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HEARINGS

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BEFORE THE

COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

ON

S.J. Res. 121

DAIRY SUPPORT PRICES

OCTOBER 21, 1975

H.R. 11868

ORIENTATION OF DEPENDENTS OF USDA EMPLOYEES

MARCH 29, 1976

H.R. 10133

UPGRADE TOP-LEVEL USDA POSITIONS

MARCH 29, 1976

H.R. 5242

AFRICAN HONEYBEE CONTROL

APRIL 29, 1976

S. 532

WOOL PRICE SUPPORT PAYMENTS AMENDMENT

MAY 3, 1976

H.R. 14921

PALM OIL AND PALM OIL PRODUCTS LABELING

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DAIRY SUPPORT PRICES

TUESDAY, OCTOBER 21, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DAIRY AND POULTRY
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:35 p.m., in room 1302, Longworth House Office Building, Hon. Ed Jones (chairman of the subcommittee) presiding.

Present: Representatives Jones, Vigorito, Nolan, Baldus, Krebs, McHugh, Bergland, Jeffords, Kelly, and Hagedorn.

Also present: Robert M. Bor, counsel; Hyde H. Murray, counsel; James A. Culver and Robert J. Gray, staff consultants, Subcommittee on Dairy and Poultry; Glenda Temple, staff assistant.

Mr. JONES. Although there is not a quorum we will start the review of some of the hearings which we have been conducting.

I have a statement which I would like to make for the record.

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

Mr. JONES. Since late July, members of the Dairy and Poultry Subcommittee have been involved in a series of hearings in major milk producing regions of the country. The purpose of these hearings has been to obtain information directly from dairy farmers as well as others on which we can base judgments on new legislation dealing with dairy issues.

Thousands of miles have been traveled and thousands of words of testimony taken. We have had an opportunity to receive testimony from representatives of every segment of the dairy industry.

These hearings have been helpful in bringing out the basic concerns of farmers today. They have also been helpful in pinpointing actions that can and should be taken to assure an improved functioning of governmental programs affecting the dairy industry.

Unquestionably, the last few years have been among the most difficult ever encountered by dairy farmers. They have felt the inflation that has plagued all segments of the economy particularly hard. Further, Government actions have made dairy farmers' efforts to cope with this inflation difficult or impossible.

Too many dairy farmers have had to stand by and watch the equity they have built up through their operations over the years erode due to advancing production costs, while returns failed to keep pace. A substantial number have chosen to leave dairying and use this equity in some other type of agricultural production or outside agriculture altogether.

While the subject of today's hearing is specifically legislation to provide for the quarterly adjustment of the price support level for milk, I would like to take this opportunity to review a number of the points that have been brought out in our hearings throughout the country.

One problem present wherever we went was the difficulty faced by young farmers who are just getting established or who seek to become established in dairying. They have no equity base which they can fall back on. Faced with the large investment in land, equipment, facilities and livestock required for an economic dairy unit today, many are finding it impossible to enter the business or are facing extreme difficulty in keeping their operations going.

This is a problem that must be of deep concern to all of us. These young dairymen and potential dairymen are the producers of our future milk supply. The average dairy farmer today is in his mid-50's. If we are to continue to have adequate productive capacity within this industry, there must be a continuing flow of new operators into the business. While the availability of credit itself will not solve this problem, attention should be given to the adequacy of existing credit sources to assure that qualified young people continue to have an opportunity to enter dairying and other types of agriculture.

If this is not done, we could easily face the specter of the production of increasing amounts of essential food products being concentrated in the hands of fewer and fewer people as the family farm operator finds he cannot compete. Dairying, traditionally, has been a bulwark of family farm agriculture. While the size of dairy farms has increased substantially over the years, these farms are still primarily family operations. We must pursue policies which will make it possible for these producers to continue and prosper.

Of major importance in this regard is the availability of sound and stable markets into which farmers can sell their milk. Dairying is a long-term enterprise. The investment that is made to enter the business can only be redeemed over a period of years. Further, much of the investment needed on a dairy farm has little, if any, value in other types of agricultural production. Therefore, before an individual will undertake the needed investment, there must be a degree of certainty in the outlook for the business.

It is partially in answer to this problem that dairy farmers have worked together to develop strong dairy marketing cooperatives throughout the country. Through these cooperatives, farmers themselves have sought to develop bargaining power in the market and to provide a vehicle which would remove much of the instability they would face without marketing organizations of their own.

Throughout the hearings, concern was expressed over the administration of the dairy price support program and the need to provide improved price assurances to farmers through this program.

As presently written, the law requires the Secretary of Agriculture to establish the price support level for milk between 75 and 90 percent of parity. This support level is achieved by setting prices at which the Commodity Credit Corporation stands ready to purchase all butter nonfat dry milk and Cheddar cheese of stated quality which might be offered to it. In concept, these purchase prices are to be sufficient to make it possible for manufacturers of these products to pay the costs

of operating their plants and moving the product to the CCC and still pay the farmer at least the announced level of price support.

Last January, at the time President Ford vetoed legislation increasing the minimum dairy price support level to 85 percent of parity, Secretary of Agriculture Butz announced an increase in the level of price support to \$7.24 per hundredweight. Based on data then available, this was equivalent to 80 percent of parity on manufacturing milk.

While the announced increase fell short of the 85 percent level mandated in the bill approved by Congress, dairy farmers did anticipate a substantial increase in milk prices as a result of the action. Unfortunately, the reality fell short of the expectation.

Through June, the price farmers received for manufacturing milk was consistently below the announced \$7.24 price support level by a substantial margin.

The explanation of this phenomenon is quite simple. The processing margin or "make allowance" used in determining the CCC purchase prices for butter, nonfat dry milk, and Cheddar cheese was inadequate to permit manufacturers of these products to operate their plants and still pay farmers at least the announced support level.

Repeated appeals by dairy farmer spokesmen to the Department of Agriculture brought some adjustment in these purchase prices on April 1 of this year. These were insufficient, however, to meet the need. All of this ties back very closely to the inflation question. The processing margins used in setting the CCC purchase prices announced in January were the same as had been used for the price support program during the 1973-74 marketing year. The cost of plant operations—fuel, transportation, packaging materials, labor, taxes—had risen sharply during this period.

When the Secretary of Agriculture announced the price support level increase as a result of his midyear review early this month, he did adjust these processing margins to recognize the increased costs of plant operations. Hopefully, this adjustment will meet the need at present, but this is an aspect of the program administration that should be given constant attention.

Through the price support program, the Congress has sought to provide a measure of minimum price assurance to producers. At the same time, the program is intended to assure the production of an adequate supply of milk for the consumers of this country.

Twice in the last 12 months, Congress has passed legislation that would have mandated an increased minimum level of price support and required the quarterly adjustment of the support level in line with changes in the cost of production. Both of these actions were based on the concern that producers were not realizing sufficient returns to maintain milk production and that, if production declines were to occur, very sharp increases in the price of milk and dairy products would be experienced.

Both of the bills approved by Congress were vetoed by the President, but early this month, Secretary of Agriculture Butz announced an increase in the dairy price support level. In doing so, the Secretary used the same arguments and justification that he opposed last spring when the emergency farm bill was before the Congress.

While the Secretary's action was most welcome, it must be viewed as the minimum needed at present to maintain our milk supply. Milk production has fallen steadily since last April. Cow numbers are continuing to decline and milk production per cow is off.

Thus, even in the face of the Secretary's action, we must continue to be concerned about the need to improve the ability of the dairy price support program to respond to the needs of dairy farmers. As we talked with dairymen across the country, one recommendation that was made repeatedly was that the price support level to be adjusted on a quarterly basis. That is the thrust of the legislation before the Subcommittee today.

While we all hope that the inflation we have experienced is subsiding, a brief look at what happened in recent years clearly demonstrates the need for the addition of the quarterly adjustment to the price support program. In March 1973, the support level was set at \$5.29 per hundredweight—75 percent of parity. By August 1 of that year, the \$5.29 level had slipped to 71.5 percent of parity.

The 1973 Farm Act became law in August, requiring the establishment of the support level at a minimum of 80 percent of parity. This adjustment increased the support level to \$5.61, but by March 31, 1974, the end of the marketing year, this was equal to 69.1 percent of parity. For the 1974-75 marketing year, the support level was set at 80 percent of parity—\$6.57 per hundredweight. By December, 1974, it had declined to 72.7 percent of parity.

The \$7.24 price support level announced last January had eroded to 75.1 percent of parity by September, not the 80 percent it equalled when it was established.

This slippage, of course, is representative of the increasing cost of production. The Index of Prices Paid by Farmers for Commodities and Services, Interest, Taxes and Wage Rates (1910-14=100) stood at 432 in June 1972. It rose to 501 during the next 12 months and by June 1974 it had reached 568. Last month it was at 645. This is a 50-percent increase in a little over 3 years.

From baler twine to taxes, every cost on the dairy farm has increased. Current Government reports are pointing out that the price farmers are getting for milk are higher than a year ago. What isn't said in this is that in the spring of 1974 farmers witnessed the sharpest drop in milk prices they have ever experienced. From March through July 1974, the price for manufacturing milk in the United States dropped from \$8.14 per hundredweight to \$6.32—almost a 25 percent decline. Only now has that sharp decline been overcome.

The quarterly adjustment of the price-support level will not overcome all the problems facing milk producers. It will, however, give them a degree of assurance that the prices they receive will not be eroded by inflation during the course of the year. In effect, this increased assurance would tell the dairy farmer that the same degree of price support is being provided for the gallon of milk produced in March, at the end of the marketing year, as the gallon produced the previous April at the beginning of the year.

I am aware that the Department of Agriculture has said that this would add to the cost of the price-support program and that it would disrupt markets for dairy products.

With regard to the question of market disruption, it would seem that the quarterly adjustment could tend to add stability to the market. Right now the price-support level is adjusted once each year. In periods of rapid inflation, the annual adjustment can be very great indeed and have substantial impact on the market. Would it not be better to have that adjustment made gradually over the year rather than all at one time?

As to the cost estimates made with regard to this legislation, it is difficult to see how this action could add \$60 million to the cost of the dairy price-support program if it were in place right now as USDA has projected. At the present time, the Commodity Credit Corporation is buying no dairy products under the price-support program. In fact, CCC sold all of the available stocks of butter back to the commercial trade in August and some sales on nonfat dry milk are taking place at present. These sales are made at a price 15 percent above the announced CCC purchase price.

Should prices recede to the support level during the January to March quarter, CCC might make some product purchases, but the additional costs involved would only be due to the increment of purchase prices based on the quarterly adjustment.

During the field hearings, several other important dairy issues were discussed. While each of these are significant enough for complete and separate consideration, I would like to make brief mention of them at this time.

In the years ahead, the dairy industry must address itself to the changes that will be necessary in the dairy price-support program as we move further toward one grade of milk. Presently, about 78 percent of the milk produced in the United States is eligible for the fluid market. That percentage has been growing steadily and most observers expect that most of the U.S. milk production will be under the "grade A" standard in the not too distant future.

Presently, the price-support program is carried out by establishing a price-support level for manufacturing milk. That level is then achieved, as I have indicated, through the purchase of manufactured dairy products. Certainly, a substantial amount of milk eligible for fluid use goes into manufactured products, but will present administrative methods be adequate to meet the needs of the dairy farmer, the consumer and all elements of the market as the shift to grade A continues?

The Federal milk market order program authorized by the Agricultural Marketing Agreement Act of 1937 provides a basis in individual markets to assure that producers and handlers receive equitable treatment. The market order program has grown out of producer efforts to improve market stability and to reduce or remove the ability of some handlers to use their market power to the disadvantage of the producer.

This is a program that has worked well over the years to maintain stable market conditions and to prevent market abuses. There have been, however, changes in milk marketing that makes changes in the market order authority necessary to permit these orders to keep pace with market developments if they are to continue as a useful tool for both the producer and consumer.

In today's market, the dairy cooperative marketing associations serve the essential role of "balancing" the market. Milk is produced and marketed every day of the year, but demand for milk by handlers and processors is not uniform from day to day. This problem is further compounded by the marked seasonal pattern of milk production which sees production high during the spring months of April, May, and June, and then falling to a low point during October, November, and December.

Because of these patterns, it is necessary that some agency in the market stand ready to absorb unneeded supplies on a given day or during the flush season if the farmer is to have a market for his milk at these times. Similarly, it is necessary for some agency to assume the responsibility for assuring that supplies are available at times of peak demand when local production may fall short of market needs.

Because this is a market service function and there is little, if any, profit opportunity involved in it, proprietary handlers have either avoided getting into it in the first place, or have departed from this phase of the business almost totally. This has left the responsibility to the farmer himself and he has met it through his cooperative.

Imagine if you will, the situation that would exist if the farmer were only able to market the amount of milk needed by handlers on a given day.

On days such as Saturday and Sunday, when handlers demands for milk are low, or during the flush months when supplies normally outstrip demands, there would be no market for at least a portion of the milk produced.

Things would be all right during the season of low production and on days when handlers demands were high—or would they? A dairy farmer cannot afford to be in business unless he has a market for his product and that market has to be there every day of the year. If he were forced to dump part of his milk or to take disaster prices for it on certain days or during part of the year, the farmer would soon do one of two things. He would either leave the business entirely or cut back production to the point where he could be assured of a market every day.

But by having an element in the market which can and does absorb extra milk during these periods, the dairy farmer avoids this unpleasant choice. Further, the consumer avoids an equally unpleasant situation. For this milk that may not have a demand on Saturday or Sunday or during April, May, or June actually represents a needed reserve in the market. It can be manufactured into butter, nonfat dry milk, or hard cheese which can be stored and transported easily. These products can thus be made available months later in areas where milk production is not adequate to support local production of such items. Or the milk can be moved substantial distances in fluid form to meet deficit milk needs in other markets.

All of these functions and others are being performed every day in every milk market in the country. In each case these functions are being met by cooperatives—by the dairy farmers themselves.

But there is a problem in this. This is a costly process. It requires investment in plant and equipment and the employment of staff. In a market where all farmers belong to cooperatives, the burden of these costs may be borne more or less uniformly.

But in markets where producers are split between cooperative and noncooperative, the full cost of this market service falls to the cooperative and its farmers. This leaves one group of producers to perform a task which benefits the entire market—producer, handler, consumer.

Authority is needed within the framework of the Agricultural Marketing Agreement Act to permit the recognition of these problems in specific markets and to allow for the compensation of those producers who, through their cooperatives, perform services which benefit the entire market.

It is, therefore, essential that the authorities of the Agricultural Marketing Agreement Act be retained intact so that the Federal milk market orders can continue to provide the basis for orderly marketing of milk throughout the country. We must also move to add to this ability so that the costs of maintaining the needed reserve supplies of fluid milk are borne equally by all those in the market. This would be in keeping with the intent of the market order program and would remove a present glaring inequity in this program.

We must also assure that the ability of the dairy marketing cooperative associations to serve their farmer members and the market is maintained. There are those who would limit or remove that ability entirely. Such efforts would be a direct blow to the individual dairy farmer by removing his ability to seek the best possible prices for his production by acting with his neighbor. Further, limiting the ability of the farmer and his cooperative to serve the market would leave a void in the performance of essential market services which no other agency appears ready or capable of performing.

An issue of great concern in every region of the country today is the need to maintain effective control on the import of dairy products.

Dairy product imports have been of great concern to the dairy farmer for many years. The addition of unneeded supplies of imported product to this market merely depresses prices to domestic dairy farmers and adds to the cost of the domestic dairy price support program as displaced product is moved to the Commodity Credit Corporation.

Recognizing the need to shield the operation of domestic price support programs from interference by imported agricultural commodities, the Congress enacted section 22 of the Agricultural Adjustment Act. Quite simply, this law permits the President to act to increase tariffs or establish import quotas on agricultural commodities whenever the import of a commodity interferes with the operation of a domestic price support program.

Since 1953, a comprehensive system of dairy product import quotas has been established under the authority of section 22. While some nations have argued that these quotas are very offensive trade barriers, they are quite simply necessary adjuncts to our domestic dairy program. Without them, experience has shown that the United States would quickly become a dumping ground for world dairy surpluses. The folly of becoming reliant on foreign sources for basic resource needs has been clearly demonstrated in the current energy situation. If this were to happen in the case of basic food items, the situation would be even worse.

Dairy farmers also expressed great concern that steps might be taken in connection with the current multilateral trade negotiation

under the General Agreement on Tariffs and Trade to negotiate away these necessary safeguards. While many have said that these concerns are groundless, we must be alert to any move that would facilitate this.

During 1973 and 1974 we witnessed repeated assaults on this market as the dairy product import quotas were opened time and again by emergency presidential action. During this period, the quotas were expanded by the equivalent of 84 million pounds of butter, 265 million pounds of nonfat dry milk, and 164 million pounds of cheese. Officially, the reason for these actions was to hold down dairy product prices. Rising prices and falling domestic production were cited as reasons for this need. Yet domestic dairy farmers were being forced from the business or were cutting back simply because they were faced with a cost-price squeeze such as they had never previously encountered.

When the market in this country broke, almost 25 percent of the price for manufacturing milk disappeared. Inventories of manufactured products built up to record levels and the Commodity Credit Corp. was buying dairy products under the price support program. Whatever minimal relief the consumer might have experienced from this exercise was lost in the form of increased government cost and depressed dairy farmer income.

While dairy farmers are as concerned as any group in the economy about the inflation we have been experiencing, the actions taken to expand dairy imports during 1973 and 1974 clearly indicate the problems involved in adopting a policy which substitutes short term expedients for longer term goals. Our national policy as it relates to dairy is clearly the development and maintenance of sufficient capacity to meet domestic market needs. This has been and continues to be the basic goal of the dairy price support program.

In an effort to determine the impact of expansion of dairy product imports on various segments of the dairy industry and on the consumer, the Congress, as part of the Agriculture and Consumer Protection Act of 1973, directed the Department of Agriculture to study the question in detail. In their report early this year, USDA concluded that it was politically unrealistic to expect a free trade situation in dairy products around the world. They also concluded that the removal of section 22 quotas by this country would, in the longer term, result in reduced supplies and higher prices for dairy products in this country. Of the viable policy alternatives examined, the continuation of present programs offered the soundest course for both the domestic producer and the consumer.

Another facet of the international trade question that dairy farmers have struggled with over the years has been the shipment into this country of highly subsidized foreign dairy products. Contrary to what many would have us believe, the U.S. dairy industry is highly competitive. Of major dairy nations around the world, probably only New Zealand and Australia produces milk at a lower cost than the United States. In order to ship into this market, other nations have used export subsidy programs of one type or another.

Before the turn of the century, the Congress recognized the need to correct such a problem by enacting the countervailing duty statute. That law, very briefly, requires the Secretary of the Treasury to collect an additional countervailing duty equal to any bounty, grant or subsidy paid by a foreign government on any product imported into the United States.

In 1968, the National Milk Producers Federation, in behalf of its member dairy cooperatives, requested that countervailing duties be collected on imported dairy products. This request went unheeded as did subsequent requests from the industry and from Members of Congress. Finally, in 1973, the Federation brought suit in Federal district court to force the collection of the duties.

Now, 2 years later, an agreement has been worked out with the European Community under which they have removed export payments on all but a specified group of table quality cheeses. Treasury is also investigating countervailing duty complaints on a number of other nations shipping dairy products to the United States.

While dairy farmers welcome the action that has finally been taken, they are concerned it took so long to bring this about. They are also quick to point out that countervailing duties cannot be viewed as a replacement for our section 22 quota system.

In brief, the availability of the domestic market must be maintained for domestic production. We must be on guard against actions which would lead to a dependence on foreign supplies for basic food commodities. The United States has, and can, maintain basic self-sufficiency in the production of milk and milk products. No advantage is to be gained by sacrificing this ability and any moves toward such a giveaway must be turned back.

The items discussed in this statement by no means represent a complete discussion of the recommendations made during the hearings we have held. All of these points, however, were raised and do represent major concerns. We are looking forward to the conclusion of our hearings and, following that, an opportunity to use the information in the development of programs to meet the demands of the future.

Mr. Baldus, do you have a statement? You may proceed, please.

STATEMENT OF HON. ALVIN BALDUS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. BALDUS. The resolution before us today would direct the Secretary of Agriculture to adjust quarterly the price support level for milk in order to provide the stability in this industry that the law clearly intends it to have.

In 1949, the Congress passed legislation establishing the dairy price support program. The basic goals of that program were to assure the production of an adequate supply of milk at stable prices high enough to encourage dairy farmers to stay in business.

In 1973, that legislation was reviewed and an additional goal assigned: to assure the maintenance of adequate productivity within the dairy industry to meet future anticipated needs.

In order to fulfill the goals of this legislation dating back to 1949, the Secretary of Agriculture has been given authority to adjust milk support prices to meet changes in the costs of production and parity. If he would use that authority, the resolution before us today would not be necessary. In recent years, milk support prices have been adjusted annually. The best evidence of the inadequacy of that policy is the fate of dairymen themselves.

Wisconsin lost 60 percent of its dairy farms in the last 20 years, an average of 3,500 per year. This represents the loss of over one-half million milking cows. In this year to date, 1,195 dairy farmers have

gone out of business in Wisconsin. Milk shortages will drive prices up, as they have recently, making the consumer an added victim. An assurance that prices for milk will be kept current with rising costs of production and parity levels would give farmers some small cause for hope. It would give them a base price they could rely on. In the end, it might in some small way slow down the exodus from dairying and encourage farmers to stay on the farm.

At least two Congresses, the 93d and the 94th, have noted these developments and determined that quarterly adjustment of the milk support price would be a stabilizing factor—for the farmer and the consumer. Both of those bodies have passed comprehensive legislation designed to encourage dairy farmers by including quarterly adjustments. The bills were vetoed by the President.

The resolution before us today would call for a simple administrative adjustment of the price four times a year. It does not add any new authority to present law. It will merely cause the Secretary of Agriculture to pay attention to what is going on in the dairy industry and take the kind of action two Congresses have thought necessary.

Commonsense would dictate that this action is indeed necessary. In a period of rapid inflation such as we are and have been experiencing, the farmer can't wait an entire year for the Department of Agriculture to readjust support prices and match them against rising costs. Asking farmers to wait a year for the needed adjustment is akin to giving a starving man seed corn, telling him to plant it and feast on the harvest months later.

Even the Secretary of Agriculture has come to the conclusion that annual adjustments are not enough. He has said he will consider semi-annual adjustments of the support price. I consider this an inadequate measure, and I am happy to see that Senator Humphrey, whose companion bill in the Senate has just been passed, agrees.

I would like to note for the record the significant contribution of the subcommittee, under its able Chairman Ed Jones, in conducting field hearings across the country on the present status of the dairy situation, and documenting the problems firsthand. Those hearings, held in Connecticut, Wisconsin, Minnesota, California, and Tennessee, are now nearly complete. I had the privilege of attending hearings in three States and would conclude, based on my experience at those hearings, that while the administrative change called for by this bill is a modest one, it is desperately needed by dairy producers.

Because of USDA opposition to this measure, and because of Earl Butz' tendency to supply this committee information freely, whether it is factually accurate, or not, I would like to note for the record the following: The quoted price support level of \$7.24/cwt for manufacturing milk was equal to 77.8 percent—not 80 percent—of parity last April; in August 1975, the quoted price support of \$7.24/cwt was still less than 76 percent of parity.

Some of this lag can be attributed to a failure on the part of the Secretary of Agriculture to adjust make allowances. Recently, under pressure from members of this committee and farmers across the country, the Secretary did make such an adjustment. But make allowance lag is only a small part of the discrepancy. The crux of the matter is the continuing failure by the Secretary to keep quoted support levels current with parity increases.

The price support program has not provided the assurances it intended. I support more than 80 percent parity for the dairy farmers; but if 80 percent is all that they are allowed, then I feel that 80 percent ought to be the very least that is administratively required. Thank you.

Mr. JONES. Mr. Nolan wishes to make a statement. Mr. Nolan, you may proceed.

STATEMENT OF HON. RICHARD NOLAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. NOLAN. Mr. Chairman, last month the Secretary of Agriculture raised the support price of milk to \$7.71 per hundredweight to reflect 80 percent of parity. This move was necessary, he said, "to give producers the assurance they need to stay in dairying and insure adequate supplies." Unfortunately, this move proved to be too little too late for many dairy farmers. Prices were low but costs continued to escalate. This resulted in lower farm income, reduced production, and dwindling herds. Many diarmen found it impossible to remain in business and were forced to sell out. In Minnesota alone, some 6,000 dairy farmers quit in the past 2 years.

Secretary Butz would have us believe that this is a necessary by-product of the supply-and-demand system. The squeeze is beneficial in weeding out the marginal, inefficient producer, he says, and in keeping consumers' dairy prices down.

Those of us who have attended the subcommittee hearings, however, know that this is not the case. The marginal dairy producer has long since fallen by the way. The dairyman who is selling out today owns a productive herd and has made a substantial investment in both time and money. He is the very one this country cannot afford to lose. Without these middle-sized dairy farms, the consumer will be at the mercy of a few large milk producers and dairy importers. Witness after witness at the subcommittee hearing in Minnesota warned that if the dairy industry is not stabilized soon, this Nation will be in the throes of a "dairy crisis" of major proportions.

Gentlemen, we must not allow this to happen.

Today we are considering a bill to require the Secretary of Agriculture to adjust milk price supports on a quarterly basis. All of us are familiar with the ballooning bell curves which every year mark the rise and fall of dairy prices. The support price, which begins at 80 percent of parity in January, steadily slips in value as increased production costs escalate over the months. Prices fall with the spring flush of milk, bottom out, and then rise slowly as the effects of fall's reduced production are felt. Again, the support price is brought back up to 80 percent of parity, prices are boosted temporarily, but then the cycle begins again.

Every year producers brace themselves for these fluctuations, and every year it becomes more difficult for them to ride out the depressed midyear prices. The Minnesota-Wisconsin series, which is the bellwether for national milk prices, did not rise above the 80 percent of true parity figure until August of this year.

A quarterly adjustment of the support price would add greatly to the stability of market prices by helping to smooth out these annual price dips and bumps. And stability in the market will mean stability in the grocery store.

Secretary Butz said it well. The adjustments are necessary "to give producers the assurance they need to stay in dairying and insure adequate supplies."

We have heard all the arguments before, gentlemen. Now it is time for us to act, and to act decisively, before the dairy industry in this country suffers irreparable damage. Thank you.

Mr. JONES. I think that was a quorum call.

We will recess for the quorum call and return right away.

[A recess was taken.]

Mr. JONES. Although a quorum is not present at this time, we will listen to the testimony that we have. I am sure we will have a quorum in a few minutes.

Mr. Baldus, did you finish what you had to say?

Mr. BALDUS. Yes.

Mr. JONES. Your testimony relates to the Humphrey bill?

Mr. BALDUS. Yes.

Mr. JONES. No changes whatsoever?

Mr. BALDUS. The bill is identical to the Humphrey bill, with the assumption that we take that bill and pass it through this House and without a conference committee have it enacted into law.

Mr. JONES. Mr. Krebs, do you have any statements that you would like to make before we call on someone in the audience?

Mr. KREBS. No.

Mr. JONES. I would like to ask Mr. Stalbaum to come forward. Mr. Stalbaum represents the National Milk Producers Federation and most everybody else on the Hill.

I would like for you, if you do not object, to give us some ideas and suggestions as to what your opinions are on this matter.

Mr. STALBAUM. In what regard, Mr. Chairman?

Mr. JONES. You are familiar with the fact that we have had hearings all over the United States. We have had hearings in the States of Vermont, Pennsylvania, New York, Wisconsin, Minnesota, Tennessee, and California. We have yet to go to the States of Washington and Louisiana.

I have talked to Pat Healy who said you would be here this afternoon.

I would like to know if you are in agreement with this committee as to what we should do as far as the bill Mr. Baldus spoke of—Senate Joint Resolution 121.

Mr. STALBAUM. We have no objection to time and procedure. There are perhaps two items that I should point out in this bill, which might ultimately require some clarification, which we would hope to be clarified in the committee report.

One of these is to make it clear that the bill does not in any way preclude the Secretary from establishing new price support levels on April 1. There has been some discussion that by freezing this until 1979—and freeze it arbitrarily at whatever level that now exists. The Senate in their committee report has not so interpreted it, and we would certainly want the House to take the same position so that the Secretary does have the right, as exists under the old law, to set the support level from 75 to 90 percent parity.

One other item that has been raised by some of the manufacturers is that they would like to see incorporated into the bill a provision that the level of purchases for the commodities which establish the

price of our program like butter, cheese, nonfat dry milk be announced at the same time that the support levels are changed.

We have no quarrel with this and think it should be done at the same time. I think that can also be taken care of in the committee report so that when the committee report is written, it would make clear that if the Secretary, as he did 2 or 3 weeks ago, raise the support level for 1970-71, could simultaneously announce the change in the purchase levels of butter and nonfat dry milk and cheese.

Mr. JONES. I would like counsel to take note of the suggestions for the committee report, please.

As I understand it, part of that provision is in the Senate bill already.

Mr. STALBAUM. Yes. It is in the Senate report and that is their understanding.

Mr. JONES. The other part is not in that?

Mr. STALBAUM. No; it should be incorporated.

Mr. BALDUS. May I ask a question?

Mr. JONES. Yes.

Mr. BALDUS. In order to clarify the concern that you mentioned, which if it were interpreted incorrectly, would move the authority of the Secretary to increase price supports. It would be on line 6 of the bill where it says, "Notwithstanding the foregoing provisions of this section." It is your concern that that be understood—that that refers to the time of adjusting parity, rather than being 1 year—and not his authority to increase the price supports as he chooses?

Mr. STALBAUM. Basically, yes. Let me put it in my own language.

We do not want this interpreted to prohibit him from establishing some of the supports on April 1—the beginning of the market year—under the now existing law, which makes 75 to 90 parity. We do not want that interpreted that that freezes him at existing levels. We think he should have latitude.

Mr. BALDUS. I think that is understood.

Mr. JONES. Mr. Bergland?

Mr. BERGLAND. Thank you very much.

Mr. Chairman going to the question of the purchase program involved in the price supports, some of the manufacturers of dairy products have suggested that we amend the bill so as to keep the relative value of one of the manufactured products with another, that is to say, the butter, cheese, and nonfat dry milk and that price relationship remain constant throughout the year and be adjusted only on an annual basis, but that if the Secretary announces a quarterly adjustment, he would keep the price relationship between these commodities constant.

Would you comment on this?

Mr. STALBAUM. We are opposed to this. We think there is no reason not to incorporate it into the bill or into the interpretation. We have seen, for instance, not too many years ago, when butter was the long commodity and nonfat dry milk was relatively short. In establishing the price support levels for butter powder, which is one-half of the support purchase proposal, the greater portion of the increase in supports was placed on nonfat dry milk and very little on butter.

Today we are seeing a little bit of the opposite situation. Butter has been relatively short, and nonfat dry milk has been in longer supply. So the last time the Secretary increased supports—which was

early this month—he increased the supports on butter, but raised 1.8 percent on nonfat dry milk—or a nominal amount.

To say that they would have to stay in proportion throughout the year would take away any opportunity for the Secretary to react to changes in supplies, inventories, as between these commodities as the year progressed.

We therefore think that it would be harmful. We realize that it is the processing side of the industry that is requesting this.

We think it could be harmful for them also. It could force, for instance, at a time like this when nonfat dry milk tends to run a little longer—and if you adjusted it proportionately, it might encourage more nonfat dry milk where we should be encouraging cheese. Therefore, we are opposed to it.

Mr. BERGLAND. The problem, of course, is that if we do not keep the relationship constant, the adjustments may cause a downward adjustment in the purchase price of one commodity, which would have the effect of devaluing whatever inventory they may have on hand at that moment and put them in a precarious position. Therefore, it would require them to have a management program that keeps their inventories at rock bottom level.

Mr. STALBAUM. I can see that particular point, but I cannot anticipate that the Secretary would reduce the level of purchase as he adjusted the price support upward.

Mr. BERGLAND. But in the absence of some language change, he could do so, is that correct?

Mr. STALBAUM. Yes.

Mr. BERGLAND. It is discretionary; he can raise it or lower it?

Mr. STALBAUM. Between butter and powder; yes.

In other words, when the price support level is increased—and he has his discretion—he has the right to lower one and increase the other one to offset it.

Mr. BERGLAND. Thank you very much.

Mr. STALBAUM. There are some limitations on that. If I recall correctly, butter is the only commodity that he can set at a level 175-percent parity. So butter would be the only item that he could reduce.

Mr. BERGLAND. Thank you, Mr. Chairman.

Mr. JONES. Are there other questions?

Mr. BALDUS. On the question that was just brought up by Mr. Bergland, do you feel that we could—in the committee report—express a concern and respond to the concern which Mr. Bergland expresses? Do you feel we could instruct the Secretary and give him freedom to do as he chose within the other limitations that he may have?

Mr. STALBAUM. I think that would be all right. I can sense the concern of the processors. If I were a processor and felt that this particular commodity was going to be reduced, then, I feel that maybe some language to that effect would be helpful.

Mr. BALDUS. Let me pursue that one step further. For instance, if stocks were building in the kind of situation that might be anticipated, which Mr. Bergland questioned about—that is, the Secretary would change the relationships between commodities—and they being reasonably sophisticated people in the market, would probably start

discounting things on the shelves and probably cut down on the inventories, or they might price relative to their inventories.

They would be able to protect themselves some.

Mr. STALBAUM. We have had this situation with the annual price support adjustments. They have done as you have pointed out. They anticipated that this might happen and so they have hedged themselves through for protection.

Mr. JONES. Mr. Nolan, did you want to elaborate any further?

Mr. NOLAN. No.

Mr. JONES. While I can, and have the opportunity, I would like to announce that we do have a quorum and we are open for business now.

Mr. Vigorito?

Mr. VIGORITO. I have no questions, but I would like to make a comment. I agree with Mr. Stalbaum. We need quarterly adjustments. I am convinced that the volatility of fuel, fertilizer, and feed prices fully justifies going to a quarterly adjustment system for dairy price supports.

For instance, in the case of feed alone, which is the largest single cost factor which the dairymen face, the number of pounds of concentrated dairy ration that can be purchased with receipts from 1 pound of milk has fluctuated widely from quarter to quarter during the past 3 years.

Since August 1972, the milk-feed ratio has varied from a high of 1.72 to a low of 1.16 in August of 1974. This is despite the fact that 1.50 is the break-even point for efficient production.

Mr. Chairman, I ask unanimous consent that the quarterly milk-feed ratio since August 1972 be placed in the record at this point.

Mr. JONES. Without objection, this will be placed in the record.

Milk-feed ratio,¹ by quarter

Date:	Ratio
April 1971.....	1. 63
August 1971.....	1. 66
December 1971.....	1. 85
April 1972.....	1. 72
August 1972.....	1. 72
December 1972.....	1. 64
April 1973.....	1. 51
August 1973.....	1. 27
December 1973.....	1. 57
April 1974.....	1. 51
August 1974.....	1. 16
December 1974.....	1. 20
April 1975.....	1. 36
August 1975.....	1. 39

¹ The milk-feed price ratio, which is calculated monthly by the Statistical Reporting Service of USDA, indicated the number of pounds of concentrated dairy ration that can be purchased with the receipts to farmers for one pound of milk.

Mr. JONES. Mr. Hagedorn, do you have any questions?

Mr. HAGEDORN. No.

Mr. JONES. Judge Kelly?

Mr. KELLY. Mr. Chairman, I have certainly had some reservations about this whole subject of price supports. I have had many meaningful discussions with my colleagues in Congress who are interested in the dairy farmer, among them such people as Bill Goodling and Dick Schulz of Pennsylvania. I have had some recent conversations with them. I think the dairy farmers are under a great deal of pressure.

The whole subject of price supports—and a more frequent adjustment—is more than a legitimate consideration for this committee.

Mr. JONES. Thank you, Judge Kelly.

Does anybody on this side have any further discussion?

Judge Kelly, you mentioned Congressman Bill Goodling. He has a group in the audience here which I brought over this afternoon. His father sat on the full Agriculture Committee for a long time and he is a very good friend of mine.

I would like to call Mr. John Carroll to the witness table. He is the attorney for the milk producers and distributors for AF-4 from the Philadelphia, Pa., area.

STATEMENT OF JOHN CARROLL, MILK PRODUCERS AND DISTRIBUTORS, PHILADELPHIA, PA.

Mr. CARROLL. Thank you very much, Mr. Chairman. I will try to reach the point. Before I proceed to the point that brought us here, I could not fail to listen in to your other deliberations on the subject of price supports and prices to farmers.

I represent all of the United States farmers who process and distribute milk so we are in both ends of the business.

Many of them have told me that whether you take the cost of what is involved and put the feed into the cow—with all the costs that it takes to get it there and the value that is received when the milk is taken out—it is not an economic proposition.

So I assume that by that subject you are reaching some of the same conclusions.

The thing that brings me here today is that on the Federal milk order No. 4, the Department of Agriculture has exercised the authority that Congress has delegated to it and expanded Federal milk marketing order 4 into a large area of the State of Pennsylvania which had previously been unregulated.

My first connection with this came a few weeks ago when I was called to a meeting in Lancaster, Pa., with 90 farmers in attendance. To a man they told me that they had read the hearing notice for that expansion and did not understand that regulation of their business as producer-handlers was anticipated or could result from the hearing.

After I read the hearing notice I began to see why.

The legislation, which this Congress has given to the Secretary, says simply he is to give due notice. It may be said that he applied from a legalistic viewpoint by placing a hearing notice in the Federal Register. Promulgating it in the milk marketing area, it said that it was to expand Federal order No. 4. If you want to know what was involved, it said you could write the marketing administrator and get a copy of the order. After you read the order you could determine whether you were going to be affected or not.

That obviously has not been an efficacious method of giving notice when you go into a room of 90 people, all of whom read the notice, and none of whom understood that his business was about to be brought under regulation.

That question has been presented to the Secretary and we are here seeking such support as we may get. At the moment, I think we do have some support.

That is, from the Congressmen we have talked to and others.

We want to see justice done. It is possible that the Department will say that the matter should be handled in the courts, but those of us who are attorneys and familiar with these things know that there is a world of difference from meeting the minimum legal requirements and giving people full equal and adequate notice of what is proposed to be done to them.

Milk marketing orders are extremely complex. Hearing notices are necessarily complex. It seems to me somewhere along the line the farmer ought to have a plain, simple, concise statement that is proposed to regulate his business.

To give you an idea of the severity of the regulation, there is one man in this room who for 1 month received a bill of \$5,000 from the marketing administrator. He has received a registered letter from the administrator preliminary to a suit in the U.S. courts, and I have to tell him that I cannot grant him—that is, give him speedy relief. I anticipate at least 6 months and possibly 1 year, before we get a final determination in the district court on the question of whether the notice was adequate or not.

If and when we are successful, we may take our message back to that body.

As a practical matter, we need the kind of attention that the Congressmen in our system have always provided, that is, bringing a little common-sense. It is asking a bit for the Department to concede that this notice was not adequate. Those who will decide upon this adequacy are not farmers. They are economists and lawyers. They drew the notice and it is not likely that they will feel it was inadequate, but in fact, it was, and we are here today seeking that help, Mr. Chairman.

Thank you.

Mr. JONES. Thank you.

Before we leave, let me ask the members of the subcommittee if they have any questions for you.

Mr. Hagedorn?

Mr. HAGEDORN. Is the Federal Register the only way that people become aware of things like this?

Mr. CARROLL. Yes. In this case that procedure was followed. First, it was published in the record—the market administrator distributes it to those he knows from lists could be affected. Sometimes newspaper articles or notices are printed. In this case, all of these devices were followed.

But when you look at the hearing notice itself, the farmers were unable to make a decision that, in fact, their businesses were going to be regulated.

It is the fairest thing to say that 90 people read that notice and if it was clear that they were about to get a bill for \$5,000 a month, we could expect a number of them to appear.

Mr. HAGEDORN. Thank you.

Mr. JONES. Hearing no further questions, we thank you, Mr. Carroll.

Is anyone else in the audience who would like to be heard?

Mr. JOHNSON. May I request permission to submit a written statement for the record?

Mr. JONES. Yes.

Mr. JOHNSON. I am not prepared to testify, but I would like permission to prepare a memorandum for the record in support of this legislation.

Mr. JONES. Without objection it shall be done.

Anyone else?

The purposes of this meeting is to hear any Member of Congress who had an extra statement or a statement which had not been made and for anyone else who is here. I was glad that I ran into Mr. Carroll with Congressman Bill Goodwin. We appreciate the fact that you are here.

I would like to take the time, if we can, to do this. I do not know what is going to happen on the floor. I would like us to bring ourselves up to date on the hearings that we have had out in the districts. We have had hearings in Vermont, Pennsylvania, New York, Wisconsin, Minnesota, Tennessee, and California. We are going to the State of Washington and the State of Louisiana.

Is there anything that any of you Members of Congress would like to discuss about the hearings that we had?

We were severely criticized before the House this year and I think it was undue criticism. Whether it was last year or this year, it was an undue criticism.

We had the evidence. Some of the freshmen Members had to review the hearings, but we had hearings last year.

I feel personally that we have had sufficient hearings this time so that we will not catch that kind of criticism.

I am wondering whether any member of the subcommittee would like to elaborate on the hearings which they have attended.

Mr. Baldus?

Mr. BALDUS. I think it was a great service done by the chairman and I want to commend him and I include the ranking minority member and any other members who participated in these hearings: it has been beneficial.

I think I understand the dairy situation in Wisconsin. I learned a considerable amount about the situation in Tennessee and in Vermont. Dairy is different in those States.

For instance, the Texas people say that 800 cow herders were considering quitting, then it takes it out of the realm of what Mr. Nolan says in his statement that it is only the small marginal farmer that is considering quitting.

I learned a great deal there.

Mr. JONES. Thank you, Mr. Baldus. You attended a great many of them and we had some very good statements in those three different areas that we were in.

Mr. NOLAN. Mr. Chairman, I, too, want to commend you for a most exhaustive and extensive hearing which I have seen on this situation in the short time that I have served here. We heard from every interested group and every interested individual and party. Today we heard from members.

This bill does not go to the heart of resolving the problems in the dairy industry, but it is realistically the most modest improvement that we would expect to achieve.

The gentleman from Zephyrhills has recognized our legitimacy and I see no reason why we cannot move ahead now.

I would like to move. Are we working on the Senate resolution now?

Mr. JONES. Yes.

Mr. NOLAN. I would like to move that it be recommended to the full committee.

Mr. JONES. Congressman Nolan moves Senate Joint Resolution 121 to be recommended to the full committee for adoption.

Mr. BALDUS. I second the motion.

Mr. JONES. Is there any further discussion?

Mr. BERGLAND. Mr. Chairman, I have a question.

As I read the two resolutions, Senate Joint Resolution 121 and House Joint Resolution 625, the only difference in the two is that on House Joint Resolution 625, lines 10 and 11 to where it is in parentheses, "Beginning with the third quarter of the calendar year 1975," do not appear in Senate Joint Resolution 121. Is that the only difference between the two bills?

Mr. JONES. May I ask counsel to respond to that?

I am advised that that is the only difference.

We are working now on Senate Joint Resolution 121.

Mr. BALDUS. I would defer to the chairman and counsel. It is my understanding that that date will not be damaging to the bill. The further delay would not be necessary.

Mr. JONES. Is that correct. Mr. Bor.

Mr. BOR. Yes; that is correct.

Mr. JONES. Are you ready for the vote?

Mr. KELLY. I don't know how many of you people are from Zephyrhills but in the event that there is only one it might be that they were referring to me about the legitimacy.

I don't recognize anybody here from Zephyrhills.

Mr. NOLAN. Will the gentleman yield?

Mr. KELLY. Just a minute.

There are a few points to be considered before the vote is taken. First is that the Secretary of Agriculture has indicated there is a possibility he will suggest a semiannual adjustment without any further action by Congress.

Another item is that, although we did have hearings, some of which I attended and some of which I did not—which is true for the rest of the committee members as well—the basic problem which confronts the dairy industry was never really addressed in any of the hearings.

The format of most of the hearings consisted of dairy farmers' announcing how many people were going out of business, what their costs were and how it was not profitable to be in the dairy business; but they never did deal with the proposition that the reason all of these things are true is that the market is just simply fading away from the industry. People are not consuming adequate amounts of milk to make the market price attractive or sufficiently exceed the support price to the degree that it would be beneficial to the industry.

So, what we are doing is—and there is some indication that this is as it should be—then we are simply by patchwork dealing with the problems of the industry. The real problem is that the damage done to the market is caused by the fact that the American public is on a skinny crusade; the American public has been changing its use of foods containing cholesterol. The market has been diminished by a combination of these considerations and by the fact that the price of milk prices it out of the market for many who would otherwise consume it.

I am very sure that if the price were lower, more people in America would drink more milk because it is a fine product.

I just wanted to appear on the record that if I join in the patchwork, it is not because I do not know better. It is because I see the realities of the situation for what they are.

The intention of this committee clearly signals to me, that we are bent on a patchwork price support situation which we do not plan to alter and we don't intend to encourage the industry to do anything about the real problem of the diminishing market.

Mr. JONES. Thank you, Judge Kelly.

Mr. HAGEDORN, do you have anything to say?

Mr. HAGEDORN. No.

Mr. JONES. Mr. Krebs?

Mr. KREBS. Mr. Chairman, it would appear to me that the gentleman from Florida raises a valid point, in the sense that I would hope that our action today is not going to be the culmination of hearings.

I think we should get together and try to summarize and synthesize some of the information which we have, so that hopefully we can come up with some basic and meaningful legislation.

Mr. JONES. Thank you, Mr. Krebs.

Mr. McHugh?

Mr. McHUGH. At the risk of being redundant I want to emphasize that I agree with both of the prior speakers. I think that we could get together shortly and synthesize what we learned from the field hearings. It may be necessary for us to hold additional hearings in Washington to focus upon the particular areas where we think most of the attention should be given.

We have heard some good witnesses, in addition to our dairy farmers, who are giving some thought to policy and the direction Federal policy should take. It may be that inasmuch as all of us were not able to sit in at each hearing, some of those people should be recalled on the policy questions which all of us are concerned with.

Mr. JONES. Thank you, Mr. McHugh.

Mr. Bergland.

Mr. BERGLAND. I have one point. I do not intend to offer an amendment to this resolution. I do feel constrained to comment briefly on the matter of changing the relative purchase price. Would it be in order to suggest that the committee report carry language indicating our disapproval of any administrative action to reduce the purchase price during a calendar year? He could alter the price ratios on April 1 of each marketing year.

Does the committee agree that a proposition of that sort would be a good idea?

Mr. KELLY. Mr. Chairman, are you asking for unanimous consent?

Mr. JONES. I'm asking for a comment.

Mr. KELLY. Is this committee scheduled for any other hearing on this question? Are we supposed to have the final markup today and that is the end of it.

Mr. JONES. This committee is meeting for consideration of Senate Joint 121 today. It is also here for any other business that we want to discuss.

I am in total agreement with those of you who have spoken. We have to get together for some hearings here in Washington before so that we can look at the whole picture for next year.

But it seems to me that inasmuch as the Senate has passed Senate Joint 121 that we need not delay any longer.

Mr. KELLY. May I ask Mr. Bergland a question?

Mr. JONES. Yes.

Mr. KELLY. Would you go into a little more detail?

Mr. BERGLAND. We discussed this earlier. The problem is that once a year the Secretary will adjust the price support level and will announce the purchase price of the three basic commodities that make up the industry, namely, nonfat dry milk, cheese, and butter.

This bill calls for quarterly adjustment of that price support. The concern has been expressed to me by small cheese manufacturers in the district I represent, that if the Secretary were to change the relative value of one manufactured commodity with another in each of the quarterly announcements, then they have suggested that the values should be kept in a constant ratio throughout the year.

This is an administrative burden but I am asking for the committee report to carry language that would urge that no commodity be devalued during that year excepting in the first of April each year where the Secretary can, of course, announce the values as he chooses.

Mr. KELLY. Mr. Bergland, let me comment on this.

This makes it appear to any disinterested person, and to any advocate of consumers as opposed to producers, that we are talking about only one way for the price to go and that is up. I think this should be a matter of concern to anyone interested in trying to get this provision passed.

I am really concerned about the connotation you suggest which is substantially different from just a straight resolution.

Mr. BERGLAND. Mr. Chairman, the gentleman's point is well taken. I thought of that too. I don't think that we should be put in the position of implying that this adjustment will only be up. The adjustments will be up or down depending upon what is happening in terms of cost and production.

The only other way around it would be to have a provision in the bill or in the committee report that we require that the values remain constant, that is the relationship should remain constant throughout the year. That too is complicated but I am not sure it is all that important, Mr. Chairman.

As a matter of fact, if there is going to be trouble I would drop the suggestion.

Mr. JONES. I will recognize Mr. Baldus.

Mr. BALDUS. I think we might be able to accomplish what we have sort of agreed on prior. We could do it in the confines of it not have the binding effect of the law so we could put it in the report.

If the committee went on record as expressing concern that the Secretary nor precipitously change the prices between the commodities. That is what they are really concerned with. They are concerned that one of the commodities might be changed considerably when it has a usual or normal relationship with another.

As was expressed before, we need some flexibility there in order to encourage production of that kind of commodity from the raw milk which would best fit the market. So would have a tailoring of the product for the market.

So if the committee goes on and shows in the report a concern that the precipitous type of change would be bad, then that might take care of it.

There are a number of ways that the Secretary could signal that. As inventories build up on one, I would think he could say somewhat in advance that it appears that his situation is such.

Mr. KELLY. Mr. Chairman, will the gentleman yield.

Mr. JONES. Mr. Bergland.

Mr. BERGLAND. I yield back the balance of my time.

Mr. KELLY. Certainly it seems if Mr. Bergland does not withdraw his original suggestion, which Mr. Baldus has said would be a better approach, then I would say it could do down.

Mr. BERGLAND. If it would please the Chair, I would like to have my suggestion withdrawn. I think Mr. Baldus suggestion makes good sense.

Mr. JONES. Can we get unanimous support to ask the counsel to write some language that we could look at? Does anyone object to that?

Hearing none we would ask counsel to give us some language relative to Mr. Baldus language.

If there is no more discussion I would like to give Mr. Jeffords some time inasmuch as he was delayed in getting back. He told me he would be delayed. Is that all right.

Mr. JEFFORDS. Thank you very much, Mr. Chairman. I am concerned about what we are doing today. I am not concerned about voting out a bill that favors dairy farmers but I am concerned that we may be doing now may be too little and yet use up our opportunity to face the House with the House with a dairy bill.

I am concerned that we need to look at what our goal is and see whether we accomplish it. A quarterly adjustment I favor. As you know, we sponsored legislation and the committee passed. It had with it, at that time, 80 percent of parity and adjusted on the House floor to 80 percent of parity.

You have to remember that the present law only has a 75 percent parity. As I understand it, it can be adjusted down.

So even if it is used on a quarterly basis, the Secretary has the full discretion and authority to make it a meaningless gesture by readjusting quarterly to effect whatever parity price he wants to take at that particular time and end up doing nothing.

So from the point of view of really requiring the Secretary to do anything, we do not do this.

I think that should be very clear because we do not force him to do anything. What we do do is to establish within the law the principle of quarterly adjustments.

We have to measure that factor against what we use up. We have had extensive hearings around the country. We have gone into depth in various regions. We've gathered a great deal of information of the difference in regional problems and the health of the overall industry. We have seen the problems facing the industry and the need for corrective action. Corrective action differs, depending on the area. This means that we have to come out with additional legislation at some time.

The question then is whether or not by passing this at this time we place ourselves in a worse position as opposed to doing something very meaningful for the dairy farmer in the days ahead.

I am concerned that by doing this and if we have to have a veto override or if we have to try to convince our companions in the House to force this, then they will not be able to support us on actions which would be more meaningful to the dairy farmer.

So I raise that question and I assume that you have probably discussed this before I got here.

I certainly support the concept and will support the resolution, but I do so with great reluctance because I feel it may jeopardize our chance in the future to do something which may be of greater meaning to the dairy industry around the country.

I hope that is not the case.

Mr. JONES. Thank you, Mr. Jeffords.

Before you returned we discussed this in some detail. This was not the end of where we hope to go. As soon as we can get this through we will be back with additional hearings.

The truth of the matter is that we have several other bills which have been referred to this committee which we must consider for it least next year.

I agree with you 100 percent that this is not enough. But inasmuch as we have the Secretary's ear slightly—in fact, I got my first telephone call from him when he made the adjustment the other day—I feel like it is timely that we move with this Senate Joint Resolution 121 and try for something else later on.

Mr. JEFFORDS. I would add that I think the hearings have been invaluable. I think they were constructive and I think they did much to bring to the Secretary's attention that perhaps his projections were not as accurate as those in the field with respect to decrease in production.

This was valuable input in getting him to raise his prices to 80 percent and build a support under the support price. I agree that we have some momentum. I hope that we don't lose it all by this action that we can carry forward.

Mr. JONES. Thank you, Mr. Jeffords.

I notice that a former member of this committee and an ex officio member and a ranking minority member of the full committee is here, Mr. Wampler.

Do you have anything that you would like to add? We are trying to pass Senate Joint Resolution 121.

Mr. WAMPLER. Mr. Chairman, I want to commend the subcommittee for the field hearings. I understand that you have not yet completed them. Is that correct?

Mr. JONES. Yes.

Mr. WAMPLER. The comments I've heard are very good. I wish more subcommittees would take the committee hearing out into the field. We can hear from some of the producers that don't have an opportunity to come to Washington. I know the subcommittee is under the very able leadership of the gentleman from Tennessee and I commend him for the work he is doing.

Mr. JONES. You are very kind and I appreciate those comments. Are there any other comments.

Mr. Krebs?

Mr. KREBS. Mr. Chairman, I would like to use this opportunity to express my appreciation to the subcommittee chairman for the courtesy afforded me.

I seriously doubt that anybody arrived at his destination at 3 in the morning other than the subcommittee chairman and myself. You see, we missed a plane.

Let me say that I did not hear one complaint from the subcommittee chairman, despite the lateness of the hour. Then he was promptly at the hearing at 9 the next morning.

I know that represented a hardship, in view of the fact that he had subsequent commitments the following day in Tennessee. I appreciate that, Mr. Chairman.

Mr. JONES. Thank you very much. I appreciate that.

Mr. KREBS. Now that I have touched on the good, let me touch on the bad—by continuing where Mr. Jeffords left off. I would like to discuss the matter of strategy.

As we well know, it is relatively easy for us to vote legislation out of this committee. I think the point he raises—and I'm not prejudging it—about possibly wearing out our welcome on the floor may be something we would like to discuss a few minutes. As he aptly pointed out, I wonder if this timing is correct. After all, we just had the adjustment.

Obviously, all of us are going to look relatively good for a limited period of time; but if we vote a quarterly review out of here, then the point is, in the long run, we may have shortchanged the area farmer.

You may want to call for some further comments on this.

Mr. JONES. Mr. McHugh?

Mr. McHUGH. There is a certain disadvantage to being further down the table.

This disquieting thought was going through my mind as well. It seems that the dairy part of the farm bill was one of the two areas most vulnerable last time. As you pointed out, one of the objections raised earlier that we want covered now is that we've had extensive hearings. I would like to add my congratulations to you, Mr. Chairman, for taking the initiative there.

I would defer to your judgment in this, but it would seem to me that if we go out on the floor with this particular part of what I hope will ultimately be a more comprehensive bill, and if we use as part of our argument that we have had extensive hearings throughout the country, then for us to go back a second time with a much more comprehensive and perhaps controversial bill and again use the same argument that we've been out in the country listening and so on, it would be a poor argument.

It seems to me that people would tell us that they've heard that before and that these fellows are telling us the same thing again.

It seems to me Mr. Jeffords and Mr. Krebs make a good point; that is, that we better be careful and that we might want to go in with more rather than less. As I recall, this quarterly adjustment was not controversial the last time. I feel sure that we could get it without having to throw behind our argument the fact that we held extensive hearings.

I think that would be most important to save and use at a later time.

Mr. Baldus.

Mr. BALDUS. Mr. Chairman, I think the gentleman raises a point. I think there is a proper response to that point. As we went to the floor before, the question was whether or not it was really necessary to increase parity price in order to share an adequate supply.

Many of those same groups have since come around to the point where I think they are going to agree with us 100 percent at this time. I think it is a good opportunity and a good thing for their industry to have the opportunity for consumers and producers to get together and agree, although it may not be a large—but still the larger point is that to do this in order to assure an adequate amount of production which in turn assures some stability. I think they will see that now. For that reason I think this is a good time to move on that legislation.

Mr. JONES. Thank you, Mr. Baldus. Any other comments?
May I make this statement?

I feel that this is a good time to move on this small piece of legislation for this reason. The beef cattle situation is looking up a little bit. This is going to behoove a good many dairy farmers to get out of business as soon as they possibly can unless some guarantee or some assurance is given them so that they can remain in business with some hope of some relief.

I believe that if I read the dairy industry correctly that I have seen a ray of hope in the dairy farmer as we have moved over the country in that they expect us to do something. They expect some relief out of us.

I think that you will agree that in most every instance, quarterly adjustments were on their minds as much as anything was.

Inasmuch as this has been noncontroversial as far as our past legislation was concerned, I would like to see us go ahead and get this relief for them. Then next year when we will have an omnibus farm bill, we can move for the rest.

Mr. BERGLAND. May I comment on that?

I don't think there's much chance that we will be considering an omnibus farm bill in 1976. The current act expires in 1977, and I think that will be the year in which the committee will want to take the comprehensive review of all the agriculture policies.

If I thought the full committee was going to consider an omnibus bill next year, I would then think perhaps we ought to defer action on this lest we wear out our welcome, as the gentleman from Vermont has said.

In my opinion, I don't think we will be taking that up. Therefore, I think we ought to deal with this now.

Mr. JEFFORDS. I think you would agree with me. This will not force the Secretary to do anything, other than to readjust quarterly. But he has such flexibility that he can readjust quarterly without effectively doing anything for the price support of milk.

Is that not correct?

Mr. BERGLAND. That is correct.

Mr. JEFFORDS. So, if we do go with this now, then we eliminate step 1. Assuming there is something later on which would require some action to assist the support problem, then we have to come back to something else.

There has to be a step 2 to this or effectively we have done nothing, and it won't take the farmer very long to find that out if when the time comes the Secretary does not adjust upward the price of milk.

So we have to go with this on the assumption that there has to be another piece of legislation in the fairly near future; that is, if we still have a situation which requires action. I think we would have from all the information we have received.

So if we go with it we have to understand that whether or not there is an omnibus farm bill, we're going to have to have step 2 sometime next spring or near that time.

Mr. JONES. If we have quarterly adjustments and the first season comes in the spring, there might be some increase. There will be some increase. Something will be done, will there not? We had 74 percent parity back in the spring.

Mr. JEFFORDS. Seventy-five percent of parity would be No. 4. He would have to adjust. The projections as I understand it would leave us somewhere around 77 to 78 percent parity in January and close to 75 next spring with the price increase the way they are going now.

It's conceivable and quite likely that he would not have to do anything except readjust. But as I understand it, there is nothing that requires him to stay at 80 percent. I would even want to consider a slight modification which might hang him on that 80 percent at least one more time.

Mr. BALDUS. I agree with your interpretation of the bill that the Secretary can do that, but on the other hand, I think that we would gain bipartisan support and broad support which I believe would be an indication to the Secretary's will that producers and consumers believe that in order to assure a stable supply and a reasonably stable price, that it will be the Secretary's responsibility not to discount that in an arbitrary manner. There may be some purchases of commodities at that time.

That is a legitimate function of the commodities program; that is, to buy during the flux and have that supply available during the shorter times of the month.

By following a system like that which will protect the market and protect the consumer price.

Mr. BOR. Just for the purpose of clarification, as I understand the bill, the Secretary would make a determination of what the level of support would be as of April 1 of each year. The quarterly adjustments which would be made would be prior to July, October, and January. But there would not be a quarterly adjustment made for April. When April comes around, the Secretary would be determining upon the general standards that are set forth in section 201 of the 1949 act.

Is my understanding correct there?

Mr. JONES. Is there any further discussion?

Are you ready for the question. The clerk will call the roll.

If you are for the bill, vote aye; if you are opposed, you will vote no. [A rollcall vote was taken as follows: Aye: Representatives Vigorito, Nolan, Baldus, Krebs, McHugh, Bergland, Jeffords, Kelly, Hagedorn, Jones.]

The CLERK. Ten ayes and no nays.

Mr. JONES. Thank you very much, gentlemen.

Before we leave, you do want to meet sometime for further discussion as to where we go from here?

What is the date of the next hearing, if I might ask the staff?

STAFF MEMBER. November 22.

Mr. JONES. If there is no other business, the meeting is adjourned. [Whereupon, at 4 p.m., the meeting was adjourned.]

[The following statement was received:]

THE STATE OF NEW HAMPSHIRE DEPARTMENT OF AGRICULTURE,
Concord, N.H., July 8, 1975.

Mr. JAMES A. CULVER,
House Agriculture Committee, Longworth House Office Building,
Washington, D.C.

DEAR MR. CULVER: I will be unable to appear in person to testify before the Dairy and Poultry Subcommittee at the hearings to be held in Burlington, Vermont, July 25 and 26.

I, Therefore, have prepared the enclosed testimony which I would like to have made a part of the hearing records.

Sincerely,

HOWARD C. TOWNSEND,
Commissioner, New Hampshire Department of Agriculture.

Enclosure.

STATEMENT OF HOWARD C. TOWNSEND

Mr. Chairman and members of the Subcommittee on Dairy and Poultry, I am Howard C. Townsend, Commissioner of Agriculture for the State of New Hampshire. I was born and raised on the farm I now live on and operate with my son. While we no longer make milk as a farm operation, I did spend most of my life in the dairy business and, therefore, believe I can make some sound observations about the problems facing the industry.

Our dairy business became one of the casualties of the changing farm scene four years ago as my son and I faced the need for expansion of our business to provide a living for his family (the 8th generation of my family to farm my land).

As has happened so many times here in New England, as well as other parts of the country, my farm became a vital part of a nearby enlarged operation. If there is any consolation in my exit from the business, it is in the fact that the land is still producing corn and alfalfa for conversion into milk.

The chief cause, but by no means the only one, of the demise of the small to medium sized dairy farm, is the continued narrowing of the margin of profit. As is true with any business, agricultural or otherwise, when the profit margin per unit narrows it becomes necessary to increase the number of units produced in order to survive.

The main reason for the narrowing of the margin of profit in the production of milk has been the much more rapid increase in the cost of production. i.e., fuel, equipment, feed, fertilizer, labor, etc., than the prices received for milk and dairy products. Part of the time lag between these two forces can be attributed to the milk pricing system which is not as responsive to economic changes in production as it should be. The proposal to review and adjust support prices quarterly should make milk prices more responsive to economic changes.

The year 1974 was, without question, one of the most difficult, economically, which dairy farmers have experienced in recent years. The economic crunch is best illustrated by the fact that in January 1972 one pound of milk would purchase 1.8 lbs. of grain. By January, 1974, the amount of grain one pound of milk would purchase had dropped 30%. Feed is the largest single cost in the production of milk. Nearly all other costs rose as dramatically as feed while the price received by the farmer either remained static or even dropped in some cases.

The economic pinch felt by the dairy industry was, and to this day continues to be, aggravated in many cases because of the fact that many farmers, as previously mentioned, have invested a great deal of capital, mostly from credit sources. It has been necessary to meet principal and interest payments with a greatly reduced net income, or cash flow if you prefer.

Credit has been a problem although this has eased to some extent of late, but interest rates still make credit a very costly item.

F.H.A. credit in our area became almost non-existent and remains to this time very short of actual needs.

New England is dependent upon feed grains imported from the grain belt. Transportation to fill this need remains an obligation of the rail system. We have long been subjected to a disparity in freight rates in the northeast. There is very little justifiable rationale for the disparity and action should be taken to correct this obviously unjust discrimination against the northeast.

Additionally, I am concerned for the future, as we struggle with the problem of maintaining a viable rail network. We are standing at a crossroads and the direction taken may well spell the future for not only dairying but other industries as well, which are dependent upon the rails for their supplies.

We have seen a recurrence of some disease problems in the northeast which have given us cause to reassess our position in relation to our approach to their suppression and/or control. New Hampshire was, and remains, a pacesetter in the control of both Tuberculosis and Brucellosis. We have recently witnessed outbreaks of Bangs and T.B. The outbreaks underline the fact that we cannot afford the luxury of complacency. I have always been a strong advocate of calfhood vaccination and I believe it will continue to be insurance against the possibility of a major outbreak of Brucellosis.

Because we have a very active movement of livestock between and through all states, there is a very great need and obligation for financial assistance from the Federal government. I do not mean by this that it will require a large increase in Federal officials. The states, in most cases, are staffed sufficiently to do the necessary field work if the Federal government picks up its share of the costs for the programs.

There is a need for continued surveillance of sanitation standards for both domestic supplies and foreign imports of dairy products. Certainly, I see no justification for lower standards on imports than those required for domestic production. Imports of dairy products does not make much sense in times of over supply here at home. This is especially true in light of the severe restrictions foreign countries place upon our production, both agricultural and industrial. This country must be adamant in its stand in opposition to imports which have been subsidized by the governments of origin to make the produce competitive with our domestic production. I am not convinced this is, or has been, the case.

The family farm has been the backbone of this country's food and fiber production. In order to make it possible for this to continue, there must be some changes made in our inheritance tax laws. The increase in value of a viable farm business without a corresponding increase in the exemptions for inheritance tax purposes creates an impossible situation, especially when combined with an appraisal based upon the "highest market" value rather than the "current use" value. If we are to encourage and make it possible for farms to be passed from one generation to the next, and this is the most logical means for young people to get into or remain in the dairy business, it is imperative that Congress amend and update the law to meet twentieth century needs.

These are a few of the thoughts which come to my mind when thinking about what must be done to create an environment conducive to perpetuating the dairy industry in the northeast.

I want to thank the members of the committee for considering the needs of, not only the northeast dairy industry, but the countrywide dairy industry problems.

ORIENTATION OF DEPENDENTS OF USDA EMPLOYEES

MONDAY, MARCH 29, 1976

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DEPARTMENT OPERATIONS,
INVESTIGATIONS AND OVERSIGHT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 10:05 a.m., pursuant to notice, in room 1301, Longworth House Office Building, Hon. E de la Garza (chairman of the subcommittee) presiding.

Present: Representatives Brown, Richmond, McHugh, Thone, and Grassley.

Staff present: Robert M. Bor and Hyde H. Murray, counsels; William A. Imhof, associate counsel; Steve Pringle, John M. Lindley, and Glenda Temple, staff assistants; Gerald Jorgensen, staff consultant, Subcommittee on Department Operations, Investigations and Oversight.

[The bill, H.R. 11868, follows:]

[H.R. 11868, 94th Cong., 2d sess.]

A BILL To amend section 602 of the Agricultural Act of 1954

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 602 of the Agricultural Act of 1954, as amended, is amended by adding at the end thereof a new subsection as follows:

"(f) Appropriations available to the Secretary of Agriculture may be used to provide appropriate orientation and language training to families of officers and employees of the Department of Agriculture in anticipation of an assignment abroad of such officers and employees or while abroad pursuant to this Act or other authority: *Provided*, That the facilities of the Foreign Service Institute or other Government facilities shall be used wherever practicable."

Mr. DE LA GARZA. The subcommittee will come to order.

This morning, we meet to consider H.R. 11868.

Our first witness will be the Honorable David L. Hume, the Administrator with the Foreign Agricultural Service of the USDA.

We are very happy to have you with us today, Mr. Hume.

STATEMENT OF DAVID L. HUME, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. HUME. Thank you, Mr. Chairman.

I appreciate this opportunity to appear before the committee to present the Department's views on H.R. 11868, a bill to amend section 602 of the Agricultural Act of 1954.

The amendment would permit the Secretary of Agriculture to use appropriated funds in providing orientation and language training

to dependents of officers and employees of the Department of Agriculture in preparation for an assignment abroad or while abroad.

I would like to stress, Mr. Chairman, that we are not asking for additional money but authority to use existing appropriated funds which would come from the Foreign Agricultural Service appropriations for all technical purposes.

In other words, CCC funds which we do not consider appropriated funds would in no way be involved.

H.R. 11868 is identical to S. 3052, which was passed unanimously by the Senate on Tuesday, March 16.

It is useful and indeed necessary that the spouses of our agricultural officers stationed abroad know something of the culture and history of the area to which they are assigned as well as to have a general orientation on foreign service requirements.

Of equal importance is the increasingly greater emphasis being placed on language proficiency for those assigned abroad. The spouse must also acquire a degree of skill to communicate in the language of the country. This is most important in order for them to participate with our employees in fulfilling the important role of representing U.S. agriculture in the country to which they are assigned.

The Department of State was given authority to train employees' dependents in preparation for or during a foreign assignment in the 1960's under authority of the Foreign Service Act of 1946.

We, in the Department of Agriculture, have no such legislative authority.

We are asking for this legislative authority in order to provide the spouses of our officers assigned abroad with language training, certain orientation and area studies, and other special seminars conducted by the Foreign Service Institute of the Department of State.

We would propose to utilize FSI-coordinated programs, both here in Washington and at various U.S. Embassies, to the maximum extent possible.

Enactment of this legislation would permit us to train dependents of any agricultural employees but, primarily, of those assigned to Foreign Agricultural Service, Animal and Plant Health Inspection Service, Agricultural Research Service, and Economic Research Service.

Again, this training would only be provided to dependents of employees actually being processed for an overseas assignment.

In the past, we have been able to do a limited amount of dependent training through the courtesy of the FSI. Some dependents, lacking this opportunity, have financed their own training.

The FSI training was done on a space available basis without cost to this Department. FSI is not in the position to continue this occasional courtesy nor does it meet the basic needs and responsibilities of this Department to satisfactorily prepare the dependents of our officers for an overseas assignment.

The Department of Agriculture has approximately 223 professional staff officers serving abroad at this time. Based on the normal rotation, we would project that about 50 dependents would be subject to training during any one fiscal year.

It is estimated that enactment of this proposed legislation would not exceed an annual cost in excess of \$35,000. This cost can be absorbed within the total resources of the Department of Agriculture's appropriated funds.

The importance of this type of training is well established. Indeed, the husband and wife team in the Embassy environment is an instance where it could be truly said that the Government gets the services of two people for the price of one. Particularly the wife—and, to some extent, the rest of the family—are important elements in the professional representation that agricultural attachés and other agricultural officers overseas form.

Training of this kind adds to professional confidence and helps prevent unintentional embarrassing situations by providing dependents, not only a familiarity with the language, but also with local customs.

Mr. Chairman, I would like to stress that our agricultural attachés most often meet practical people in the foreign countries to which they are assigned. I mean by that farmers, agribusiness people, and so on who do not know the English language. Hence, language capability is particularly important for America's agricultural representatives.

State Department employees and Treasury Department employees are more apt to meet with foreign government persons who do have some language capabilities. But, our agricultural people are a little bit closer to the sod and meet more practical people.

Hence, our agricultural people need the language in the worst way.

Because of this service to the Government, we feel it is reasonable that the Government bear the cost of this training, and we believe it is justifiable as well as necessary for the Government to assume this responsibility on behalf of our overseas agricultural representatives.

In summary, the Department feels that this bill is very critical to the continued success of agricultural representation abroad. The bill would provide the Department with the authority already enjoyed by other foreign service agencies.

Mr. Chairman, this concludes my prepared statement. I am at your disposal for questions.

Mr. DE LA GARZA. Thank you very much, Mr. Hume.

You state that the State Department does this for their personnel who go overseas or abroad?

Mr. HUME. Yes, sir.

Our request is to put us parallel with the assets which the State Department dependents enjoy.

Mr. DE LA GARZA. From my visits abroad with the FAS and our agriculture people, I can very well see exactly what you mean. I have seen them working with the people—working as a team with the wife and children being very helpful in many instances.

I think that you have said it very, very simply that it is needed and it is a responsibility of the agency to assist.

Mr. Thone?

Mr. THONE. Mr. Hume, recently, we worked up a budget under our new procedure here.

It is my understanding that this matter was not included at that time.

Do you know why?

Mr. HUME. We are not asking for additional moneys. We are asking for the authority to spend appropriate funds already available to us.

All that is involved is \$35,000. We feel that we can work this out without asking for additional or supplementary appropriations.

Mr. THONE. I understand that. I would not worry, frankly, as long as you have Mr. Hume in charge of the affairs, or Mr. Butz, or Mr. Knebel, and right on down the line.

But, I do see a potential of abuse in this general area at a time when we are pretty well strapped on the overall budget as, I think, all of us would agree.

Would you object to placing a limit, either dollarwise or on the number of people on a national basis?

Mr. HUME. We could work out some kind of a limit on this. I would point out, however, that the State Department does not have a limit.

I would hope that any limit would take into account inflation, the growth in the agricultural establishment overseas—which, I think, is definitely warranted, based on the performance of agricultural exports in relation to the national economy.

I would hate to see a limitation which would be unreasonable and could be applied over time to inhibit the growth that might take place in the establishment.

I repeat, the State Department does not have a limitation.

We certainly are not asking for this to abuse it. We have no ulterior motive except to give the wives, mainly, the same opportunity that the ones from the other foreign service agencies have: that is all we have in mind.

Mr. THONE. Would you say "family"?

Mr. HUME. The family, ordinarily, would not be involved. There is an educational allowance for minor children, but on occasion we have had an adult daughter, for example, acting as a hostess for her father in an overseas setting.

We would think that that daughter, who performs representational functions along with her father, should be eligible to receive the training.

Mr. THONE. Let me get back to the budget ramifications here.

It is a backdoor spending really, isn't it, if we are totally candid about it?

Mr. HUME. I think that is something that might have several interpretations.

I tried to make the point that a wife overseas is really an organic part of the representation that our agricultural attachés engage in with foreign government officials, with agribusiness officials, and with opinion makers and leaders of agricultural organizations.

In that sense, the wife does not receive any salary. She is part of a family unit is representing the American farmers overseas. To compensate her for the tools of the trade, one of which is language, I do not consider to be backdoor spending.

I suppose in the technical sense a budget man or a legal man could come in and make a case for backdoor spending, but I certainly don't look upon it in that way and am not asking for it for that purpose, Mr. Thone.

Mr. THONE. Why would you not consider it hitting it straight on with a line item expenditure?

Mr. HUME. In the first place, the precedents do not show that a line item is required. It is a very small amount of money by comparison.

Mr. THONE. Let me interrupt.

By the "precedent" you mean the State Department?

Mr. HUME. That is right.

Mr. THONE. As I understand it, that is the only precedent in this area?

Mr. HUME. So far as I know, that is true.

Mr. THONE. Where do we stop if we give it now to the USDA? Certainly, I would echo what the chairman said regarding FAS. We all know how important they are and how this would be a valuable tool, although I suppose a lot of them could acquire this tool language on their own.

However, where do we stop?

If we now give it to you, who is going to be next?

How much will this be for the whole Government overseas?

Mr. HUME. I can see your point. You are saying that there is no limitation on it.

I suppose—

Mr. THONE. How about the USIA people, for instance?

Mr. HUME. USIA agents enjoy the same privileges. The AID agency enjoys the same privileges the State Department does.

It is already there for the major agencies.

You are speaking perhaps of Labor who do not have many overseas. You are speaking of Treasury: they have very few overseas.

I believe the military also has the same privilege.

I don't object to this, perhaps. I say "perhaps" because I really have not thought this through.

If we put in appropriated funds, it would be some time in late 1977 perhaps before we would have the resources to start training people. I hate to wait that long if there is any way to avoid it.

Mr. THONE. I really think that we are setting a precedent with this legislation. That is the way I would look at it because I can just imagine, Mr. Hume, that, if this is passed, you are going to have others lined up to ask for the same thing.

I have not studied this matter at all, but as you point out Labor and Treasury have some agents overseas also. They will be here asking for similar legislation.

Mr. HUME. Congressman Thone, we would certainly want to visit with you and with anybody on the staff to try to find a way to get the authority to give language training to the spouses and in some instances to other eligible dependents overseas so that in the end we can do a better job in representing the American farmers overseas.

We don't want to start a precedent as such: that is not the object of this legislation.

The object is to try to do a better job in representing farmers overseas.

So, if you see these problems, perhaps we could work with somebody on the staff to iron them out and even consider some kind of reasonable limitation.

Mr. THONE. The staff is here.

Mr. Murray, do you have any suggestions at all on this?

Or, Mr. Bor?

Mr. MURRAY. I think there is a question as to the nature of an appropriation as it is in this bill and how the appropriations are derived for the Foreign Agricultural Service, Mr. Chairman.

Perhaps we can clarify that?

As I read this section 602(f), which is to be added here, it is in consonance with your earlier testimony, Mr. Hume, when—if I didn't get that down correctly, please correct me—you said that what you do with this bill is "seek authority to spend appropriated funds already available to us."

Isn't that what you said?

Mr. HUME. Yes, sir. That is the way I would read the bill.

Mr. MURRAY. All right.

And, the language of the bill says that "appropriations available to the Secretary of Agriculture may be used to provide appropriate orientation and language training" which leaves me at that point with the idea that a Secretary of Agriculture is going to be able to take the appropriations he gets for running the Agriculture Act of 1954 or the attaché provisions under section 601 and 602 or, perhaps, it could be construed to be appropriations he gets for everything in the Department of Agriculture to set up a language training for these people.

Mr. HUME. I expect technically you are right.

I would like to make a couple of points, however.

First, we do not consider CCC funds to be appropriated funds.

Mr. MURRAY. That is right.

Mr. HUME. So, they would not be involved.

Second, the money that is to be expended would be limited to training those who are overseas. That places a limitation on it right there because less than 1 percent of the overseas establishment are the employees of the Department of Agriculture.

We are not speaking about all the overseas establishment. We are only speaking about spouses and, occasionally, dependents.

So, Mr. Murray, I don't see where there is a big precedent or a limitation which should be of major concern. I think it is already limited.

We, in the Foreign Agricultural Service, are a separate service, as you know, and we are trying to put our people on a comparable level to enjoy the same kind of training and building professional aptitude as enjoyed by other agencies.

Mr. MURRAY. Mr. Hume, I am not arguing with you on the merits of what you are trying to do.

I am not arguing whether family members should or should not get language school training. That is another policy issue for the committee.

What I am trying to zero in on here is the technique or the method in which you are going to finance the language training.

It is a method which, if this bill were to become law this afternoon by rushing it to the House and the President were to sign it today, it would begin making appropriations that you have already got for fiscal 1976 available for language school training right away.

Mr. HUME. That is correct.

Mr. MURRAY. That is right, isn't it?

Mr. HUME. That is right.

We are not establishing a language school. We are asking resources to train people in language by sending them to school—the Foreign Service Institute which is already in existence.

Mr. MURRAY. Right.

That is the school in Georgetown?

Mr. HUME. No. It is a school the State Department runs over in Rosslyn.

Mr. MURRAY. In Rosslyn?

They would not necessarily have to go to that school?

Mr. HUME. That is right.

Mr. MURRAY. They could go to the Praesidio or to Harvard or to some other school where they teach language, could they not?

Mr. HUME. But, we would send them if the Foreign Service Institute activities were available; that would be the priority place where we would send them.

Mr. MURRAY. That is your plan now.

There is nothing in the bill that says that. There is nothing in the bill that is tring you down to doing that or tying your successor to doing that, is there?

Mr. HUME. There is legislative history now because I made that point in the statement.

Mr. MURRAY. That is your intent as to how to administer it.

Mr. HUME. That is correct.

Mr. MURRAY. That is your intent at this time but Washington has a way of changing administrations and changing people. It may not bind your successor.

Mr. HUME. I have been told that, Mr. Murray.

Mr. MURRAY. On this appropriation angle, what would be wrong with—instead of having an appropriations process that appears to be open to back-door spending and appears to be an entitlement and appears to cause a budgetary problem because you are shifting funds that are already available to the Department—meeting the problem head on and say that: "There is hereby authorized to be appropriated \$35,000 to send the dependents of FAS employees to language schools?"

What is wrong with that?

Then, let Congress budget that in the 1977 budget. Everybody knows that so much is going to be earmarked and that so much is going to be authorized.

That is the conventional and normal way in which appropriations are handled.

Mr. HUME. I think you are placing a limitation on us in a sense that is not placed upon the other agencies.

Mr. MURRAY. Maybe the limitation is too small. Maybe it should be \$50,000 or whatever is a reasonable limitation.

On the other hand, without limitation you may use a great deal of resources here someday—or some other Secretary might use it someday—to have a mass of schools.

Mr. HUME. I think that the purposes of the money does indicate that there are limitations on the expenditure.

I must say that I don't quite see your point of back-door spending.

Mr. MURRAY. What is wrong with front-door spending?

You would not have any objections to front-door spending, would you?

Mr. HUME. I would not have any objection to front-door spending, myself.

Mr. MURRAY. If the bill authorizes to be appropriated whatever you need?

Mr. HUME. When can we get that money?

Mr. MURRAY. You are not going to get it until Congress appropriates it. You will not be able to tap the money you have gotten already.

Mr. HUME. I think that is one of the main reasons that I would like to stay on my present position. This is not back-door spending, and it is necessary immediately to begin to train people and upgrade the professional capability of our overseas establishment representing Agriculture.

Mr. MURRAY. You can imagine, if the bill went into effect fairly promptly that you would start taking appropriations that you have already gotten and shifting them for this purpose, would you not?

Mr. HUME. Up to—

Mr. MURRAY. Up to the \$35,000?

Mr. HUME. Yes. Up to less than 1 percent of the appropriations we get for the Foreign Agricultural Service. That is where the money would come from.

Mr. MURRAY. I know.

But, you are taking appropriations that you have already and you would use a little bit of that—a tiny amount—to push this program forward?

Mr. HUME. For Foreign Agricultural Service programs; yes.

We would add this as a program activity.

Mr. MURRAY. Right.

And, you would use existing appropriations for this?

Mr. HUME. For this Foreign Agricultural Service activity. That is right.

Mr. MURRAY. All right.

Mr. HUME. To authorize this as an activity to spend those appropriated funds.

Mr. MURRAY. All right.

My learned partner in the practice of agricultural law disputes the thesis that I have stated.

Could we give him equal time here, if that is all right with you, Mr. Chairman?

Mr. DE LA GARZA. Let the Chair see if other members would like to ask questions.

Mr. Richmond?

Mr. RICHMOND. I have no questions.

Mr. DE LA GARZA. Counsel?

Mr. BOR. Mr. Hume, at the present time, when Foreign Agricultural Service carries out its activities, it is my understanding that it obtains the funds from appropriations for market development activities overseas. These appropriations cover the salaries of FAS employees and, also, of certain market development activities conducted overseas.

Is that not correct, Mr. Hume?

Mr. HUME. Yes; that is correct.

Mr. BOR. Would it be your idea that that same appropriation would be used to cover the language training for personnel which is proposed in this bill?

Mr. HUME. I think not.

It would not be our intention because other market development money is appropriated for the purpose of, as I recall, "Maintaining, developing, and expanding foreign markets for U.S. agricultural commodities."

To the extent that language training might be involved in that particular purpose, I would answer "yes" to that part of your question without having thought about it too much in advance with the affirmative.

But our intention would not be to spend market development money for that purpose.

Mr. BOR. Which line item would you most likely use for the purpose of this language training?

Mr. HUME. Probably from the Agricultural Attaché Service.

Mr. BOR. Would that also be the case where APHIS employees might be trained overseas?

Mr. HUME. The way the language reads, we could use APHIS funds. Those would be appropriated funds available to the Secretary of Agriculture for that purpose.

So, we would not intend to spend Foreign Agriculture Service funds for APHIS employees.

Mr. BOR. When you sought appropriations for the Agricultural Attaché salaries, would it be your plan then that you would justify the sum requested before the Appropriations Committee by presenting to them figures that would relate not only to the Attachés' salaries but also to the language training programs?

Mr. HUME. It is conceivable that we would do that in the future; yes.

Mr. BOR. So that the Appropriations Committee would have an opportunity when they passed on the appropriations to review the language training figures that you might have in mind for the forthcoming year?

Mr. HUME. I would think that the answer to that would be "yes."

It is my understanding that we go before the Budget Committee and discuss the activities included and proposed for the money that we are asking for. Likewise, we justify the appropriation before the Appropriations Committee in the same manner.

Mr. BOR. And that would likewise be the case with respect to the APHIS money that would be used for language training abroad. Is it not correct that when APHIS presented figures for salaries and expenses for personnel, they likewise would present figures for language training overseas? Would not then the Appropriations Committee, the Budget Committee, and our committee have a chance to review in advance what was intended to be spent for these functions?

Mr. HUME. I would think that that would be possible; yes.

We would hope that we would not have to wait for the amount of time that is involved in that particular procedure.

I am advised that open-ended spending for training is not necessarily unique or new in Government.

In fact, a note that has just been put before me states that the Government Employee Act authorizes open-ended spending for Federal employees.

Mr. THONE. You are expanding this to spouses and families, are you not?

Mr. HUME. Spouses, mainly.

Mr. DE LA GARZA. Thank you very much, Mr. Hume. We appreciate your testimony.

Apparently, not enough groundwork had been laid with some of our colleagues.

Mr. HUME. I apologize for that, Mr. Chairman.

Mr. DE LA GARZA. The Chair does not agree with the ranking Member and counsel, but the Committee will study the proposed legislation further and, possibly, working with counsel here and with counsel from the Department so that agreement can be reached perhaps for other wording for the legislation and still accomplish the intended action which, I think, is necessary and proper.

With that, we thank you very much. I assume that the discussions will continue.

Mr. HUME. Thank you.

[The subcommittee proceeded to consider other business.]

UPGRADE TOP-LEVEL USDA POSITIONS

MONDAY, MARCH 29, 1976

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DEPARTMENT OPERATIONS;
INVESTIGATIONS AND OVERSIGHT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 10:05 a.m. pursuant to notice, in room 1301, Longworth House Office Building, Hon. E de la Garza (chairman of the subcommittee) presiding.

Present: Representatives Brown, Richmond, McHugh, Thone, and Grassley.

Staff present: Robert M. Bor and Hyde H. Murray, counsels; William A. Imhof, associate counsel; Steve Pringle, John M. Lindley, and Glenda Temple, staff assistants; Gerald Jorgensen, staff consultant, Subcommittee on Department Operations, Investigations and Oversight.

[The bill, H.R. 10133, follows:]

[H.R. 10133, 94th Congress, 2d sess.]

A BILL To upgrade the position of Under Secretary of Agriculture to Deputy Secretary of Agriculture; to provide for two additional Assistant Secretaries of Agriculture; to increase the compensation of certain officials of the Department of Agriculture; to provide for an additional member of the Board of Directors, Commodity Credit Corporation; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 5313 of title 5 of the United States Code is amended by adding at the end thereof the following new paragraph:

"(22) Deputy Secretary of Agriculture."

(b) Section 5314 of such title 5 is amended by striking out paragraph (3).

(c) The Acts listed in paragraphs (1) and (2) of this subsection are amended by striking out the words "Under Secretary of Agriculture" wherever they appear and by inserting in lieu thereof the words "Deputy Secretary of Agriculture":

(1) The Act of March 26, 1934 (48 Stat. 467; 7 U.S.C. 2210).

(2) The Act of June 5, 1939 (53 Stat. 809; 7 U.S.C. 2211).

(d) The officer occupying the position of Under Secretary of Agriculture, on the date of enactment of this Act, may assume the duties of the Deputy Secretary of Agriculture. The individual assuming such duties shall not be required to be reappointed by reason of the enactment of this Act.

SEC. 2. There shall be hereafter in the Department of Agriculture, in addition to the Assistant Secretaries now provided for by law, two additional Assistant Secretaries of Agriculture who shall be appointed by the President, by and with the advise and consent of the Senate, shall be responsible for such duties as the Secretary of Agriculture shall prescribe, and shall receive compensation at the rate now or hereafter prescribed by law for Assistant Secretaries of Agriculture.

SEC. 3. (a) Section 5315 of title 5 of the United States Code is amended by striking out "(4)" at the end of paragraph (11) and by inserting in lieu thereof "(6)".

(b) Section 5316 of such title 5 is amended as follows:

(1) By striking out paragraph (23).

(2) By striking out paragraph (66).

(3) By striking out paragraph (63) and inserting in lieu thereof:

"(63) Administrator, Animal and Plant Health Inspection Service, Department of Agriculture."

(c) Section 3 of Reorganization Plan Numbered 2 of 1953 (67 Stat. 633) is hereby repealed.

SEC. 4. Section 9(a) of the Commodity Credit Corporation Charter Act, as amended (62 Stat. 1072, as amended, 15 U.S.C. 714g(a)), is amended by striking out the third sentence and inserting in lieu thereof: "The Board shall consist of seven members (in addition to the Secretary), who shall be appointed by the President by and with the advice and consent of the Senate."

SEC. 5. (a) Except as otherwise provided in this section, this Act shall take effect on its date of enactment.

(b) Subsection (b)(1) and subsection (c) of section 3 of this Act shall take effect upon appointment of a Presidential appointee to fill the successor position created by section 2 of this Act.

(c) Subsection (b)(2) of section 3 of this Act shall take effect upon appointment of a Presidential appointee to fill the successor position created by section 2 of this Act.

Mr. DE LA GARZA. The bill we have today is H.R. 10133, introduced by Chairman Foley.

I understand that Mr. Jim Keast, General Counsel for the USDA, will testify.

We are happy to hear from you at this time, Mr. Keast.

STATEMENT OF JAMES D. KEAST, GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Mr. KEAST. Thank you, Mr. Chairman.

I have with me today Mr. J. Robert Franks who is the Director of the Legislative Division in the Office of the General Counsel.

The Secretary is out of town, Mr. Chairman. He asked me to testify on this bill. I delivered to you this morning a letter from the Secretary. I would like to read that letter for the record, if I may.

Mr. DE LA GARZA. Yes, you may. A copy of the letter will be incorporated in the record, without objection.

You may proceed.

Mr. KEAST. I will read.

In view of the hearing scheduled by your subcommittee on March 29 on H.R. 10133, I would like to take this opportunity to set forth our latest thinking on this bill. As you know, the Department of Agriculture transmitted this proposal to the Congress on May 30, 1975. We recommend that your Committee approve H.R. 10133 with the changes noted below.

The purpose of this legislation is to bring the top level staff of the Department of Agriculture in line with other departments and to recognize the tremendous growth in USDA programs since 1953, the last time such adjustments occurred. The scope, magnitude, and complexity of the Department's operations have increased substantially since 1953, while the only additional top level policy position approved since that time has been the additional Assistant Secretary position which was included in the Rural Development Act of 1972.

Thus, the bill—

Upgrades the position of Under Secretary to Deputy Secretary of Agriculture;

Establishes two new positions as Assistant Secretary of Agriculture at Executive Level IV;

Raises the position of Administrator, Animal and Plant Health Inspection Service, from GS-18 to Executive Level V; and

Increases the membership of the Board of the Commodity Credit Corporation from six to seven.

The reasons for these changes are adequately set forth in our transmittal letter so I will not repeat them. We would, however, like to recommend the following changes.

We requested two additional Assistant Secretaries of Agriculture at Executive Level IV. However, if the intent of the Committee on Agriculture is to include one additional Assistant Secretary position in H.R. 11743, the bill dealing with agricultural research, only one is needed in H.R. 10133. Furthermore, in any event, we recommend that the provisions in H.R. 10133 relating to the Assistant Secretary for Administration be deleted from the bill. As you may recall, the bill as submitted contemplates upgrading the positions of Director of Agricultural Economics and Assistant Secretary for Administration to Executive Level IV Assistant Secretary positions. The Department no longer feels that any change is necessary with respect to the position of the Assistant Secretary for Administration.

With these changes I strongly urge your approval of H.R. 10133.

Sincerely, Earl L. Butz, Secretary of Agriculture.

I am ready to respond to any questions you may have, Mr. Chairman.

Mr. DE LA GARZA. Thank you very much.

Let me ask counsel this question in relation to the H.R. 11743 dealing with the agricultural research funding.

Where are we on that bill?

Mr. MURRAY. The full committee has completed hearings on that bill and another bill, sponsored by about 28 members of the committee. The hearings were held about 6 weeks ago.

In the meantime, the committee staff and the departmental staff and the land-grant college people and several of the other groups who testified have been holding a series of meetings trying to work out a compromise on agricultural research.

One of the elements is the status of an Assistant Secretary of Agriculture in that particular bill. At this stage the amendment on which Mr. Wampler and Mr. Foley are focusing on calls for an Assistant Secretary of Agriculture whose prime duties or main duties would revolve around agricultural research.

It will be for the full committee a little later to examine that proposal and the other changes which are being worked on now.

In concurrence with that—that is why the Department is testifying here—if there is going to be an Assistant Secretary in that bill, then they don't need two of them in this bill.

Mr. KEAST. That is correct, Mr. Chairman.

Mr. DE LA GARZA. If we move with this legislation first, then we have no assurance that the other legislation will be coming along.

Well, we will work it out with Counsel.

Perhaps we ought to continue with the two positions here. In other words, we would continue legislation on both bills as they are and then, make arrangements for either withdrawing one from this legislation or, should this legislation be enacted first, then withdrawing it from the other legislation.

Would you have any disagreement with how it is handled?

Mr. KEAST. No. We would like to go forward with this bill.

Mr. DE LA GARZA. If possible, we might proceed with this bill as drafted. Then, as the other legislation progresses, we will see how—

Mr. KEAST. Our position, Mr. Chairman, is that of course we are working together and trying to work out a compromise on the agricultural research bill, but, as a department, we would prefer not to have an Assistant Secretary tied to a particular program area.

We would like to have flexibility and not have it specified in legislation that an Assistant Secretary must be in a particular program area.

Mr. DE LA GARZA. Yes, we understand that.

Mr. Thone?

Mr. THONE. What was your suggestion again, Mr. Chairman? I was talking to counsel here and I was not exactly sure what you intended to do.

Mr. DE LA GARZA. That we proceed with this legislation as drafted and then, pending the progress of the other legislation H.R. 11743, we would try to do what was intended in this legislation should it move earlier than the other legislation.

Then, if we see that it can be accomplished in one or the other, we would do it with the one that would be the most expeditious.

Mr. KEAST. I want to make it clear, Mr. Chairman, we are recommending that the provision in the original bill, relating to upgrading the Assistant Secretary for Administration, be deleted.

We would leave that as it currently exists.

Mr. DE LA GARZA. I understand that. There is no question about that.

The only question is that you ask that we delete an Assistant Secretary and continue with the agricultural research legislation.

Mr. KEAST. I understand.

Mr. THONE. Was it your thought, Mr. Chairman, that we vote on H.R. 10133 later, trying to move it along; then, the full committee could hold it for the research bill?

Mr. DE LA GARZA. If there is no objection.

Mr. Richmond?

Mr. RICHMOND. Mr. Keast, for my edification, let us discuss the organizational plan of the Department.

You have Secretary Butz, and then what?

Mr. KEAST. We have an Under Secretary.

This bill, if enacted, would upgrade the Under Secretary from executive level III to executive level II. He would then be designated as the Deputy Secretary of Agriculture.

Mr. RICHMOND. Are there other positions similarly raised up? Do other agencies have this arrangement?

Mr. KEAST. Defense has two, and Transportation, State, and Treasury each have one Deputy Secretary.

The reason that we are proposing upgrading—

Mr. RICHMOND. Do HEW, and Labor not have it?

Mr. KEAST. Except for DOT, I understand that they have Under Secretaries.

Mr. RICHMOND. You want your Under Secretary to be what?

Mr. KEAST. Deputy Secretary at level II.

Mr. RICHMOND. What would you call him?

Mr. KEAST. He would be designated as a Deputy Secretary rather than Under Secretary as it is now.

Mr. RICHMOND. That gets him how much more money?

Mr. KEAST. The dollars are limited.

The salary now for executive level III is \$42,000, and for executive level II it is \$44,600. So, it would be an increase of \$2,600 a year in salary.

Mr. RICHMOND. What is this person's name?

Mr. KEAST. Jack Knebel. He is the incumbent.

This bill, of course, was introduced when Mr. Campbell was the Under Secretary.

One of the reasons for upgrading this position is so that the incumbent can have a higher status dealing overseas. If he should be involved with Public Law 480 and with the Department of State, and so forth, then this would have a higher rank. We feel that the Department has grown to the point where it is justified.

Mr. RICHMOND. What about the rest of the people?

Mr. KEAST. We have four level IV Assistant Secretaries of Agriculture.

Mr. RICHMOND. What do they do?

Mr. KEAST. There is an Assistant Secretary for Rural Development. He has responsibility for the Farmers Home Administration, the Rural Development Service, the Rural Electrification Administration, and the Rural Telephone Bank.

We have an Assistant Secretary for Marketing and Consumers Services. He has responsibility for the Agricultural Marketing Service, the Animal and Plant Health Inspection Service, the Food and Nutrition Service, and the Packers and Stockyards Administration.

Then, there is an Assistant Secretary for International Affairs and Commodity Programs. He has responsibility for the Agricultural Stabilization and Conservation Service, the Commodity Credit Corporation, of course, comes into that; the Federal Crop Insurance Corporation; and the Foreign Agricultural Service.

The Assistant Secretary for Conservation, Research, and Education has responsibility for the Agricultural Research Service, the Cooperative State Research Service, the Extension Service, the Forest Service, the National Agricultural Library, and the Soil Conservation Service.

Dr. Paarlberg is presently Director of Agricultural Economics. He has responsibility for the Economic Management Support Center, Economic Research, Service Farmer Cooperative Service, and Statistical Reporting Service.

This bill would upgrade Dr. Paarlberg from executive level V to executive level IV and he would be an Assistant Secretary. Presently, he is not an Assistant Secretary but the Director of Agricultural Economics. By statute the Director of Agricultural Economics is designated as an executive level V position.

Mr. RICHMOND. Whom does Dr. Paarlberg report to now?

Mr. KEAST. Directly to the Secretary. He is really on the same level—as far as reporting—as an Assistant Secretary. We feel that because of the responsibility of his job, that position should be upgraded.

Presently, he is not subject to Senate confirmation. He is appointed by the Secretary.

Mr. RICHMOND. I am interested in the Food and Nutrition Service. Who runs that now?

Mr. KEAST. You mean who administers this Service?

Mr. RICHMOND. Yes.

Mr. KEAST. Mr. Edward Hekman.

Mr. RICHMOND. What is his rank?

Mr. KEAST. He is a GS-18.

Mr. RICHMOND. What is that?

Mr. KEAST. That is the top of the GS level.

Mr. RICHMOND. That is the top of the GS level?

Mr. KEAST. That is right.

Mr. RICHMOND. In other words, he is not an appointee either. He is a civil service—

Mr. KEAST. He is a noncareer appointee—schedule C. He is a political appointee and is not in the competitive service.

Mr. RICHMOND. Does he have the rank of administrator?

Mr. YEAST. Yes.

Mr. RICHMOND. Where does he stand in relation with Dr. Paarlberg?

Mr. KEAST. He has an administration and he works and reports directly to Assistant Secretary Richard Feltner. Assistant Secretary Feltner has responsibility for four separate agencies.

Mr. RICHMOND. I believe that our Food and Nutrition Service should have a higher position because the recent hearings on nutrition made very plain the fact that nutrition is one of the most important problems in the United States and some things are not being handled at all.

Perhaps whoever runs that should be upgraded?

This bill does not do that, does it?

Mr. KEAST. No, it does not.

Mr. RICHMOND. What about the Administrator of the Animal and Plant Health Inspection Service?

Mr. KEAST. That position would be upgraded by the bill from a GS-18 to executive level V.

Mr. RICHMOND. Why don't you upgrade the Administrator of Food and Nutrition?

Mr. KEAST. The Department had considered upgrading the Administrator of the Food and Nutrition Service but decided against including it in the bill.

Mr. RICHMOND. In other words, you upgrade the Animal and Plant Health Inspection person and not the Food and Nutrition person?

Mr. KEAST. That is the position of the Department, yes, sir.

Mr. RICHMOND. Why don't you talk to the Department about this?

Don't you think it is important to upgrade the person who worries about people? Don't you think it is just as important, if not more important, to upgrade the person who worries about animals and plants?

Mr. KEAST. There is merit to what you say, Mr. Richmond, but—

Mr. RICHMOND. Do we have a supplemental view on this?

Mr. KEAST. No, we do not. But, I will speak to the appropriate persons in the Department.

Mr. RICHMOND. Thank you, Mr. Chairman.

Mr. THONE. I want to state my strong support for H.R. 10133.

Frankly, if I had my preferences, I would have gone with the amendment suggested by the General Counsel, but I would defer to your thoughts in this regard and move that we go along with H.R. 10133.

I do not know what is going to happen to the animal research bill, but I understand that it will get priority and will move pretty fast.

Also for the record, I would like to point out that the present Under Secretary, in my opinion, has done a tremendous job, particularly in relation to the grain standards and their enforcement. I think until Jack Knebel really got down there and took hold of that problem, there was a state of chaos.

I think he deserves a real vote of confidence. I think he has done a tremendous job.

As far as the Assistant Secretaryship is concerned, the one outside of animal research, Mr. Keast has already talked about it. I believe a good candidate for that title would be Dr. Paarlberg. I think he is an outstanding economist. He has been there a long time. His handling of the economic research, I think, has been exceptional. Men of this capabilities are rare. He deserves special recognition and upgrading, just as Mr. Keast referred to here.

So, with that in mind, I would move that we report favorably H.R. 10133.

MR. DE LA GARZA. If the gentleman will suspend momentarily, we will see if any other Member has any questions.

Mr. Grassley?

MR. GRASSLEY. Do we have a quorum?

MR. DE LA GARZA. Yes, we do.

Mr. McHUGH. I have no questions.

MR. DE LA GARZA. Mr. Brown?

Mr. BROWN. I would discuss whether we could get anything out of the Department?

MR. DE LA GARZA. No, we have not.

Mr. BROWN. I guess it would be premature.

Mr. RICHMOND. I think perhaps we ought to also upgrade the administrator of the Food and Nutrition Service.

Mr. BROWN. I would concur with that.

Mr. RICHMOND. Thank you.

MR. DE LA GARZA. We have mentioned names.

You mentioned in your testimony—and I would reiterate again—that the Under Secretary, Mr. Knebel, came to that position after this legislation had been prepared or was in the works.

So, it is not legislation with the name of Mr. Knebel. It was already in the works before he came to that position.

Mr. Richmond, I basically agree with you.

Mr. Keast, do you have any authority to say “yea” or “nay” from the Department to any recommendation of the Committee as far as adding additional personnel to this legislation?

Mr. KEAST. What are you referring to, Mr. Chairman?

Is it specifically the Food and Nutrition Service?

MR. DE LA GARZA. I have a letter from the Secretary here.

Did you come only prepared to present the views of the Secretary?

Mr. KEAST. Yes.

I have discussed these provisions with the Secretary. I would be hesitant without further consultation to attempt to bind the Secretary.

I would be glad to carry any proposal back that the committee would like for me to carry back, and discuss it with him.

MR. DE LA GARZA. Mr. Richmond has requested that we get the views of the Department concerning adding to this legislation the Food and Nutrition Administrator.

Mr. KEAST. That would be upgrading that position to executive level V?

Mr. DE LA GARZA. The same as the APHIS Administrator.

Pending that, the gentleman from Nebraska moves that we report this to the full committee.

I might add before dealing with the motion that I think that Mr. Richmond's suggestion can be handled, even though we move to present this to the full committee. In the interim by the time that we can get it to the full committee and if we see that the amendment is in order, either it can be amended in the full committee or else, by introducing—

No, I guess not. We would be introducing new legislation and we would have to come back for a hearing, but—

Mr. RICHMOND. Mr. Chairman, I would like to add an amendment to the present bill to provide for the upgrading of the Administrator of the Food and Nutrition Service.

Is that all right with you, Mr. Thone?

You heard the nutrition hearings as closely as I have.

Mr. THONE. I would oppose that at this juncture.

Let us see what the Department says about it.

You will have the opportunity to bring it up to the full committee.

I do not know what the views of the chairman of the full committee are on this. I would like to see the reply from the Department before we move here.

Mr. RICHMOND. I certainly will not vote for this bill for it to be forwarded to the full committee as it is now, Mr. Thone.

I think that it is a disgrace that we would upgrade the position of a person handling animals and we would not upgrade the position of a person handling people.

We could have a small amendment on page 3, line 9.

Mr. THONE. We have more Assistant Secretaries now than we know what to do with.

Mr. RICHMOND. This is just an Assistant Administrator.

Mr. THONE. You are going to make him an Administrator?

Mr. RICHMOND. He would go up to—

Mr. KEAST. As I understand, the proposal would be to upgrade the Administrator of the Food and Nutrition Service from a GS-18 to executive level V.

He would be an Administrator and still report to the Assistant Secretary, Richard Feltner.

Mr. RICHMOND. Just as the Administrator of APHIS?

Is that correct?

Mr. KEAST. That is correct.

Mr. RICHMOND. In other words, Mr. Thone, we are just getting the people man the same position as the animals and plants man.

Mr. THONE. I don't want to be difficult but I would like to see a report from the Department.

I would like to see what they say about it down there.

I am sure that they went into this thing thoroughly. There must be a reason, duty-wise or staff-wise or responsibility-wise, why they did not recommend it when they went along with the rest of these.

How long has Mr. Hekman been aboard?

Mr. KEAST. I believe he came in at the beginning of the Nixon administration. It was around August 1969.

Mr. DE LA GARZA. We should not be discussing individual names. The individuals are immaterial.

Mr. THONE. That is a good point.

Mr. DE LA GARZA. Under the circumstances perhaps it might be better to defer action on the legislation, pending further word from the Department.

I would hope that you would carry the message back and communicate to the Counsel or with the members of the subcommittee on the proposal by Mr. Richmond that the food and nutrition job be included in the upgrading.

We hope then that we will hear from the Department as to their ideas in that respect.

Mr. KEAST. We will present our views, Mr. Chairman.

Mr. DE LA GARZA. Are there any further questions?

Any further witnesses to appear on either of the two bills?

If not, the subcommittee will stand in recess subject to the call of the Chair.

[Whereupon, at 11 a.m. the subcommittee adjourned.]

AFRICAN HONEYBEE CONTROL

THURSDAY, APRIL 29, 1976

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

The committee met at 10:45 a.m., pursuant to notice, in room 1301, Longworth House Office Building, Hon. Thomas S. Foley (chairman) presiding.

Present: Representatives Poage, Baldus, Krebs, Bedell, McHugh, Wampler, Findley, and Symms.

Staff present: Fowler C. West, staff director; Robert M. Bor and Hyde H. Murray, counsels; John E. Hogan and William A. Imhof, associate counsels; Leighton W. Lang, staff consultant, Subcommittee on Oilseeds and Rice; Nick Ashmore, John M. Lindley, Glenda L. Temple, and David L. Wright, staff assistants.

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

The committee is meeting today in public hearing on the bill H.R. 5242.

[The bill H.R. 5242 and the report from the U.S. Department of Agriculture follow:]

[H.R. 5242, 94th Congress, 1st sess.]

A BILL to amend the Act of August 31, 1922, to prevent the introduction and spread of diseases and parasites harmful to honeybees, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of the Act of August 31, 1922, as amended (42 Stat. 833; 76 Stat. 169; 7 U.S.C. 281), is amended to read as follows:

"(a) In order to prevent the introduction and spread of diseases and parasites harmful to honeybees, and the introduction of genetically undesirable germ plasm of honeybees, the importation into the United States of all honeybees is prohibited, except that honeybees may be imported into the United States—

"(1) by the United States Department of Agriculture for experimental or scientific purposes, or

"(2) from countries determined by the Secretary of Agriculture—

"(A) to be free of diseases or parasites harmful to honeybees, and undesirable species or subspecies of honeybees; and

"(B) to have in operation precautions adequate to prevent the importation of honeybees from other countries where harmful diseases or parasites, or undesirable species or subspecies, of honeybees exist.

"(b) Honeybee semen may be imported into the United States only from countries determined by the Secretary to be free of undesirable species or subspecies of honeybees, and which have in operation precautions adequate to prevent the importation of such undesirable honeybees and their semen.

"(c) Honeybees and honeybee semen imported pursuant to subsections (a) and (b) of this section shall be imported under such rules and regulations as the Secretary of Agriculture and the Secretary of the Treasury shall prescribe.

"(d) Except with respect to honeybees and honeybee semen imported pursuant to subsections (a) and (b) of this section, all honeybees or honeybee semen offered for import or intercepted entering the United States shall be destroyed or immediately exported.

"(e) As used in this Act, the term 'honeybee' means all life stages and the germ plasm of honeybees of the genus *Apis*, except honeybee semen."

SEC. 2. Section 2 of the Act of August 31, 1922 (42 Stat. 834; 7 U.S.C. 282), is amended to read as follows:

"SEC. 2. Any person who violates any provision of section 1 of this Act or any regulation issued under it is guilty of an offense against the United States and shall, upon conviction, be fined not more than \$1,000, or imprisoned for not more than one year, or both."

SEC. 3. The Act of August 31, 1922, is further amended by adding the following new sections:

"SEC. 3. The Secretary of Agriculture is authorized to cooperate with the Governments of Canada, Mexico, Guatemala, Belize, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, and Colombia, or the local authorities thereof, in carrying out necessary research, surveys, and control operations in those countries in connection with the eradication, suppression, control, and prevention or retardation of the spread of undesirable species and subspecies of honeybees, including but not limited to *Apis mellifera adansonii*, commonly known as the African or Brazilian honeybee. In performing the operations or measures authorized in this Act, the governments of such countries shall be responsible for the authority necessary to carry out such operations or measures on all lands and properties therein and for such other facilities and means as in the discretion of the Secretary of Agriculture are necessary. The measure and character of cooperation carried out under this Act on the part of the United States and on the part of the governments of such countries, including the expenditure or use of funds appropriated pursuant to this Act, shall be such as may be prescribed by the Secretary of Agriculture. Arrangements for the cooperation authorized by this Act shall be made through and in consultation with the Secretary of State.

"SEC. 4. Funds appropriated to carry out the provisions of this Act may also be used for printing and binding without regard to section 501 of title 44, United States Code, for employment, by contract or otherwise, of civilian nationals of Canada, Mexico, Guatemala, Belize, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, and Colombia for services abroad, and for the construction and operation of research laboratories, quarantine stations, and other buildings and facilities.

"SEC. 5. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act."

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., August 8, 1975.

HON. THOMAS S. FOLEY,
Chairman, Committee on Agriculture,
House of Representatives.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on H.R. 5242, a bill "To amend the Act of August 31, 1922, to prevent the introduction and spread of diseases and parasites harmful to honeybees, and for other purposes."

This Department recommends that the bill be enacted, if amended as suggested in the attachment to this report.

The bill would strengthen the existing Honeybee Act (7 U.S.C. 281, 282) by prohibiting the importation of honeybees in all stages, from germ plasm (except honeybee semen) to adult, except by the USDA for experimental or scientific purposes; or from countries determined by the Secretary to be free of diseases or parasites harmful to honeybees and undesirable species or subspecies of honeybees, and which have adequate precautions in operation to prevent importation of honeybees from other countries where harmful diseases or parasites, or undesirable species or subspecies, of honeybees exist. The bill would allow the importation of honeybee semen only from countries which are determined to be free of undesirable species or subspecies of honeybees and which have adequate precautions in operation to prevent the importation of such undesirable honeybees and their semen. The present Act only prohibits importation of the adult stage.

The Secretary of Agriculture and the Secretary of the Treasury would be authorized to regulate the importation of honeybees and honeybee semen pursuant to the Act.

If amended as we suggest, the bill would also authorize the Secretary to cooperate with State or local governments, organizations, individuals, and the governments of Mexico, Canada, and the Central American countries to eradicate,

control, and prevent the spread of undesirable species and subspecies of honeybees, including pure or hybrid forms of *Apis mellifera adansonii*, the African bee.

The African honeybee was deliberately imported into Brazil from Africa for research purposes in 1956. Shortly thereafter, queen bees were accidentally liberated and this honeybee strain, known to be highly aggressive and irritable, began spreading throughout South America at the rate of about 200 miles per year.

The strain has mixed with other breeds of honeybees in South America, and has imparted its extremely aggressive traits to the local bee population. These hybrids forage so aggressively that other strains kept by commercial beekeepers cannot compete in areas where the Africanized genes have appeared. These hybrids are often extremely vicious and difficult to handle. Accidental encounters with livestock and people have resulted in mass stings that sometimes cause death.

If this hybridization should spread to the United States and contaminate our domestic strains, the present practice of maintaining apiaries in rural areas, often near human habitation, would not be tolerated by the public. This would seriously interfere with the use of bees for crop pollination and would cripple some of our most important fruit, vegetable, and seed industries. The bill would enable the Secretary to cooperate with other countries to establish physical, chemical, behavioral, or other barriers to the overland movement of the Africanized bee into the southwestern United States.

Presently, eggs, larvae, pupae, and semen of the honeybee *Apis mellifera* and all other species of bees in the genus *Apis* can be imported into the United States without restriction. Thus, immature forms of the African honeybee could legally be introduced from Africa or South America either deliberately or in shipments containing other bee strains.

While research has now demonstrated that the parasitic mite, *Acarapis woodi*, could also be introduced in brood, of much greater importance is the need to exclude mites of the genus *Varroa* and of the genus *Tropilaelaps*. These parasites of the immature forms are not found in the United States now but are serious pests of the genus *Apis* in Asia and the Orient.

No additional appropriations would be needed for administration of the bill's import control provisions. Estimates for implementing section 3 of the bill must be developed as the problem with undesirable bees becomes better defined in the Central American countries, or, if amended as we suggest, when such bees begin to appear in the United States.

In accordance with the requirements of section 102(2)(C) of Public Law 91-190, a statement of this bill's effect upon the environment is attached.

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,

J. PHIL CAMPBELL,
Under Secretary.

Attachment.

The new section 3 of the Act of August 31, 1922, to be added by section 3 of the bill is amended to read as follows:

"Sec. 3. (a) The Secretary of Agriculture either independently or in cooperation with States or political subdivisions thereof, farmers' associations, and similar organizations and individuals, is authorized to carry out operations or measures in the United States to eradicate, suppress, control, and to prevent or retard the spread of undesirable species and subspecies of honeybees.

"(b) The Secretary of Agriculture is authorized to cooperate with the Governments of Canada, Mexico, Guatemala, Belize, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, and Colombia, or the local authorities thereof, in carrying out necessary research, surveys, and control operations in those countries in connection with the eradication, suppression, control, and prevention or retardation of the spread of undesirable species and subspecies of honeybees, including but not limited to *Apis mellifera adansonii*, commonly known as the African or Brazilian honeybee. The measure and character of cooperation carried out under this subsection on the part of such countries, including the expenditure or use of funds appropriated pursuant to this Act, shall be such as may be prescribed by the Secretary of Agriculture. Arrangements for the cooperation authorized by this subsection shall be made through and in consultation with the Secretary of State.

"(c) In performing the operations or measures authorized in this Act, the cooperating foreign country, State, or local agency shall be responsible for the authority to carry out such operations or measures on all lands and properties

within the foreign country or State, other than those owned or controlled by the Federal Government of the United States and for such other facilities and means as in the discretion of the Secretary of Agriculture are necessary."

This amendment is needed to give the Secretary authority to act swiftly and effectively to eradicate or suppress the Africanized bee or any other undesirable species of honeybees within the United States, in the event that they are accidentally or intentionally introduced into the United States.

THE CHAIRMAN. The first witness is Dr. Harry C. Mussman, Associate Administrator, Animal and Plant Health Inspection Service, U.S. Department of Agriculture.

Dr. Mussman is accompanied by Dr. Marshall D. Levin, who is Deputy Assistant Administrator for Plant and Entomological Sciences with the Department's Agricultural Research Service.

Gentlemen we welcome you both to the committee and apologize for the delay in getting started this morning.

Dr. Mussman would you care to introduce the other gentleman accompanying you?

**STATEMENT OF HARRY C. MUSSMAN, ASSOCIATE ADMINISTRATOR,
ANIMAL AND PLANT HEALTH INSPECTION SERVICE, U.S. DE-
PARTMENT OF AGRICULTURE**

DR. MUSSMAN. Mr. Chairman and Members of the Committee: I appreciate the opportunity to appear before the committee to express the views of the Department on H.R. 5242 and S. 18. I am accompanied by Mr. Tom Darling, Assistant Deputy Administrator, Plant Protection and Quarantine Programs, and by Dr. Marshall D. Levin, Deputy Assistant Administrator, Plant and Entomological Sciences, Agricultural Research Service. Dr. Levin is a recognized expert on apiculture.

The Department's reports on H.R. 5242 and S. 18 recommended enactment with certain suggested amendments. As passed by the Senate, S. 18 incorporates these amendments. We continue to recommend enactment of S. 18, or of H.R. 5242 if similarly amended. For this reason, our comments will address S. 18.

Essentially, S. 18 would do two things:

First, it would strengthen the current provisions of the Honeybee Act by prohibiting the importation of honeybees in all stages from egg to adult including semen, with certain exceptions. Excepted would be honeybees imported by the Department for scientific purposes; and importations of bees or semen from those countries of the world which are free of diseases or parasites harmful to honeybees, including undesirable species or subspecies of honeybees.

Second, it would provide the Department with standby authority to cooperate with the several States, Canada, Mexico, the Central American countries and Colombia in conducting such operations or taking such measures as may become necessary to protect against undesirable species or subspecies of honeybees.

In 1972, a committee of the National Research Council of the National Academy of Sciences completed a study of the African honeybee problem in Brazil. The report contained several recommendations, including the need for legislation to give the Department authority to deal effectively with the potential problems which could result from the introduction of the so-called African bee into the

United States. The legislation under consideration would provide this authority. Enactment of the bill is important because of the threat that strains of the Africanized bees could be imported or accidentally introduced.

The Department considers it essential that Africanized bees be kept out of the United States. In South America, the African strain has become mixed with native honeybee strains. In so doing, the African bee has imparted to the local bees its most singular and potentially troublesome traits—aggressiveness and excessive swarming. The resulting hybrid foraged so effectively that strains kept by other commercial beekeepers often could not compete in those areas where the Africanized strains appeared. Of equal importance, these hybrids were often extremely vicious and difficult to handle, especially in the early crosses.

There is a real possibility that this hybrid strain may be introduced into and spread within this country. If this were to occur, and if the hybrids behaved as in Brazil, it is likely that the present practice of maintaining apiaries in rural areas, often near human habitation, would not be tolerated by the public. This would interfere with the use of bees for crop pollination and adversely affect some of our most important fruit, vegetable, and seed industries. The bill would enable the Department to cooperate with other countries in efforts to establish physical, chemical, behavioral, or other barriers to the overland movement of the Africanized bee into the Southwestern United States.

Over the years, this committee has actively supported legislation to authorize the Department to cooperate with foreign countries in efforts to detect, control, and eradicate agricultural pests and diseases. In 1947, for example, the authority to combat foot-and-mouth disease and rinderpest was first extended to include Mexico. More recently, in 1971, this authority was broadened to include other animal diseases and pests and extended to include Canada, the Central American countries, and Colombia. In this session of Congress, the authority of the Department to deal with plant pests was broadened and extended to include cooperative activities against a wide range of plant pests in all countries of the Western Hemisphere.

These actions resulted from the recognized need to deal with such problems as the Mediterranean fruit fly, Venezuelan equine encephalomyelitis and others, before they are allowed to spread naturally into the United States. Sections 3 and 4 of S. 18 would provide similar authority to deal with such problems that might occur if the northward spread of the Africanized honeybee continues. In exercising this authority, the Department would have to submit a detailed plan to the Congress to support a request for funds. No additional funds would be needed for administering the import provisions of the bill since they would be enforced by our inspectors already at ports of entry.

Mr. Chairman, this concludes my remarks. My colleagues and I will do our best to respond to questions.

The CHAIRMAN. Mr. Poage?

Mr. POAGE. I want to ask why you limit the authority to cooperate with foreign countries to the ones you mentioned? Is there any reason why we should not give blanket authority? You might find that you have honeybees in the Fiji Islands which are not at the moment a threat but may become a threat to the United States.

Why should we not have that authority rather than limiting it simply to the countries you mentioned?

I can see that you have left out the Caribbean.

The threat is just as great from Jamaica and Haiti and the Dominican Republic as it is from Central America.

Dr. MUSSMAN. As far as the Fiji Islands are concerned, to prohibit the import of the adults at all stages of the development of bees would cover anything coming in from wherever it might arise. This would apply to the Fiji Islands or anyplace in the world. We are not likely to encounter a direct migration from the Fiji Islands over the oceans to the United States.

Similarly, from the Caribbean it is unlikely that the migratory pattern of the bees would take that route. They would tend to come up through Colombia and the Central American countries, Mexico and so on.

Mr. POAGE. You are likely to have them come up through Guadalupe and Martinique and through the Virgin Islands and to Puerto Rico; are you not?

Dr. LEVIN. We do not have any evidence that the bees actually go across large bodies of water unassisted. We feel that any likelihood of movement of the bees across bodies of water in this fashion would be by man-assisted means, purposefully or accidentally. The quarantine aspect of the law is designed to take care of this type of movement.

Cooperation with the countries south of the United States would deal solely with situations where the bees would migrate naturally along a land mass without any assistance, purposeful or accidental from man.

This would be the kind of situation where we might need to work with the governments involved.

Mr. KREBS. Will the gentleman yield?

Mr. POAGE. In just a moment.

I can see why it may not be necessary to extend this authority any broader than it is. Maybe it is unwise to make it any broader.

But it would seem to me that we might be in a better position if we had the authority to act rather than waiting for some of these things to develop into serious problems.

We are generally a little slow in acting. Maybe you should have the authority to deal with these problems anywhere in the world because of the rapidity with which these problems develop.

Dr. MUSSMAN. The Congress, in broadening the authority of the Department to deal with plant pests, included all the countries in the Western Hemisphere.

The primary reason for us not having sought actively that sort of broad authority to work with—let's say, Chile, Argentina, or countries like that—is that as long as diseases or pests are limited to those countries, it is unlikely that we would have any great enthusiasm for getting in there and actively becoming involved.

It is not until we get to Colombia and Panama where they begin to pose a serious problem to the United States.

Mr. POAGE. Did we not bring in fire ants from Venezuela?

Dr. MUSSMAN. Which one?

Mr. POAGE. Fire ants.

Dr. MUSSMAN. Those were imported.

Mr. POAGE. I know they were.

Dr. MUSSMAN. They came into the United States at a seaport in one of the Southern States.

Mr. POAGE. Yes, in Mobile.

Dr. MUSSMAN. It was not a matter of having migrated over land mass. They were imported accidentally.

Mr. POAGE. I know they were.

But might there not be circumstances where it would be well to try to contain these things before they are hauled in by boat or by donkey?

Dr. MUSSMAN. It would depend on how enthusiastic that we, the Congress, and others would be to actively involve ourselves in a control or eradication program in a country that far removed.

Mr. POAGE. I do not know, but I thought here was an opportunity for you to do it.

Dr. MUSSMAN. If it appeared that this would be the ideal approach to control of the disease or pests and if a case could be made to justify to do so, then I am sure we would concur in that view.

The CHAIRMAN. Are there other questions of Dr. Mussman and Dr. Levin or Mr. Darling?

Mr. Krebs?

Mr. KREBS. Dr. Mussman, we were furnished with some information on which you may want to comment.

Initially, I want to make it clear I am not necessarily subscribing to this theory. Basically, the theory is that the African bee is not harmful. I don't know whether you saw the material or not. It shows a lady whose face is covered with bees. I do not have the picture with me at the moment. Have you seen that material?

Dr. MUSSMAN. May I ask Dr. Levin to respond to that?

Mr. KREBS. Certainly.

Dr. LEVIN. I have seen pictures of ladies' faces covered with bees, but I have not seen it with African bees.

I do not throw out the possibility that it could have taken place someplace, but it is not the usual kind of situation that you want to find yourself in with the African bees.

Mr. KREBS. In other words, you are standing by the previous testimony that it is a very dangerous and harmful insect?

Dr. LEVIN. If I remember correctly, my previous testimony indicated that I think it could be dangerously harmful, under certain circumstances as it has been in some situations in the past.

Mr. KREBS. Thank you, Mr. Chairman.

Dr. MUSSMAN. There are studies underway to try to elucidate further the degree of threat present at the moment.

At present we are not all that certain. Until we have additional research data on genetic influences, climatic influences, and on the temperament of the bee itself, we are not in a position to underestimate its importance. Therefore, we feel that this authority would be important.

Mr. KREBS. Thank you.

The CHAIRMAN. Mr. Bedell?

Mr. BEDELL. You say that you really are not certain as to the problems involved, but you think there could be problems but you're not certain?

Dr. MUSSMAN. The reports which have been reaching us out of South America indicate there are serious problems.

There have been a number of human deaths reported. There have been innumerable instances in which livestock has been killed or maimed as the result of attacks by the bees. They are aggressive.

Once aroused, they are aroused for a much longer time than what the domestic bee would be normally.

As this bee migrates northward, let's assume it gets into North America. Until we know, or are in a better position to predict what happens though studies are underway at the present time, we are not certain that the undesirable characteristics of the hybrid bee in Brazil will or will not be retained as they end up in the United States. Changes in climate or in the genetic mixtures with existing populations of bees in the intervening countries could make a lot of difference.

Mr. BEDELL. Are there swarms of those bees in the United States at this time or not?

Dr. MUSSMAN. To our knowledge there are none.

Mr. BEDELL. I see.

This law involves to some extent, if I read it correctly, of our working with other countries in their countries to try to bring control to this sort of thing. I guess the concern I would have is that if we don't know whether it is a serious problem or not, do we believe it would be advisable for us to get involved in what they are doing in their countries until such time as we know whether or not it's a problem?

Dr. MUSSMAN. The authority to cooperate with these other countries is for the purpose of having that authorization available, should it be necessary. Once adequate information is available that the need exists, we would come to the Congress with adequate justification for the funds to deal with the problem.

Mr. BEDELL. If this bill were passed as it is, would it in effect say that you would not go into those other countries and involve yourself in what was going on until you came back to Congress for approval, or would you have authority under this bill to use discretionary funds to do that without further congressional approval?

Dr. MUSSMAN. We would not be authorized to enter into agreements with other countries as far as African bees are concerned with the existing laws under which we operate, but we would be able to under this bill, if amended, and S. 18.

Mr. BEDELL. My question is that if we pass the new legislation with those amendments, then would it still be necessary for you to determine that it was a problem and come back to Congress for approval before you spend American taxpayers' dollars in other countries? Or would this bill, if we passed it, authorize you to use taxpayers' dollars to do that sort of thing without coming back to Congress for further approval?

Dr. MUSSMAN. It will require the submission of a budget proposal to the Congress for the appropriation of funds to undertake a cooperative program in the countries named in the bill.

Mr. BEDELL. So you would not be able to do it without coming back? In your opinion, there would not be discretionary funds available to you to do this, and you would have to come back to Congress for approval of taxpayers' money to be spent in a foreign country?

Dr. MUSSMAN. That is correct.

The CHAIRMAN. Are there other questions?

Mr. MURRAY. Dr. MUSSMAN, I understand the Department's position is to support S. 18 as passed by the Senate without further amendments, but you think the House version should be amended.

Dr. MUSSMAN. Yes.

Mr. MURRAY. Could you supply for the record the Department's estimate of the cost that would be incurred for this bill during the current fiscal year and each of the subsequent 5 fiscal years, if any?

Dr. MUSSMAN. As I said in the testimony I gave, as far as the importation provision is concerned, we have inspectors at those ports of entry.

In the normal course of their duties, they would be screening for this kind of an introduction of bees or the different stages of their life cycle. There would be no additional funds required.

The other aspect is to provide for cooperation with certain countries, Central American and others, to deal with this problem.

At this time, we do not project the migration of the bee to any of these countries during the next 5 years. If this projection is correct, no funds would be required for this provision during the 5-year period. If the projection is faulty, due to unanticipated events, the level of funding would depend on mutual agreement with the cooperating countries; the extent of the threat; and action by the Congress on proposals which would be submitted at that time.

Mr. MURRAY. Thank you, Mr. Chairman.

The CHAIRMAN. If there are no further questions, gentlemen, we know you have been waiting for some time for the hearing to conclude; and rather than ask you to remain, we will excuse you. If we have additional questions, we will submit them to you in writing.

Dr. MUSSMAN. Thank you.

The CHAIRMAN. The next witness will be Mr. Glenn Gibson, executive secretary of the American Honey Producers Association, Inc.

Apparently, Mr. Gibson is not here.

Without objection, his statement will be inserted in the record.

[The prepared statement of Mr. Gibson follows:]

STATEMENT OF GLENN GIBSON, EXECUTIVE SECRETARY, THE AMERICAN HONEY PRODUCERS ASSOCIATION, MINCO, OKLA.

The American Honey Producers Association is a nation wide organization of honey producers and/or beekeepers. We have members in 37 states. Our group is the only national organization that restricts voting membership to producers.

S. 18 and related bills amends the Act of August 31, 1922, and authorizes the creation of new bureaucratic machinery in this country and the countries of Central America to carry necessary research, surveys, and control operations in those countries in connection with the eradication, suppression, control, and prevention or retardation of the spread of undesirable species and subspecies of honeybees, including but not limited to *apis mellifera adansonii*, commonly known as the African or Brazilian honeybee.

We support the amendments to the Act of 1922 in Sections 1 and 2. These sections, simply, strengthen the present quarantine law.

We do not support sections 3 and 4.

In 1974 and 1975 we worked with the Department of Agriculture and Senator Bob Dole in the preparation, introduction and passage of S. 18, the African/Brazilian Honeybee Bill. Members of the Senate Committee on Agriculture and other Senators were advised that we supported the entire bill. The Senate Ag Committee held hearings on June 3, 1975 and a few weeks later the Senate passed the legislation.

We have been interested in the African Bee since 1968 when we learned about its viciousness in certain areas of Brazil. We were told that it was advancing north at the rate of 200 miles per year and some of our beekeepers were predicting

an invasion by 1988. All of this was frightening. If these reports were true, then North American beekeeping would be hard-pressed to stay alive, simply, because the viciousness could not be tolerated in this country.

Fear of the possibility of an invasion by this uncontrollable and vicious bee prompted us to give S. 18 our wholehearted support.

About the time the Senate Committee on Agriculture and Forestry held hearings on S. 18, this African bee received a great deal of attention by the news media. Most news releases, including a NBC documentary, were prepared to excite the public. Very few facts were used. Exaggerations, quoting experts out of context, and telling outright lies have convinced the public that these bees are killers and they are heading north at a rapid pace.

Since we must deal with the public in a number of ways, publicity such as this hits us where it hurts.

All of this furor caused us to give the entire problem a thorough study. Our new policy is based on our findings. Some of these are:

1. The whole story about the Africanized bees being a menace to our well being in this country is completely false. All stories in the news have had serious omissions, errors and gross exaggerations.

2. Africanized bees have "invaded" Argentina and nothing unusual has happened.

3. Persistent rumors cause us to feel that African bees have been introduced in Mexico.

4. African honeybee sperm was used at the Agricultural Research Service, USDA Bee Laboratory in Baton Rouge in 1960-1961 to hybridize a few experimental colonies. If the killer bee stories were true, these hybrids would have caused trouble in Louisiana. They didn't.

5. Should this bee reach the U.S., it would be a hybridized bee with little viciousness.

6. Dating back to 1890 several attempts have been made to introduce the African bee in this country, but none have been successful.

Bees are easily handled by experts. Being a cameraman for the National Broadcasting Company or an ecologist is not necessarily good qualifications for studying the African bee in Brazil. To illustrate the importance of scientific knowledge when working with bees, I am attaching a picture of Mrs. Ralph Klebes of St. Charles, Illinois. Mrs. Klebes, who is 84 years old, has bearded herself with bees several times in the past.

If these bees on Mrs. Klebes had been mishandled, they would have become vicious instantly.

I am also attaching an article, "I'm Not Afraid of African Bees," by Roger Morse. This appeared in the January 1976 issue of The American Bee Journal. We agree with Mr. Morse's conclusions.

We think the problem has been blown out of proportion by a scare bent press. We feel that all of our problems involving genetics can be handled in this country. No vague projects with the governments of Central America would serve any useful purpose whatever. We are asking the Department to revamp their entire program and spend their time and energy on developing a better bee for this country. The ARS facility at Baton Rouge is equipped and manned to do the job.

In the meantime Sections 3 and 4 of S 18 need to be deleted. To support these sections, simply, means that a hoax is being given official support.

[The attachments to Mr. Gibson's statement are held in the committee file.]

The CHAIRMAN. Our next witness will be Mr. Robert Ray, vice president of the American Beekeeping Federation, Cannon Falls, Minnesota.

STATEMENT OF ROBERT RAY, VICE PRESIDENT, AMERICAN BEEKEEPING FEDERATION, INC.; ACCOMPANIED BY ROBERT BANKER, SECRETARY-TREASURER, AMERICAN BEEKEEPING FEDERATION, INC.

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

I am vice president and chairman of the legislative committee of the American Beekeeping Federation, Inc., which is a national organization with membership in virtually all of the 48 contiguous

States composed principally of commercial honey producers, hobbyists, and side-line operators.

I also am a commercial honey producer and together with my two sons, operate more than 6,000 colonies of bees in Minnesota. I have been in the business more than 40 years.

I have with me Robert Banker, the secretary-treasurer of the federation, who is also a commercial honey producer.

Thank you for the opportunity to present this statement in support of H.R. 5242.

We firmly believe the African Brazilian bee poses a serious threat to our domestic industry, to agricultural production, and the general public. Existing legislation does not provide adequate controls to prevent the introduction of this most undesirable strain of bees, either by intent or accident.

This bill would provide the necessary safeguards to control all importations in all life forms from countries where the African or Brazilian bees are known to exist or any other undesirable strains are present; yet it would allow, under controlled conditions, semen from desirable strains to be imported to provide new sources of breeding stock.

Some mites which have been found to be real pests on the immature forms of bees in the Philippines and Asia pose another problem. These would also be excluded by this legislation.

This legislation would authorize cooperative research and control programs with Canada, Mexico, and Central American countries. We think this is wise.

If migrations of this undesirable bee continue northward toward our borders, effective control measures should be instituted to stop that migration or modify its character to an acceptable form before it reaches the United States, rather than waiting until it is here.

If this bee in its present form should be introduced, it would prove disastrous to all phases and categories of our present beekeeping industry. Much of our agricultural production would suffer untold harm because it would be virtually impossible to carry on our present pollination services for the more than \$7 billion worth of crops that either depend on honey bee pollination or are benefited from that pollination.

African or Brazilian bees would be most difficult, if not impossible, to transport and could not be placed in close proximity to areas where humans or animals would be expected to work or visit.

At present, nearly all contract pollination is carried out by transporting colonies as much as 1,000 miles and more to the crop requiring pollination and placing them in or immediately adjacent to that crop for the most effective pollination.

This could not be done with the African or Brazilian bee in its present form. There would be too much danger of vicious attacks on humans and/or animals.

The production of many of those crops requiring pollination would suffer, be diminished, or be discontinued as economically unsound if they were to have available only African or Brazilian bees for pollination.

Drastic and expensive modification of our entire beekeeping industry and practices would have to be made if this bee were to

become established. Danger posed to humans and animals due to the vicious nature of this particular bee would be increased.

The news media has exploited and expounded this bee unrealistically, and there are some diverse opinions being expressed by some scientists and researchers as to the possibility of introduction and establishment of this bee in the United States.

We do not believe there has been enough research completed to make any firm statements.

Enough studies have been made and are underway in addition to the well-known and established undesirable characteristics of this bee to substantiate a real and serious threat to the U.S. beekeeping industry, to American agricultural production, and to the general public.

We believe H.R. 5242 is necessary and good legislation and is needed to provide control measures before we have a problem.

We therefore urge your favorable consideration of this measure.

If you have any questions, I will do my best to answer them.

Thank you for your attention and interest.

The CHAIRMAN. Thank you very much.

If you would remain in your places, we will call our last witness, Mr. Homer P. Powers, who is president of the Eastern Apicultural Society, then we will question you en bloc.

STATEMENT OF HOMER P. POWERS, PRESIDENT, EASTERN APICULTURAL SOCIETY

Mr. POWERS. The Eastern Apicultural Society, an organization of bee associations in Northeastern North America, hereby endorses the intent and spirit of H.R. 5242. Its provisions are deemed necessary for continuation of human management of bees for crop pollination and honey production.

Further, it is deemed imperative that the civilian nationals of those countries separating the lands presently occupied by African bees from the United States be urged to contribute from their resources to such projects as may develop from passage of this bill.

I would like to offer you some of the rationale that underlies that statement.

Our statement supports the bill as it was presented to the Senate when it was Senate bill 18.

One paragraph says that "We, the Eastern Apicultural Society, are anxious to see that its civilian nationals in countries outside the United States work on a project to prevent importation of African bees.

If they work on it, we hope that their countries will contribute—physically contribute—to the effort to prevent African bee migrations further north.

I believe that Dr. Mussman said that that was the view that APHIS had also.

That is another thing that bothers us.

I should introduce myself to you as president of the Eastern Apicultural Society. We are serious amateurs.

Of the 14 states, and 2 provinces of Canada, where our members reside—and 2 of my board members are Canadians—in those states

we have about 700 individual dues-payment members. We have about 85 regional bee clubs which pay membership dues to the Eastern Apicultural Society.

So we represent quite a large interest in beekeeping, even though not in the volume of it.

So as interested citizens and serious amateurs we read the literature that underlies what we're doing here today.

One of the things that bothers us a little bit is that the scientific community is not really together on what the African bee is. So far as I know, there isn't a good key for determining what an African bee looks like.

We have begun to view fighting the African bee as fighting a behavior pattern more than an individual insect.

The two things we don't want to come into the United States are the cross-temperament and the poor-wintering ability.

As for keeping those things out by just prohibiting a bee from coming into the United States, that may not be all that easy. Because those bees that have those undesirable characteristics have the same chromosome numbers of the bees that we use as serious amateurs.

Hence, we think that fighting the African bee isn't as easy a problem as some of the ones that were mentioned by Dr. Mussman, where he said there was good success with the Mediterranean fruit fly and the screwworm. He did not mention the capra beetle which I think they eradicated successfully.

But there is an order of events that might allow us to have to put up with the African bee.

If we do not view it with the intent to implement everything that the scientific community knows and with all the facilities and knowledge that the implementors at APHIS can put together, if we do not work very well together on it, then I am afraid the African bee will come anyway.

In the order of events when we citizens have a problem and we come to you elected officials for help, you are always very responsive. You give us a law and you fund the law. Then you turn it over to the implementors to put the law to work and to help us with our problem.

They do work on the problem, but sometimes if the problem is too big for the implementors, they just send it back to the citizen to handle on his own. The Japanese beetle is a classic example, where after an area is considered totally infested, the Federal domestic quarantine is revoked and they no longer work on it. The citizen then is back on his own again.

We don't want that kind of thing to happen with these bees.

Envision a scenario where all our bees are crossed and incapable of wintering well at our latitude. Then the testimony you heard on the value of pollination and the contributory nature of beekeeping in this country will be very meaningful.

Thank you for your attention.

The CHAIRMAN. Gentlemen, we thank you very much for your testimony this morning. Before recognizing members for questioning, I should like to make a few observations for those who were unable to be here earlier.

In general, these gentlemen support legislation which has been introduced in the House and in the Senate. The basic thrust of the

legislation is to prohibit the deliberate introduction of this bee strain in the United States until we can learn more about the effects it might have on our domestic bee population and what possible hazards to agriculture and humans which might result from its introduction.

I gather that you gentlemen all support giving the USDA authority to cooperate with specific countries in Central and South America which have been involved with this problem.

Is it your assessment that the beekeeping community, both professional and amateur, is in general sympathy with the provisions of this legislation?

You are representing specific organizations, but do you know of any opposition to this legislation from other professional or amateur beekeeping associations?

Mr. RAY. We understand that there is some opposition to the two sections that were mentioned by Dr. Mussman and Dr. Levin. We do not feel that they are pertinent. We do not feel that they are necessary objections.

We work on the theory that we hope to stop this before it reaches our country. That's the only way we can do it.

To answer your question about objections, yes; there are some. You heard the opinions of the research. I would elaborate a little on Mr. Powers' statement.

In my testimony I mentioned Mr. Banker and myself making our living. We are the people who have the problem with this vicious bee.

I live in a small town which has accepted our bees very well. But if we start stinging up that town, and are not able to get along with our neighbors and keep our bees, then there will be a village council meeting and I will be gone.

We therefore are affected directly with the viciousness, not necessarily with this bee but in hybridizing it leaves undesirable problems.

So I would say that any honey producer would certainly be in favor of this bill as it is written.

The CHAIRMAN. This committee is certainly very conscious of the overall importance of beekeeping to agriculture, not only in terms of the production of honey, but because it aids in the pollinization of crops.

I think there is a high degree of likelihood that one form or another of this legislation, with some modification perhaps, will be reported by this committee and adopted by the House.

I want to thank each of you again for coming to offer this as well as for your assistance in developing a body of information on this subject.

If there are no further questions, we will adjourn the committee. The Chair reminds members that the next meeting of the full committee will be on May 4 at 10 a.m. At that time we will consider H.R. 11743, the National Agricultural Research Policy Act by Mr. Wampler and others.

I thank the members very much for their attendance and participation this morning.

Without objection, I have a statement from Roger A. Morse, professor of apiculture with the Department of Entomology at Cornell University, which will be inserted for the record at this point.

The committee stands adjourned.

[Whereupon at 11:30 a.m. the committee adjourned.]

[The prepared statement of Mr. Morse and a letter from the Apiary Inspectors of America follow:]

STATEMENT OF ROGER A. MORSE, PROFESSOR OF APICULTURE, DEPARTMENT OF ENTOMOLOGY, CORNELL UNIVERSITY, ITHACA, N.Y.

I urge that S. 18, an act to amend the act of August 31, 1922 concerned with honey bees, be rejected as written. Parts 1 and 2 could be helpful; parts 3 and 4 are not warranted.

Bees from Africa were introduced into Brazil for the purpose of improving beekeeping in that country. That goal has been accomplished. Brazil now produces more honey than ever before in her history; the commercial beekeepers in Brazil with whom I have talked, are proud and pleased with their "Africans". Both African and Africanized bees sting more than do their European counterparts. This has lead some people to abandon beekeeping in Brazil. However, I have also seen and visited with men in Brazil who have requeened their colonies with queens from California; these men are now keeping bees as they always have.

The European bees used so successfully by us and in Canada, Mexico, Argentina, Australia and New Zealand are not adapted to the tropics. Beekeeping in the American and Asian tropics has never even begun to approach the successful level which has existed in the African tropics for many years.

One does not grow oranges in Wisconsin or apples in Florida. Tropical races of honey bees are suited to honey production in the tropics.

The continued northward movement of Africanized bees in South America is to be expected. I suspect that this movement will be encouraged by aggressive beekeepers. It is logical that beekeepers, bee breeders and geneticists should search for a bee which is less aggressive and retains the African bee's ability as a honey producer in the tropics. Researchers in Brazil are now concerned with this goal. I suggest such studies should be encouraged. Further research into the biology of African and Africanized bees is also needed. Studies aimed at learning how the bees in Brazil became Africanized so rapidly would do much to enhance our knowledge of bees and animals in general.

I wish to call attention three articles in the American press by a Brazilian researcher which indicates some of the enthusiasm they have for their bees. The last title conveys this message.

Goncalves, Lionel S. The introduction of the African bee (*Apis mellifera adansonii*) into Brazil and some comments on their spread in South America. American Bee Journal 114: 414-415, 419. 1974. Comments on the aggressiveness of the Africanized bees in Brazil. American Bee Journal 114: 448-450. 1974. Do the Africanized bees of Brazil only sting? American Bee Journal 115: 8-10. 1975.

I should also like to comment on some of the scare press which we have seen lately. Reporters have been sent to Brazil to investigate the question of African bees. These reporters found a "problem" in Brazil. None of the persons concerned with these reports are known for their expertise in bee biology and one notes that they shied away from close contacts with Brazilian researchers and successful Brazilian beekeepers. All of the scare pictures could have been taken in my apiary in Ithaca, New York in mid-summer. All honey bees sting. If I kick a hive, tip it over, or otherwise disturb it without taking precautions the bees within will attack. I do not say that the reporters of African bee scare stories were dishonest. I do say they were neophytes; they dressed clumsily, did not take suitable precautions and had poor guides and advice. They were stung and for them that was a problem.

Animals are not plants. If one rides horses one runs the risk of falling or being tossed off. If one keeps cows one may have their toe stepped on, or may be kicked into the gutter while milking. Pigs and dogs bite, chickens peck and goats butt. Honey bees sting; African bees sting a little more than do some other bees.

In 1973 my students and I documented the fact that bees from many parts of Africa have been introduced in the United States many times. A copy of that paper is attached. If these bees were a real threat we would be aware of that fact now. You will also find another paper I wrote, "I'm not afraid of African bees" attached to a statement by Mr. Glenn Gibson of the American Honey Producers Association.

[The attachment to Mr. Morse's statement is held in the committee file.]

APIARY INSPECTORS OF AMERICA,
Helena, Mont., April 15, 1976.

HON. THOMAS S. FOLEY,
Chairman, House Agricultural Committee,
Longworth HOB, Washington, D.C.

DEAR CONGRESSMAN FOLEY: The Apiary Inspectors of America wishes to go on record as a proponent of House Bill 52-42 in its entirety. The entry of the Africanized Bee into the United States of America could potentially pose a serious threat to the beekeeping industry and therefore to the stability of agriculture as a whole.

The possible disruption of the beekeeping industry due to the intentional, accidental, or natural entry of the Africanized Bee would be the result of a sharp decline in the number of bee hives kept by beekeepers resulting from difficulties with colony management and concern for public safety. Moreover, and more importantly, the reduction in the number of hives would lead to severe pollination problems within the agricultural industry. The USDA estimates that \$3.3 billion worth of U.S. agricultural crops are completely dependent on pollination by insects before crops can produce. Honeybees pollinate an estimated 85 percent of this total. An additional \$4 billion worth of agricultural crops benefit to some extent from insect pollination. Any marked decline in pollination would result in severe economic hardship for the growers of these crops.

The A.I.A. appreciates the consideration to submit this statement and trust that the committee will urge for passage of H.B. 52-42.

Respectfully submitted,

WILLARD A. KISSINGER,
President, A.I.A.

WOOL PRICE SUPPORT PAYMENTS AMENDMENT

MONDAY, MAY 3, 1976

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND GRAINS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 10:05 a.m., pursuant to notice, in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Bergland, Bedell, and Sebelius.

Staff present: William A. Imhof, associate counsel; John Baize and Alan M. Gray, staff consultants, Subcommittee on Livestock and Grains; and Anita R. Brown, staff assistant.

Mr. POAGE. The subcommittee will come to order.

We are meeting today in order to consider S. 532, by Senator Haskell and others, to amend retroactively regulations pertaining to the computation of price support payments under the National Wool Act of 1954.

[The bill S. 532 follows:]

[S. 532, 94th Cong., 1st sess.]

A BILL To authorize the Secretary of Agriculture to amend retroactively regulations of the Department of Agriculture pertaining to the computation of price support payments under the National Wool Act of 1954 in order to insure the equitable treatment of ranchers and farmers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of Agriculture is authorized to amend retroactively regulations of the Department of Agriculture pertaining to the computation of price support payments under the National Wool Act of 1954 in order that the amount of such payments may, in the case of any rancher or farmer, be computed on the basis of (1) the net sales proceeds received, or (2) in the case of any rancher or farmer who failed to realize the amount provided for in the sales document, the lesser of the following: (A) the net sales proceeds based on the price the rancher or farmer would have received had there been no default of payment under such document, or (B) the fair market value of the commodity concerned at the time of sale.

SEC. 2. The Secretary of Agriculture is further authorized to reconsider any application filed for the payment of price support under the National Wool Act of 1954 with respect to any commodity marketed during the four marketing years 1969 through 1972 and to make such payment adjustments as he determines fair and equitable on the basis of any amendment to regulations made under authority of the first section of this Act.

Mr. POAGE. We have Mr. Victor A. Senechal, Assistant Deputy Administrator for programs of the Agricultural Stabilization and Conservation Service, USDA.

STATEMENT OF VICTOR A. SENECHAL, ASSISTANT DEPUTY ADMINISTRATOR, PROGRAMS, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. SENECHAL. Mr. Chairman and members of the subcommittee. My name is Victor Senechal. I am Assistant Deputy Administrator, programs, ASCS.

I am glad to appear before your subcommittee on behalf of the U.S. Department of Agriculture to discuss the Department's recommendations on S. 532.

The bill would authorize the Secretary to amend retroactively the Department's regulations for the wool payment program to provide that in the case of any producer who failed to realize the full amount provided for in the sales document covering the sale of his wool during the years 1969-72 that payment under the National Wool Act may be computed on the basis of the lesser of:

(a) The net sales proceeds based on the price the producer would have received had there been no default of payment, or

(b) The fair market value of the wool at the time of sale.

A promise to pay, even though supported by a promissory note, has not been considered in the past to constitute payment within the meaning of the wool payment program regulations governing the computation of payments under the National Wool Act.

During 1969 and 1970, about 50 wool producers delivered wool to a marketing agency under agreements whereby the producer:

(a) Delivered his wool to the agency,

(b) Relinquished title of the wool, and

(c) Received a cash advance in partial payment.

In a number of instances, the balance due the producer was paid by a promissory note. These notes were never paid and are now considered to be uncollectable.

Because regulations then in effect specifically excluded a promissory note as the equivalent of a payment, it was determined that the producers involved could only receive a payment under the wool payment program on the basis of that part of the purchase price received in the form of cash advance.

This resulted in drastically reduced payments and considerable hardship for the producers involved. It is estimated that approximately \$150,000 would be required to pay the 50 producers involved in five States that were denied their full wool incentive payments.

Although regulations in effect at the time in the period 1969-72 did not permit relief for the producers involved, regulations covering the wool payment program have since been amended to provide for administrative discretion under specified circumstances to include such amounts as part of the net sales proceeds.

The Department recommends prompt passage of this bill and would like to commend the chairman for the subcommittee's prompt consideration of this Senate-passed legislation.

Mr. POAGE. Are there any questions?

Mr. Bergland?

Mr. BERGLAND. These 50 to whom you refer: Are they part of the wool pool?

Mr. SENECHAL. No, sir, they were not necessarily a part of the wool pool.

There was a wool-buying company. The 50 producers were in 5 States, primarily Colorado, Wyoming, Utah, Idaho, and Oklahoma. They had given their wool on consignment to this wool-buying company.

Some of them were given a cash advance when they gave their wool on consignment. There were also given a promissory note for the balance due.

The wool-buying company eventually went bankrupt.

Of course, they did not receive any proceeds at all for the wool offered.

Because of the regulations that we had in effect at that time, which required that we have evidence of payment, we were unable to make them a wool payment as well; so actually these particular producers were out in the cold in two ways;

They didn't get any money for their wool to begin with.

And we were unable to give them a wool payment at the same time. They got nothing for the wool that was consigned.

Mr. BERGLAND. If that had occurred in more recent years, you could have made the payment; is that correct?

Mr. SENECHAL. Yes, sir.

As soon as we ran into this situation, Congressman, we did amend the regulations beginning with the 1973 crop of wool.

But we had actually written a letter to the Comptroller General's Office to find out if we could amend the regulations retroactively.

The advice that we received was that we could not and that we would have to receive congressional relief in order to pay them.

Mr. BERGLAND. That was my next question.

Does it take an act of Congress to do what should have been done in the first place? The answer, apparently, is yes.

Thank you.

Mr. POAGE. We thank you, Mr. Senechal, very much.

Is there anyone else here this morning who would like to be heard?

[No response.]

Without objection, a letter from the National Wool Growers Association will be inserted in the record at this point.

[The letter submitted by the National Wool Growers Association follows:]

NATIONAL WOOL GROWERS ASSOCIATION,
Washington, D.C., April 28, 1976.

Re S. 532

HON. W. R. POAGE,
Chairman, Subcommittee on Livestock and Grains, House Committee on Agriculture,
Room 1301 Longworth House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is to advise that the National Wool Growers Association strongly supports S. 532 and urges its enactment.

We look on this bill as remedial legislation to accord the same treatment to certain wool producers that other wool producers have already received. Passage of this bill would permit the making of payments under the National Wool Act to approximately 50 producers in several western states who in good faith marketed their wool through an agency in the State of Colorado which went bankrupt after title to the wool had passed and which consequently defaulted in payment to the producers of the full proceeds for the wool that marketing agency handled.

Although regulations of USDA at the time of this bankruptcy apparently did not permit payments to be made under the particular circumstances involved, the Department obviously takes the position that this was an inequity because a provision to correct this situation has been included in regulations governing the wool program for 1974 and following years up to the present expiration date of the National Wool Act at the end of 1977.

While the bill will not and is not expected to restore payments for the sale of the wool which were defaulted, it will enable approximately 50 unfortunate wool producers to salvage a portion of their returns by enabling the Secretary of Agriculture to make incentive or support payments on wool in line with payments which more fortunate growers received by reason of their also receiving returns in full for the sale of their wool.

For the reasons set forth we do strongly support this bill and, if it meets with your approval, we would be happy to have this letter included in the hearing record.

Sincerely,

EDWIN E. MARSH, *Executive Secretary.*

Mr. BERGLAND. I move that the bill, S. 532, be reported with the recommendation that it do pass.

Mr. SEBELIUS. I understand that the staff has gone over it and that there are no additions to be made.

Mr. POAGE. All in favor of the motion, signify by saying, "Aye." Opposed?

It is unanimous and the bill will be reported to the full committee with the recommendation that it be passed.

The subcommittee stands in adjournment at the call of the Chair.
[Whereupon, at 10:15 a.m., the subcommittee stood in adjournment.]

PALM OIL AND PALM OIL PRODUCTS LABELING

THURSDAY, AUGUST 5, 1976

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 2:15 p.m., pursuant to notice, in room 1302, Longworth House Office Building, Hon. Walter B. Jones (acting chairman of the subcommittee) presiding.

Present: Representative Jenrette.

Staff present: Fowler C. West, staff director; Robert M. Bor, counsel; John E. Hogan and William A. Imhof, associate counsels; L. T. Easley, press assistant; John C. Baize, staff consultant, Subcommittee on Livestock and Grains; Roxana D. Burris and Leighton W. Lang, staff consultants, Subcommittee on Oilseeds and Rice; L. Leon Geyer, staff consultant, Subcommittee on Domestic Marketing and Consumer Affairs; Gerald R. Jorgensen, staff consultant, Subcommittee on Department Operations, Investigations, and Oversight; Anita R. Brown and Mary Ann Fronce, staff assistants.

Mr. JONES of North Carolina (acting chairman). The subcommittee will come to order.

Chairman Mathis is involved on the House floor, and he asked that I preside in his absence.

The delay in our starting today is due to the fact that the rules require that at least two members of the committee be present to receive testimony. I am very happy to welcome Congressman Jenrette. I am glad you could make it.

Mr. JENRETTE. Thank you, Mr. Chairman.

Mr. JONES of North Carolina. The subcommittee is scheduled today to hear testimony from witnesses on legislation providing for labeling and inspecting imported palm oil. One bill before the committee is H.R. 14921.

[H.R. 14921 and the report from the U.S. State Department follows:]

[H.R. 14921, 94th Congress, 2d Session]

A bill to require that imported palm oil and palm oil products made in whole or in part of imported palm oil be labeled, to provide for the inspection of imported palm oil and palm oil products, to require that imported palm oil and palm oil products comply with certain minimum standards of sanitation, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Palm Oil and Palm Oil Products Inspection and Identification Act of 1976".

SEC. 2. For the purpose of this Act—

(1) The term "Secretary" means the Secretary of Agriculture.

(2) The term "person" means any individual, partnership, corporation, association, or any other business unit.

(3) The terms "palm oil" and "palm oil products", hereinafter referred to as palm oil, mean imported palm oil and those food products derived from imported palm oil or any combination or portion thereof, and any other food product which is prepared in whole or in part from, or processed with, imported palm oil as the Secretary may hereafter designate.

(4) The term "wholesome" means sound, healthful, clean, and otherwise fit for human food.

(5) The term "labeling" means labels and other written, printed, or graphic matter on or attached to the container of any palm oil package.

(6) The term "purity" means free from poisonous or deleterious substances which may render the product injurious to health.

(7) The term "administration and supervision" means the administrative review of foreign country laws, regulations, and enforcement procedures offered as being comparable to United States laws, regulations, and enforcement procedures, under the provisions of this Act and the supervision of inspection personnel both inside and outside the United States.

(8) The term "inspection" means the official service rendered by the Department of Agriculture, under the administration and supervision of the Secretary, for the purposes of carrying out the provisions of this Act.

SEC. 3. (a) No palm oil shall be imported into the United States unless the Secretary shall first certify that such imports originate from supplies of palm oil which are pure and wholesome and unless the foreign plants, in which such palm oil was produced, manufactured, or processed comply with all minimum standards of sanitation prescribed by the Secretary pursuant to the provisions of this Act. The standards prescribed by the Secretary shall include standards for sanitation procedures in the production, storage, transportation, and handling of palm oil, and in the manufacture, processing, handling, and transit of palm oil, as well as standards concerning the wholesomeness and purity of the final product.

(b) The standards established by the Secretary for any imported palm oil, for plants where the palm oil was produced, and for the establishments in which such imported palm oil is produced, manufactured, or processed shall be comparable to those standards of purity, wholesomeness, and sanitation applicable to domestic vegetable oils produced, manufactured, or processed in the United States and to establishments in the United States in which domestic vegetable oil is produced, manufactured, or processed.

(c) The packaging and labeling of imported palm oil shall comply with the requirements in effect in the United States for packaging and labeling and shall specify the country of origin.

SEC. 4. (a) For the purpose of establishing comparable inspection requirements and preventing the importation of palm oil produced, manufactured, or processed in foreign countries where plants do not meet the minimum standards prescribed by the Secretary pursuant to the provisions of this Act, the Secretary shall, where and to the extent necessary, cause to be inspected imported palm oil and require such palm oil to be accompanied by a certificate of compliance issued by the Secretary in accordance with the rules and regulations prescribed by the Secretary establishing minimum standards as to the sanitation of the palm oil, plant facilities, equipment, and procedures used in the production and transportation of palm oil, and the manufacture, processing, handling, and transit of such palm oil.

(b) All palm oil shall after entry into the United States, be subject to the Federal Food, Drug, and Cosmetic Act.

SEC. 5. (a) (1) The package or container of any palm oil shall be prominently labeled, in a conspicuous place on the package or container in conspicuous and clearly legible type or lettering which contrasts by typography, layout, or color with other printed matter on the package, "Contains or was prepared or processed with palm oil, a highly saturated imported vegetable product".

(2) If any person other than the ultimate consumer breaks a package or container containing any imported palm oil and such package or container is marked or labeled as required in paragraph (1), or such person knows or has reason to know that such package or container contains imported palm oil, such person shall affix a label to each package or container in which any such imported palm oil is placed to provide the information required by paragraph (1) of this subsection.

(3) At any establishment or other premises where palm oil or any food or product made therefrom or prepared therewith is made available for sale to the ultimate consumer without packaging, signs shall be prominently displayed containing in characters easily visible to and understandable by all persons on the premises the label information required by paragraph (1) of this subsection.

(b) (1) No persons shall import or offer for import into the United States for purposes of distribution in commerce any palm oil unless such product is labeled in accordance with regulations prescribed by the Secretary.

(2) No person shall distribute or cause to be distributed in commerce any palm oil which he knows or has reason to know is (in whole or in part) imported palm oil unless such palm oil is labeled in accordance with regulations prescribed by the Secretary.

(3) Any person who violates any provision of this section or any rule or regulation issued thereunder shall be subject to imprisonment for not more than one year or a fine of not more than \$1,000, or both such imprisonment and fine; but if such violation involves intent to defraud, such person shall be subject to imprisonment for not more than three years or a fine of not more than \$10,000, or both. Each package or container of palm oil imported, offered for importation, distributed, or caused to be distributed, in commerce and each sale of palm oil or any food product made therefrom or processed therewith at any establishment or other premises where palm oil and such products are made available for sale to the ultimate consumer without packaging shall constitute a separate offense.

SEC. 6. (a) The Secretary is authorized to prescribe such regulations as are necessary to carry out the purposes of this Act.

(b) In carrying out provisions of this Act, the Secretary may cooperate with foreign governments, other departments and agencies of the Federal Government, and with appropriate State agencies, and may conduct such examinations, investigations, and inspections as he determines necessary or appropriate through any officer or employee of the United States, of any State, or of any foreign government, who is licensed by the Secretary for such purpose.

SEC. 7. The provisions of this Act shall be in addition to the requirements of all other laws relating to imports of palm oil.

SEC. 8. (a) The Secretary shall prescribe such assessments and fees on imported palm oil as he determines necessary to cover the cost of the inspections, labeling, and certifications required under the provisions of this Act. Such assessments and fees shall be collected in accordance with regulations prescribed by the Secretary.

(b) Except as provided in subsection (a) of this section, the cost of administering and supervising the provisions of this Act shall be borne by the United States.

SEC. 9. There are hereby authorized to be appropriated such sums as are necessary to carry out the administration and supervision of the provisions of this title.

SEC. 10. If any provision of this Act or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the Act and of the application of such provision to other persons and circumstances shall not be affected thereby.

DEPARTMENT OF STATE,
Washington, D.C., August 11, 1976.

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

DEAR MR. CHAIRMAN: We are informed that the Committee on Agriculture now has under consideration H.R. 14921, a bill otherwise cited as the "Palm Oil and Palm Oil Products Inspection and Identification Act of 1976". Our examination of the proposed legislation reveals it has important implications for U.S. international economic relations. We would like to bring these implications to the attention of the Committee on Agriculture and, in so doing, express a view regarding the disposition of the measure.

In view of the unfortunate effects such action would have on U.S. international economic relations, the Department of State recommends against enactment of the proposed legislation. We find it would, in effect, place substantial new barriers in the way of the marketing of palm oil and palm oil products in the U.S. and, as a result, impair our efforts to secure the reduction or elimination of foreign non-tariff barriers hampering the growth of U.S. trade. It would also encourage other countries to institute similar barriers detrimental to the continued expansion of our agricultural and other exports from which all sectors of the U.S. economy derive significant advantages.

In brief, as we understand the proposed legislation it would direct the Secretary of Agriculture to promulgate regulations prescribing new labeling requirements and new inspection and certification procedures for palm oil and palm oil products of foreign origin. Such products would be required to be labeled "contains or was prepared or processed with palm oil, a highly saturated imported

vegetable product". In addition, the entry of palm oil and palm oil products of foreign origin would be governed by standards of purity, wholesomeness and sanitation established by the Secretary of Agriculture. Palm oil and palm oil products of foreign origin failing to meet the conditions laid down in the new regulations would not be permitted entry into the United States market.

With reference to the provisions of the bill dealing with the identification of palm oil and palm oil products of foreign origin, we note that existing legislation, Section 304 of the Tariff Act of 1930, already requires that foreign articles, including palm oil and palm oil products (or their containers), be marked in a conspicuous place as legibly, indelibly and permanently as the nature of the articles or containers will permit in such manner as to indicate to the ultimate purchaser in the United States the English name of the country of origin of the article. The term "ultimate purchaser" has been interpreted to mean the last purchaser of an article in the form in which it is imported. Thus, a processing firm buying imported ingredients, such as palm oil, which are transformed in the course of manufacturing operations into a processed product is regarded as the ultimate purchaser.

When viewed from the standpoint of Section 304, the proposed legislation would, in effect, redefine the term "ultimate purchaser" and, in so doing, impose an onerous burden on the parties directly responsible for complying with our marking law. Henceforth the term "ultimate purchaser" would mean a party who purchased palm oil or palm oil products of foreign origin or products manufactured or processed in whole or in part from imported palm oil or palm oil products with no intent to sell or engage in merchandise trade in such products. Such a redefinition would mean that domestic manufacturers or processors using imported palm oil or palm oil products as ingredients in producing new products would be required to mark their products in a conspicuous manner "contains or was prepared or processed with palm oil, a highly saturated imported vegetable product". As a result, such manufacturers and processors would incur additional expense in keeping track of the origin of such ingredients and maintaining adequate records to ensure that products containing palm oil and palm oil products of foreign origin were so marked. The costly added labeling requirements, even if not specifically designed to hamper imports of palm oil or palm oil products are likely to have that effect.

As regards the provisions which would require the introduction of additional sanitation requirements we are not the Agency with primary knowledge, and we defer to those who are. We are also, however, not in possession of any information indicating a need for the U.S. Government to undertake the kind of pervasive regulatory scheme directed against palm oil and palm oil products implied by the proposed legislation. Imported products are already required to comply with the standards of purity and wholesomeness laid down in regulations implementing the Federal Food Drug and Cosmetic Act and articles failing to conform to such standards are excluded from entry. We also note that a representative of the Food and Drug Administration of the Department of Health, Education and Welfare in testifying on other proposed legislation providing for the establishment of procedures similar to those specified in the bill pointed out that his agency already had legislative authority to impose additional procedures, such as requiring certification by foreign governments that products were processed under sanitary conditions comparable to those generally prevailing in the U.S. when circumstances warrant.

We would also like to note some additional factors to be considered in appraising proposals to impose restraints on trade in palm oil and palm oil products. As the world's largest exporter of agricultural products the U.S. has a vital stake in the freer international movement of goods. Last year the U.S. exported over \$22 billion worth of agricultural commodities. Large quantities of our wheat, raw cotton, leaf tobacco, soybean, rice, tallow, feed grains and dried fruits are sold overseas each year. If other countries institute import regulations similar to those envisioned by H.R. 14921 the effect on our exports could be serious. The American farmer would be the loser.

Viewed from a broad policy prospective, the enactment of the proposed legislation would have adverse consequences for U.S. foreign economic policy interests, such as those reflected in U.S. declarations at the United Nations Conference on Trade and Development, the Organization for Economic Cooperation and Development, and more recently at Puerto Rico. They call for greater cooperation with the less developed countries to assist in their economic development, a more open international exchange of goods, and governmental resistance to protectionism or

other inward looking policies in formulating measures to stimulate internal economic expansion. Our trading partners, including the principal trading nations of the world, are likely to look on the introduction of the proposed new requirements as unnecessary restraints on trade and inconsistent with mutual efforts to achieve an expansion and ever greater liberalization of world trade and an improvement in the standard of living and welfare of the people of the U.S. and other countries of the world.

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

Sincerely,

KEMPTON B. JENKINS,
Acting Assistant Secretary for Congressional Relations.

Mr. JONES of North Carolina. This subcommittee has met three times this year on this subject of palm oils and the effect on the domestic oil and fats industry. Just last Thursday we unanimously reported two resolutions calling for an end to U.S.-subsidized loans by the international lending agency and voluntary restraints on palm oil, the only duty-free market for palm oil in the entire world.

I am pleased that the Assistant Secretary of Agriculture, Richard Bell, says that the U.S. Government will no longer support these palm oil development loans. However, we are still awaiting a decision from the Secretary of the Treasury, who has jurisdiction over U.S. participation in loan-making decisions.

Secretary Bell's statement notwithstanding, there is still some question as to whether the administration is fully committed to a policy of opposing future loans.

This subcommittee will soon receive the formal statement from the administration indicating the general reversal of our policy of approving all foreign palm oil development loans. The impact of palm oil imports is bound to be felt for a long time to come.

Recognizing that palm oil is being consumed in large quantities in the United States, the legislation being considered today will help insure American consumers will know what they are getting with some reasonable safeguards for purity.

I believe the first witness we have this afternoon is Mr. Poage. I recognize the vice chairman of the full committee, the gentleman from Texas.

STATEMENT OF HON. W. R. POAGE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. POAGE. Thank you, Mr. Chairman, for this opportunity to testify here today before the Subcommittee on Oilseeds and Rice in favor of H.R. 14921, a bill which I recently introduced, setting forth the Palm Oil and Palm Oil Products Inspection and Identification Act of 1976.

I appreciate the willingness of the subcommittee to hold hearings on this legislation, which I feel is necessary if we are going to take effective action to curb rapidly increasing palm oil imports and protect the health of American consumers and the economy of our agricultural industry.

I know that all of the members of the Oilseeds and Rice Subcommittee are well aware of the great impact palm oil imports are having on America's farmers and ranchers. Your hearings on March 18, 1976,

here in Washington, and in Memphis, Tenn., on May 15, 1976, clearly pointed out that unless palm oil imports are restricted, America's farmers stand to lose millions of dollars of income on their oilseed production; and the hungry people of the world stand to lose millions of pounds of high-quality vegetable protein so necessary to their existence.

However, Mr. Chairman, I feel that the greatest adverse effect palm oil imports may have is on the health of American consumers. Americans have long regarded vegetable oils such as soybean oil, corn oil, cottonseed oil, and peanut oil as highly desirable components of their diet.

Medical authorities long ago urged Americans to reduce the saturated fat content of their diets in order to reduce the incidence of cardiovascular disease. Knowing that vegetable oils are highly unsaturated in comparison to lard and other animal fats, the American consumer has almost completely replaced lard in his diet with unsaturated vegetable oils.

Thus, today when the American housewife purchases a vegetable oil or shortening she feels she is getting a highly unsaturated product recommended by medical authorities. Indeed, if the product she purchases is composed of soybean oil, 15 percent; corn oil, 10 percent; sunflower oil, 12 percent; peanut oil, 18 percent; or cottonseed oil, 25 percent; she is getting a highly unsaturated product.

However, if the product she purchases is made with palm oil, which is 45 percent saturated, she is getting a product considerably more saturated than lard, 38 percent. Yet this product can still be sold as a vegetable oil and, at this time, the label on the product does not have to show that the product contains palm oil.

Therefore, the American consumer winds up buying what he feels is an unsaturated product which in reality is a very highly saturated product that may be more harmful to his health than lard.

I feel the consumer should be able to determine if the product contains palm oil so that he can choose another product which is less saturated if he so desires.

My bill solves this problem by providing that all foods containing or processed with palm oil must have included on their label a notation that the product, "contains or was prepared or processed with palm oil, a highly saturated imported vegetable product." The bill further provides that where foods are sold without a label, as in restaurants, that a sign must be posted on the premises noting the same information.

In my opinion, this provision will allow consumers to determine that the product contains palm oil and, if they so desire, to choose an alternate product or restaurant which does not contain or use palm oil. The provision in no way prevents the use of palm oil in foods. All it does is allow the consumer to refrain from consuming the product if he or she so desires.

Another major thrust of my legislation is to require imported palm oil and palm oil products to meet the same sanitary requirements which are required of all domestically produced vegetable oils.

I have talked to several individuals who have visited palm oil processing plants overseas and each has voiced some concern with

the sanitation of these plants and with the palm oil produced there. These individuals noted heavy insect and rodent infestation in the palm oil fruit clusters when they were fed into the processing plant. This would not be surprising considering that most of the palm groves of the world are located in tropical areas like Indonesia and Malaysia where rodents and insects are present in great concentrations.

I am not certain that these animals wind up in the palm oil that is shipped to the United States, but I do feel that the Federal Government should be certain that the palm oil our consumers purchase does not contain a little "rat oil" or "bug oil." We require rigid inspection of our domestically produced oils and I propose that this inspection should be extended to cover imported palm oil.

Thus, my bill provides that the Secretary of Agriculture shall inspect the palm oil imported into the United States and the plants where it was produced to certify that it meets the same standards required for our domestically produced oils and domestic processing plants. My bill provides that if any palm oil is either processed in a plant not meeting the minimum standards of sanitation or does not meet the minimum standards of sanitation upon arrival in the United States, that it cannot be imported.

Mr. Chairman, I do not feel that I have required too much in my bill. All that I have done is require that the American consumer should be able to tell which products contain imported palm oil and be assured that the palm oil is safe for human consumption.

I do not attempt in this legislation to stop palm oil from being imported or to reduce palm oil imports. These are matters that obviously concern the Committee on Ways and Means and the various branches of the administration. I hope that some action will be taken in this regard. However, whether or not palm oil imports are reduced or terminated, this legislation is necessary to assure the wholesomeness of that which is imported for consumption by our consumers.

I hope that the Oilseeds and Rice Subcommittee will favorably refer H.R. 14921 to the Committee on Agriculture as soon as possible.

I think that it would be outrageous for this committee to be a party to the widespread importation of an essential food product that the public would buy under a misapprehension of what it contained. Clearly the American housewife thinks of vegetable oils as being largely unsaturated, certainly in comparison with animal oils.

It is for that reason, in my judgment, that we found such a shift on the part of the American consumer to the use of vegetable oils.

We have no laws in the United States that say you cannot use barrel oil if you want to. But we do have an understanding among our people that animal oil is generally rather highly saturated and vegetable oil is not.

Palm oil is more highly saturated than hog lard. I do not think the American housewife should be put to the proposition of buying this palm oil without any notice whatever that it is not what she thinks it is.

She thinks when she buys vegetable oil that that's all there is to it, and that she has got something good for her family. When she buys this type of vegetable oil, she ought to have a warning. A warning is all that we ask.

We are not interfering with international trade. We are not saying that people cannot sell this product in the United States. We are saying you can sell all you want if you can find somebody who wants it.

But we want the people who are buying it to know what they are getting. That is all there is to this bill, Mr. Chairman.

I think it is a highly desirable bill. I am appreciative of the fact that this honorable subcommittee would concern itself with this and give hearing at this time.

Thank you so much, Mr. Chairman.

Mr. JONES of North Carolina. Thank you so much.

Mr. POAGE. I will be glad to answer questions.

Mr. JONES of North Carolina. Do you know if there is any other country in the world that does not have some restrictions or duties upon the importation of palm oil?

Mr. POAGE. No; I do not. I do not want to say that I know the requirements of every country in the world, but I oftentimes have been told that the United States is the only place in the world where you could bring in unlimited quantities of palm oil. That goes, of course, to the quantitative nature rather than to the quality of the oil.

Certainly the United States is doing far more than its share of providing a market for the people who produce this palm oil. I cannot believe that in fairness that they have any just right to complain about us asking that the true content be made public to the buyers.

Mr. JONES of North Carolina. I notice some young people in the audience this afternoon. Would you care to explain what hog lard is?

Mr. POAGE. Hog lard contains 38 percent saturated fat. The only reasons that the young people here are not thoroughly conversant with hog lard like you and I are, Mr. Chairman—and I am sure you have rendered lard in the backyard just as I have—is that we found out that hog lard contained a large amount of saturated fat. To that extent at least, it posed a danger to public health.

Mr. JONES of North Carolina. But not as much as palm oil.

Mr. POAGE. It does not contain as much as palm oil, which is 45 percent saturated.

Mr. JONES of North Carolina. Mr. Jenrette?

Mr. JENRETTE. Thank you, Mr. Chairman.

I support our vice chairman's bill. I wonder if your investigation in introducing the bill disclosed whether there are any standards at all on palm oil that comes into the United States now. Do you know of any standards?

Mr. POAGE. I understand that if palm oil were to be brought into the United States and was obviously filled with filth, that it could be observed, it would be kept out now.

But I do not understand that there is the kind of inspection of the plants that we have of various other products. For instance, we have discussed meat products in other parts of this committee. We import meat from New Zealand and Australia.

We keep in those countries, I believe, 42 inspectors in Australia at the moment. We keep the inspectors there not actually to inspect each piece of meat but to inspect the system and to check upon the Australian inspectors. We redo the work that they do on a spot basis from time to time.

We keep people there who know that their system achieves the same results that our system achieves. They have to certify to it to our Government before their meat can come in.

I think it is perfectly reasonable to say the same thing about this palm oil, that it should be handled under the same conditions that we would require handling of corn oil in Decatur, Ill. or cottonseed oil at Memphis.

Mr. JENRETTE. But you don't know that this is being done by our Government now?

Mr. POAGE. As far as I know it is not being done by our Government.

Mr. JENRETTE. Let me ask you one other question.

Who would enforce in section 5(a)(3) of your proposed legislation the following language: "At any establishment or other premises where palm oil or any food or product made therefrom or prepared therewith is made available for sale to the ultimate consumer without packaging, signs shall be prominently displayed." Who do you propose would enforce that, Mr. Poage? It is on page 5 of the proposed bill.

Mr. POAGE. We provide specifically that palm oil after entry into the United States shall be subject to the Federal Food, Drug, and Cosmetic Act.

It is my recollection that the Federal Food, Drug, and Cosmetic Act imposes upon the Food and Drug officials the responsibility for maintaining these notices or maintaining notices of similar character.

Mr. JENRETTE. I interpret the thrust of your bill as one of health as much as on the restrictions on importation.

Mr. POAGE. It does not place any restriction on importation.

Mr. JENRETTE. Yet, was that thought not in the back of your mind?

Mr. POAGE. Frankly, yes. I think it will have that effect; just exactly like I think requirements of health on slaughtering plants keeps out substantial amounts of meat that otherwise would come into the United States.

Mr. JENRETTE. I appreciate your testimony.

I know we have to go and run to vote, but I remember back in law school a case about a cheese processing plant. There was a fly in the cheese as it moved down the line. The inspector said that he knew it could not be because they hired a man to stand at the end of the line with a dipper to scoop out all the flies.

I am wondering if we have the same case with palm oil that is coming in.

Mr. POAGE. As I said, I have not actually seen one of these palm oil processing plants. There are conflicting reports as to the nature of them.

Some of them undoubtedly are well run. Some of them undoubtedly have very modern machinery and are well run. This would not do them any harm. It would not interfere with their operations.

Some of them undoubtedly are very poorly run. This would hamper them, and I think it should.

Mr. JONES of North Carolina. I find myself in a position of having to declare a recess of this committee.

There is the taxes bill in the House now. I understand that once this matter is disposed of, we probably will have a vote on final passage.

So without objection this committee stands in recess.

[Short recess]

Mr. JONES of North Carolina. The subcommittee will come to order. The chair is going to rule that since we had two members at the time of the recess, the meeting was officially opened.

I now recognize Mr. Gordon Fraser of the USDA and Mr. George Wanamaker. Would you come forward please?

Mr. FRASER. If there is no objection, I would prefer to read my full statement.

Mr. JONES of North Carolina. I have read your statement, and I believe it is an excellent statement. You may still present the entire statement if you wish.

Mr. FRASER. I do, Mr. Chairman.

Mr. JONES of North Carolina. I hear the buzzer signal again and I must go again to the House floor.

[Short recess]

Mr. JONES of North Carolina. The subcommittee will come to order. I again recognize you, Mr. Fraser.

**STATEMENT OF GORDON O. FRASER, ASSISTANT ADMINISTRATOR
FOR INTERNATIONAL TRADE POLICY, FOREIGN AGRICULTURAL
SERVICE, U.S. DEPARTMENT OF AGRICULTURE; ACCOMPANIED
BY GEORGE WANAMAKER**

Mr. FRASER. Thank you, Mr. Chairman. We appreciate this opportunity to present the Department of Agriculture's view on H.R. 14921 and also H.R. 14948, which would apply new requirements on sanitary standards and labeling to imports of palm oil.

I am Gordon O. Fraser, Assistant Administrator for International Trade Policy of USDA's Foreign Agricultural Service. With me is Mr. George Wanamaker of my agency's Oilseeds and Products Division.

H.R. 14921 and H.R. 14948 are bills with considerable significance for our foreign trade. It will probably come as no surprise to the committee that we view the proposals contained in these bills with concern. If enacted, there would be important changes in the rules governing imports of palm oil. The almost inevitable consequence would be damage to our agricultural export trade.

Our concern, therefore, is not only with the questions of principle and policy which are involved, which are significant in themselves, but likewise with the plain pocketbook consideration that foreign markets are vital to the well-being of American agriculture.

Before proceeding to a discussion of the bills themselves I should like to remind the committee that when we talk about U.S. agricultural trade we are talking about farm exports that are worth more than \$22 billion a year.

These exports have risen from what was then a record \$12.9 billion in fiscal year 1973 to \$21.6 billion in 1975 and \$22.1 billion in fiscal year 1976. It is more than coincidence that during those same 3 years net farm income in this country has been at the highest levels in history.

This magnificent record in trade has made agriculture one of this Nation's leading growth industries, and farm exports have become crucial to the well-being of the U.S. economy as well as to that of the U.S. farmer.

Farmers now are exporting the production of close to 1 out of every 3 acres they harvest; \$1 of every \$5 of cash receipts from farming and ranching comes from foreign sources, and if you put it on the basis of income from crops alone, the foreign contribution to marketing income becomes \$1 of \$3.

For some farmers, the export return is even higher. Of our wheat, for example, 60 percent moves into export; about half the soybeans and rice, two-fifths of the cotton, and one-fourth of the corn are shipped to foreign markets.

H.R. 14921 and H.R. 14948 would impose new labeling and sanitary requirements on imports of palm oil. All imported products would be required to be labeled "contains or was prepared or processed with palm oil, a highly saturated imported vegetable product." More importantly, the bills would require a system of inspection which we believe is much more elaborate than is necessary to insure a wholesome product.

Specifically, imported palm oil would have to be certified as originating from supplies of palm oil which are pure and wholesome and whose minimum standards of sanitation in their production, manufacturing, and processing are comparable to those applicable to U.S. domestic vegetable oil. To insure compliance, an inspection system would be established to inspect imported palm oil and to verify comparable inspection requirements. In practice, this would involve inspection and approval of foreign processing plants by American inspectors.

Regarding the provisions of the bill to require that imported products be labeled "contains or was prepared or processed with palm oil, a highly saturated imported vegetable product," we see no advantages for such a requirement as well as several disadvantages. This requirement would not apply to any other imported or domestic vegetable oil and would be considered a nontariff barrier by foreign palm oil suppliers.

We consider such a requirement to be discriminatory and would be in violation of paragraph 4, article III of the General Agreement on Tariffs and Trade.

The effect which these requirements would have on palm oil imports is hardly in doubt. The sheer complexity and administrative burden resulting from insistence on technical conformity and from inspections and certifications at U.S. ports could reduce imports substantially. In addition, the label's description of palm oil as "highly saturated" would doubtless have an effect on consumption.

A cutback in palm oil imports would not cause a crisis of supply in the United States. This is because the United States produces a number of vegetable oils that compete with palm oil. It is estimated that imported palm oil accounted for 6.5 percent of U.S. consumption of all edible oils and fats in 1975. The percentage is slightly higher, 9.6 percent, when palm oil consumption is compared with its major competitors in our market, cottonseed oil and soybean oil.

In 1975, we consumed 800 million pounds of palm oil compared to 650 million pounds of cottonseed oil and 6.9 billion pounds of soybean oil.

Cutting back palm oil imports could have a price impact which could slightly reduce total consumption; but this certainly would not cause an overall insufficiency of supply.

But while our palm oil imports may not have reached the point of being statistically critical to the United States, the supplying countries regard the United States as a key export market. Malaysia and Indonesia are the primary suppliers of palm oil to the United States, and these sales are critical to the balance of payments of these countries.

In 1975 Malaysia shipped us some 812 million pounds valued at \$170 million and Indonesia shipped 66 million pounds worth \$15 million. These suppliers have initiated programs in recent years to increase their production of palm oil and they certainly hope to at least maintain their market share of the growing U.S. vegetable oil market.

How important are these countries as markets for American agriculture? The main palm oil suppliers, Malaysia and Indonesia, provided markets for some \$201 million in U.S. agricultural exports in fiscal year 1976, most of which were commercial sales. One can see that the United States would be jeopardizing an export market of some significance by restrictive action on palm oil.

It is likely that Malaysia and Indonesia could and would retaliate if we enacted this legislation. The major products that the United States ships to these countries, such as cotton and tobacco, are vulnerable to retaliation, and there are plenty of competitors who would be happy to step in our place.

In addition, the ramifications of our action would likely extend far beyond Malaysia and Indonesia. There are a number of countries sympathetic to the development aspirations of Malaysia and Indonesia that would likely lend support to them, either through trade retaliation or in the GATT, if we were to shut off their major export market.

So far we have mentioned the adverse effect that implementation of H.R. 14921 and H.R. 14948 could have on our agricultural exports. There is another, equally strong, reason for opposing these bills; and that is the damaging impact that it could have upon our efforts to liberalize trade throughout the world.

The excessive use of sanitary and technical standards is an old device for restricting trade. It is one of the many types of trade barriers which are being debated and wrestled with in the current multilateral trade negotiations now in progress in Geneva, Switzerland.

We, the United States, and other main trading countries, are trying to develop an international standards code, to set fair rules for their use, to bring harmony in the setting of standards, to give the affected supplying countries a "fair hearing," to limit unjustified use of standards, and to provide for some sort of recourse or redress to parties whose trade is unreasonably restricted.

The proposals we are discussing today are, in our view, representative of the type of thing we are seeking an answer to in the MTN's. Enactment of these proposals would undercut our efforts in Geneva toward trade liberalization. And I stress once again that the United States, probably more than any other country, stands to benefit from trade liberalization.

Finally, we would note that various legislative authorities provide for sanitary controls to insure purity and wholesomeness of human foods, and measures to safeguard the health of the animal population.

For products such as palm oil, the primary responsibility for controls lies with the Food and Drug Administration.

We are unaware of any information which indicates there is any cause for concern about the wholesomeness of imported palm oil or which suggests the level of present regulation of these products is inadequate.

Thus, we believe that any shortcomings or needed improvements in sanitary controls in imported palm oil which may be discovered, or which may develop in the future, can be effectively dealt with by the present organizational structure and within existing legislative authority.

Accordingly, we recommend that H.R. 14921 and H.R. 14948 not be enacted.

To summarize then, the Department of Agriculture believes:

One, that present safeguards and legislative authority for health and sanitary controls of palm oil imports are fully adequate;

Two, that enactment of H.R. 14921 or H.R. 14948 would reduce imports, to the detriment of other nations' economies;

Three, that the injured countries would take retaliatory measures against our agricultural exports;

Four, that this would clearly hurt American agriculture as a whole and would be detrimental to the Nation in the conduct of its foreign economic and trade policy; and,

Five, that, accordingly, H.R. 14921 and H.R. 14948 should not be enacted.

Thank you, Mr. Chairman.

Mr. JONES of North Carolina. Thank you, Mr. Fraser.

I am somewhat surprised that the opposition is as strong as it is at the USDA. I can understand it if we were attempting to impose an import tariff or that sort of thing. But as I understand these two bills, one of which I cosponsored, they attempt to protect, or at least warn, the people of this Nation of using palm oil and its saturated fat.

I also represent a major tobacco producing area. There is a warning on a pack of cigarettes. I don't see that it is a great harm to warn people about palm oil or the excessive use of cigarettes.

Of course, I could understand very readily the opposition to our trade program and the dangers we might incur with prohibitive tariffs. But here, again, it is just a matter of health warnings. I cannot see the dangers that you do, but you see it perhaps from a different angle than I do.

According to testimony last week and today, this is the only nation that does not have some import duty or some restriction on the importation of palm oil. Would you care to comment on that, Mr. Fraser; why do we treat the palm oil nations differently from other nations?

Mr. FRASER. To take your last point first, Mr. Chairman, I think it is true that we are the only country without any restrictions on the importation of palm oil. We have no duty, although we do have a bound duty agreement with Indonesia of 3 cents per pound. But the actual effective duty in our tariff schedule is zero.

The European Community duty on palm oil for food, for example, is 6 percent. In the case of Japan, another major market for palm oil,

it is 8 percent. I think varying restrictions exist in virtually every other country that does import palm oil.

I do believe, however, that both Japan and the European Community are contemplating reducing those duties or eliminating them in the course of the present trade negotiations in Geneva. But at the present time, I think this is the case.

My colleague says that on August 1 of this year India removed all import duties on palm oil. However, under the Indian system I would not be surprised if they have import quotas or a licensing system which does control imports. So there probably is still some form of restriction on imports, even in India.

If I might address your first point about the question of saturated fats and oils, this is, of course, a highly complex and technical nutritional subject. Neither Mr. Wanamaker nor I are fully qualified to comment on that. However, the form in which palm oil is utilized is highly important in this question.

For example, products such as vegetable shortening, the hardened product, regardless of the source of the fat in the shortening, are in fact saturated. This is equally true for palm oil as it would be for soybean oil or any other oil.

At the present time the major use of palm oil in the United States is in the form of shortening although new processes have been developed and more and more palm oil may be used in the form of salad oil and for other purposes in liquid form. But in its natural state, palm oil is a solid at room temperature.

But I would urge the committee to seek expert advice on this subject of saturation, as neither Mr. Wanamaker nor I are experts in this field.

Mr. JONES of North Carolina. Mr. Jenrette, do you have a question?

Mr. JENRETTE. Yes, sir.

I do not know where to go to seek the expert advice. I was just handed a sheet of paper that says it is the USDA Statistical Bulletin No. 376; U.S. Fats and Oil Bulletin has palm oil at 45 percent saturation. Soybean oil is 23 percent. Mr. Poage read a list of all the others.

Where might I go to get better expert advice than the Department of Agriculture or the bulletin that I just referred to?

Mr. FRASER. First I might suggest the Food and Drug Administration would be one source certainly. And there are other agencies in town concerned with human nutrition.

Mr. JENRETTE. You do not disagree with the figures that your agency put out, do you?

Mr. FRASER. No, we do not.

I have, I think, a similar table in front of me here.

Mr. JENRETTE. Let me go back to your testimony, if I might. The figures and dollars of exports that you quoted in your testimony regarded inflated dollars in 1975 and 1976. What has been the increase of exporting from the United States to foreign countries in metric tons or something other than dollars that would have inflationary value figured in?

Mr. FRASER. It has been a very substantial expansion in the volume of our total exports. In fact, this past fiscal year our total exports were 108 million tons.

Going back in the early fifties, our exports totaled 17 million tons. In the sixties, they were up around 45 or 47 million tons.

So, there has been an enormous increase not only dollarwise in our exports, but also in terms of the actual volume or tonnage.

Of our total exports, grains and soybeans make up about 93 percent of the total.

Mr. JENRETTE. At what point do you believe the importation of palm oil would become statistically critical? As I recall your testimony, you do not believe that we are critical now. When would we be?

Mr. FRASER. Mr. Wanamaker is our expert in this field.

Mr. WANAMAKER. Mr. Jenrette, I would say that what Mr. Fraser is referring to is the fact, that as long as we continue to produce and crush soybeans for their meal content in the United States, and that the requirements for oil continue to fall below the requirements for meal, we tend to be a surplus oil country.

This has contributed to our ability to maintain exports under concessional programs and world food programs.

For the foreseeable future, we would say that we will continue to be in a surplus position on soybean oil. So, as far ahead as we are able to see in the department, the United States should have ample supplies of vegetable oil, primarily soybean oil. That would be the byproduct of crushing soybeans for meal.

So, at this stage it would be very difficult to say if in fact there would be a critical point as far as palm oil imports were concerned.

Mr. JENRETTE. A while back Mr. Butz testified that the world just has too much oil at the present time. Do you concur with that?

Mr. WANAMAKER. Mr. Jenrette, I think it is quite fair to say that those countries that have the financial capability of maintaining imports, certainly do have more than their necessary supply of fats and oils. Per capita consumption levels in Europe and the United States are probably well above those that would be recommended by the World Health Organization.

On the other hand, the deficit countries such as India, Pakistan, and Bangladesh are well below the levels necessary for the minimum nutrition requirements. So the single largest challenge is to move the surplus oil from countries that have surplus oil into the deficit oil countries.

Mr. JENRETTE. Would India be a deficit oil country?

Mr. WANAMAKER. India would be a very substantial deficit oil country with a per capita consumption level well below the minimum recommended in the World Health Organization.

Mr. JENRETTE. They just recently took off their duty?

Mr. WANAMAKER. They took off their duty from most soybean and palm oil effective August 1. The objective in taking off this import duty is to substantially increase the level of palm and soybean oil imports.

Mr. JENRETTE. How much soybean or cotton does India grow? Do you have any idea?

Mr. WANAMAKER. Yes, we have that information for the committee. [The information submitted by Mr. Wanamaker follows:]

TABLE 3.—INDIA, PRELIMINARY SUPPLY AND DISTRIBUTION OF EDIBLE VEGETABLE OILS, 1973/74-1975/76

[In 1,000 metric tons]

	1973/74	1974/75	1975/76
Beginning stocks (oil equivalent).....		126	111
Peanuts.....		126	
Rapeseed and mustard.....			83
Cottonseed.....			28
Production.....	2,489	2,401	2,680
Peanut.....	1,368	1,156	1,569
Sesame.....	148	127	107
Rapeseed and mustard.....	522	664	540
Coconut.....	210	214	215
Cottonseed.....	200	198	222
Safflower.....	41	42	27
Imports.....	102	70	52
Soybean.....	23	0	0
Palm.....	40	50	30
Sunflower.....	0	5	0
Peanut.....	0	0	10
Rapeseed.....	39	15	12
Supply.....	2,591	2,597	2,843
Consumption.....	2,464	2,485	2,670
Peanut.....	1,241	1,282	1,452
Rapeseed and mustard.....	561	595	584
Sesame.....	148	127	107
Coconut.....	210	214	215
Cottonseed.....	200	170	250
Safflower.....	41	42	27
Soybean.....	23	0	0
Palm.....	40	50	30
Sunflower.....	0	5	0
Exports.....	1	1	13
Peanut.....	1	0	12
Rapeseed and mustard.....	0	1	1
Ending stocks (oil equivalent).....	126	111	160
Peanuts.....	126	0	110
Rapeseed and mustard.....		83	50
Cottonseed.....		28	
Distribution.....	2,591	2,597	2,843

Mr. JENRETTE. Is it a substantial amount in relation to the population that they have.

Mr. WANAMAKER. Yes, it is a substantial amount.

Mr. JENRETTE. There still is a deficiency of oils in India?

Mr. WANAMAKER. Yes, sir. India is one of the largest producers of oilseeds in the world, particularly peanut and rapeseed.

Mr. JENRETTE. Do you feel that the Department has the authority to impose the 3 cents per pound duty without specific legislation that was referred to by Mr. Fraser earlier?

Mr. FRASER. No, sir, Mr. Congressman. It is our interpretation it would require new legislation to impose the 3-cent-per-pound duty.

Mr. JENRETTE. You would not oppose legislation to that effect, would you?

Mr. FRASER. We have examined this question very carefully. Various proposals have been made that we restrict imports of palm oil in one way or another.

I have to say at this point the Department has not yet reached a final decision. However, in our examination we concluded that there would be very little advantage in our imposing restrictions on imports of palm oil since we are really operating in a world market situation as far as soybeans and vegetable oils are concerned.

It would be something like squeezing a balloon. If we shut off palm oil imports here, they would pop up somewhere else to compete with out exports, say, to the European community or to Japan.

Since we export 50 percent or more of our total soybean production, it really would not be to our advantage to restrict imports here merely to have them compete with us in Europe or Japan or wherever.

Mr. JENNETTE. I do not disagree with that at all, Mr. Fraser. But it seems to me that the farmers I have at home who see the roller coaster effect of soybeans and blame it a great deal on the acceleration recently of palm oils, and to hear you say that we are not at a statistical critical point yet; and the projections I believe put out by your department that 137 percent increase in the last 2 years and even more by 1980; what do you tell the soybean farmers and the cotton farmers to keep the prices up? What do I tell them? I want you to tell me.

Mr. FRASER. Well, of course, we have built this great world market for soybeans on strictly a competitive basis, very largely on a free trade basis.

For example, in the European community we have duty-free bindings from the European community on both soybeans and soybean meal. There is a duty on soybean oil, and we export very little soybean oil to the European community; but it is our very largest market for soybeans.

The very same is true in Japan. There is a zero duty, although it is a temporary duty and not bound on soybeans.

We believe that the maintenance of a free market and the competition between palm oil and soybeans will ultimately solve the problem.

Currently, I believe the situation is that soybean oil is very competitive with palm oil. In fact, palm oil imports have been dropping rather drastically in the last 6 months simply because soybean oil has been more competitive.

In other words, what I am saying is that we have built our soybean industry in the last 20 years or so in the United States in a highly competitive situation. We believe that the American soybean farmer can compete and will continue to compete successfully in the world fats and oils market.

Mr. JENNETTE. Which agency of the Federal Government inspects soybean oil that is used domestically?

Mr. WANAMAKER. Mr. Jenrette, the National Soybean Processors Association has trading rules. These rules establish the chemical characteristics and the other characteristics associated with soybean oil. In other words, the organization has its own rules.

They follow for testing methods the procedures of the American Oil Chemists Society in most every instance.

Mr. JENNETTE. You concur with that as being a safe and sanitary situation?

Mr. WANAMAKER. Yes, I would say so, sir. I would say that this relates back to the statement that Mr. Poage made when he was here. Congressman Poage was concerned about palm oil in this regard.

It may be reassuring for him to know that palm oil plants have a entirely different system of treating raw materials. You are dealing here with fruit bunches. You are dealing with fruit bunches that are steamed before they are processed. The oil is removed mechanically from the pulp without the use of solvents. The oil is shipped to foreign countries such as the United States essentially in a crude form. Some of it is coming in a more highly processed form, fractionated.

But in this country, these oils tend to be blended with other domestic oils. They go through a very sophisticated refining process. It is in that refining process that the purity standards that have been established for food products are met.

This is the greatest assurance that the American consumer has of the quality of any of his vegetable oil products at the consumer level.

So I would say, Mr. Chairman, that the standards that have been set are very tight standards.

The U.S. standards are generally respected throughout the world.

Likewise, there are standards for palm oil. There are standards now that are being tightened on palm oil, as a matter of fact.

Mr. FRASER. Mr. Jenrette, could I add one point to your question.

I indicated in my testimony that the Food and Drug Administration has the overall responsibility of assuring that all of our foods are wholesome and sanitary. Therefore, they do inspect supplies of palm oil or other oils that are offered to the public.

Also, I might call your attention to the fact that the Food and Drug Administration has recently issued a new regulation which will require beginning on January 1, 1978, a year and a half from now, that all fats and oils contained in food must be identified by source whether from soybean oil or lard or palm oil or whatever, and not merely categorized as vegetable oils or animal fat.

So this, in part, I think meets the concern which Vice Chairman Poage voiced earlier in his testimony.

The Food and Drug Administration has recognized that there is concern in this regard and has already taken this action which will go into effect a year and a half from now.

Mr. JENRETTE. You would not mind then if we had them put on there that palm oil is 45 percent saturated, would you? They are doing the printing anyway, so you might as well go ahead and put down the full amount.

Mr. FRASER. I mentioned earlier the inconsistency of doing this. This had regard for our international trade obligations, and furthermore that it would be a clear violation of Article III of the General Agreement on Tariffs and Trade. Moreover, palm oil alone would be singled out for this purpose. It would obviously be discriminatory.

Coconut oil is even more highly saturated than palm oil. In fact, it is 80 percent saturated.

So it is these aspects that we do have to take into consideration. For us to take action of this kind would be viewed abroad as highly discriminatory. It would certainly give us considerable problems in our international trade policy posture.

We have for many years been the leader in attempting to liberalize trade rather than increase the restrictions on trade.

Mr. JENRETTE. I thank you.

I am going to read this article III. Article III interests me quite a bit. I will study it.

Mr. WANAMAKER. Mr. Jenrette, if I may?

Mr. JENRETTE. Yes.

Mr. WANAMAKER. I think this is an extremely important and sensitive point. It works both ways.

We had a situation not too long ago where we were on the receiving end of a sanitary regulation which in our judgment was a trade discriminatory one. As you know, we have probably the most sophisticated soybean processing industry and vegetable oil refining industry in the world.

We had been supplying very large quantities of oil to various foreign countries. One of these countries that became a large recipient was well behind our industry and used mainly mechanical processing to remove oil from oilseeds.

When they discovered we had a solvent extraction industry which uses various forms of hydrocarbons and other types of solvents, they asked us to certify that our oil was not produced with hexane a commonly used solvent. This, of course, took us completely out of the supplier position because essentially that is all we use.

We had to convince them that our desolventizing process removes completely any possibility of a harmful element being in that oil.

So these kinds of proposals have come up from other countries, and we have ourselves been on the receiving end. There is a danger in misunderstanding the intent of this type of legislation.

Mr. JENRETTE. I totally agree.

Finally, I cannot see that our position is tenable when we are the only country that has no quotas, which I personally would prefer, nor do we have any duties.

It is hard for me to walk down the street in South Carolina and tell the farmers that we are allowing competition. We are giving \$11 million to build processing plants in foreign countries to directly compete with us.

It is just an untenable position that I find myself in. I do not know when it might let up. It is not going to be anytime soon.

Mr. Chairman, I thank you for allowing me to take so much time.

Mr. JONES of North Carolina. Thank you, Mr. Jenrette, and to the two witnesses. Thank you for your patience this afternoon. I am sorry about the interruptions.

Our next witness is Mr. Michael Goldman.

**STATEMENT OF MICHAEL GOLDMAN, ACTING CHIEF, DIVISION OF
SPECIAL TRADE ACTIVITIES AND COMMERCIAL TREATIES, U.S.
STATE DEPARTMENT**

Mr. GOLDMAN. Thank you, Mr. Chairman, for letting us come here today and testify before you on the proposed legislation.

Our examination of the proposed legislation reveals that it has important implications for U.S. international economic relations. We would like to bring these implications to the attention of the Committee on Agriculture and in so doing to express a view regarding disposition of the measure in question.

In view of the unfortunate effect that such action would have on U.S. international economic relations, the Department of State recommends against enactment of the proposed legislation.

We find that it would in effect place substantial new barriers in the way of the marketing of palm oil and palm oil products in the United States. As a result, it would impair our efforts to secure the reduction or elimination of foreign nontariff barriers, hampering the growth of U.S. trade.

It would also encourage other countries to institute similar barriers detrimental to the continued expansion of our agricultural and other exports from which all sectors of the U.S. economy derive significant advantages.

In brief, as we understand the proposed legislation, it would direct the Secretary of Agriculture to promulgate regulations prescribing new labeling requirements and new inspection and certification procedures for palm oil and palm oil products of foreign origin.

Such products would be required to be labeled "contains or was prepared or processed with palm, oil, a highly saturated imported vegetable product."

In addition, the entry of palm oil and palm oil products of foreign origin would be governed by standards of purity, wholesomeness, and sanitation established by the Secretary of Agriculture.

Palm oil and palm oil products of foreign origin failing to meet the conditions laid down in the new regulations would not be permitted entry into the U.S. market.

With reference to the provisions of the bill dealing with the identification of palm oil and palm oil products of foreign origin, we note that existing legislation, specifically section 304 of the Tariff Act of 1930, already requires that foreign articles including palm oil and palm oil products or their containers be marked in a conspicuous place as legibly, indelibly, and permanently as the nature of the articles or containers will permit, in such manner as to indicate to the ultimate purchaser in the United States the English name of the country of origin of the article.

The term "ultimate purchaser" has been interpreted to mean the last purchaser of an article in the form in which it is imported. Thus a processing firm buying imported ingredients such as palm oil which are transformed in the course of manufacturing operations into a processed product is regarded as the ultimate purchaser.

When viewed from the standpoint of section 304 of the Tariff Act of 1930, the proposed legislation would in effect redefine the term "ultimate purchaser." In so doing, it would impose an onerous burden on the parties directly responsible for complying with our marketing law.

Henceforth, the term "ultimate purchaser" would mean a party who purchased palm oil or palm oil products of foreign origin or products manufactured or processed in whole or in part from imported palm oil or palm oil products with no intent to sell or engage in merchandise trade in such products.

Such a redefinition would mean that domestic manufacturers or processors using imported palm oil or palm oil products as ingredients in producing new products would be required to make their products in a conspicuous manner with the quote "contains or was

prepared or processed with palm oil, a highly saturated imported vegetable product."

As a result, such manufacturers and processors would incur additional expense in keeping track of the origin of such ingredients and maintaining adequate records to insure that products containing palm oil and palm oil products of foreign origin were so marked.

The added labeling requirements, even if not specifically designed to hamper imports of palm oil or palm oil products, are likely to have that effect.

As regards the provisions which would require the introduction of additional sanitation requirements, we are not the agency having the necessary expertise in this. But we are not in possession of any information indicating a need for the U.S. Government to undertake the kind of pervasive regulatory scheme directed against palm oil and palm oil products implied by the proposed legislation.

Imported products are already required to comply with the standards of purity and wholesomeness laid down in regulations implementing the Federal Food, Drug, and Cosmetic Act. Articles failing to conform to such standards are excluded from entry, to our knowledge.

We also note that a representative of the Food and Drug Administration of the Department of Health, Education, and Welfare, in testifying on other proposed legislation providing for the establishment of procedures similar to those specified in this bill, pointed out that his agency already has legislative authority to impose additional procedures such as requiring certification by foreign governments that products were processed under sanitary conditions comparable to those generally prevailing in the United States when circumstances warrant.

We would also like to note some additional factors to be considered in appraising proposals to impose restraints on trade in palm oil and palm oil products.

As the world's largest exporter of agricultural products, the United States has a vital stake in the free international movement of goods. As Mr. Fraser pointed out, last year the United States exported over \$22 billion worth of agricultural commodities.

Large quantities of wheat, raw cotton, leaf tobacco, soybeans, rice, tallow, feed grains, and dried fruits are sold overseas each year. If other countries institute import regulations similar to those envisioned in this proposed legislation, the effect on our exports could be serious. The American farmer would be the loser.

Viewed from a broad policy perspective, the enactment of the proposed legislation would have adverse consequences for U.S. foreign economic policy interests such as those reflected in U.S. declarations at the United Nations Conference on Trade and Development, the Organization for Economic Cooperation and Development, and more recently at Puerto Rico.

They call for greater cooperation with the developing countries to assist in their economic development through a more open exchange internationally of goods as well as governmental resistance to protectionism or other inward-looking policies in formulating measures to stimulate internal economic expansion.

Our trading partners, including the principal trading nations of the world, are likely to look on the introduction of the proposed new requirements as unnecessary restraints on trade and inconsistent with

mutual efforts to achieve an expansion and ever-greater liberalization of world trade and an improvement in the standards of living and welfare both of the people of the United States as well as other countries of the world.

Thank you very much, Mr. Chairman.

Mr. JONES of North Carolina. Thank you very much, Mr. Goldman.

I am going to conclude by saying that I cannot quite understand the panic about the simple act of labeling the product.

I was down in the drugstore a few days ago to get a prescription filled. There is a sign that says "Keep out of the reach of children."

You go into a restaurant, and the butter or margarine says "B" or "M." Labeling is what I am talking about.

Nevertheless, I think both sides' testimony has been very constructive. I am sure the committee will consider your testimony as it relates to the "threat to our international trade balance."

With no further witnesses, I declare the meeting adjourned.

[Whereupon, at 4:15 p.m., the meeting was adjourned.]





