mr. Chairman, we are going backwards, and fast.

We have ongoing research projects which show promise, but will amount to nothing if we cannot complete them. We have a capable staff of hard-working people, but they cannot afford to work without pay.

We desperately need money for advertising to keep the consuming public aware of our products in the marketplace, and to pay trained people to make the most of this advertising.

We have all heard about "A Piece of the Rock," but demand is not worth a dime to the Prudential until some agent makes a sale.

In short, Mr. Chairman, we are up against it. We are not asking you to raise the cotton farmer's assessment. We are, however, asking you to give cotton growers the opportunity to vote and decide this issue ourselves, bearing in mind that a refund is available to any farmer who does not support the program. We think that the future of our industry is at stake.

We thank you for allowing us to meet with you today.

Mr. BOWEN. Thank you very much.

We now have Mr. J. S. Francis with us.

[The prepared statement of Mr. Francis follows:]

Statement of J. S. Francis, Jr.
President, Arizona Cotton Growers Association
Phoenix, Arizona

Before the House Agriculture
Subcommittee on Cotton
Rep. David R. Bowen, Chairman

December 16-17, 1975

My name is J. S. Francis, Jr. My principal occupation is vice president of Valley Industries, Peoria, Arizona. Valley Industries is a cotton ginning firm with six gins located in Arizona. I am also a cotton grower.

I am appearing before you today as a cotton grower, and more specifically, as the president of the Arizona Cotton Growers Association - an incorporated non-profit farmers' organization which represents the producers of about 85 percent of all the cotton that is produced in our State.

We are the fourth largest cotton producing state in the Nation. During the past eight growing seasons - since Congress passed the Cotton Research and Promotion Act - our State has produced approximately four million, eight hundred bales (4,800,000) of Upland cotton.

During this same time period, cotton producers in Arizona contributed four million, three hundred-thirty-six thousand, four hundred and thirty-eight dollars (\$4,336,438), to Cotton Incorporated at \$1.00 per bale. Mr. Chairman, I believe a 90.8 percent participation - expressed in dollars - must prove beyond any doubt that the people who produce cotton in Arizona believe in Cotton Incorporated; they believe that contributing to Cotton Incorporated serves their best interests. They believe Cotton Incorporated is doing a good job.

And that job, Mr. Chairman, is conducting research with the product which we produce and then, promoting that product. Cotton Incorporated has made great strides in both these areas. I'm sure that others who testified earlier have made you aware of CI's many contributions like FireStop and Flex-Xel. But I would make just one point: the natural fiber industry - cotton - is hard pressed to compete with the ever-growing synthetic industry.

Only through research which develops more and better end uses for our product can we hope to survive. Cotton Incorporated is going into textile mills and showing them new uses for our raw material. This, certainly, must rank with their more publicized accomplishments.

Additionally, I am totally convinced that the rage we have today for fashionable denim is due in part - substantial part - to Cotton Incorporated's efforts. They must be given credit for promoting denim as not only a durable fabric, but a fabric which is well suited for fashion. I think the suit I am wearing - 100 percent cotton denim - is an example of the fabric's potential. Incidentally, three-quarters of a million bales of cotton went into denim in 1975.

And obviously, all the technical advances imaginable, including even fire-resistant materials, would be worthless without an advocate to tell the consumer what cotton offers him today. We - the cotton producers, depend on Cotton Incorporated to promote our product - advertise, if you will. No single producer or association of producers could launch - much less maintain - an effective nationwide advertising campaign. And I believe the day is past when anyone of us would doubt the value of or necessity for advertising.

Recognizing then, that Cotton Incorporated is invaluable to us in terms of research and promotion, the Arizona Cotton Growers Association's Board of Directors met July 24 this year to discuss the possibility of supporting enabling legislation and a subsequent producer referendum on additional funding for Cotton Incorporated. I would like to read you a small excerpt from the minutes of that meeting:

"President Francis made it clear that if Cotton Incorporated funding is changed, and if this Board supports change, three basic commitments are being accepted:

First: That this Association will do everything it can to obtain Congressional support for the needed legislation;

Second: That this Association will support the National Cotton Council and Cotton Incorporated field efforts to obtain cotton grower support for the new legislation; and

Third: That every Board member will actively support and vote "Yes" during the cotton grower referendum.

Leyton Woolf moved - 'That the Arizona Cotton Growers Association support enabling legislation calling for increased funding for Cotton Research and Promotion programs up to one percent of gross sales price plus the current one dollar.' The motion was seconded and passed without dissent."

I come before you today, Mr. Chairman, as a direct result of that Board meeting where not one person expressed any opposition to increased grower funding for Cotton Incorporated. Additionally, the Arizona Farm Bureau, less than a month ago, passed a resolution supporting the Arizona Cotton Growers' position on this matter.

We, in Arizona, believe in the free enterprise system... a system which has stood United States industry in good stead for nearly two hundred years; a system which has proved to be in the best interest of the American consuming public and, in recent years, in the best interest of the American farmer. It is our sincere hope that Cotton's research and promotion arm may be entirely self-sufficient in the years to come. Until that time, we are dependent upon you and your colleagues to help us maintain an equal footing in the extremely competitive fiber industry.

I recognize that passage of this type of legislation is not going to be easy, in the present climate. But certainly, it would be easier and more productive to pass this type of legislation than another type which would result in a return to farmer subsidies either to produce or not to produce.

Therefore, Mr. Chairman, we respectfully urge that this committee recommend HR 10930, favorably.

Mr. BOWEN. Thank you. I would like to call on my colleague, Mr. Moore.

Mr. MOORE. I apologize to Mr. Sam Leake for not getting back from the floor during his testimony.

He is an outstanding cotton farmer in Louisiana. We are proud to have him come up here. As you know, he is the president of the Louisiana Cotton Producers' Association.

The next gentleman I am also very proud to have. He is an old friend of mine. The address on the witness list shows Baton Rouge, La., but he is actually from the metropolis of Gilliam. It is a long way from my congressional district but back in the days of old I had an opportunity to stay on his farm and run rabbits. I enjoyed it.

He is the chairman of the Louisiana Farm Bureau Cotton Advisory Committee. He knows a lot about cotton farming. He has been doing it since he was about a foot high.

Dan, we are glad to have you.

Mr. LOGAN. Thank you for those comments. I should point out that Congressman Bowen is a good shot also.

STATEMENT OF DAN P. LOGAN, CHAIRMAN, COTTON ADVISORY COMMITTEE, LOUISIANA FARM BUREAU FEDERATION

Mr. LOGAN. Mr. Chairman and members of the subcommittee.

My name is Dan P. Logan. I live in Gilliam, La., and am by profession a cotton farmer.

I make these remarks as chairman of the Cotton Advisory Committee of the Louisiana Farm Bureau Federation.

I would like to thank the subcommittee for the opportunity to present this testimony.

Louisiana Farm Bureau Federation has had a long standing position of strong support for research and promotion programs financed and controlled by producers. In line with this position, our policy states: "We recommend that LFBF commend Cotton Inc., for their efforts in the area of research and promotion and support enabling legislation for a referendum."

I make these statements here today as a cotton farmer whose sole connection with the promotion efforts thus far has been that of a contributor.

I have never held any position with the Cotton Board or Cotton Inc. I have had the opportunity, however, to visit the offices of Cotton Inc., in both Raleigh and New York and view firsthand the programs of research and promotion carried on on behalf of cotton producers across the United States.

In my opinion, the work financed by funds collected by the dollar-a-bale checkoff has been most beneficial to cotton producers and has provided other segments of the cotton industry and the final consumer with valuable increases in efficiency and improved creativity in the final products purchased by consumers. This research and promotion can be credited at least in part with resurgence of activity in the domestic textile industry and with cotton, the natural fiber, being able to maintain its competitive position with synthetic manmade fibers.

In developing and recognizing a research and promotion effort as large as the one America's cotton producers have taken, every effort must be made to maintain continuity and effectiveness of action.

In order to maintain this effectiveness in the face of inflation and the rising cost of research and promotion, it may well be necessary for cotton producers to make the decision whether or not they wish to increase their contributions to these efforts.

This legislation would give cotton producers the opportunity to evaluate on its own merits the value and effectiveness of this program and make a decision as to whether or not increased funding is justified. I believe that the work thus far has been excellent and that producers should be given the opportunity to increase the funding of their efforts if they so desire.

Thank you, Mr. Chairman, and members of the subcommittee, for the opportunity to present this statement. If there are any questions, I would be glad to try and answer them.

Mr. BOWEN. Thank you, Mr. Logan.

I would now like to have Mr. P. R. Smith, chairman of the Georgia Cotton Commission, to come forward.

STATEMENT OF P. R. SMITH, CHAIRMAN, GEORGIA COTTON COMMISSION

Mr. SMITH. Mr. Chairman, gentlemen of the committee, I am P.R. Smith of Winder, Ga.

I have been in the cotton business throughout my adult life as a farmer, ginner, warehouseman, seed processor, and dealer.

I am presently serving as chairman of the Agricultural Commodity Commission for Cotton in Georgia which represents all the cotton growers in our State. I have been a member of the board of directors of Cotton Inc. since it was organized and am serving on the executive committee.

Even though Georgia is one of the smaller cotton producing States in the Cotton Belt, cotton is still an important enterprise in the economy and society of our State.

In spite of the fact that some of the less informed people think we are out of the cotton business, the farmers in Georgia grew 410,000 bales of cotton on 410,000 acres in 1974.

New wealth generated from the production of cotton stimulates more economic activity than the same amount of new wealth from any other enterprise in our State and area.

Prior to the recent economic decline, the textile industry in Georgia provided more than 100,000 jobs; and think of the countless thousands of other jobs that exist because of cotton production. They are on cotton farms; in cotton gins and warehouses; transportation, fertilizer, pesticide, and equipment manufacture and sales; financing; and wholesaling and retailing the many products manufactured from cotton. We must do what is necessary to save this important enterprise.

One of the things that I think must be done if cotton is to continue to be a viable enterprise in the agricultural economy of this country, and if cotton fiber is to be available at reasonable cost for manufacturing consumer goods, is to provide a situation that will make it possible for cotton growers to more adequately support the research, promotion, and market development programs for the commodity they produce.

Significant progress has been made since the beginning of Cotton Inc., which is the American cotton growers selfhelp program.

The underlying objective of the agricultural research work being done by Cotton Inc. is to reduce the cost of producing cotton. The other areas of work being carried on by Cotton Inc. are designed to increase the demand for cotton.

This all adds up to the fact that our cotton growers recognize that it is necessary for them to invest their own funds to improve the position of the commodities they produce and not depend on government funds to get the job done.

The difficulty that you and other friends of cotton have experienced in recent years in getting Federal funds to support the work of Cotton Inc. is evidence enough that it is not a dependable source of funding. In addition to this, the restrictions that are placed on the use of Federal funds create difficulties and very unsatisfactory circumstances in attempting to administer the program.

For these reasons I think it is highly important that cotton growers look to the time when they will adequately finance Cotton Inc. from their own funds.

Two other important reasons why legislation is needed to make it possible for growers to increase their support to Cotton Inc. are:

First, the toll that inflation has taken during the past 5 years, since Cotton Inc. was initiated, is tremendous and simply means that a great deal less can be accomplished with the same number of dollars.

Apparently from all predictions that are being made, inflation will be with us for some time. In order to compensate to some extent for inflation we should have an arrangement whereby the growers support would increase with an increase in price.

Second, because of limited funds we are barely scratching the surface in comparison with what needs to be done and could be done. The effort being made by cotton's competition is many, many times greater than is being done in cotton's behalf, simply because of our limited funding. If we expect cotton to reach anywhere near its potential both as an integral part of our economy and as a service to our society we must have provisions for a more dependable and more adequate source of financial support.

Gentlemen, on behalf of Georgia cotton growers, I want to express our sincere appreciation for your interest in cotton and for the effort you have made in our behalf. I also want to say that I appreciate the opportunity to appear before you today and express the concern and interest of the cotton growers of our State.

We hope you will initiate legislation that will provide an opportunity for cotton growers throughout the Nation to vote in a referendum on the question of improving their self-help program through more adequate financial support.

Thank you.

Mr. BOWEN. Thank you, Mr. Smith. We certainly hope that Georgia will stay on the cotton map.

I will now call on Mr. Kenneth Lewis, secretary-treasurer of National Cottonseed Products Association, from Memphis, Tenn.

**STATEMENT OF KENNETH O. LEWIS, SECRETARY-TREASURER,
NATIONAL COTTONSEED PRODUCTS ASSOCIATION**

Mr. LEWIS. Mr. Chairman, I am Kenneth O. Lewis, secretary-treasurer of the National Cottonseed Products Association, whose offices are in Memphis, Tenn. Our association represents cottonseed processors throughout the Cotton Belt from the Carolinas to California.

By unanimous action, our policymakers have adopted the following resolution:

Resolved that the Board of Directors of the National Cottonseed Products Association commend cotton farmers and their leadership for their efforts to develop programs for planning and financing an adequate research and promotion program for cotton and that we also pledge the cooperation of this association in furthering their objectives as represented by the Cotton Research and Promotion Act.

We have a direct and vital interest in a more adequate research and market development program for cotton. Without it, U.S. cotton simply cannot meet the competitive challenge of the synthetic fiber industry's massive and sophisticated technology and marketing; nor can it compete successfully with foreign cotton grown with cheap labor. Maintaining and expanding markets for cotton fiber mean a continuing and expanding supply of cottonseed for our mills.

The procedures established by the Cotton Research and Promotion Act gave the industry for the first time the dollars required to mount a program that could begin to make a real dent in the marketplace. This good start should not, in our opinion, be allowed to lose its momentum.

The purpose of this bill, as we see it, is to make it possible to maintain, at the least, and hopefully expand the size and quality of the program that is underway.

The future of the entire cotton industry, including that of our cottonseed processors, is dependent on it.

We understand very well, however, that even if favorable action on this bill is taken by the Congress, the final decision on what kind of funding will be available is totally in the hands of cotton producers themselves. This is entirely proper and thoroughly in keeping with the American system. Those who pay the bills should make the decisions.

Inasmuch as the legislation wisely provides for a collective decision by producers voting in a referendum, and beyond that, an individual decision by each producer every year as to whether or not he will participate, we feel that our part of the industry can do no less than give the producers our fullest support for them to have the opportunity to engage in this self-help, self-financed program for their own advancement if they wish to do so.

As stated in our resolution, we heartily commend the producers leadership in its desire to gain for the growers the opportunity to make this decision for themselves.

We respectfully urge your approval of H.R. 10930, and we pledge our full cooperation to the producers in its implementation.

Mr. BOWEN. Thank you.

I had said earlier that some of the members had indicated they might return for questioning.

It looks as though they will not be able to do so at this point, so some of you may want to slip on out.

I will now call Mr. W. B. Criswell, president of the Plains Cotton Growers, Inc.

Let me mention incidentally that for those of you who have not seen the film on the work of Cotton Inc., it will be shown again this afternoon.

[The prepared statement of Mr. Criswell follows:]

Statement of W. B. Criswell, President
Plains Cotton Growers, Inc.
P. O. Box 10425
Lubbock, Texas 79408
December 17, 1975

Mr. Chairman and members of the committee, I am W. B. Criswell, a medium-sized cotton farmer at Idalou in Lubbock County, Texas. I am also the current President of Plains Cotton Growers, Inc., which represents producers in 25 High Plains counties surrounding Lubbock. The area for the past ten years has produced an average of over 1.5 million bales of cotton annually, which comes to almost 14 per cent of average U. S. production for the same period. Going back to the previous ten years, we grew an average of 2 million bales, and if the weather will cooperate a little better, we expect to be back in that range in the years to come.

Like others before me, I appreciate this committee devoting its time to these very worthwhile hearings.

On July 9 this year, the Board of Directors of our organization, made up of two members from each of our 25 counties, by a unanimous vote adopted a resolution calling for just such legislation as Chairman Bowen is proposing-- legislation that will permit producers to decide whether they want more research and market development of the kind they are getting from Cotton Incorporated, and whether they want to pay for it.

Specifically, the resolution passed by these High Plains cotton producer representatives asks Congress for authorization to conduct a referendum in which producers will approve or disapprove increasing their present \$1.00 per bale contribution to Cotton Inc. by an amount not to exceed 1% of the gross value of the bale. You will note that this "up to 1% of the gross value of the cotton" is the same language approved by the Producer Steering Committee of the National Cotton Council and several other organizations.

We have no quarrel with the present \$1.00 per bale system of financing CI work or with continuing that contribution as the minimum level of support. However, we think a good case can be made for basing the size of contributions above that level on the value of each bale of cotton as it is sold. First, such a system will tend to increase the per bale producer investment in years of low production and high prices, while lowering the per bale producer contribution when production volume is high and prices are low. In this way, it will help provide important stability in the total funds available year after year to Cotton Incorporated.

Second, if inflation stays with us, basing CI revenue on a percentage of cotton's value should tend to increase the number of dollars available to CI as the buying power of those dollars declines.

Third, it is much more equitable to ask each producer to pay a percentage of gross value of the cotton he produces than to ask him for a fixed dollar amount whether his cotton sells for \$150.00 a bale or \$300.00 a bale. You can readily see that a fixed dollar assessment on the lower priced cotton, percentagewise, would be double the assessment on a bale sold at the higher price. It is to avoid this inequity that we favor a percentage figure instead of a fixed dollar amount. Also, it is reasonable to assume that the grower who produces cotton in the upper range of values stands to benefit more from the increased markets we are all seeking to build through our investments in CI. So producer assessment of 1/2 per cent or 1 per cent of the value of each bale will keep the cost-benefit ratios of all producers more or less equal.

As mentioned before, the "percentage of bale value" approach to figuring producer contributions has been approved by the Producer Steering Committee of the National Cotton Council, which indicates producer support for this approach from all across the Belt.

Previous testimony presented here has adequately detailed the need for the legislation under consideration, why it is needed, the wide support for it, and the expected benefits to all concerned. PCG wholeheartedly endorses these statements and we urge that the committee give them due consideration.

In the past, we have had a measure of Federal help in financing the start-up of the Cotton Incorporated effort. We appreciate that support and believe it has been fully justified by the results, from both producer and consumer viewpoints.

Now, we have the foundation of a well-planned, effective, forward-looking program, and we are saying to you and to the Congress that we want to build on this established base, and we want to do it on our own, without federal funds and with a minimum of federal interference. In short, we are saying, "Please, Mother, we'd rather do it ourselves."

We are asking that we as producers be given an opportunity to provide, on an equitable basis from the proceeds of our product sales, a more adequate research and market development program that will protect our investments in the years ahead.

I thank you for your time and attention and if there are questions, I will be happy to answer them if I can.

Mr. KREBS. Thank you, Mr. Criswell.

We will now hear from Mr. J. Nelson Gibson, president of the North Carolina Cotton Promotion Association.

We are glad to have you, Mr. Gibson.

STATEMENT OF J. NELSON GIBSON, PRESIDENT, NORTH CAROLINA COTTON PROMOTION ASSOCIATION

Mr. GIBSON. Mr. Chairman, my name is J. Nelson Gibson, Jr., a cotton farmer from Gibson, N.C. and a member of the ASC Committee of my county. I am honored to serve as president of the North Carolina Cotton Promotion Association, Inc., and appear before you today in that capacity.

The organization is composed of every grower of cotton in the State of North Carolina plus agribusinesses who volunteer to become members.

We are chartered for the promotion of every phase of the production of cotton, its ginning, its marketing of lint and seed, and its end uses. If it involves cotton, we are concerned.

We recognize clearly that cotton to stay competitive both in the United States and in the world markets is dependent on research, development, and promotion. Therefore, we support activities that accomplish those efforts.

We strongly support Cotton Inc. and have since its inception. Because of declining Federal assistance we recognize fully the necessity of increasing our own contribution in the further development of our own product on which so many Americans as well as farmers are dependent.

In North Carolina the general assembly has granted cotton farmers the right by referendum to determine whether we would assess ourselves for the purposes listed above. Consistently we have voted overwhelmingly affirmatively, and this year we shall contribute 25 cents per bale voluntarily to be administered by our own organization. I point this out as an example of what cotton farmers in my State want to do if permitted.

I might say, parenthetically, that as far as I know in the State of North Carolina there are two people only who asked for their money back from this fund or from the Cotton Inc. fund. That is, I think, a pretty high recommendation.

It has been rightly said that the power to tax is the power to destroy. Conversely, the withholding of tax money can also destroy.

May I say that the right to deny voluntary self-assessment for a worthwhile cause is equally destructive. Thus, the board of directors of our association has voted unanimously to support congressional legislation permitting cotton growers the right of referendum to assess themselves up to 1 percent of the value of their cotton for the further strengthening of Cotton Inc. because we are clearly aware of its value to our industry.

We fully support the National Cotton Council and others whose testimony is in line with our position.

Thank you for the opportunity to make this statement.

Mr. KREBS. Thank you very much. I hope you stay around for the question and answer period.

The next witness is Mr. Herman Propst, president, Rolling Plains Cotton Growers, Inc.

Welcome, Mr. Propst.

STATEMENT OF HERMAN A. PROPST, PRESIDENT, ROLLING PLAINS COTTON GROWERS, INCORPORATED

Mr. PROPST. Mr. Chairman and members of the committee, my name is Herman A. Propst. I reside in Anson, Tex. and I am a cotton producer. I serve as president of the Rolling Plains Cotton Growers, Inc. and it is in this capacity that I appear here today to pledge support for legislation that would enable producers to vote in a referendum to increase the assessment for research and marketing.

Realizing the fact that you can help only those who are willing to help themselves, we support this self-help program.

Cotton Inc. is a producer-directed entity and the many benefits derived from this research and marketing organization are shared by the producer, other phases of the cotton industry, and most assuredly by the consumer. In all probability the consumer will gain more from the accomplishments of this producer-funded company than even the producer himself.

By working closely with private companies, universities, and the extension service, new varieties of cotton are on stream—producing more, in less time, and at less cost.

Disease and insect control research is an area that promises great rewards.

A coordinated research program through contracts and cooperative agreements with State experiment stations resulted in the development of the mechanical rick compactors and the module builder system. These systems permit the handling of seed cotton in a much more efficient manner for the grower, preserved the quality of the lint and seed, reduced field loss by permitting pickers and strippers to run when the weather was good, and at the same time was beneficial to the ginner.

The rick and module stored cotton provides a controlled and even flow of cotton to the gin, thereby assisting the ginner.

Textile research at Cotton Inc.'s own plant, and through contract and cooperative agreements, has been responsible for new and better fabrics. New uses for cotton have been found. I would be remiss if I did not mention "fire-stop" cotton. Firemen and others deserve a fabric that will not burn or melt and fuse to the skin. The housewife deserves a fabric that is "easy-care" yet has the comfort and health protection qualities of cotton.

Research, beginning with the cotton plant itself, to eliminate an occupational Safety and Health Administration health hazard labeled "dust" is ongoing. To force the negation of this research would have a serious effect on the grower, others in the cotton industry, the consumer and even the U.S. balance of trade.

Whether this so-called occupational lung disease called Byssidosis or "brown lung" is actually caused by "cotton dust," or is caused by the personal habits or the environment of the textile worker, is not the issue here. The issue is that research must go on until the answer is found.

I appear before you today representing growers who this year will produce an estimated 15 percent of the total U.S. production of cotton. We endorse the self-help program. We believe in research and marketing programs of the Cotton Inc., and we believe in and are pledged to support the program of "from the boll to the back" through research and marketing.

Mr. Chairman, we support H.R. 10930.

I will be pleased to answer any questions from the committee.

Thank you for the privilege of presenting our views.

Mr. KREBS. Thank you very much.

Our next witness is Mr. Donald Johnson, representing Texas Association of Cotton Producer Organizations, of Lubbock, Tex.

**STATEMENT OF DONALD JOHNSON, SECRETARY-TREASURER,
TEXAS ASSOCIATION OF COTTON PRODUCER ORGANIZATIONS**

Mr. JOHNSON. Mr. Chairman, I am Donald Johnson, and as you know, I am executive officer of Plains Cotton Growers Inc. at Lubbock. I am also secretary-treasurer of the Texas Association of Cotton Producer Organizations (TACPO) of which PCG is a member.

The other six member organizations of TACPO include the Rolling Plains Cotton Growers, South Texas Cotton and Grain Association, Blacklands Cotton and Grain, Trans-Pecos Cotton Association, El Paso Valley Cotton Growers, and the Lower Rio Grande Valley Cotton and Grain Association.

Together the membership of these seven Texas cotton organizations produce about 95 percent or more of the cotton grown in our State, which averaged for the years 1970 through 1974 3.8 million bales per year or about one-third of the total U.S. crop.

A number of capable and authoritative witnesses before me have given you the facts, the figures, and the sound reasoning behind the need for increasing funding of Cotton Inc. Therefore, I will not attempt to repeat these things, and will keep my statement short.

In fact, I will make only two points. Number one, the seven organizations that make up the Texas Association of Cotton Producer Organizations have voted unanimously to favor passage of legislation which will permit cotton producers to vote in a referendum on whether they wish to increase their investment in Cotton Inc. In effect, this is to say that the organizations that represent producers, who grow approximately one-third of the cotton produced in the United States, want to see such a referendum held.

Second: The membership of TACPO favors the system under discussion here which would base additional producer contributions on a percentage of gross bale value, as opposed to the contribution of a fixed dollar amount on each bale, regardless of its selling price.

As was pointed out in the statement by Plains Cotton Growers, and as TACPO members have agreed, this approach will tend to stabilize CI revenue from year to year, offset fluctuations in the dollar's purchasing power, and make the size of each producer's annual contribution to Cotton Inc. more nearly in proportion to his annual income from cotton.

TACPO commends you, Mr. Chairman, for calling these hearings, and we appreciate the time devoted to this effort by the entire committee.

If there are questions, I will be glad to hear them.

Mr. KREBS. Thank you very much, Mr. Johnson, for your fine statement.

Mr. BOWEN. We will now call Mr. W. C. Bryant, who is from East Prairie, Mo.

**STATEMENT OF W. C. BRYANT, COTTON FARMER,
EAST PRAIRIE, MO.**

Mr. BRYANT. My name is W. C. Bryant. I am a cotton producer from East Prairie, Mo. I also serve on the board of directors of the Missouri Cotton Producers Association.

I would like to speak in support of H.R. 10930, which will allow cotton producers to vote for increased funding for research and promotion. As a cotton producer who has been personally investing \$1 a bale for over 10 years, I see the need to increase the assessment for several reasons: First, to compensate for the eroding effect of inflation; second, to offset the uncertainty and eventual end of section 610 funds; and last, but most important, to get the job done for cotton which must be done in order to let America's cotton producers compete effectively against synthetic fibers.

For a number of years, Mr. Chairman, I was privileged to represent my fellow Missouri cotton producers on the executive committee of Cotton Inc.'s board of directors. There I had firsthand experience as to how our research and marketing programs were developed. After some normal startup difficulties which you have heard about from other witnesses, our cotton research and promotion programs are today delivering results. For these reasons, speaking as a Missouri cotton producer, I am in favor of increased funding. To put it another way, Mr. Chairman, cotton producers have little choice. We need expanded research and marketing programs or we cannot survive. We producers are willing to carry the effort on our own shoulders. We ask your help in achieving this objective.

Thank you.

Mr. BOWEN. Thank you, Mr. Bryant.

We appreciate your statement.

I would now like to call Mr. Marshall Grant, from the North Carolina Farm Bureau, from Garysburg, N.C.

**STATEMENT OF MARSHALL W. GRANT, VICE PRESIDENT, NORTH
CAROLINA FARM BUREAU**

Mr. GRANT. My name is Marshall W. Grant, I am a cotton farmer from Garysburg, N.C. I serve as vice president of the North Carolina Farm Bureau, and am a member and past chairman of the Cotton Committee of that organization.

I also serve as an adviser to the board of the Carolinas Cotton Growers Association, and for the past 3 years have been elected to represent the North Carolina Cotton Council.

I speak today on behalf of the cotton producer members in North Carolina in each of the three associations, but particularly for the the North Carolina Cotton Council.

The annual meeting of the membership of the North Carolina Farm Bureau was in Asheville on December 9, just a week ago. At that meet-

ing, it was resolved that increased funding be made available for Cotton Inc. to increase cotton promotion and research activities.

In discussion of the resolution, it was made clear that the delegate body was solidly in favor of increased funding. We did not specify an exact amount, feeling that this committee, the Congress, and the Secretary of Agriculture will properly determine what that figure will be.

We realize that cotton research and promotion programs, if properly carried out, will be expensive. These, in our opinion, are "self-help" programs, and should be financed by the producers involved.

We support the passage of this enabling legislation, and hope it can be enacted soon.

Thank you, Mr. Chairman.

Mr. BOWEN. Thank you, very much, Mr. Grant.

Our last witness today is Mr. Marcus Braswell, from the Carolinas Cotton Growers Association, of Raleigh, N.C.

STATEMENT OF MARCUS B. BRASWELL, DIRECTOR, CAROLINAS COTTON GROWERS ASSOCIATION, INC.

Mr. BRASWELL. Mr. Chairman, members of the committee, my name is Marcus B. Braswell, of Whitakers, N.C. I am director of the Carolinas Cotton Growers Association, Inc., a cotton marketing cooperative which operates in North and South Carolina. I am also a cotton producer in eastern North Carolina.

Our association, by a unanimous resolution, has authorized me to convey to you our complete support for H.R. 10930, which would increase their assessment to fund more adequately their ongoing programs of research and marketing. Self-help programs have become an integral, accepted, and unique part of American agriculture. They are supported strongly and repeatedly by producers through referenda, and their end results bring American consumers superior products at more reasonable prices than they would otherwise obtain in the marketplace.

A healthy, profitable cotton economy is an asset to the national economy for its contributions to the domestic economy and its significant contribution to our export trade and the all important balance of payments in international trade. Research in the fields of cotton production and marketing have been completely overshadowed by the heavily financed programs of research and marketing support by the almost unlimited resources of the manufacturers of synthetic textile products. For the first time in many years, a producer organization—Cotton Inc.—can and will, if adequately funded, restore cotton to its rightful position as a fabric unequalled for comfort, durability and economy of use; and a source of feed for our expanding livestock program; and, even more important, as a high source of protein food for a rapidly expanding world population.

There is always a danger in temporary surpluses when we increase rapidly the production of any crop, but we believe a reasonable increase in American cotton production will be highly desirable over a period of several years. Many of the foreign cotton producing countries will have to devote some of their present cotton producing land to food production as their population increases, and there is no end in sight to increases in the cost of production of synthetic textiles. Cotton

production is an energy-saving program while the production of synthetic textiles is totally dependent on petroleum products—a prime source of energy. Petroleum product costs are considered high now, but the rise in such costs will probably far surpass the increase in the costs of agriculture products in the near future. For example, the Shell Oil Co., is now developing the “Cognac” field in the gulf about 100 miles southeast of New Orleans and about 15 miles from the mouth of the Mississippi, and Shell estimates oil will be selling for at least \$16 a barrel by 1981 when the field comes into full production.

We believe more adequate funding of the producer organization for the promotion and marketing of cotton is absolutely essential for the development and continuation of a strong and viable national cotton economy both from the standpoint of producers and consumers.

Other than the effective programs designed and implemented by the Congress to protect and benefit cotton producers and consumers over the past 30 years or longer, we think the two most constructive developments or programs to deal most effectively with the problems of cotton production and marketing which have evolved in the past 20 or 30 years are the programs of Cotton Inc. and the program of complete boll weevil eradication throughout the cotton area of this Nation. Other representatives of the cotton industry have discussed the programs and accomplishments of Cotton Inc. in detail. Suffice it here to say that this well managed organization has a staff of competent, talented, and enthusiastic personnel ready, willing and able to determine the priorities and solve many of cotton's most pressing problems if funded adequately. Seldom has any organization recruited such a competent staff and produced such tangible results in so short a time.

Cotton has many secrets or problems to be unlocked and unfolded. The passage into law of H.R. 10930 would permit producers to meet these challenges and opportunities head on without any cost to the Government.

To implement this objective we ask respectfully that the members of this committee use their great influence to assure favorable action on the bill under consideration both in the Committee on Agriculture and in the House. We feel certain that cotton producers, if given the opportunity in a referendum, will support the assessment program by a very substantial majority.

Thank you for the opportunity to present our position on H.R. 10930 to the committee.

Mr. BOWEN. Thank you, Mr. Braswell.

Now those of you who testified in the second group, if you would come forward, we can begin some questioning before we have to go and vote.

I do not have a specific question, but I would like to ask somebody to tell me how much the synthetic fiber industry spends on advertising every year. This would give us some picture of the competitive picture between them and cotton.

Does anybody happen to know that offhand?

Mr. WOOTERS. The best estimate that we can come up with after studying their annual reports, and other publications, a minimum of \$15 million.

Mr. BOWEN. Compared to the \$10 million in the cotton industry.

Mr. WOOTERS. You referred to advertising alone?

Mr. BOWEN. Yes.

Mr. WOOTERS. Our budget at the present time is \$3,400,000.

Mr. BOWEN. In that case there is a greater disparity.

Let me ask you this. If the private industry had to be subject to some of the restrictions and regulations that have been suggested here by the minority opinion, how effective a job might they be able to do in promoting their products?

Mr. WOOTER. They would be severely handicapped. They are a small company trying to do battle with the giants.

The greatest asset which Cotton Inc. has is that they can turn and move rapidly when they see an opportunity in the marketplace. Therefore it is essential that Cotton Inc. continue to operate as a private producer company answering to its board of directors who are elected by cotton producers.

Mr. BOWEN. Thank you.

Are there any further questions?

I think what we might do is to adjourn the hearing and show the film.

I want to make a few general comments. I was going to ask Ed Jones a question or two but he is not with us at the moment.

I was going to remind him that I, too, agree that this is not the best of all possible times right now to develop a referendum. We are not talking about a referendum right now. The legislation is such that we have considerable leeway.

The bill that I introduced speaks to the subject of discontinuing the 610 funds in the middle of 1977, so we have a good deal of time.

We have time for us to deliberate here in this subcommittee and the full committee, and then before the House and the entire Congress.

We have our work cut out for us. We certainly appreciate the testimony that you have delivered to us today. It just sounds offhand as though the great bulk of the testimony leans in the direction of supporting the efforts that are being conducted by Cotton Inc. I am very much impressed with what I have heard today; but you can see that we had a fair and open hearing. Those who disagree had the same opportunity to come and testify as those who supported it.

I do not want to remind those of you who did come and testify on behalf of the research and promotion program being conducted by Cotton Inc. that, I presume, that by your testimony in behalf of that effort that, should we in this committee and in this Congress succeed in passing new legislation calling for the provision of opportunity for cotton producers to support a larger assessment, then I presume naturally you would be out there in support of that referendum.

I know you are not going to leave this Congress hanging out on a limb.

I am sure that you realize that it is a joint effort in which we are all involved to try to determine what to do.

So, let me thank you all for being with us and for making the sacrifice in time and effort to be here in Washington.

As I say, I feel that the best kind of survey investigation that we can have is the kind that we have here. It is the traditional congressional method of arriving at facts and information. I think we have a complete committee record. If there are some of you who have some

documents and some information that you would like made a part of the record which was not presented yesterday and today, then you may do so.

If you have some answers that were suggested to you during the hearings, then we will make that also a part of the record.

Let me again thank you for being with us. I will adjourn the hearing at this time. You are welcome to stay for the movie.

[Whereupon, at 4:20 p.m., the subcommittee adjourned.]

[The letter submitted by Charlie W. Jones and the prepared statements of Woodrow W. Hart, Rudie E. Scheidt, J. Russell Kennedy and Donald L. Wallace, Jr., follow:]

STATEMENT OF J. RUSSELL KENNEDY, CHAIRMAN OF THE BOARD, AMCOT, INC.

Gentlemen, I am J. Russell Kennedy, Chairman of the Board of AMCOT, Inc.

AMCOT is a grower sales organization composed of Calcot, Ltd., a cotton marketing cooperative serving 3,000 grower-members in the states of California, Arizona and Nevada; Plains Cotton Cooperative, which serves several thousand producers from the lower Rio Grande Valley up through the High Plains of Texas to southwestern Oklahoma; SWIG, commonly called Southwestern Irrigated Cotton Growers Association, which represents some 1,800 growers in West Texas, Southern New Mexico and Southeastern Arizona; and lastly Stapl-cotn, which serves a membership of 2,500 cotton producers in Mississippi, Arkansas, Louisiana, Missouri and Tennessee.

AMCOT was formed in 1971 and markets between 25 and 30 percent of the cotton produced in the United States.

But the purpose of these introductory remarks is to point out AMCOT represents over 10,000 cotton growers, covering the entire American cotton belt. These growers are vitally interested in seeing that the cotton industries research and promotion effort is properly funded.

AMCOT FAVORS INCREASE IN FUNDING FOR COTTON RESEARCH AND PROMOTION

Mr. Chairman, as a major representative of American cotton growers, Amcot wishes to go on record as strongly favoring an increase in the present \$1.00 per bale checkoff which is assessed producers and used for research and sales promotion. Specifically, we would urge passage of enabling legislation (HR-10930) for a grower referendum which has been introduced by the Honorable David Bowen from Mississippi.

REVIEW

It might be used to briefly review what has transpired in the cotton industry since the original \$1.00 per bale program was established by passage of the Cotton Research and Promotion Act in December of 1966.

Initially, Cotton Producers Institute (CPI), a subsidiary of the National Cotton Council was converted into a private fiber company for the purpose of competing with the promotion and research capabilities of the synthetic fiber manufacturers. In 1971, CPI's name was changed to Cotton Incorporated and a total marketing philosophy was adopted to make cotton competitive. Cotton Incorporated has since built a professional staff to develop a coordinated, business-type approach to build demand for cotton.

In the beginning, CI's program on behalf of American cotton producers was greatly aided by Congress, when they voted \$10 million through the Commodity Credit Corporation for three years to be added to the \$10 million contributed by growers. As a result of this action, CI's programs were broadened to include research—and marketing programs were vigorously expanded.

PRESENT SITUATION

Government funds were cut, however, in 1974 and 1975 from the authorized \$10 million to \$3 million by opponents in Congress. As a result of this action, the \$20 million budget was reduced for two years to \$17 million.

The consequence has been a drop in certain pressing areas of research and promotion on behalf of cotton growers.

Another problem has been inflation, which obviously has been eating away at the purchasing power of the growers' \$1.00 per bale contribution.

It is obvious to us that uncertain government funding, coupled with current reduced production, not only reduces the viability of the promotion and research programs, but makes it extremely difficult to make long-range plans.

COTTON INCORPORATED'S ACCOMPLISHMENTS

Cotton Incorporated's accomplishments, I believe, do not need to be brought out in detail by me. Suffice it to say that C.I. has accomplished a great deal in the areas of agricultural research; in textile fabric research such as fire retardants; and in creative, aggressive selling based on new ideas for cotton.

The point is, however, that growers support and believe in the concept of C.I. and many believe that the time has come for the cotton industry to support itself with expanded funding.

We endorse the concept of 1+1 or \$1.00 per bale plus up to 1% of the gross sales price. We support this for several reasons:

1. Because it is equitable for all growers, because it bases the contribution on a percentage of gross sales of cotton, and
2. Because it would provide an adequate amount of money to go into a proper expanded program for research and promotion, and
3. Because the C.I. program would be dependent on producer financing and not subject to uncertain funding by the government.

CONCLUSIONS

In conclusion, AMCOT wishes to reiterate its support for a grower referendum to increase funding for cotton promotion and research. We base this on grower support from the four cotton marketing associations which make up AMCOT.

It is obvious a competent staff has been assembled at Cotton Incorporated.

And, as stated previously, funding has been uncertain both from the government and the \$1.00 per bale because of vacillating acreages planted to cotton.

And, the worth of the original \$1.00 per bale contribution has been greatly eroded by inflation.

And, because of demonstrated accomplishments and results from the research and promotion program to date.

And, finally, because of the need to expand the research and promotion activities and increase demand for cotton, we urge that the act be amended to provide for a referendum so cotton growers can vote on expanded funding for Cotton Incorporated.

Thank you.

STATEMENT OF
RUDI E. SCHEIDT
AMERICAN COTTON SHIPPERS ASSOCIATION
ON H. R. 10930
PROPOSED INCREASE IN PRODUCER ASSESSMENT
FOR COTTON RESEARCH AND SALES PROMOTION
PRESENTED TO
COTTON SUBCOMMITTEE, COMMITTEE ON AGRICULTURE
U. S. HOUSE OF REPRESENTATIVES
DECEMBER 17, 1975

Mr. Chairman, I am Rudi E. Scheidt a cotton merchant from Memphis, Tennessee. I am an officer in the firm of Hohenberg Brothers, and I appear here in my capacity as President of the American Cotton Shippers Association. Accompanying me is our Vice President and General Counsel, Neal P. Gillen of Washington, D. C.

The American Cotton Shippers Association was founded in 1924 and is basically comprised of merchants, shippers and exporters of raw cotton who are members of five federated associations, located in sixteen states throughout the cotton belt:

- Arkansas-Missouri Cotton Trade Association
- Atlantic Cotton Association
- Southern Cotton Association
- Texas Cotton Association
- Western Cotton Shippers Association

The 500 member firms of the ACSA handle over 80% of the domestic cotton crop and 90% of the export market. The Association takes an active part in promoting the increased use of cotton in the United States and throughout the world; establishes with other trade groups national and international standards for trade; collaborates with producers throughout the cotton belt in formulating farm programs; and cooperates with government agencies in the administration of such programs.

Cotton merchants have a dual function of buying and selling cotton, including the assumption of the time, quality and price risks. The merchants purchase and assemble millions (approximately 12 million in 1974) of individual bales of cotton offered for sale by approximately three-hundred thousand farmers producing cotton in sixteen states across the cotton belt. Over 18 varieties of U.S. cotton are produced in several hundred combinations of quality and staple lengths (due to the various types of seed, soil, weather conditions, and harvesting practices). The merchant classes each bale according to the quality factors and assembles the cotton of the same grade, staple length, color and character into even-running lots in warehouses at various

locations in the different states. Cotton is sold to textile mills in spinners' markets in even-running lots at various times and delivery is made to locations designated by the various textile mills. The merchant also performs the function of storing and concentrating cotton and the financing of surplus spot cotton including the excess ginnings over consumption during the major harvest months.

Mr. Chairman, since the passage of the Cotton Research and Promotion Act of 1966 (P. L. 89-502) the Cotton Board has collected approximately \$84 million. Of this amount the members of the ACSA collected approximately 70% or \$56.5 million. Our member firms have borne all of the expenses necessitated by the collection process along with the necessary bookkeeping chores, at no expense to the Cotton Board or Cotton Incorporated.

We did not seek this responsibility, nor do we covet it. However, as long as the law and the administrative regulations mandate that we collect these monies, we consider it an implied right, that from-time-to-time, we express our views on the expenditure of such funds. This is such a time, and we appreciate the invitation of Congressman Bowen to present our views.

At our 51st Annual Convention in Houston, Texas this year we adopted the following policy position:

"Cotton Incorporated

We wish to compliment Cotton Incorporated for their excellent work in the area of promotion and research and we also commend and encourage their efforts to obtain additional funding. Because of the reduction in Government funding we support enabling legislation which will authorize cotton producers to decide through a referendum whether or not they desire to increase collections above the present \$1 a bale amount.

It is a source of satisfaction to all to see high blend cotton shirts returning to retail shelves. Farm income, however, is dependent on two factors - one being additional markets and the other being lower production costs. We would encourage Cotton Incorporated to devote greater effort in increasing cotton yields and , thereby, lowering

1/ 7 U.S.C.A. 2101 states in part that to serve the public interest Congress has provided for the comprehensive regulatory authority in the handling of cotton " . . . in the interest of benefiting producers and all others concerned with the production and handling of cotton as well as the general economy of the country " (emphasis added)

cotton production costs. As a start on additional priority to this area, we would suggest eliminating the Economic Services Section, which after all duplicates a great deal of USDA and National Cotton Council effort, and using funds thereby freed for cotton production research."

Collection of Additional Funds

As our policy statement indicates we support, commend and encourage cotton producers to seek additional funding for research and promotion. Since the 1967-1968 cotton season our experiences in collecting the dollar a bale from individual cotton producers leads us to believe that some difficulty might be encountered in collecting additional funds, if it was decided to base the additional assessment on a percentage value of the individual bale of cotton. In our opinion, great confusion and even opposition would quickly develop as many farmers in the same production area would be paying less or more than their neighbors. Whatever the level of the new assessment, it should be set as a fixed level per bale for all cotton producers in the U.S. This seems to us to be the only fair, equitable and practical approach to this situation.

Unless a fixed amount is set for all, the program will be severely jeopardized and could quickly lose the support of individual cotton producers. We cannot give enough stress to the importance of this determination, and we trust that the Cotton Subcommittee, the Secretary of Agriculture and the Cotton Board share this view and will give it their very close attention.

Cotton Incorporated Economic & Crop Reporting Activities

Our appearance here today is primarily to voice our support for the overwhelming majority of cotton producers who wish to expand and intensify the operations of Cotton Inc. We applaud their decision to finance their entire effort with their own individual funds and to detach themselves from reliance on the Federal Government as a source of financing.

Cotton Inc. is a young organization and it has set out to accomplish goals that are seemingly herculean in nature. It has assembled a group of dedicated and talented individuals who are highly motivated to increase cotton's share of the world fiber market. In organizing and setting out to achieve these goals some differences of opinion on CI's method of operation developed within the cotton industry. Through liaison initiated by cotton producer leaders with all segments of the industry, the great majority of differences in opinion and the conflicts that did exist on various objectives have been openly discussed and resolved. There seems to be a full and complete understanding and a universal belief among all segments for the need of an organization to promote the interest of cotton and to increase its share of world markets.

We have always attempted to be constructive whenever we have voiced opinions or have expressed differences with the prevailing point of view of producer leaders. We have a strong tradition of publicly expressing our opinions in the sincere belief that unless there is an open dialogue within the industry the best interest of the industry will not be served. With this in mind we wish to bring to the Subcommittee's attention certain concerns we have with some of the activities in the area of economic reporting by Cotton Inc. These concerns involve the area of crop reporting and price predicting.

C. I. Crop Estimates

In recent months C. I. began to issue estimates of the crop.^{2/} These estimates were made public two to three days prior to the USDA announcement. In each instance the C. I. estimate was substantially different from that of the USDA. In October C. I. was 600,000 bales below USDA, in November 400,000 below USDA and in December 200,000 above USDA. During the hiatus between the C. I. and USDA releases there was considerable confusion--bonafide hedgers (i.e. farmers, merchants and mills) were put in a precarious position due to the market swings brought about by the C. I. reports. The C. I. releases may have in fact caused market gyrations which in our opinion tendered to interfere with the settlement of futures contracts in October, November and December.

The October release is particularly disturbing. C. I. officials made their statements available to the press just when the October contracts were being liquidated, a time when reports of a devastating frost on the High Plains was not fully verified, and excessive rainfall was causing havoc in the Southeast and the Delta. The report had serious implications and its impact on the market was significant. It is the opinion of some people in the cotton industry that on the day of its' release the C. I. report was responsible for a 60 point rise in the price of the October contract.

There are enough forces to contend with in the marketplace and the releasing of unsubstantiated reports at a time of great uncertainty is a dangerous practice which should be restrained.

2/ Copies of C. I. releases attached

3/ In October C. I. forecast 8.5 million bales and USDA 9.1
 In November C. I. forecast 8.7 million bales and USDA 9.0
 In December C. I. forecast 8.7 million bales and USDA 8.5

That the C.I. estimates may ultimately prove to be accurate should not necessarily give sanction to future activities of this nature. We fully realize that the statutory intent^{4/} is vague regarding C.I.'s economic activities particularly in the area of crop reporting. We do think, however, that in 1966 Congress did not intend for C.I. to duplicate activities of USDA. We hope the Secretary of Agriculture, or the Congress if necessary, would make a clear determination of this matter.

Because of the December 10th USDA report it can be argued that C.I.'s reports were beneficial to the interest of U.S. farmers who have not sold the remainder of their 1973 and 1974 crops or any of their 1975 crop. That by doubting the USDA reports and in heeding the C.I. reports they will be able to sell at much higher prices. What if C.I. was wrong and the crop was larger than predicted? These farmers who relied on C.I. could possibly lose additional profits if they held their cotton in a declining market.

A fully informed cotton producer is a primary goal of everyone in the industry and the USDA. As cotton merchants we find it much more desirable to deal with a producer who is up-to-date on market conditions. We want our producer customers to be fully satisfied with their dealings with members of the trade. Knowledge of market conditions is of primary importance if we are to be able to function properly, and like producers we seek information from every source available. Additional information is of great assistance, but we seek accurate and reliable data.

If producers and others are to rely on information supplied by C.I. in order to make their important marketing decisions, then more must be known about their reporting methods. The USDA system was developed over a long period of time and is generally reliable. Not only producers, but textile mills and large retailers have come to rely on the USDA reports in order to properly plan their consumption needs and purchases. Gins and warehouses rely on the reports to determine labor requirements and their need for bagging, ties and related materials.

^{4/} Section 2105(b) provides authorization " . . . for establishing and carrying on research and development projects and studies with respect to the production, ginning, processing, distribution, or utilization of cotton and its products, to the end that the marketing and utilization of cotton may be encouraged, expanded, improved or made more efficient . . .

If the market is to receive additional data from sources that have little experience, then more must be known about the source, and therefore, some important questions need to be answered:

1. What are the criteria used by C.I. in gathering, evaluating and disseminating these crop estimates?
2. If this activity is to be permitted, should C.I. be required to publish their reporting methods, the error factors in calculating their report and other information which would put the industry and the general public on notice as to the efficacy or credibility of these reports?
3. Should the C.I. crop estimates continue to be released prior to the USDA report? or
4. Should C. I. be restricted from releasing a crop estimate prior to the USDA report and instead be limited to commenting after the release of the USDA estimate?

The Department of Agriculture has rigid standards in this area and others who seek to supplement or duplicate these efforts should be required to adhere to equally rigid criteria in order to protect the cotton industry and the general public.

Price Forecasting

The Agriculture and Related Agencies Appropriations Act of 1976, ^{5/} P. L. 94-122 in Section 603 prohibits cotton price forecasting by the USDA. -

We take the position that if the Secretary of Agriculture is precluded from issuing any prediction or forecast concerning future prices of cotton or the trend of such (albeit the exclusion for crop damage caused by insects and

^{5/} "Sec. 603. No part of the funds appropriated by this Act shall be used for the payment of any officer or employee of the Department of Agriculture who, as such officer or employee, or on behalf of the Department or any division, commission, or bureau thereof, issues, or causes to be issued, any prediction, oral or written, or forecast, except as to damage threatened or caused by insects and pests with respect to future prices of cotton or the trend of same." (emphasis added)

pests), then the contracting agency of the Cotton Board whose research and development plans and projects, are subject to the approval of the Secretary of Agriculture pursuant to 7 U.S.C.A. 2106(c), is also prohibited from cotton price forecasting. More simply stated, if the Secretary cannot do it then a contracting agency subject to supervision of the Secretary (paid out of appropriated funds) should not be able to do it.

The attached news clipping from the Journal of Commerce, Friday, November 21, 1975, contains statements made by an official of the Economic Research and Development Division of Cotton Incorporated, and seem to run counter to the prohibitions stated above. The article attributes to Mr. Dan Troxler the statement that "lower production, along with increased demand as the industry pulls out of the recession, should bring price increases later in the year." "Prices will probably rise, Mr. Troxler said, because "it's a year of recovery for the textile industry and the cotton producer. The textile industry has picked up steam. If prices of the goods they produce don't jump too much, we expect the consumer to continue to buy and expect a good year for the textile industry and the farmer." The article continues with similar references to a trend of price increases.

To our knowledge this type of activity has never been engaged in by the Department of Agriculture or other industry organizations. It is a risky and a dangerous practice and a determination should be made by the Secretary of Agriculture or Congress as to whether or not this type of activity should continue. No one can say with certainty that prices are going up or going down. To our knowledge no one is possessed with such clairvoyance.

Along with their involvement in crop forecasting a clear determination must be made whether this type of conduct is permissible. It is our position that if Congress intended to permit C.I. to embark upon such activities it would have spelled out such authority in more clear and precise terms. We suggest that the Secretary of Agriculture or the Congress take the position that C.I. is precluded from engaging in activities which could be construed to be price forecasting.

Recommendations

The U. S. Department of Agriculture has traditionally conducted the activities concerning crop reporting and is precluded by statute from engaging in price forecasting. The Department has consistently performed in an excellent manner in making available to producers information necessary to make important marketing decisions. In recent years the Department has provided a number of additional reports (domestic and foreign weather, daily & weekly price reports by telephone in certain areas, etc. . .) which have

proven to be of considerable value. The National Cotton Council does an excellent job in providing supplemental analysis of the USDA, ICAC, trade and mill data which is available. The Council activities steer clear of crop or price forecasting and restrict their activities to analysis of trends. We would observe that C.I.'s activities in these areas only duplicate a great deal of USDA and National Cotton Council effort.

As indicated by the resolution passed at our convention in Houston, we strongly believe that greater efforts are required in the area of cotton production research. Cotton today competes not only in the marketplace but also on the farm with competing crops for acres. If there is to be an adequate supply of cotton at competitive prices, maximum efforts must be devoted to lowering the cost of cotton production. Cotton is one of the very few commodities in which there has been no research breakthrough with regard to a major improvement in cotton yields. Higher yields are essential for a continuing, prospering cotton economy.

We should point out that the U.S.S.R. has become the world's leading cotton producer as a result of seed breeding research. India has become a cotton exporter instead of an importer by improving both yield and quality due to cotton seed breeding research. The French West African countries, by seed breeding research, have become a major factor in the world's cotton markets and are exporting their seed breeding research results to South America.

We strongly urge Cotton Incorporated, USDA and State associated agencies to further their efforts in this area.

In the best interest of the entire industry we seek a clear determination of C.I.'s authority in the areas of crop and price forecasting. We recommend that the Cotton Subcommittee request the Secretary of Agriculture to review these activities of C.I. and make a final determination within ninety days. If the USDA authorizes C.I.'s activities in either or both of these areas we would hope that strict criteria are established, complete with rigid security standards for the accumulation and release of such data, and all procedures for the gathering and evaluation of such information be made known to the general public.

In conclusion we wish to reiterate our support for H.R. 10930 and we thank the Chairman for his cordial invitation to participate in these hearings.

(The October, November, and December news releases of Cotton Incorporated, and an article from The Journal Of Commerce, November 21, 1975, are held in the subcommittee file.)

STATEMENT OF DONALD L. WALLACE, JR., EXECUTIVE VICE PRESIDENT, COTTON
WAREHOUSE ASSOCIATION OF AMERICA

Mr. Chairman and members of the Committee, I am Don Wallace and I serve as Executive Vice President of the Cotton Warehouse Association of America. I am pleased to have the opportunity to testify on H.R. 10930 under which growers would determine through a referendum whether there should be an increase in funding under the Cotton Research and Promotion Act.

The Cotton Warehouse Association of America stands in support of legislation to enable cotton growers to decide the level of their funding participation in research and promotion programs.

The Cotton Warehouse Association of America is the trade organization representing cotton compresses and warehouses throughout the United States, from the Carolinas to California. The members receive cotton from a gin and compress and store it until such time that it is shipped to a domestic mill or a port for export to foreign mills.

The participation of producers to advance and improve the markets of cotton through a producer-funded research and promotion program is an example of self-determination. Through this self-help program cotton growers can make it possible for America's cotton industry to remain a strong element of our nation's economy. All elements of the cotton industry have benefited from the vital research made possible by this program. Congress through this legislation holds the key which will enable cotton growers to continue their essential self-determining efforts in research and promotion.

The time has come to re-affirm the right of the individual farmer to control his own destiny and enable him to make the decision on this self-help program. In unanimous action on December 9, 1975, the Board of Directors of the Cotton Warehouse Association of America endorsed enactment of legislation which would determine whether there would be an increase in the current assessment under the Cotton Research and Promotion Act by the decision of a grower referendum.

Thank you, Mr. Chairman.

MAN-MADE FIBER PRODUCERS ASSOCIATION, INC.,
Washington, D.C., December 18, 1975.

HON. DAVID R. BOWEN,
*Cannon House Office Building,
Washington, D.C.*

DEAR DAVID: We have followed the hearings which the House Cotton Subcommittee has conducted relating to an amendment to Section 7(e) of the Cotton Research and Promotion Act and while a great deal of impressive information and documentation was given at this hearing, there are two misleading statements relating to man-made fiber which concern us greatly.

We are particularly disturbed by the misleading comments made by Mr. James B. Fisher, Executive Vice President, J. G. Boswell Company, in his statement:

"In another instance, the proficiency of our cotton research team enabled us to move quickly in helping the New York City Fire Department solve a critical problem. Firemen had rejected their uniform of 65% polyester because under actual fire fighting conditions, the polyester melted onto the skin, putting at least one fireman into the hospital with second degree burns. After ten months of impartial evaluation, the New York City Fire Department has officially adopted FIRE STOP, 100% cotton uniforms over synthetic alternatives. Cotton, Incorporated, played a key role in helping the Firefighter's Safety Committee in its objective evaluation."

Mr. Herman A. Propst, Executive Vice President, Rolling Plains Cotton Growers, Inc., in his statement had this to say:

"* * * I would be remiss if I did not mention 'firestop' cotton. Firemen and others deserve a fabric that will not burn or melt and fuse to the skin. The housewife deserves a fabric that is 'easy-care' yet has the comfort and health protection qualities of cotton."

Attached is a letter on this subject which we submitted to the National Broadcasting Company on July 24, 1975, expressing our concern on misleading advertisements on cotton "Fire Stop" as related to polyester which represents our views. We request that this letter to you, the letter to NBC, and the attached article from CLOTHES Magazine be included as part of your Hearing Record.

We are also concerned that the film shown at your hearing portrays energy saved by cotton and makes reference to man-made fiber requiring five times more energy than cotton in the production stage. We understand that this statement is based on a study done by the National Cotton Council. It should be pointed out that it does not take into consideration the conversion factor or waste factor at the mill level or the energy requirements of textile products from the standpoint of maintenance and durability. Attached is a study made by our Association which clearly shows that when all factors are considered in production, maintenance and durability, products made from man-made fibers, typified by polyester in the enclosed study, use less energy than cotton. However, the total consumption of energy in the production and use of fibers is so miniscule that we feel that it does not merit comparison being made. Nevertheless, we feel impelled to call this to your attention and ask that you include our study in your Hearing Record.

If you need additional information, please let me know.

Sincerely,

CHARLIE W. JONES,
President.

Attachments.

MAN-MADE FIBER PRODUCERS ASSOCIATION, INC.,
Washington, D.C., July 24, 1975.

Mr. HERMINIO TRAVIESAS,
Vice President, Network Standards and Practices,
National Broadcasting Co., New York, N.Y.

DEAR MR. TRAVIESAS: We would like to call to your attention the attached article on Fire Stop cotton fabric from the July 1, 1975 issue of CLOTHES MAGAZINE. This article largely concerns advertising on the TODAY SHOW sponsored by Cotton, Incorporated.

The Man-Made Fiber Producers Association, representing the fifteen member companies listed on the attached sheet, shares many of the concerns expressed by the authors of the CLOTHES MAGAZINE article.

We are particularly disturbed by two points in these commercials which are discussed in the article and which we believe are extremely misleading.

First, the video shows a raging fire and the audio indicates that in "awesome situations like this," a fireman would be protected by the cotton Fire Stop alone. The firemen shown in the video are clothed in turnout coats, helmets and boots, all designed to protect them from such hazards. We have been assured that these items are not made from Fire Stop cotton fabric. Nowhere is it mentioned that the Fire Stop cotton fabric uniforms are station house uniforms and that, at fire scenes, protective apparel of other materials is worn over these station uniforms. In the "awesome situation" pictured, no ordinary work uniform, irrespective of fiber composition or flame retardant treatment, would provide adequate protection. Certainly this is the case with respect to Fire Stop cotton fabric. As admitted by Cotton, Inc., in the trademark proceedings for the registration of "Fire Stop" in the U.S. Patent Office, "the applicant's textile goods do not 'stop fire' * * *" To imply otherwise is misleading.

Second, in these commercials, there have been repeated references to "the terrible hazards of polyester burning, melting and sticking to the skin." Polyester probably would burn and melt when exposed to a raging flame in areas not covered by the protective apparel described above (turnout coats and boots). For this reason, polyester containing garments would not be recommended for protection against a raging fire unless the same turnout coats and boots were worn over them that would be required with Fire Stop garments. A very false impression is created in this regard by the suggestion in the same commercial that parents should look for Fire Stop cotton fabric in children's sleepwear, the overall implication of the commercial being the "terrible hazard of polyester burning, melting and sticking to the skin" also exists with clothing ignition from small flame sources. This is not the case, as has been demonstrated clearly by the Consumer Product Safety Commission's recently issued standard for older children's sleepwear (FF 5-74) which recognized, on the basis of research, accident statistics and advice from the medical profession, that the flaming melt drip phenomenon of thermoplastic fibers (including polyester) often prevents ignition, contributes to self-extinguishment and is not a significant hazard in itself.

In light of the above, we trust that you will discontinue using this commercial in anything like its present form. We would appreciate hearing from you on your plans. If you have any questions, we request that opportunity to meet with you and other NBC officials in order to discuss these points in further detail.

Sincerely,

CHARLIE W. JONES.

Attachment.

[The attached article from Clothes Magazine is held in the subcommittee file.]

STATEMENT OF WOODROW W. HART, EXECUTIVE DIRECTOR, SOUTH TEXAS COTTON AND GRAIN ASSOCIATION, INC.

South Texas Cotton and Grain Association operates in 20 counties in South Texas and represents about 8,000 families that produce cotton and grain.

We recognize the outstanding achievements of Cotton Incorporated. We see a need for greater contribution by the cotton producers to expand research and promotion of cotton.

We support passage of an enabling act to authorize the Cotton Board to offer a referendum to increase assessments on each cotton producer up to 1% of the sale price.

This increase should become effective when it is ratified by two-thirds of producers voting or by producers representing a substantial amount of the cotton crop.

The Directors of Cotton Incorporated must be cotton producers and the members of the Cotton Board must hold a responsible and vital interest in the Cotton Industry. We oppose consumer representation if they are not actively involved in some segment of the Cotton Industry.

We feel that the language should be such in the Enabling Act so that the present \$1.00 per bale would continue.

We ask that this statement be made a part of your record.

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