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**FLUE-CURED TOBACCO LEASING
AND TRANSFER**

GOVERNMENT

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON TOBACCO

OF THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

S. 700

FEBRUARY 4 AND 5, 1976

Serial No. 94-NN

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FLUE-CURED TOBACCO LEASING AND TRANSFER

WEDNESDAY, FEBRUARY 4, 1976

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

The subcommittee met, pursuant to call, at 2 p.m., in room 1301, Longworth House Office Building, the Honorable Walter B. Jones (chairman of the subcommittee) presiding.

Present: Representatives Jones of North Carolina, Rose, Breckinridge, Jenrette, and Wampler.

Also present: Robert M. Bor, counsel; Anita Brown, staff assistant; Charlotte H. Farwell, staff consultant, Subcommittee on Tobacco.

Mr. JONES of North Carolina. The committee will come to order, please.

The Chair notes that a quorum is not present. However, since no votes will be taken this afternoon, it will not be necessary to await the presence of a quorum.

We welcome you all here this afternoon.

We have before us Senate bill S. 700 which, as most of you know, provides for a referendum by a majority vote in the Flue-cured States for statewide leasing of tobacco allotments with the Senate action taking the State of North Carolina from the coverage of the bill. We will have this before us tomorrow also.

We are trying to detect the sentiment for the bill in its present form and possible amendments—whether the bill should be pursued, defeated, or which direction we should go.

[The bill S. 700 follows:]

[S. 700, 94th Cong., 1st sess.]

A BILL To amend the Agricultural Adjustment Act of 1938, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That the Agricultural Adjustment Act of 1938, as amended, is further amended by striking the period at the end of subsection (a) of section 316 and adding in lieu thereof the following: “: *Provided*, That in the case of type 13 tobacco, any such lease may be made to a farm in another county in the same State where the same type of tobacco is produced.”.

Mr. JONES. I will recognize my colleague from the Winston-Salem district of North Carolina, the Honorable Stephen Neal, Congressman from that district.

Mr. NEAL. Thank you, Mr. Chairman.

**STATEMENT OF HON. STEPHEN NEAL, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NORTH CAROLINA**

Mr. NEAL. Mr. Chairman, I appreciate the opportunity to appear before this subcommittee to express what I believe to be the majority view of the tobacco producers in the Fifth District of North Carolina. That view has come to me in telephone calls, letters, personal conversations, and the hearings this subcommittee held last June 20 in Winston-Salem.

I am convinced that a vast majority of the tobacco producers in the fifth district are opposed to lease-transfer across county lines. They expressed that view vigorously, as you know, at the hearings you chaired in Winston-Salem. I have received no communication which leads me to believe they have changed their minds.

I realize that it is economically desirable in some sections of the tobacco belt to permit the lease-transfer of allotments from one area to another. There is a deep-rooted feeling in the fifth district, however, that once quotas are permitted to leave the district, the end of tobacco production in that area is in sight. This fear is most often expressed by those producers who have struggled to stay in the tobacco business because it is just about the only way so make a living on the farm in our part of the country.

I am sure the chairman is aware of the impracticality of large-scale mechanization in the fifth district. The North Carolina Department of Agriculture, in response to my request, has estimated that less than 2 percent of Old Belt tobacco was mechanically harvested in 1975.

The figure would be only a fraction of 2 percent in the fifth district, where the topography, for all practical purposes, precludes the use of mechanical harvesters. The fields are small and sometimes steeply sloped. The distance from one arable plot to another sometimes is great.

The average tobacco farm in the district contains few acres suitable for tobacco production. So, with rare exceptions, the growing of tobacco is a small farm family operation, with much of the labor performed by hand.

I think the chairman would agree that lease-transfer across county lines would benefit the large producers in the flatlands of the Flue-cured belts more than it would the small farmers of the fifth district. While it might be said that lease-transfer across county lines would stabilize the lease price through the tobacco producing States, the simple truth is that the fifth district lessee could not afford to pay the stabilized price.

Lacking the ability to mechanize, he would be forced by circumstances to pay perhaps three times the present fifth district lease rate.

One cannot pay 20 to 25 cents a pound for a tobacco lease in the fifth district and still make a living growing tobacco. The lease rate there is as low as 4 cents a pound, and sometimes it is free. That, of course, is not a fair price to the quota-owner, but lacking enough quota to attract a substantial bid from "down East," the small quota holder is not going to benefit substantially, in my opinion, from lease transfer across county lines.

I am concerned about the plight of the lessor, of course, but I am even more concerned about the farmers who actually grow tobacco. The survival of the tobacco program, which has worked better than all other agricultural programs put together, depends on producers who grow the quantity and quality of tobacco demanded by the market.

The tobacco farmers of the fifth district are essential to the balance of quality because of the somewhat different characteristics of their product. It is my understanding that the best Flue-cured leaf, smoking leaf, and wrappers are grown in the Old Belt, of which the fifth district is a part.

The tobacco producing industry in the fifth district affects the entire economy there. As you know, many of the small quotas in that area are grown by part-time farmers who work full-time jobs in the cities and towns. Many other tobacco farmers have struggled to stay in business because growing tobacco is a way of life with them. It is the occupation they do best, and love most.

There, as in your own district, the cash derived from the tobacco drop is spread throughout the economy. The tobacco farmer is a consumer who requires many goods and services. He also is an employer because he, too, must use hired labor at harvest time and other peak-effort periods of the growing and marketing seasons.

Most frequently, the people he hires are either youngsters or elderly people who find in the part-time employment a much-needed source of extra income.

A great number of tobacco farmers also hold seasonal jobs at the redrying facility of R. J. Reynolds Tobacco Co. at Brook Cove. Without the opportunity to plant a small crop of tobacco, they would have to seek full-time employment, and the source of skilled seasonal labor would no longer exist for the manufacturing industry in the area.

The tobacco growers of the fifth district have great confidence in this subcommittee. They have accrued that confidence over a long period of time because this subcommittee always has protected their interests.

The message they now send you, by me, is that they are opposed to the lease-transfer of tobacco quotas across county lines. They see it as the beginning of the end of the tobacco program, and they urge you to fight it.

Again, I would like to thank you, Mr. Chairman, for the opportunity to express the views of my constituency to this subcommittee.

Mr. JONES. Thank you very much, Mr. Neal.

We appreciate your presence here this afternoon.

Mr. NEAL. Mr. Chairman, I will be glad to stay and answer questions, if there are any. If not, then I will excuse myself from the meeting.

Mr. JONES. I would like to ask one or two.

First, I would like to ask permission, without objection from members of the subcommittee, for one of the North Carolina TV stations to film part of these proceedings.

[No response.]

Mr. JONES. All right.

Congressman Neal, as you know, from the legislation that is before us, North Carolina is exempted from the referendum processes.

Mr. NEAL. Right.

Mr. JONES. If, indeed, at some point in time an amendment was offered to this bill applicable only to North Carolina which would contain leasing only to a contiguous or adjoining county, after the lease has been offered in the base county for 14 days before it crosses the county line, would your people object to that?

Mr. NEAL. They are absolutely opposed to it. They essentially are opposed to any change in the tobacco program except an increase in price.

Let me say further that they see all of these as attempts that bring danger to the tobacco program. They think it is a great program, that it works very well, and they do not want to run the risk of endangering it. They see all of these things as first steps in harming and weakening the tobacco program, and they are opposed to all of these steps, all of these measures.

Mr. JONES. Does anyone have any further questions of Mr. Neal?

Mr. BRECKINRIDGE. I would like to state for the record that I feel certain that, in expressing the sentiments of the Fifth District of North Carolina, the gentleman would have no objection to anything that might be done in the burley belt of Kentucky.

Mr. NEAL. I personally do not have any objection. I think the tobacco growers of the 5th District feel that any change in the program will be harmful to the program. That is the sentiment that I gather. Certainly they would rather there not be any change in the program.

Mr. JENRETTE. I appreciate Congressman Neal's statement. He is one of the leaders in the first-year class, and I certainly feel strongly that my deliberation on the vote will take his comments into consideration.

North Carolina is not considered in the present bill. Apparently you, in answer to Mr. Breckinridge, have no objection to the passage of S. 700 in its present form, which would leave Georgia and South Carolina in the bill for the referendum. Is that correct?

Mr. NEAL. I will just have to say, again, that it is certainly the sentiment of the people in my district, as I hear it expressed, that they really do not want to see a change in the tobacco program.

Mr. JENRETTE. If the committee in the House subsequently passes the bill, and North Carolina is included, still you have a referendum.

Mr. NEAL. I know that. I think they feel there are more tobacco growers in the eastern part of the State than there are in our part of the State. A referendum might go in a way that would not be to their benefit. I have heard that fear expressed.

Mr. JONES. Thank you, Congressman Neal.

Mr. NEAL. Thank you for letting me appear here.

Mr. JONES. The Chair recognizes Mr. Kenneth E. Frick, Administrator of ASCS, U.S. Department of Agriculture, as our next witness.

STATEMENT OF KENNETH E. FRICK, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. FRICK. Mr. Chairman and members of the committee, I am Kenneth E. Frick, Administrator, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture. I have with me Mr. William L. Lanier, Director of our Tobacco and Peanut Division, Joe Todd, Deputy Director, and Mr. John Harris of our General Counsel's Staff. We are pleased to give the Department's views on S. 700, a bill to amend the Agricultural Adjustment Act of 1938, as amended.

The administration's farm policy is one that is market oriented, thus allowing the farmer to freely make decisions on what and how much to raise of a commodity. Under the new found freedoms in the Agricultural Act of 1970 and the Agriculture and Consumer Protection Act of 1973, large amounts of acreages were shifted to allow for production on the farms best suited for growing cotton, wheat and feed grains. Legislation governing our marketing quota crops, such as tobacco, should be reviewed by Congress in order to provide for greater efficiencies and market sensitivity.

The Department, then, would not be opposed to passage of this bill if it were amended to authorize the sale and lease of farm acreage allotments and marketing quotas for all kinds of tobacco in all States, and for their transfer across State and county lines.

The bill provides for the lease and transfer of farm acreage allotments and marketing quotas for Flue-cured tobacco to farms in other counties in the same State—in all States—except North Carolina—if approved by a majority of the growers voting in a referendum on a State-by-State basis. Flue-cured tobacco represents about 65 percent of U.S. tobacco production and 80 percent of our total exports of unmanufactured tobacco. It is produced in six States in Southeastern U.S. The estimated Flue-cured production in the several States is as follows:

State:	Production (million pounds)
Virginia.....	112.2
North Carolina.....	931.5
South Carolina.....	189.0
Georgia.....	150.7
Florida.....	28.4
Alabama.....	1.3
Total.....	1,413.1

Present legislation provides for the lease of farm acreage allotments and marketing quotas for Flue-cured tobacco—in all States—and transfer to other farms in the same county having Flue-cured allotments and quotas. Similar provisions apply to burley tobacco farm poundage quotas and to acreage allotments for most other kinds of tobacco.

In addition to the lease and transfer of allotments and quotas, present legislation provides for the sale of Fire-cured and dark air-cured tobacco allotments—and transfer to other farms in the same county. In the case of types 21 and 37—the fire-cured and dark air-

cured tobaccos produced in Virginia—allotments can be sold or leased to other farms in another county in the same State.

Tobacco producers have made extensive use of the provisions for the lease and transfer of farm acreage allotments and marketing quotas. For example, quotas were transferred from 48 percent of the Flue-cured farms last year, with 30.2 percent of the total poundage being transferred.

The lease or sale of allotments and marketing quotas for all kinds of tobacco, and transfer across State and county lines would provide more flexibility in the tobacco marketing quota programs and enable those farmers who have the land, labor and equipment for producing larger acreages to increase their operations to more economic units.

Larger and more economic production units stimulate the mechanization of planting, harvesting, and curing of tobacco. At the same time, sale and lease enables those farmers who may not wish to continue the production of tobacco to transfer their resources to other operations, and still receive some income from the lease or sale of their allotments and quotas.

The Department will be pleased to assist in drafting legislation to authorize the sale, lease and transfer of farm acreage allotments and marketing quotas across State and county lines for all kinds of tobacco.

It is estimated that the cost of conducting the referendum provided in the bill would total about \$48,000. If the bill is amended to provide for referendums in other States, additional costs would be incurred.

That concludes my statement, Mr. Chairman, we will be pleased to respond to any questions you may have.

Mr. ROSE. You said, "across State or county lines." The bill, of course, only relates to county lines within a State; does it not?

Mr. FRICK. That is correct. All we are trying to make the committee aware of is the fact that we have generally favored having full leasing ability across the Nation. Yet we have gone along with other commodities that have had leasing within a State.

Mr. ROSE. Then, you could pretty well assure us and our tobacco producers that if S. 700 is enacted into law, the Secretary would then authorize the transfer of allotments across county lines?

Mr. FRICK. Yes. Again, we get into the question of whether we are treating all States the same. Lacking treating all States the same—and I am unable to give a direct answer to your question, if all States are treated the same; yes, sir. Leasing within a State would be fine. We would go along with that.

Mr. ROSE. Maybe Mr. Lanier has the statistics.

I have been told—and you can probably give me the exact figures—that in 1975 somewhere in the neighborhood of 100 million pounds of tobacco was not grown in North Carolina. Is that figure anywhere close to correct, Mr. Todd?

Mr. TODD. I would say that might be a little high, because the undermarketings for the entire Flue-cured belt, going from Florida to Virginia, was around 100 million pounds. I would think, therefore, that North Carolina was not short to that degree. That would mean that all other States marketed about the same as their full allotment.

Mr. ROSE. Last year, we had over 100 million?

Mr. TODD. After referring to records last year, we had allotted in North Carolina 1,051 million pounds. The producer marketings were

933 million pounds. So there was 118 million pounds shortfall in North Carolina.

Mr. ROSE. One hundred eighteen million pounds of tobacco were not grown in North Carolina in 1975 that could have been grown?

Mr. TODD. Right.

Mr. ROSE. And the total allotment in pounds for North Carolina was 1,051 million pounds?

Mr. TODD. Right.

Mr. ROSE. You will have cut that about 15 percent for 1976. Is that correct, sir?

Mr. TODD. We cut what we call the basic quota by 15 percent; yes, sir.

When we add this shortfall, the reduction nationwide is only going to be about 10 percent.

Mr. ROSE. What will the allowable pounds of tobacco be for North Carolina for 1976 if it was 1,051 billion for 1975?

Mr. TODD. I do not have that figure yet.

Mr. ROSE. Would you figure a straight 15 percent cut, roughly?

Mr. TODD. You would take 15 percent off your base, and then add to that the undermarketings which was a little over 118 million pounds.

Mr. FRICK. Mr. Congressman, it seems to me, where we are saying nationwide the cut is only 10 percent, the cut would be less in North Carolina with that much undermarketing.

Mr. ROSE. What do you figure, Mr. Todd?

Mr. TODD. The basic quota that we had in 1975 in North Carolina was 984 million pounds. If we cut that by 15 percent, I think that leaves 836 million pounds. If we have about 100 million pounds added onto that from the shortfall from last year, that would give us an effective quota of about 940 million.

The Department subsequently advised that farm quotas, in effect, in North Carolina, following adjustments for undermarketings and overmarketings of 1975 quotas, total 938 million pounds, 11-percent less than the quotas in effect for 1975.

Mr. ROSE. I know there is no rule of thumb to figure what undermarketings are going to be from year to year. However, would you gentlemen anticipate that, in 1976, if no change was made in the law, that the undermarketings would be anything close to 118 million pounds? What would your estimates be? Do you have any forecasts?

Mr. FRICK. We do have a rule of thumb.

Mr. LANIER. Ninety-six percent of the effective quota is normally produced in the Flue-cured area.

Mr. TODD. It would depend a lot on the weather. Over an 11-year period, it has averaged between 95 and 96 percent. Two years we actually produced more than the effective quotas.

Mr. ROSE. If there is no effective change in the law, you would expect 94, 95 or 96 percent of the effective quota to be grown in 1976, and what you call the effective quota would be your base of roughly 836 million pounds plus this undermarketings of 118 million. You are talking about 94 or 95 percent of that. What you are essentially saying is, if we left the law just like it is now, in 1976 a reasonably similar percentage of that undermarketing for 1975 would probably show up again in 1976, wouldn't it?

Mr. FRICK. I think that is a correct assumption.

Mr. ROSE. Isn't it also reasonable to assume that, if the rules of the ball game are changed, and cross-county leasing in North Carolina or whatever the State might be are allowed in 1976, then a larger percent of this undermarketing of 118 million pounds would be, in fact, grown in 1976?

Mr. FRICK. I don't know if we have any history on one of our other programs, or not.

Mr. TODD. No, I do not think so.

Another point, I think, comes in there. Our experience has been, when there is a reduction in quotas, with normal weather, they will pick up some of that slack. I would think the 15-percent reduction would pick up some of the slack.

Since we have been growing 95 to 96 percent, we are not going to increase very much.

Mr. ROSE. But by allowing leases across county lines, given the economics of leasing tobacco in any State, you are probably going to find a little larger percentage of those undermarketings getting leased somewhere else in the State and grown, than you will under the present system, won't you?

Mr. FRICK. I think your point is well taken, and I would like to submit for the record that, if we have anything historically in one of our other tobacco programs of a like instance, we will give that to the committee.

The Department subsequently advised that there are no similar data under other tobacco programs. The following table shows the effective quota, producer marketings and percent marketed for Flue-cured tobacco during the past 10 years:

[In millions of pounds]

Year	Effective quota	Producer marketings	Percent marketed
1966	1,199.0	1,107.9	92.4
1967	1,202.4	1,247.5	103.7
1968	1,067.9	996.4	93.3
1969	1,187.0	1,052.1	88.6
1970	1,190.8	1,178.2	98.9
1971	1,069.9	1,076.3	100.6
1972	1,056.7	1,022.1	96.7
1973	1,205.6	1,159.0	96.1
1974	1,337.1	1,245.1	93.1
1975	1,572.3	1,414.7	90.0

Mr. ROSE. Thank you, sir.

Mr. BRECKINRIDGE. I want to direct your attention, Mr. Frick, to the burley situation as distinguished from the Flue-cured bill which is before us.

I take it from your testimony, which supports cross-county leasing on a much less limited basis than does the bill to which I refer, that you would support that measure also. However, I want to state specifically what the provisions of that bill were and then ask you if it is not within the policy that you have already laid out.

No. 1, the bill would permit burley quota transfer, by lease, within contiguous counties only.

No. 2, it would require that, before any quotas may be leased to a farm outside of the county, it must first be offered for lease within that county for a period of not less than 14 days. I might add that

that is one of the recommendations that resulted from our subcommittee's hearings around the country last year.

No. 3, the bill provides that these changes will be effective only, of course, if they are approved by a majority of burley growers.

No. 4, it would eliminate the present 15,000 pound limit if all the quota leased by any farm is intracounty. In other words, it would not lease across-county lines.

Would those provisions, by way of an amendment to S. 700, fall within the approval which you have already expressed?

Mr. FRICK. What you are suggesting there as far as the burley position, we say that is a step in the right direction.

Mr. BRECKINRIDGE. Thank you. I have no further questions.

Mr. JONES. Does that clear your bill for you, Mr. Breckinridge?

Mr. BRECKINRIDGE. That gives me the support I wish.

Mr. JENRETTE. I particularly appreciated your brevity, Mr. Frick.

Do you oppose the bill if North Carolina is not included?

Mr. FRICK. I do not think we have resolved that in our own mind at this time. We do feel that there is certainly a lack of fairness in not having similar provisions for all growers around the Nation. In all our programs, we try to administer them with similar provisions, and we are not favorable to a bill that does not give equal provisions.

Mr. JENRETTE. I wanted to bring that point out, because, as I understood your testimony, rather than what we have before us, you supported the original Senate version of the bill, unamended. I wanted to make sure that you meant you were assuming that North Carolina would be included?

Mr. FRICK. That is a normal assumption, yes.

Mr. JENRETTE. Do you support the bill with just the majority referendum, or would you believe that a 60-percent, two-thirds or three-quarters vote would be more representative of the growers?

Mr. FRICK. We think a majority referendum is satisfactory. We have seen it work elsewhere. The thing we notice in all these referendums of various commodities is that, when people have a chance to express themselves—and I think there is a point in this statewide—both the person who is trying to lease it and the person who wishes to grow it, get their say-so. The man who wishes to lease it, if he is not allowed to go across county lines, today is getting, as was pointed out, 2 or 3 cents a pound, so his income is reduced. He is not getting use, literally, of his allotment if he is no longer capable of growing it.

The person who truly wants to mechanize, and tobacco is mechanizing, has the opportunity to get a large enough operation to afford that machine. We think if it is a majority vote, this pretty well indicates what that State wishes to do.

Mr. JENRETTE. Is it possible to have a referendum in each individual county that, in effect, would allow that county by majority vote to allow leasing outside of that county; across that county line?

Mr. FRICK. We have had that in past programs, I believe it was the cotton program that had the referendum within the counties which then allowed the leasing, or did not allow it, across to other counties. Yes, that did work.

We did find this, though. In the cotton program, it appeared that the person wishing to lease outside was affected some by the local gin and others, and it didn't move quite as readily as it does under today's

program where I think it is the county committee that makes the decision on it.

We noticed quite a change when it was changed from the referendum to the county committee system, so there is some hesitation apparently, under that system because of other people, other than the grower.

Mr. JENNETTE. I have had some comments at home about speculators in the leasing program. Would you support an amendment, if I offered it, to the effect if the referendum is approved and cross-county leasing is allowed that the allotment can be leased only one time per year?

Would that be a restraint on trade?

Mr. LANIER. In answer to that, Mr. Jenrette, I would say, "Yes." The Department of Agriculture is not interested in anyone becoming a broker.

Mr. JENNETTE. Then you would support such an amendment?

Mr. LANIER. I would say the Department would look with favor on that, yes. We are concerned with the people who grow tobacco and not the fellow who manipulates between the lessor and the lessee.

Mr. JENNETTE. Suppose we pass this bill and have it to the President by March 1, which I imagine, Mr. Chairman, would be the earliest we could possibly pass it, give me please the time frame that it would take to implement your referendum, regardless if it was county or statewide. Would it be available for this year's tobacco crop?

Mr. LANIER. Please repeat that.

Mr. JENNETTE. If we had a bill passed in to the President by March 1 of this year, and you and knew that it was going to pass and become law, you would have to set up the referendum. Give me the time frame, and would it be available for the farmers this year, 1976, or would it not be?

Mr. LANIER. The referendum takes a 30-day notice, but I think, if you use March 1, yes it would be effective in crop year 1976. However, it would be less effective the farther south you go.

Florida, for example, by March 1, a high percentage of the Flue-cured tobacco has been transplanted by that date. So the farther south you go, the less opportunity they would have, in crop year 1976, to get the full benefit of it.

The farther you go north, they would be in ample time for full advantage of it for crop year 1976.

Mr. JENNETTE. With regard to 30 days, do you have a referendum in April? Is that what you are saying?

Mr. FRICK. We could have our referendum by the first of April, yes, if you were out of here by the first of March.

Mr. JENNETTE. One last question.

Following up on Congressman Rose, assuming that cross-county leasing is approved, the percentage of tobacco that you assume would be planted or not planted would be reduced. Is that correct?

You plant 96 percent now. Is that your statement?

Mr. LANIER. No, that does not mean that you plant 96 percent. It means the marketing. We were marketing 96 percent of the effective allotment beginning with the poundage acreage program. A fellow could plant his full allotment, but at the same time not make his full quota.

Mr. JENRETTE. What do you assume would be the effect if cross-county leasing is adopted, on those figures? Or is there any effect?

Mr. LANIER. I would think very little. It would tend to be just a little higher, but I think it would be very small.

Mr. FRICK. It is a little late this year. However, in a normal year, it seems reasonable, as Mr. Rose was pointing out, that, if there is a demand for this in other parts of a State, that which has gone unplanted in a particular county today would get used. We have to assume that.

Mr. JENRETTE. Looking at this overall with the import picture that we have, what if maximum production would be brought about because of cross-county leasing, what will be the net result on the tobacco program as we know it today?

Mr. FRICK. First of all, we recognize that the world bought less tobacco this past year. We recognize that our exports had some difficulty. So we did cut back for the 1976 crop.

We would be hopeful that these exports would pick up again, and we would have tobacco grown. I do think there is more tobacco grown with leasing than without leasing. That means there would not be quite the expansion in acreage available in the future to all people. It would go more to those who are leasing, and we are satisfying within an acreage allotment a little more production.

You realize that our problem is, we are not fully competitive at all times with our tobacco, both as an export item and we are helping hold an umbrella for imports under the present structure. But leasing does make a little healthier industry where they can mechanize, that being about the only way you can compete both with the import and in the world market.

Mr. JENRETTE. Is your final statement that you, Mr. Frick, Mr. Lanier, and Mr. Todd are going to aggressively work to see that the import program is changed, that the 239-percent increase in imports that we saw in Flue-cured tobacco last year will be a 1-year phenomenon and not happen again to our tobacco farmers? I hope you will pursue that.

Mr. FRICK. I hope you are right.

Mr. ROSE. Going back to Mr. Jenrette's question about a majority referendum, Mr. Frick, on your regular voting procedure now for continuation of the tobacco program, what is the percentage that you require for approval of the program?

Mr. LANIER. Two-thirds of those voting.

This is a decision to determine whether or not that you want the continuation of the program, and so I think we would all have to admit that a lease and transfer is a little different situation than voting yourself either in or out of a program.

Mr. ROSE. In other words, it is OK to vote yourself in or out of a program by a two-thirds vote, but, to change the rules of the ball game, you think that a 50-percent vote would be enough?

Mr. LANIER. First of all, this is not a Department bill, and the authors of the bill provided for a 50 percent. We are not disagreeing with that. We did not give birth to the language in this legislation.

Mr. ROSE. You would not disagree with the two-thirds vote requirement then, either, would you?

Mr. LANIER. If I were testifying as a farmer, yes.

Mr. ROSE. Why?

Mr. LANIER. I think the decision then would be whether or not you want to have leasing across county lines or whether or not you want to use this as a gimmick to defeat the implementation of cross-county leasing.

Mr. ROSE. Mr. Frick, one last question.

I was interested in one statement you made about the farmer, or the owner, of an allotment who could get only 2 or 3 cents a pound for their allotment. The only reason I mention this is that it implies concern on your part for the owner of an allotment who could not get more than 2 or 3 cents a pound.

Was that part of what you were meaning there?

Mr. FRICK. There has been some concern for the man who owns an allotment and is no longer able to raise tobacco because of age or whatever, and the income he derives from leasing. My point is, he will derive more income if he is allowed to lease across county lines than he does when it is restricted to within county lines.

Mr. ROSE. The only reason I mention it to you is because your Secretary of Agriculture, in a meeting that we had in Mr. Wampler's office several months ago, was complaining to us because down in North Carolina, where his wife is from, his sister-in-law has gotten 24 cents a pound for leasing her tobacco, and he was pointing out that that was too much to have to pay for the right to grow tobacco.

Mr. FRICK. It is very simple; I understand the going price in some areas today is 35 cents. I would say that paying 1 penny for the right to grow tobacco is too much when you are trying to compete on the world market.

Mr. ROSE. That was the Secretary's position.

Mr. FRICK. It is ridiculous to have to pay for the privilege of growing something when all that does is add a cost to production, no inputs, which keeps you out of world markets.

Mr. ROSE. Do you think that S. 700 would raise or lower the average price of tobacco on the 1976 market? What effect will it have on the 1976 market price of tobacco?

Mr. FRICK. I would doubt that it would have much effect but it, might have some.

Mr. JONES. Thank you very much, Mr. Frick.

Before you leave—this is not germane to the subject here this afternoon—but about 10 days ago I talked with you of the possibilities of once again measuring acreage as relates to poundage. Second, I also requested that you prevail upon the Secretary, at the beginning of the harvesting season, to publish the support prices for various grades. How is that faring over in your shop?

Mr. FRICK. On the first issue of measuring, well, on both issues, we are still in the process of checking into it. We hesitate on the measuring, to go back to measuring, unless we can really see that it is necessary. But we are still checking that.

On the second issue, we think it would be very appropriate to get into, before marketing, timely. We would like to publish the values of the various grades, and particularly those lower plant grades that had some difficulty this last year. We would prefer not to have those overvalued in the coming marketing year. That appears to be something that we made a mistake on in having them overvalued relative to the amount of those lower plant marketings last year.

We are still checking both items.

Mr. JONES. We appreciate that.

Our next witness is Mr. Robert Pierce of Farmville, N.C.

**STATEMENT OF ROBERT PIERCE, TOBACCO FARMER,
FARMVILLE, N.C.**

Mr. PIERCE. Congressman Jones, distinguished members of the committee, I am not a professional speaker. I perhaps will not express myself as forcibly as some of the speakers you will have today, nor perhaps express myself as coherently and as cogently as some of them will.

My name is Robert Pierce. I am from Pitt County, N.C. I am a tobacco farmer and have been some 30 years. I own a tobacco farm, lease tobacco farms, lease tobacco poundage to place upon these farms, own and operate two tobacco warehouses. Producing and selling tobacco is my business.

I am from the largest tobacco-producing county in the world. We produce 4 percent of this country's production of Flue-cured tobacco. Pitt County is the center of Flue-cured production, and Farmville, my hometown, is the hub.

Within a 10-mile radius, we produce 70 million pounds of tobacco—5 percent of the production of this country.

I am one of two spokesmen this afternoon for a group of farmers in this room today who have driven some 300 miles to make their wishes known to this committee. We are all active, aggressive businessmen who have invested considerable sums of money in the acquisition of equipment and buildings to expand our production, much which in response to the requests of buying companies and the Department of Agriculture to meet the demands of the industry.

All of us have employees and/or tenants to assist us in our business.

While our physical numbers here today are small, we represent a substantial portion of tobacco being produced in our area and a large number of its people, either directly or indirectly. We are all members of farm organizations.

We state here today, they do not represent our views nor do we believe they necessarily represent the views of a substantial proportion of their membership as regards to the subject here this afternoon.

We unequivocally support a referendum for the statewide lease and transfer of tobacco poundage. The time has arrived for the issues are great. Something must be done.

Tobacco production has increased dramatically over the past 3 years. Flue-cured allotments for 1976, however, have now been reduced 15 percent by the Department of Agriculture.

Yet, while our area was meeting the demands made upon it by the industry, other areas were not. We produced, or overproduced, our poundage quotas, while they underproduced. We get up for production; they did not. We have no underproduction of allotted poundage, while they have some 100 million pounds.

Now with the cut in Flue-cured allotments, we in our area are forced with a terrible squeeze in production costs. The acquisition of the right to produce tobacco in our area now represents approximately one-half of our production costs before depreciation. In other areas, only 10 to 15 percent.

In our area, we are paying \$600 to \$700 per acre for this right. They, only \$100 to \$200.

This is an unfair disadvantage. This is not the American system of free enterprise. I do not mind competing, but do not place me that much to a disadvantage.

We would gladly pay the allotment holders in that area a fair price, a much fairer price than they are now receiving. This would force the producers of those areas to pay the market price based upon a larger geographical area than that which is now being represented.

Tobacco, contrary to what others would have you believe, would not leave those areas if the producers of those areas would pay the market price.

In conclusion, a number of detrimental things are now carried within the industry as a result of a limited supply of tobacco in county markets that have aggressively increased production:

One, tenants are being forced off the farm since the allotment holder or farm operator can lease tobacco poundage out for more money than he can make with a sharecropper. I, myself, released three this year.

Two, small operators will be forced out since financial institutions will not lend money to one whose financial resources are not commensurate with the risk involved.

Three, pressure will be increased to force the support price of tobacco upward to cover the increased cost of rentals, which, in turn, creates a vicious cycle—increase the support price, increase the rental price. Increase the rental price, increase support price.

Four, as the price of tobacco increases, our competitive position on the world market decreases. One-half of Flue-cured production now is sold overseas. Any decrease in our competitive position affects not only our balance of payments but the health of the industry as well.

Five, the State of North Carolina is now a deficit producing area as regards production of assigned quotas. This under-productive capacity is now being spread across all Flue-cure States whenever the Department of Agriculture raises or lowers production quotas in keeping with industry demands.

We are from the predominantly agricultural area and believe the State of North Carolina would benefit along with our area if these production quotas were allowed to be produced within the State as they would be if tobacco poundage were allowed to be moved from one area to another in response to economic factors.

Thus we can readily see, if tobacco poundage is allowed to flow into those areas where it is desired, and can be efficiently produced, all segments of the industry will be favorably affected.

We support the lease and transfer of tobacco on a statewide basis.

Thank you.

Mr. JONES. Thank you, Mr. Pierce.

Does any member of the committee have questions of Mr. Pierce?

Mr. ROSE. How much tobacco did you grow in 1975?

Mr. PIERCE. On my tobacco farm, which I own, I have 70,000 pounds of tobacco. I leased farms and transferred poundage of approximately 400,000 additional pounds. All, I might say, in competition with the market.

Mr. ROSE. If you would rather not answer this next question, you do not have to, but would you mind sharing with us what the average lease price was on that 400,000 pounds?

Mr. PIERCE. I have no objections.

In 1975, the approximate cost was 16 cents. In 1976, I wish you would ask me that.

Mr. ROSE. What do you project that that 400,000 pounds would cost you to lease in 1976?

Mr. PIERCE. On today's market, as of this week, in Pitt County, it would cost \$130,000.

Mr. ROSE. That is how much average a pound?

Mr. PIERCE. 32 to 35 cents.

Mr. ROSE. Did you have a good sales year for 1975? Were you happy with your price?

Mr. PIERCE. No complaints.

Mr. ROSE. Do you feel that, if this 118 million pounds of under-marketings was freed up, so to speak, so that you could bring some of it in from other counties and get your lease price down to where you think it ought to be, or where it would be more profitable for you, this would have any effect on the market price in 1976?

Mr. PIERCE. None whatsoever.

Mr. ROSE. Mr. Pierce, I appreciate your testimony.

Mr. Jenrette and some of us were just commiserating over the relative problem that this proposition presents us with.

All of us have half our tobacco in the hands of people who grow it themselves, and the other half in the hands of people who lease it. You know, the old politician says, "Half of my folks are for it, and half of my folks are against it. And I always stick with my folks."

We may be in a no-win proposition here, but I want to see, and I think everyone in this committee wants to see, tobacco prices up in 1976.

How would you feel about an amendment to this bill if we brought North Carolina back into it? And if we left it at, say, a 50-percent referendum, to put an amendment on this bill that would say that, before the Secretary of Agriculture could ever increase tobacco allotments again, he would have to hold a referendum of the growers?

Would you be in favor of letting the Secretary continue to have the right to increase poundage on his own, or would you like to see that right given to you to vote on?

Or would you rather think about that one for a while?

Mr. PIERCE. Mr. Rose, most of us tobacco farmers are not as versed in the trade domestically and worldwide, sometimes, to have as sound a judgment as people elsewhere who give this full study to see whether or not supply is in line with demand.

They have at their fingertips, facts and figures that I do not have access to, nor does the average tobacco farmer.

Mr. ROSE. You said you were not a public speaker when you started, but you are one of the best witnesses I have ever heard before this committee.

I appreciate your concern about being competitive on the world market. I am not convinced, and somebody is going to have to convince me, that we are ever going to be able to compete with 35-cent tobacco from Korea, Mexico, and Brazil. If we give away allotments, I do not think we can get completely competitive.

Quality is going to have to be what sells it.

Mr. MATHIS. I too commend you on your testimony. It is a pleasure to me, having been long an advocate of leasing across county lines, to find someone from North Carolina who feels as we do in Georgia about this proposition.

I take it that you are in favor of deleting the amendment that was added in the Senate that exempted the State of North Carolina from the provisions of this bill. Is that correct?

Mr. PIERCE. If a referendum were held, and this requires pure conjecture on your part—

Mr. MATHIS. I understand that, but would you be willing to hazard a guess as to how the total tobacco population of North Carolina would vote in a referendum?

Mr. PIERCE. Mr. Mathis, I believe it would pass.

Mr. MATHIS. That, as you said earlier, is a little contradiction with the position that has been taken by—

Mr. PIERCE. If I understood the question—did you ask if I thought the referendum would pass?

Mr. MATHIS. Pass or fail. We have been told by spokesmen for farm groups in North Carolina that they were opposed to the legislation.

Mr. PIERCE. I believe the referendum would pass.

May I just interject another statement?

Mr. MATHIS. Certainly.

Mr. PIERCE. In many of the meetings that were held to determine the advisability of having a referendum, many of the speakers were speaking from professional organizations.

Mr. MATHIS. What do you mean, professional organizations?

Mr. PIERCE. Farm organizations, of which I am a member, also.

Mr. MATHIS. Me, too.

Mr. PIERCE. They were speaking for the farm organizations, which I say do not necessarily represent the feelings of the individual tobacco farmer, and particularly at this point.

The lease and transfer of tobacco became officially a program for 1976 only in our county January 9. It was at that time we farmers had a rather rude awakening as to what the governing price was going to be.

Now when the farm organizations passed the resolutions discouraging the movement of tobacco across county lines, rental prices were much cheaper.

I believe at this point that those growers who are now leasing in, who may perhaps before opposed cross-county-line movements, would be in favor. And those allotment-holders in many of these other counties who are receiving such ridiculous prices for tobacco—2, 3, and 4 cents a pound—would gladly take the price that we in our area would be willing to pay.

For this reason, from an economic factor, the vote on the referendum would be favorable.

Mr. MATHIS. All of the members of this committee have to work within the realm of what is practical so far as what we pass out of this subcommittee to the full committee and to the floor of the House. There have been several possible amendments discussed, a couple of which Mr. Rose mentioned in questioning Mr. Frick.

One would have to do with the contiguous county provision that is contained in the Mathis bill that we held hearings on in Winston-Salem and some other places.

Second, would be the provision to allow farmers within a county to have x number of days—14, 21, 38—to have first shot at leasing.

Third is an amendment that causes a great deal of discussion—the one lease a year provision to try to get the speculators out of it.

Would you comment very briefly on all three of these amendments and what you think the majority of the farmers of North Carolina would feel about them?

Mr. PIERCE. I am not sure I heard you too well.

On the first—I think I understood that one—would we object to leasing from contiguous counties?

We would not, because we feel that this would be a step forward. The door would be open and it could, perhaps, lead to something even more favorable.

Mr. MATHIS. The second possibility would be allowing farmers within a county to have x number of days—14, 21, 28—to have first crack at leasing that tobacco within the county before it was placed on the docket to be leased outside the county.

Mr. PIERCE. I would have no objections to that. I think they should have first shot at it.

Mr. MATHIS. The third provision that has brought forth a lot of discussion would be restricting the number of leases to one a year to try to keep speculators out of the situation.

Mr. PIERCE. I would have no objections to that. We do not want speculators coming in and dictating market prices. It should be a free flow as a result of true economic factors which reflect market conditions.

Mr. MATHIS. Mr. Pierce, I thank you, not just because you have taken positions consistent with mine, but you are an excellent witness. We appreciate your being here.

Mr. JENRETTE. What is a fair price? You have commented that you want to pay a fair price. What do you consider a fair price?

Mr. PIERCE. You mean, on today's market?

Mr. JENRETTE. Yes, sir.

Mr. PIERCE. Assuming that you have to pay for the right to produce tobacco, if this is the way your question is phrased—

Let me put it another way. I believe that, if we had statewide leasing in North Carolina, the market price would range between 20 and 25 cents a pound.

Mr. JENRETTE. Clemson University, in testimony before the Senate Tobacco Subcommittee, stated that it would stabilize, in South Carolina anyway, at about 21.5 cents per pound, which is in the range certainly that you commented on.

In today's market, realizing the import situation, can you make a reasonable profit leasing at 21 cents a pound?

Mr. PIERCE. I have been making a reasonable profit.

Mr. JENRETTE. Mr. Pierce, I want to say that I, too, thought you made an excellent witness for your group.

Mr. JONES. Mr. Pierce, in view of the compliments you have received from the others, and the fact that you can vote for or against me, I want to add my words of commendation to you for your fine appearance here this afternoon.

Mr. PIERCE. Thank you, Congressman Jones.

Mr. JONES. At this point, and without objection, I would like to read into the record—since we spent the last few minutes talking about the varying prices of leases—a letter from Pamlico County, N.C., which is within the first district, and has not too much tobacco acreage but quite a bit. It is a relatively small county.

I read this letter at the request of the writer.

Dear Sirs:

I can't be in your meeting to testify on the conditions that we are having in Pamlico County renting or leasing our tobacco allotment.

It is deplorable to think of how our county rents or leases. We can't transfer to another county. The SC office has set a price of four cents per pound, and all the others nearby are glad to pay twenty or more. Why are we penalized in Pamlico County?

I am a widow. My family has worked hard all these years for our allotment. Now I can't get enough out of leasing it to pay the taxes. I have no one to raise it on my farm, so I have to lease.

Please allow us to transfer our allotments to other counties. It is ours. We should be allowed to do as we choose.

I hope you will read this at your meeting as a testimony from Pamlico County.

Sincerely, Mrs. Rhonda B. Prescott.

Without objection, that will be made part of the record.

Mr. Pierce, again, thank you for your appearance here.

We will now recognize Mr. Ralph Tucker of Greenville, N.C.

STATEMENT OF RALPH TUCKER, GREENVILLE, N.C.

Mr. TUCKER. Congressman Jones and members of the committee, I appreciate the opportunity to appear before you this afternoon.

My name is Ralph C. Tucker, Jr., from Greenville, N.C. I am 22 years old and a 1973 graduate of North Carolina State University where I received my bachelor of science.

I am currently managing our family farming operations in Pitt County where we enjoy growing our main commodity which we can proudly say is Flue-cured tobacco.

My purpose in appearing before you today is to represent a large number of producers in Pitt and Green County, and to offer information which, as each of you will see, leaves us no alternative but to request that North Carolina be afforded the opportunity to take part in a referendum calling for statewide leasing and transfer of Flue-cured tobacco allotments.

It is important to bring out at this time that a majority of the producers that we represent throughout the county are members of Farm Bureau, but, in this case, are not supporting Farm Bureau stand on this particular issue.

Initially the situation I wish to present is potentially dangerous not only to our immediate area but also to the tobacco industry as a whole.

In the fall of 1972, tobacco companies as well as the Department of Agriculture initiated efforts for increased production. Their efforts continued for the following 3-year period and production was increased some 37 percent.

The farmers in our area reluctantly responded to the call by making necessary capital investments and gearing up, so to speak, to handle the increase.

While the farmers in our area responded to this request and increased their production, produced the poundage quota assigned to them, producers in other areas of our State did not, and presently there is some 106 million of underproduction in our State, the bulk of which comes from outside of our area.

However, in the fall of 1975, the allotments were reduced by 15 percent, thus reducing the supply on hand available to our producers. This reduction, coupled with the fact that producers responded to a call and geared up their facilities to handle the extra tobacco, caused most producers in our area to pay as much as one-third of the gross value of the crop for the right to produce the 1976 crop, while other areas in our State paid as little as 5 percent for the same right.

Mr. JONES. Mr. Tucker, I regret having to interrupt you to declare a 15-minute recess. We have to respond to a vote on the House floor.

[Short recess taken.]

Mr. JONES. We will proceed. While other members of the subcommittee have not yet returned, our meeting is being recorded, will be typed and distributed to the members who will be able to read it in total on their own time.

Please proceed, Mr. Tucker.

Mr. TUCKER. If you don't mind, I will digress just a little bit to avoid breaking any trains of thought.

The situation I wish to present is potentially dangerous not only to our immediate area but also to the tobacco industry as a whole.

In the fall of 1972, tobacco companies as well as the Department of Agriculture initiated efforts to increase production. Their efforts continued for the following 3-year period, and production was increased some 37 percent.

The farmers in our area reluctantly responded to the call by making necessary capital investments and gearing up to handle the increase.

While the farmers of our area responded to this request and increased their production, produced the poundage quotas assigned to them, producers in other areas of our State did not. Presently there is some 106 million pounds of underproduction in our State, the bulk of which comes from outside of our area.

However, in the fall of 1975, the allotments were reduced about 15 percent, thus reducing the supply on hand available to the producers. This reduction, coupled with the fact that producers responded to a call and geared up their facilities to handle the extra tobacco, caused most producers in our area to pay as much as one-third of the gross value of the crop for the right to produce the 1976 crop, while other areas in our State paid as little as 5 percent for the same right.

As you can see there exists an unfair competitive advantage. The limited availability and the excessive cost of their allotment strongly discourages, and many times prohibits the entry of young producers like myself, into the industry.

Furthermore, the margin of profit in Flue-cured tobacco, as small as it was, obviously is further reduced, therefore forcing producers to increase their rents as they are forced to increase the size of their operation in order to make a living.

In addition, smaller family units and tenants are automatically eliminated by the limited availability and prohibitive costs of the

allotments. As a result of this, there is a mass flow of the farm population forced off the farms due to the failure and inability of the smaller units to offer a decent standard of living.

Finally, after having expressed a few of the major concerns facing our area in the tobacco industry as a whole, we respectfully request an opportunity to take part in a referendum calling for statewide leasing and transfer of Flue-cure tobacco allotments.

Thank you.

Mr. JONES. Thank you, Mr. Tucker.

Just for the record, how much tobacco did you plant last year?

Mr. TUCKER. Last year, tenants and all, I farm-planted roughly 250 acres.

Mr. JONES. Could you translate that into pounds?

Mr. TUCKER. Roughly a half a million pounds.

Mr. JONES. How much of that was leased?

Mr. TUCKER. 300,000 pounds.

Mr. JONES. Thank you.

Would you be agreeable to an amendment to this bill as it relates only to North Carolina to confine leasing to contiguous counties with only one lease per year permitted?

Mr. TUCKER. That would be a step forward, yes, sir.

Mr. JONES. Thank you, sir.

We appreciate your coming here today.

Our next witness is Mr. Thomas Allen.

STATEMENT OF THOMAS W. ALLEN, JR., CHAIRMAN, NORTH CAROLINA STATE GRANGE FLUE-CURED TOBACCO COMMITTEE

Mr. ALLEN. Thank you.

Congressman Jones and others members of the committee, I appreciate the opportunity to bring the views of the North Carolina State Grange to you. Our master regrets that he could not be here to bring them to you himself.

I am Thomas W. Allen, Jr., from Granville County, chairman of the North Carolina State Grange Tobacco Committee.

The North Carolina State Grange Tobacco Committee unalterably opposes the approach taken in S. 700 to fragment the tobacco program by setting up a referendum in each State that could lead to a tobacco program that is administered differently in each State which would destroy the regional concept under which the tobacco program has existed successfully for more than 40 years.

If a change is necessary, we recommend that growers be provided with an opportunity to vote in a referendum to determine the question of lease and transfer of Flue-cured quotas across county lines within States; and that the outcome of the referendum be determined by the total vote for the six-State Flue-cured area on the same basis that the quota and price support referendum is now determined, which requires a two-third majority favorable vote of the growers voting in the referendum.

Mr. JONES. Thank you, Mr. Allen.

I take it from your testimony that the Grange is not adamantly opposed to the leasing concept.

Mr. ALLEN. At the present time, the North Carolina State Grange is on record opposing any cross-county lease and transfer of tobacco. That question is just being raised now. We are sounding out our membership, and the executive committee and the administrators of the North Carolina State Grange will be getting together shortly.

Mr. JONES. Then I take it, while the jury is still out, figuratively speaking, that your organization has taken the position that you cannot support the legislation which treats the six States differently.

Mr. ALLEN. That is right, sir.

Mr. JONES. You feel that in the referendum, each State being permitted to vote, you allude to the usual two-thirds majority on farm programs?

Mr. ALLEN. Yes.

Mr. JONES. All right. I think I get the position of your organization at the present time.

In the polling of your jury, I would appreciate it if you would inject the possibilities of contiguous county leasing and only one lease per year, so we could deliberate on the possibilities of approving or disapproving any change whatsoever.

Mr. ALLEN. I surely will.

Mr. JONES. Thank you very much for your presence here this afternoon.

Our next witness is Mr. Hassell Ray Osborne.

STATEMENT OF HASSELL RAY OSBORNE, PINETOWN, N.C.

Mr. OSBORNE. I'm happy to be here this afternoon.

I appreciate you, Congressman Jones, for the work that you have done in the past in behalf of the projects that I have worked on which you have helped to make successful.

I would like to express my views this afternoon as I feel it.

We are attempting something here that does not present a clear goal. I want to speak as an individual, and I also want to speak as to how it affects others, other than myself.

I am 62 years old, and I would like to slow down on the tobacco business, but the situation has caused me to have to get into it larger, and not only myself in my own county, but others.

We have gone bulk cured, mechanical harvested, and last year was our first year. I have talked with people throughout the State, or a large part of it, who have done the same thing.

I do not come here crying on anyone's shoulder. I made the decision myself last year. This thing has been before the people two times before. Four years ago, as you remember, I came here and I was bitterly opposed, and I still believe that we have got a good program.

Last night I saw the fellows who grow 12 acres of tobacco. They have four acres of tobacco of their own. They lease eight acres of tobacco. The men are almost in tears. There are other groups that wish to swallow them up to the extent that they cannot even school their children or pay their taxes or be good citizens, as they have been.

It is a far-reaching thing. I am alarmed about it.

In my own position, as I have invested, it looks like such a monstrous thing coming upon us that we will become desperate in our old age.

In our county, tobacco prices—the rentals on it— have jumped up. The people will not even talk to you about leasing. They say, "Oh, I can get 50 cents a pound for it now directly. You just wait until we get things fixed." That is where you have been in and tended the old widow woman, you have tended Uncle John and Joe's farm, and old Mr. Harry Lee, and everybody else's farm. All these years you have struggled with it.

Now, getting to this point, where we have got a good program, and we are starting to do something to mess it up. I looked around this group this afternoon, and I think I am about the oldest man in here. I remember back to the old Cooperative Marketing Growers Association years ago before we had any such good programs as we have now. My father was a member, and there were many in the country who belonged to it. They were struggling to do something better.

Some of the men in that group backed up on their word and went out of it. There were no teeth in it to make it good.

This program went into existence in 1934. This is 42 years we have had good. May I say, we have had it very good.

People forget quickly. They are like some in the Biblical days. When they were getting along good, they would not let the Master lead; they would ask for a king.

Now we want to get out and jeopardize our position with this program.

When 1934 came along, and we signed up on this thing, after we got going, I was instrumental in working with it—we got the market where people could live and school their children and be good citizens. They forgot quickly. They voted it out in 1938.

What happened in 1939? We opened the market up and saw some of the prettiest tobacco we ever saw selling for 8 cents a pound. I helped a man load some one day. He was turning tags.

When you cannot meet your obligations, you are in a mess. Anyhow, the good people of the Congress were favorable enough at that time. They shut the markets down, they got their heads together, and in 2 weeks they opened them up, and we went on rejoicing.

Now we are tampering with something that is not only good, but very good. I remember a speech I heard you make over in Raleigh, N.C., last year. You were talking about the peanut program. You said you felt like letting a sleeping dog lay. We had a good program, let it alone. I thought it was the wisest statement that I had heard a man make in many a day.

Another thing that I saw yesterday. This will happen anywhere in anybody's State. I serve on a loan committee with a production credit organization. There were men who had loans before this committee. One might be, say, for \$34,000. He was growing his crops, he had so much tobacco.

Of course, there is a value on a tobacco allotment. There is a basis that a person can extend credit with it, reasonably safe. You could ask the man about his tobacco, whether he has all his poundage rented. He might say, "Well, I got what I got—I have six acres, but I was going to rent six more acres."

We would ask him if he had talked to anybody. He might answer, "Well, the people I was tending for last year would not let me have it. I went to see them the night before last, and they said, 'We think we will wait on it.'"

So he was disappointed. You can readily see the position a person is in under such circumstances.

If this thing is going to jeopardize the whole tobacco program—and I can see that it will—I say, "Let it alone in every form."

Water will seek its level, and this tobacco growing will do the same thing.

We have had all this equipment that has been bought and put down there ready to go. Our people do not mind paying a reasonable rent. How do you determine what the price of a thing is? You determine it according to what the demand is for it. But, whenever you go to paying too much for something, everybody is in trouble. If a man pays too much for it, he cannot stay in the market. He might for a short while.

If I had to say what my opinion of the thing is, I would say, I am in a plight right now. I put down a heavy investment last year, and these people want to wait on the allotment.

If I were in the position where I had not been tending tobacco throughout the years, I could say that I would let mine go somewhere in the State and I can make more out of it. That is a different thing.

I really feel, for the best of everybody concerned, that there is no point in fooling with something just to make a few people bigger growers.

Mr. JONES. I am not trying to avoid the issue, but I do want to call to your attention that this bill originated in the Senate and it has been passed by the Senate in its present form.

Mr. OSBORNE. Right.

Mr. JONES. We are trying to get a sense of direction through these meetings, because it is half law, now. It has passed one body. We have to see what happens to it from here, assuming the President does not veto it.

What was the rental rate in Beaufort County last year?

Mr. OSBORNE. Last year, there was some 5-cent tobacco. Normally, it is anywhere from 7 to 10 cents.

Mr. JONES. This year, prior to the threat of this bill, what is it?

Mr. OSBORNE. It had jumped up to 10 and 12 cents, because the people had put their investment down there to hold this tobacco, and they want to grow it.

The position that we are in right now is that they do not want to lease it for a price——

I would be 20 cents. Yesterday, I saw it leasing for 20 cents.

Mr. JONES. I believe it has been testified here this afternoon that, in the adjoining county of Pitt, some has gone as high as 35 cents.

Mr. OSBORNE. That is right. I am glad you mentioned that. Pitt County can pay more for tobacco than some other county can where the lands are not as suitable for it.

At the beginning, when tobacco was set up, the program took all that into consideration and the counties got what their proportionate share was at that time.

Mr. JONES. I read into the record a letter from Pamlico County where the lady said that is approximately 4 cents in that county.

So you have a triangle—Beaufort from 10 to 12, Pamlico from 4 to 6, Pitt from 30 to 35. Is that right?

Mr. OSBORNE. I have a brother-in-law who lives in Pamlico County. He says they are racing around there getting tobacco. They have done the same thing we have.

I have been talking to some fellows who have put equipment in there ready to handle tobacco, and they are in the same position we are in now.

We have some old ladies in similar situations to the one you mentioned in Pamlico County. Two men talked to me Saturday night about it. They said they won't want to rent it now. They have been tending their farm and all, and giving them what they could. They stayed with the industry. Now they have put in their bulk bonds, bought a harvester together, and now want to rent the tobacco. But if a person has to pay more than it is worth, he goes broke.

Mr. JONES. Mr. Osborne, thank you very much for your appearance here this afternoon.

The Chair recognizes the next witness, Mr. Simm Daniels of Williamston, N.C.

Mr. DANIELS. Thank you, Mr. Chairman.

STATEMENT OF SIMM DANIELS, WILLIAMSTON, N.C.

Mr. DANIELS. I am Simm Daniels. I live in Martin County on a tobacco farm which I rent out to a neighbor.

I work with the Washington Production Credit Association of which I am vice president and credit manager, serving both Martin and Beaufort Counties. I work at the Beaufort County office. I deal directly with more Beaufort County farmers than I do Martin County.

I offered to you my position, but I was asked by members of both counties that I testify on their behalf. I am happy to say that, in the two counties I represent, I do not have the problem that Mr. Rose has. I do not think there is any doubt that the people in these two counties are opposed to any bill whatsoever. They are definitely opposed to those two counties being included to it.

Mr. Osborne brought out the fact that the two counties represented are somewhat like the counties that are represented by Congressman Neal in that we have smaller fields, less well drained land. We had to cut up fields in order to get our tobacco planted on the best possible land. As a result of this, we are not in a position to pay as big a price as, maybe, Pitt County, where they have larger fields, and where they are better suited to mechanization.

This does not lessen the economic impact on the two counties represented, though. The tobacco being grown there is just as important to our economy as it is in Pitt County. As a matter of fact, I believe Pitt County is not put in a position where they would be poor enough to be considered for certain HEW programs that probably our two counties are.

Any taking away of this tobacco would weaken an already poor economy in the two counties.

I thought it was interesting when Mr. Frick, Mr. Lanier, and Mr. Todd were talking about the total effective allotment. In 1975, the base allotment for North Carolina was 984,000,000 pounds, I believe. The effective allotment, due to underplanting from previous years, was 1,051,000 pounds. We had underplanting of 106,000,000 pounds, which was approximately 10 percent underplanting.

With this underplanting from the previous year, our base allotment for 1976 is 836,000,000 pounds. With the underplantings, we will be approximately 940,000,000 pounds, just what we sold in North Carolina in 1975.

Apparently, we only have quotas to equal the total sold in the State during 1975.

I believe that anyone who is familiar with growing tobacco and familiar with the program will recognize the fact that there will always be some underplanting due to weather conditions or what have you. I know this was true in Beaufort County in 1975. Certain areas were hit with drought and then excessive rains, and other areas were hit with hail damage causing underproduction—not planned underproduction, but unforeseen underproduction.

You asked a question of several other people, and I suppose you will ask it of me also, so I want to tell you in advance that the people in these two counties would be strongly opposed to renting on just a contingency basis because both of these counties join Pitt County. If you are going to have leasing, we would rather it be statewide where they can go to the Piedmont and get their tobacco because right now there is a shortage at both Beaufort and Hyde Counties.

To my knowledge there is no shortage because people are holding for this bill that just is not enough to meet the demand before this bill was heard of. I do not really think that this has any bearing. There may be a dozen farms in the two counties that are holding back their lease waiting for the outcome of this bill.

I think the reason there is a shortage and the reason is the price is up in Beaufort County from 5 to 10 cents in 1975, to 8 to 12 cents early this season, and it has jumped to 20 cents.

I have some good friends who would like to have some tobacco. They called me and asked me to please find them some and they will pay 20 cents, and I do not know where to tell them to get any because there is not any available.

I was impressed with some of the acreage-poundage that some of these people—Mr. Pierce, Mr. Tucker, and others—are raising in Pitt County. I am also impressed with that of my friend Chester Don Worthington back there. I am impressed with what some of these fellows are doing, but I believe their bite is big enough. I am concerned with the little man.

I made a survey of the farms in my surrounding community last night, and I found that, in a 2-mile radius, there are 32 farms owned by different people. Of these, one farm was owned by an outsider and I am not sure who is renting it, so I will eliminate the one farm. Of the other 32 farms owned by the different individuals or different individual families, eight people tend all this land. So you can see in my community that one-fourth of the people raise all of the tobacco and tend all of the land.

Of these 24 other people, 12 people work for a living and rent the farm out, 6 of which live on the farm and 6 of which live away from the farm.

The other 12 people involved were all retired people who are drawing social security and depending on renting their tobacco as additional income. Six of these people were elderly couples, four were widows, and two were widowers. These people do not want to rent their tobacco in Pitt County.

I am renting mine this year for 20 cents. These people are not interested in renting it in Pitt County for 30 cents because they think, as Mr. Pierce started to say, this will open the door, and we do not know what it will open the door to. We would prefer to take less, an economical amount.

As a credit man, I do not believe that anybody can raise tobacco and pay 35 cents a pound. I think this is a preposterous figure. I know they cannot do it in Beaufort County or Martin County. I could not approve loans if they had to pay this kind of rent to get the tobacco.

Therefore, I submit to you—and I do not think there is any doubt, I think it would be four to one—if you go with any kind of bill, we would oppose contiguous county leasing, we would oppose crossing State lines. We prefer no fill at all.

Mr. JONES. Thank you, Mr. Daniels.

Let me ask you this. What is the prevailing rate in Martin County at the present time?

Mr. DANIELS. It was around 20 cents when I leased mine. I understand there are people who have put theirs on the book and said they will take 35 cents. These are people who planned to tend it earlier but said that if they could get 35 cents they would take 35 cents and forget it. This is just some people who say, if it doesn't go that high, I am willing to take that rate. But they would pull it off the market if it came down to 20 cents as a resident sale.

Mr. JONES. Your county not only joins Pitt, it joins Beaufort, doesn't it?

Mr. DANIELS. It joins Pitt, Beaufort, Edgecombe—

Mr. JONES. Bertie and Halifax?

Mr. DANIELS. Yes, it joins all of them.

Mr. JONES. I am not trying to sell or convince you of anything, but I think it would be a little unfair to compare the business transaction only between Martin and Pitt counties because you have these other potentials where the prevailing rate is much lower than Pitt, I am sure.

Mr. DANIELS. I believe the prevailing rate in Halifax would be comparable to Martin County, which it joins. Beaufort does not join.

Mr. JONES. Would it be in Bertie?

Mr. DANIELS. I am not sure about Bertie. It is predominantly a peanut-producing county.

Mr. JONES. They do produce a little tobacco over there, I think.

Mr. DANIELS. Yes.

Washington County grows tobacco, but it is on a smaller basis than ours, and, like Pamlico, it is not going to make much difference to the whole system one way or the other.

Mr. JONES. Any questions?

Mr. ROSE. Mr. Daniels, I am sorry I had to leave to answer the telephone while you were talking.

You made some reference, when I came back in, that maybe Mr. Jones would not have the same problem with this that I have. What were you referring to?

Mr. DANIELS. I said I would not have the same problem. The people I represent in Martin and Beaufort counties are strongly opposed to it by I would say a 4 to 1 or 5 to 1 majority. I do not

think it is a matter of half wanting it and half not wanting it. We are unequivocally opposed to it.

Mr. ROSE. I am not sure, today, if my folks are half for it and half against, but your testimony is certainly very helpful.

If this committee passes out a tobacco bill \$ 700 at all, do you want North Carolina in it or out of it?

Mr. DANIELS. Out of it.

Mr. ROSE. If North Carolina gets put in, and I am walking right down the middle of this one in my question to you, do you want a 50-50 vote or do you want to have a two-thirds vote?

Mr. DANIELS. I think we should have the two-thirds. This is the sentiment of quite a few farmers I have talked to.

Mr. JONES. Thank you, Mr. Daniels.

Is Mr. Dick Slade of Williamston, N.C., here?

I have been told that Mr. Slade will not be here, and that Mr. Gravelley will be in his place. Will you come to the witness table, please, Mr. Gravelley.

STATEMENT OF BILL GRAVELLEY, TOBACCO WAREHOUSEMAN, WASHINGTON, N.C.

Mr. GRAVELLEY. Mr. Chairman, I am Bill Gravelley from Washington, N.C. I am a tobacco warehouseman.

I am not at present growing tobacco. I have been a producer.

We have spoken of the producers in our area, in Beaufort County. I want to say a word about not only our tobacco producing county, but our tobacco market, the Washington tobacco market.

My grandfather and my father helped establish the market in 1913, and all of my life I have seen the Washington market struggle for existence and then grow. I can remember as a child we were selling and producing tobacco, but we were selling so little tobacco that at times it took longer to clean up after the team that brought it in than it did to get the tobacco out.

We have come a long way, and we are proud of our program. Our producers are not, by and large, anything as large as our contiguous county, but a great number of them are still family operations, part-time operations. They are people who come home in the late afternoon and go out and plow 2 or 3 acres, 1,800 or 4,300 pounds.

When they get ready to put it in the barn, it is the old-style loop barn and they handle it by hand. They really put a quality competitive product on the market.

There is not as much of it, but it is a product that we are proud of it. A lot of them sell it in Washington.

Naturally we are concerned about our businesses, our banks, our jobbers, our fertilizer people, and all the people who are part of the smaller county. We are also concerned very much for most of these people who are part-time people—the kids in the summer who have a job. We feel that, if this tobacco is allowed to leave our county, that it is going to hurt us and hurt us a whole lot.

Here we not only have a situation of finances, which we talked about quite a bit, but we have a situation of morals and ethics. Shall we legislate these people out of business? Naturally I speak about my own business. I do not want it cut down because of legislation. Shall

we kill this program which, for 50 years, has provided a good income for these people, whether it be small or large?

Our contiguous neighbor would tell you that, because they are large, they should be allowed to get larger and somewhat at the expense of some of our producers, perhaps. I know those who are leasing tobacco want to get more, and I do not blame them, but I feel that this thing is going to level out over the next 2 or 3 years. I feel that we are already. We were renting tobacco last year for 5 cents but you cannot get any tobacco today in Beaufort County for 5 cents.

Maybe we owe our brothers next door a vote of thanks for those who are leasing tobacco. Five cents is not enough. Thirty-five cents is too much.

These people say they are paying one-third of the cost of their crop for rent. I just do not see how in the world they are doing it. My congratulations to them.

I feel that, if they can get 20 cents a pound, or 25 cents a pound for tobacco, our farmers are going to have to adjust, and I think they have brought it to our attention that they are going to have to adjust. We are all going to have to adjust. Everything is higher these days.

We have a lot of producers who are producing a good crop of tobacco. Some are small, some are larger. We have some large producers, too. These people are getting larger. They are mechanizing.

Our neighbors next door would tell you that so many people in Pitt County or the contiguous counties are having to leave their farms. A whole lot of that is not due to the fact that tobacco is cheaper next door. A lot of that is due to the fact that we just do not need as many people to do anything these days because of mechanization. This is the American way.

On behalf of our market, and on behalf of the people in our area, and those who have struggled long and hard to keep tobacco in our area, I heartily hope that we do not have this program.

That's about it.

MR. JONES. Does your warehouse sell any tobacco that is raised in any county other than Beaufort?

MR. GRAVELLEY. Yes. We sell a little bit of tobacco from Pitt County, but not very much. Most of our tobacco is Beaufort County, a little Craven County tobacco, and some from Martin, but primarily we rely on our local people to support our market.

MR. JONES. Being perhaps facetious a little, would you agree with legislation which would require that tobacco be sold in the county in which it is raised?

MR. GRAVELLEY. No. I do not think we should restrain it. When a man has gone to the trouble of producing it, if he does not like our market or if he does not like the Greenville market, I think he should have the right to sell it wherever he wishes.

MR. ROSE. Are you familiar with the border bill in North Carolina?

MR. GRAVELLEY. I have observed it. I have been on the George market and I have been on the burley market as an auctioneer and ticket marker in years past, but I am not real familiar with the actual operation of the border.

MR. ROSE. What you are saying is that you are afraid that, if we pass S. 700 the way it is now, if North Carolina gets put in, it is going to mean an outflow of tobacco from your county, which as you

clearly pointed out would disrupt or could disrupt a lot of business interests in your county now.

Mr. GRAVELLEY. That is correct.

Mr. ROSE. Do you have an opinion satisfactory to yourself as to whether or not there would be a general increase or a decrease in the eastern belt if this bill passed? That is, in the pounds of tobacco that were grown in 1976?

Mr. GRAVELLEY. I think that there will be an increase in a way, regardless. I think that the tobacco producers are going to more nearly produce all of the tobacco that is allotted. The lag, or slack, as you say—I forget the figures—I think is going to be a great reduction even in that. I think we are going to have more tobacco produced and more closely with what is allotted.

Mr. ROSE. The main thing you are basing your opinion on is the differential between last year's cash rent in your county, and last year's cash rent in Pitt County, and what it looks like it is going to be in Pitt County this year.

Mr. GRAVELLEY. I think that differential is going to disappear to a great extent. As I say, we cannot alibi the fact that tobacco was cheaper in Beaufort County last year than it was in Pitt County. It is probably some cheaper now.

I think this thing is going to level off. I think you are going to see a whole lot of this 35-cent tobacco and some even as high as 40.

Let me mention this also. Many times when a man quotes the price that he is paying for tobacco, he may be also getting the use of the land. He may be also getting the use of some of the barns and facilities. If he is just getting figures on a piece of paper, the right to do business, sometimes the price is not as high.

Mr. JONES. Thank you, Mr. Gravelley, for filling in. We appreciate your testimony.

Mr. Harvey Dixon, Jr., of Washington, North Carolina, is our next witness.

STATEMENT OF HARVEY DIXON, JR., TOBACCO FARMER, WASHINGTON, N.C.

Mr. DIXON. Thank you, Mr. Chairman, and other members of the committee.

I will try not to be repetitious.

I am a tobacco farmer from Beaufort County. I farm about 400 acres of cropland. My base quota is around 30 acres.

I have mechanized and am leasing about 70 acres, which gives me—talking in terms of pounds—200,000 to 250,000 pounds of tobacco, so I am having to lease a lot.

I have learned two things already today since I have been here. Thirty-five-cent tobacco would put me out of business, too. I would have to do something.

The other thing is, I have never paid less than 10 cents, and I am speaking about tobacco that I lease where I do not get the land. Ten cents is as cheap as I have ever leased tobacco, and that has been since 1962.

Of course, during those I did not lease as much as I do now. It has gradually picked up. I started out with about 30 acres base allotment; now it would be 125.

In 1974, 15 cents was as cheap as I could lease any. I did drop down last year to 10 and 12. I did not get involved in that 5- and 6-cent problem.

This year I have paid 10 and 12, and now I need 50,000 pounds, and I cannot get it at any price.

I couldn't hear real well, but there were some questions asked as to whether that bill would get out in time. If there is any doubt about it, it certainly would help a lot of us in, I am sure, all the counties that have at least the tobacco they need, if you would let everybody know if this bill is not going to be out in time. You see what it is going to do to us, if you wait until the last minute.

Anything else I would say would be repetitious. Beaufort County is behind Pitt County. We are catching up. You are not going to see tobacco planted unless we do get involved into a 35- or 40-cent lease, and then we cannot plant it.

Beaufort County is fast mechanizing. You can ride through the county and tell that, if you didn't have the statistics.

Mr. JONES. Thank you, Mr. Dixon.

Are there any questions?

The Chair, then, yields to Mr. Wampler for the privilege of introducing our next witness.

Mr. WAMPLER. Thank you, Mr. Chairman.

It is with a great deal of personal pleasure that I present to the committee a friend of mine of many years standing, Mr. Roy Davis. He is not a constituent of mine unfortunately. He lives in the Fifth Congressional District represented very ably by our friend and colleague, Dan Daniel.

Mr. Davis is extremely knowledgeable of tobacco, and we appreciate him taking time to come here and give us the benefit of his views today.

Mr. DAVIS. Thank you very much, Mr. Wampler. It is certainly a pleasure to see you and to be here.

It is true that I am not a constituent of Congressman Wampler, but I have certainly followed his work with your committee, Mr. Chairman, for many years. Needless to say, all of us in the tobacco industry in Virginia are quite appreciative of his work and his efforts to maintain and improve what we consider an excellent tobacco program.

STATEMENT OF ROY B. DAVIS, ASSISTANT DIRECTOR FOR SPECIAL SERVICES, DIVISION OF MARKETS, VIRGINIA DEPARTMENT OF AGRICULTURE AND COMMERCE, HALIFAX, VA.

Mr. DAVIS. Mr. Chairman and gentlemen of the committee, I am Roy B. Davis, Jr., assistant director for special services, Division of Markets, Virginia Department of Agriculture and Commerce. My home is in South Boston, Halifax County, Va. And in addition, I have the managerial responsibilities for a reasonably sized tobacco farm.

Our commissioner, S. Mason Carbaugh, asked me to express his regrets in not being able to attend this hearing because of a conflict in his schedule.

We appreciate this opportunity of appearing before your committee and presenting our views on cross-county lease and transfer of Flue-cured tobacco in general and the specific provisions of S. 700.

First, to the extent that cross-county lease and transfer of Flue-cured tobacco quota increases the utilization of the total quota, this change in the program will reduce the quota on each farm in the whole Flue-cured tobacco area, and thus increase the cost of production.

In the operation of Flue-cured tobacco marketing quota system, the Secretary of Agriculture is required to determine the amount of tobacco needed to be marketed in a given marketing year to maintain a desirable balance between supply and demand.

Having done this, he next needs to determine the amount of effective quota which might reasonably be expected to provide this much tobacco for marketing. The relationship between effective quota and producer marketings since the beginning of the acreage-poundage program for Flue-cured tobacco shows that producer marketings have been 95 percent of the effective quota available to growers.

This historical evidence would indicate that the effective quota in a given year should then be increased on all farms by about 5 percent to overcome this underutilization and still provide the desired level of production. The mechanics of the quota system would distribute this quota necessary to offset the anticipated underutilization proportionately to all farms.

Thus, we might conclude that the current quota on each farm is approximately 5 percent greater than that which would be necessary to produce the desired crop in 1976, if growers had historically produced 100 percent of their effective quota.

Therefore, the expansion of the cash lease-transfer program to provide for such transfers within States would reduce all farms by the amount that the expansion of the program causes the effective quota to be more fully utilized. On most all farms a reduction in the quota translates itself automatically into increased cost of production since fixed costs cannot be adjusted up or down in response to small quota changes.

Second, though written on the basis of State option, this proposal would cause quota to be lost in those States which do not exercise the option, if one or more States do exercise this option. In the operation of the Flue-cured tobacco marketing quota program, the quota on a farm is reduced if that quota is not utilized by planting or leasing over a period of years.

Each year there are farms on which the basic quota is reduced by this provision. These changes in the basic quota on the individual farms are, through subsequent adjustments in the basic quota, transferred proportionately to all farms by the application of the adjustment factors.

So long as this program element, which operates to move quota from farms on which it is not used proportionately to all other farms in the Flue-cured tobacco area, operates in each State in proportion to the total of the quota on farms in each State, the net effect of transfer of quota between States is nil.

However, if a program change permits the growers in one State to hold this quota loss below that experienced by growers in another, their quotas will be increased. This proposal before you would provide an opportunity for this disparity.

An analysis of the distribution of basic quota by States in 1976 compared to 1965, the first year of the acreage-poundage program, shows that Virginia growers have increased their combined quota slightly while the combined quota in one of the States is 3 million pounds less in 1976 than it would have been had growers in that State been able to maintain the same proportion of the total national basic quota as they had in 1965. All other Flue-cured tobacco States show increases, some to a greater extent than others.

Therefore, even though we in the Virginia Department of Agriculture might feel that the cross-country lease and transfer program is undesirable, we would have to urge our growers in Virginia to adopt it if it appears that growers in any other State were going to do so. We strongly feel that the Flue-cured tobacco program should be continued on a national basis and not fragmented into a number of State programs.

Third, this proposal appears to be supported on the grounds that it would make quota available to growers in some areas at a lower price because they hear of lower rental rates in counties other than their own. Though we have no figures to support this, our impression is that low rental rates are usually applicable to counties with relatively small quotas where interest in tobacco production has waned for a number of reasons.

If this be the case, the amount of tobacco available at low rental rates will likely be quite small in relation to the total and, thus, have little effect on the overall rental price when considered on a statewide basis. Under a cross-county lease-and-transfer program within the State, rental rates would tend to come to an average. If the supply of tobacco for rent at low rates is small, it would have little effect on lowering the overall average.

Fourth, we note that S. 700 would allow a referendum to pass on a simple majority of those voting. If you find it desirable to consider this matter further, we would urge you to amend S. 700 to require a two-thirds majority for passage of a referendum on a program change to maintain the consistency established for other referenda.

In conclusion, gentlemen, we note that under the present lease-and-transfer program approximately 30 percent of the total quota is being transferred from one farm to another at considerable cost to the grower who wishes to grow tobacco.

We sincerely hope you will not change the program which would have the effect of requiring producers who wish to grow tobacco to add further to their cost of production by requiring them to pay for more of the rights to produce.

We are satisfied that the best interest of the growers who want to grow tobacco would best be served by reducing the present lease-and-transfer program so that quotas could be increased on those farms without the necessity of purchase. While we feel confident it would be very difficult to "turn back the clock" on this program, we do feel that it is in the best interest of the quota program not to go further in this direction.

I thank you. If there are questions, I will be glad to address them.

Mr. JONES. Thank you, Mr. Davis.

In your last paragraph, you state, "We are satisfied that the best interest of the growers who want to grow tobacco would best be served

by reducing the present lease-and-transfer program so that quotas could be increased on those farms without the necessity of purchase."

Could you explain that to me?

Mr. DAVIS. Yes, sir. I'll be pleased to.

Whenever tobacco is not grown, it lowers the total supply and permits the Secretary of Agriculture to then increase the quota on all farms. If the current level of 30-percent transfer were reduced, let's say to 15 percent, and that 15 percent is not grown because it could not be leased, then this would result in the additional quota being in subsequent years added to all Flue-cured tobacco farms proportionately.

Whenever tobacco is not grown for any reason, and especially if it is not grown over a period of years and the quota reduced on the farm, then this quota that is not grown first of all lowers the level of utilization of quota, second, lowers the total supply. Both of these permit the Secretary of Agriculture to increase subsequent quotas to get the amount of tobacco that can be marketed satisfactorily.

Mr. JONES. How much tobacco was not grown in Virginia last year? Flue-cured.

Mr. DAVIS. In the State as a whole, Virginia grew about 80 percent of its effective quota. As a result of the 15-percent increase in base, the acreage in Virginia that was planted increased by 10 percent, but, due to weather conditions, of which I am sure you heard numerous times, last summer—largely wet weather—the average yield in Virginia dropped from approximately 850 pounds per acre to 1,650. So, as a result, 20 percent of the effective quota was not marketed last year. As a result the effective quota in Virginia in 1976 is just about equal, or maybe a few pounds more, than it was in 1975 under the carryover of unused quota provisions.

Mr. ROSE. What you are saying is that if S. 700 is passed, we can expect a much greater supply of tobacco in Virginia in 1976, or, to say it another way, we might wind up about where we are this year when you balance off the 15-percent decrease and add to that the carryover from last year and the freeing up of the rules for transport.

Mr. DAVIS. I would not anticipate that the passage or not passage of S. 700 would make much difference in the amount of tobacco that we are going to grow in Virginia in 1976. The record shows that the underutilization of quota, that is, the loss of quota through quota reductions in Virginia has been just a little higher than the State average—I mean, the national average—so I would not anticipate that the passage of S. 700 this year, coming as late as it is, would have a lot to do with total production. But I would anticipate that, if cross-country lease and transfer is made the law of the land, we would seek the national utilization of quota to go up from this 95 percent to some level—perhaps 97 or 98. If it does, then it means that the Secretary loses, is required then to keep the increase—make any future increases less, or any future reduction more, to compensate for the higher utilization of quota.

For this reason, if this cross-county lease-and-transfer causes the utilization of quota to rise or go up, then the quota available to every farm is going to have to be cut by the number of pounds that has caused it, because he is required by law to hold the supply of tobacco in line with demand as best he can determine it.

Mr. ROSE. I appreciate your very excellent analysis of this, knowing as I do your long experience with this particular program. Then your recommendation to us about proceeding further with S. 700 is what, sir?

Mr. DAVIS. I would hope that you would find that it is not necessary to proceed any further with S. 700, but, if you find that you have no other alternative, then my statement would urge that you place it on a national basis with a two-thirds referendum required for passage, similar to what we did when we changed the program from straight acreage to acreage-poundage.

Mr. JENRETTE. I had a question, but he answered it.

I do want to apologize for having been absent from part of the meeting because of other business, but I will study the record very carefully. I have a deep interest in this legislation, Mr. Chairman.

Mr. JONES. The Chairman fully understands, sir.

Mr. DAVIS. Mr. Chairman, let me thank you and the members of the subcommittee for your patience and the opportunity of appearing before you.

Mr. JONES. To those who have testified, and to those who have not, it has been a pleasure having you here this afternoon.

This concludes our hearings for the day. We will resume tomorrow at 2 p.m. with groups from other parts of the Flue-cured belt.

Thank you again for letting us have your views. We are seeking guidance.

The committee stands adjourned to reconvene tomorrow at 2 p.m.

[Whereupon, the meeting adjourned at 4:25 p.m. to reconvene on Thursday, February 5, 1976, at 2 p.m.]

FLUE-CURED TOBACCO LEASING AND TRANSFER

THURSDAY, FEBRUARY 5, 1976

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

The subcommittee met, pursuant to call, at 2 p.m., in room 1302, Longworth House Office Building, the Hon. Walter B. Jones (chairman of the subcommittee) presiding.

Present: Representatives Jones of North Carolina, Rose, Jenrette, and Wampler.

Also present: Fowler C. West, staff director; Robert M. Bor, counsel; Charlotte H. Farwell, staff consultant, Subcommittee on Tobacco; Leighton W. Lang, staff consultant, Subcommittee on Oilseeds and Rice.

Mr. JONES of North Carolina: The subcommittee will come to order, please.

The Chair will note that a quorum is not present. However, since no votes will be taken today, we will proceed in the absence of a quorum. The vote will be taken some time next week.

We have before us for consideration S. 700, a bill that has passed the Senate, which permits the leasing within the boundaries of the state across all county lines involving 6 states which produce Flue-cured tobacco with the exception of the State of North Carolina which was omitted or excluded from the bill on the Senate floor about 10 days ago.

Our first witness this afternoon is my very able colleague and friend, the Honorable David N. Henderson of the Third District of North Carolina.

We are happy to have you here, sir. Will you come up to the table, please. If you have any of your constituents with you, please feel free to have them accompany you.

Mr. HENDERSON. Thank you very much, Chairman Jones.

I do have constituents with me, but I think they would be comfortable to be seated just where they are, but I will introduce them in just a moment.

STATEMENT OF HON. DAVID N. HENDERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. HENDERSON. I want to thank you, first, for scheduling these hearings so quickly after the action of the other body, Mr. Chairman, and to tell you that I welcome the opportunity to appear before the subcommittee to testify on the question of whether we should enact a bill that permits the farmers to vote on leasing tobacco allotments across county lines or throughout the various States.

I do have with me today four tobacco farmers from some of the nine counties that I represent in the Third District. Mr. Samuel Johnston and Mr. Dalton McLamm, Mr. Jimmy Massengill from Johnston County, Mr. James R. Van, and Mr. John T. Bathwit from Sampson County.

These gentlemen actually grow tobacco. Admittedly, they represent the viewpoint of a grower as opposed to the holder of an allotment who leases it out to growers and does not himself raise tobacco.

However, it is significant that they speak for a large group of farmers in their counties on both sides of the issue.

On Monday, January 26, at a public meeting that was called at the Sampson County Courthouse to discuss this issue, there were approximately 300 farmers and growers attending. A vote was taken, and 267 persons voted in favor of a referendum, and 2 voted against that action.

At a meeting in Johnston County Farm Bureau on January 27, a similar vote was taken with 197 voting in favor of a referendum, and 3 against.

Mr. Chairman and members, I am aware of the conflicting interests involved here. I know that persons paying high rent for allotments want the opportunity to go across county lines in the hopes of getting the necessary poundage at lower rates than they perhaps have been experiencing most recently.

I know that the owners of allotments in the high-rent counties, and they would include most of the counties that I represent, might well oppose any move that would threaten to reduce the rentals that they have been receiving.

I know that owners of the allotments in the low-rent counties would like to be able to lease their allotments to farmers in high-rent counties and thereby would be able to receive better returns.

What is in the best long-range interest of the overall program? Perhaps only time will tell. To me, however, the compelling consideration at this time is that a very high percentage of people from whom I have heard directly or indirectly want the chance to vote in a referendum. Certainly letting the people who have the most to gain or lose make the decision seems to be the fair way to proceed.

I am not convinced that any change of any kind would tend to destroy the program. Certainly in the past, we have had to modify the program to meet changes in growing and marketing conditions, and our experience has not been all bad.

We shifted from supports on untied tobacco only in Georgia to seasonal supports on untied tobacco in all flue-cured belts. We shifted from acreage allotments to acreage poundage. We shifted from a catch-as-catch-can warehouse selling system to the present designated system.

Mr. Chairman, I think the leadership that you and the members of this subcommittee over these years that I recite gave us, in these various issues that were all very controversial at the time, are actions that we salute you for and we are most appreciative of the leadership that I know you will give us in the current issue before us.

None of those programs were destroyed by those changes nor led to situations which I think now threaten the program. I think we can do the same thing with cross-county leasing, particularly if the farmers

vote for it referendum. I am here to urge the subcommittee to report a bill that would extend that right of referendum to the farmers.

I am confident that a great majority of those farmers of my district who are actually growing tobacco would favor statewide leasing as opposed to limiting leasing to the adjoining county, but they would rather have adjoining county leasing than no cross-county leasing at all. If I am wrong on my analysis of this, Mr. Chairman, certainly the safe side to come down on is that of restricting leasing to the adjoining county. Have that experience, and see where we go.

I want to assure the subcommittee that I will vote for and support whatever bill the subcommittee brings to the full committee and to the floor that would give the farmers an opportunity to vote on this issue. I have such great confidence in the tobacco subcommittee and the House Agriculture Committee, that I have no hesitancy in pledging to you and the members my efforts, as this matter may leave your subcommittee and committee for floor action, to do all I can to assist in enactment of legislation that would be helpful to our farmers.

Thank you very much, Mr. Chairman.

Mr. JONES. Thank you, Congressman Henderson. •

Mr. HENDERSON. I will be glad to answer any questions that you might want to make, but I have with me Mr. Jimmy N. Massengill, of Benson, N.C., who has a very brief prepared statement. He would like to deliver it, but will do whatever is the wish of the subcommittee.

Mr. JONES. I would like, first, Mr. Henderson, to commend you for a very thoughtful presentation. Some of the things we are getting, both here yesterday, and from the district that I represent, is "Do not make any changes. It will be the beginning of the end of the program."

You point out so well that there have been major changes in recent years—from the tied to the untied, the change in the warehouse system which radically changed the transfer of tobacco in its final stage from North Carolina to Georgia, and the change from acreage to pounds which we survived. All of these were controversial, there is no question about that. Still, I think the program today, with the attacks that it is under from certain members of this body, is in as solid and good shape as it has ever been, and, with the exception maybe of last year, the last 3 or 4 years the tobacco farmer has enjoyed a reasonable amount of economic success.

I appreciate you reassuring us that perhaps we can live with some changes, if necessary, and if approved in a referendum.

Mr. JENNETTE. I just want to thank Mr. Henderson for his fine statement, also.

It is not like we said yesterday, that politically 50 percent of my friends are for it and 50 are against it, and I am always with my friends. We stood foursquare on your statement. It was well thought out.

Mr. HENDERSON. I appreciate that. I think one of the things that makes it easy for us is to urge the referendum to let the farmers vote. We are so accustomed to some of the close votes up here that I think sometimes we shy away from taking them when we don't have to, but I do not have to point out to this subcommittee that, in farmers' referendums on tobacco programs, the results have usually been so overwhelming—oftentimes requiring us to have a two-thirds ma-

jority—that I do not think any of us would be concerned about setting a good bill that would provide referendum to the farmers of our districts and our States.

I think the results would be good and in the best interests of the farmers, and this is my preference in urging early action on legislation along the lines of the bill that the chairman of the subcommittee and others have introduced.

Mr. JONES. Thank you.

The Chair now recognizes Mr. Jimmy Massengill from Benson, N.C.

STATEMENT OF JIMMY NELSON MASSENGILL, BENSON, N.C.

Mr. MASSENGILL. I am Jimmy Nelson Massengill of Benson, N.C. My father, two brothers, and I grow approximately 150 acres of Flue-cured tobacco in Johnston County, N.C., with about two-thirds of this acreage being leased quota.

I think it is about time that we review this leasing policy of our tobacco program. As you all know, in recent weeks the leasing situation, particularly in my county and other counties, too, has become completely ridiculous.

Quotas are being leased in excess of 35 cents a pound, while in an adjoining county—Wake County, some of it is being leased for 8 cents a pound. Even though this quota is extremely high priced in my county, there is still a shortage of available quota for tobacco farmers who want to go to grow tobacco and already have the facilities to do so.

In comparison, the adjoining Wake County, to use an example, will probably have a sizable amount of quota that will go unplanted this year. I could go on giving factual examples to illustrate this type of situation, as it now exists in our State, but I will not labor the point.

I am requesting the House Agriculture Subcommittee on Tobacco to immediately draft and introduce legislation that will relieve this situation and allow North Carolina tobacco farmers who want to grow tobacco to have access to this quota which is allotted to North Carolina.

Whether the legislation I am requesting should permit leasing anywhere within the State, or only to adjoining counties within the State, I will leave this decision to the discretion of this committee. However, I am very much opposed to leasing across State lines.

I am simply asking this committee to provide a way for the North Carolina tobacco farmers who have the desire, knowledge, and machinery for growing tobacco to have an opportunity to use the quota allocated to North Carolina.

In regard to S. 700 that is currently being considered by this committee, I am opposed to the total concept of this bill. S. 700 could fragment the overall Flue-cured tobacco program by setting North Carolina apart from the other Flue-cured States.

I am interested in maintaining the program in a uniformly administered manner. I feel if we begin to differentiate program policies according to sections, States, or types, we would be opening the door to unnecessary rivalry between various factions within the Flue-cured area, which could be detrimental to the quota and price-support program.

The attitudes and request that I have expressed to this subcommittee here today are not just my own personal views, but the request is made on behalf of numerous tobacco farmers from my county, who have met on several occasions and tried to come up with a practical and sensible solution to the quota leasing problem which is becoming more and more critical each year.

Thank you for allowing me to present this statement.

I will be happy to try to answer any questions which you may have.

Mr. JONES. Thank you, Mr. Massengill.

Do any committee members have any questions?

Mr. JENRETTE. You do not care if it is contiguous counties or within the State, you just do not want it across State lines?

Mr. MASSENGILL. Any kind of relief, whether it be adjoining counties or within the State, but I do not think that crossing State lines would be the thing to do. Adjoining counties would offer some relief. All counties within the State would offer us more relief. I would leave that to the discretion of the committee.

Mr. WAMPLER. We thank you for your statement, Mr. Massengill. I gather that you feel there should be a referendum of growers on this, should there not?

Mr. MASSENGILL. This is my personal viewpoint, not the viewpoint of the other farmers that I spoke about—I would favor drafting and introducing legislation now and bypassing the referendum so we can get some relief now, for this season.

If we can get a referendum and get it implemented now, so we can get some relief in 1976, I think the referendum would be fine, but my position is that I am for bypassing the referendum.

Mr. WAMPLER. If we do have a referendum, would you believe that it would be better to have a two-thirds vote or a simple majority?

Mr. MASSENGILL. I understand that this traditionally has been a two-thirds vote, if I understand it correctly. I favor just the simple majority because we are representing opinions here, and we have seen change in this tobacco program before and most of these things have carried on a two-thirds majority basis. However, this issue here is a highly controversial situation. It involves the two factions—the people holding these allotments, and the people who want these allotments. I would like to see just a simple majority.

Mr. JONES. The Chair will declare a 15-minute recess in order to vote on the floor.

[Short recess taken.]

Mr. JONES. The subcommittee will please come to order.

The Chair is now happy to recognize Mr. Bill Corbett of Middlesex, N.C. What is your position, Mr. Corbett?

Mr. CORBETT. I have recently been elected national director of the National Farmers Organization. Mr. Coble is now State president.

Mr. JONES. Mr. Corbett is accompanied by Mrs. Anne Bornstein of the National Farmers Organization office substituting for Mr. Chuck Frazier.

Mrs. BORNSTEIN. Mr. Chairman, I am substituting for Mr. Frazier as he is home ill.

I want to formally introduce Mr. Bill Corbett of Nash County, N.C.; Mr. Bill Beach of Martin County, N.C., both of whom are, and have been for a number of years, tobacco farmers.

Mr. CORBETT. Mr. Chairman, I want to express my appreciation for the opportunity to testify on this bill. It is a bill that you and I have worked with for quite a while, and I guess it is here again.

Certainly we still, and I might say more vehemently than ever, oppose the crossing of county lines with barter allotments.

We are beginning to get to the point now that we are very curious as to who is really promoting this thing, and who really is behind it, trying to get it. I have a prepared statement which I will read. I hope it is not too firm in some points, but I think it has come to a time now that we need to really get down to what these people are talking about who want to cross county lines.

STATEMENT OF BILL CORBETT, NATIONAL DIRECTOR, NATIONAL FARMERS ORGANIZATION, MIDDLESEX, N.C.

Mr. CORBETT. When we consider the crossing of county lines with the leasing of tobacco, we are opening many doors that begin to deteriorate a very solid program that has served the tobacco industry well for many years. I would like to discuss four points that should be strongly considered in making any change related to crossing county lines.

One is the tobacco economy. The economy of the Flue-cured tobacco today is very wholesome and has a very specific bearing on the land values in all tobacco-growing areas. This value is very specifically related to the county line.

Should tobacco be brought from a low-price county into a high-price county, certainly the laws of economics dictate that the low price would pull down the high price, thereby damaging the equity of the land value in the high-price areas. At the same time it would create an economic vacuum in areas that the allotment was moved from, and in many cases would directly affect people who have retired with tobacco allotment leasing as part of their retirement income.

Second, we are going through a transition period in leaf handling equipment that is very expensive and in some areas brought on by a shortage of labor. In the last 3 to 4 years, this transition has had a phenomenal growth rate because today approximately one-half of the Flue-cured tobacco is being handled through bulk equipment. This figure was recently released by State college.

This rapid growth has been possible only because tobacco presently enjoys 100-percent loan ability so the farmers were able to borrow the money even with the high production cost increases of annual expenses.

Third, when we consider crossing county lines, one of the most important things to consider is the types of tobacco that constitute the blends necessary for the commodity as a whole. In order to meet export and domestic trade needs, these blends must continue to be produced.

These blends are grown into the tobacco by climate and soil types.

The predictions of the USDA are that tobacco would move from the hill country to the flat country which is more suitable for machine harvesting. However, the old belt types grown in Piedmont, N.C., cannot be grown in the flat sandy country of the coastal plains.

Also, as we consider the export trade, we should take note that the small farmers take better care of their tobacco and therefore grow a larger percentage of desirable export leaf. So, why change a successful program and risk these and other hazards?

Fourth, I think this is the thing that really gets down to what it is all about, and why so many people are asking for it. Lease value of tobacco reflects the desirability of a commodity program that has many years of history of being a successful program. The lease price of tobacco simply reflects supply and demand, and, if there is no lease value, would a farmer want to grow the tobacco and would a bank want to lend him money to grow his tobacco?

For those who criticize the lease value of tobacco, do they also criticize the lease value of a railroad, a television station, of hotels, the airlines, and so on, and do they criticize the lease value of open land to be planted in beans, corn, watermelons, and so on?

I have heard the argument put forth by some that those who want to grow the tobacco on a larger scale should pay little or no lease. In this line of thought, the man who wants to grow beans, corn, and so on, on a larger scale should not have to pay \$50 to \$75 per acre lease to grow these commodities. This turns out to be anywhere from \$1 to \$2 per bushel that he pays for the right to grow corn and soy beans. You do not hear people criticizing this.

Gentlemen, this line of thought, of course, is some sort of socialistic or communistic type of land reform. It is definitely not the free enterprise capitalistic American system. In my county, the tax values are set on each tobacco farm as a tobacco farm (barns, equipment, land price, and so on). Then there is a tobacco poundage tax on each pound of tobacco, and this should be protected by the county line as it is today.

Gentlemen, I submit that those who howl for tobacco leasing across county lines simply want something for nothing and are asking you to give them a law to get it for them.

Under our present system of free enterprise and supply and demand, he is permitted and can move his farming operation to a cheaper area. Why doesn't he do this instead of asking for a law to give him something for nothing that belongs to someone else? Any unplanted acreage that occurs in an area is at the convenience of the farmer, and it is his option to plant or not to plant it during the year and reflects into the carryover and usually occurs only in small allotments.

I myself have used this prerogative. Three years ago, I did not plant my tobacco. This was at my own discretion. The following year I still had the allotment and so I planted it this time.

As for crossing adjoining county lines, a farmer by owning a small amount of land in adjoining counties—or any amount, for that matter—can consolidate all of his allotments into any county in which he has land. Through this mechanism, he can then move his allotment to either a high or lower price county and in turn grow the tobacco in any county he desires. This needs only the approval of the county committees, which, I might add, is a very respected body in any county and, I think, shows good judgment in most decisions of this type.

Crossing county lines was the beginning of a cotton transition that destroyed cotton values in many counties, and it fell from the second most important crop to an almost completely undesirable

crop. I want to point out that the cotton referendum was defeated four times in my county and has never passed, but the USDA, through rulings, implemented this transition of transfers anyway.

The USDA has stated that the tobacco transition should be patterned after the cotton transition. Gentlemen, if tobacco is to follow cotton, the first step of devaluating the commodity is to cross county lines so the lease price will drop and the tobacco economy will go down.

Then, with decreased land values, the farmer will have trouble getting annual operating money because tobacco is a high input cost crop, and he would probably have to go to tobacco companies and ask for contracts. When the companies give the contracts, they will set the price, as in poultry contracts, and other contracts of that type.

Needless to say, tobacco at that time would not be a desirable family farm commodity.

Gentlemen, I will oppose a referendum until there has been a massive educational program conducted by the USDA through the ASCS offices and the Extension Service that points out the probable effects of crossing county lines as it relates to:

Tobacco economy and real estate values.

The effects of tobacco types for blends as to export and domestic needs.

The dangers of changing a successful program that could end in contract farming of tobacco.

Mr. Chairman, that concludes my statement.

I would like to mention that, if a bill is to move—I would prefer that it not move, but if it does move—we need to incorporate a bill which would permit the farmers to vote on increases of tobacco allotments in the future. In other words, the Secretary of Agriculture should recommend a specific amount of increase, and the farmers have opportunity then to hold a referendum as to whether or not they want it.

If we look back over the last 3 years, and now into the fourth crop, we will find the Secretary gave us very erratic increases which compounded, makes almost a 40-percent increase.

This year, he comes with the maximum decrease of 15 percent which, if you will relate that back to 3 years ago, will amount to a 21-percent decrease. We are in a situation that, for several years now, this formula has not been administered as it should be, and I think it is time that the farmer had a referendum on this particular point.

The Secretary could recommend a referendum, and then by a two-thirds approval could accept it.

One other thing that should be changed, if we are to move legislation, is that the formula in the present tobacco bill that says, when the inventories fall below 2¼-year supply on hand that the Secretary has the power to suspend the quotas for 1 year, this should be removed from the tobacco bill.

In closing, I would like to say, if there is to be a vote on crossing county lines, then it certainly should be a two-thirds majority in favor of it.

Thank you, gentlemen.

Mr. JONES. Thank you, Mr. Corbett.

Do you have any other witnesses?

Mr. CORBETT. Mr. Beach would like to say a word.

STATEMENT OF BILL BEACH, HUNT CITY, N.C.

Mr. BEACH. I produce tobacco, and I am not like some of the other gentlemen who rent tobacco. I do not think that tobacco should be allowed to cross county lines.

I used to have a cotton allotment that was valued at \$2,000 to \$3,000 an acre, but today, when I go to the local PCA office and give a financial statement, I do not even mention my cotton allotment because it is not worth 1 penny.

We do not know that this will cause it to happen in tobacco, but why should we open Pandora's box just to find out for the Secretary of Agriculture what is going to happen?

That is my financial stability, what my father worked for, what I am working for, and my children's right without allotment. Nobody can play with it except me.

Thank you.

Mr. JONES. Are there any questions of these witnesses?

Mr. ROSE. Mr. Beach and Mr. Corbett, I appreciate your being here.

You two gentlemen probably have a pretty good reputation in North Carolina for being willing to stand up and speak out on some controversial and tough issues. Having been as accustomed as I am to those who are satisfied with not speaking out—whether we always agree with you or not—I am glad to hear from you so that I know you are willing to think about how to make the program better. You certainly stimulate, in my mind, constructive ideas to help the best interests of the tobacco farmer. I am firmly convinced that that is what both of you want.

Thank you, gentlemen.

Mr. JENRETTE. No questions, but I have appreciated this testimony.

Mr. JONES. Thank you all for coming.

I might mention that Mr. Beach is a constituent of mine and he has contributed much to the well-being of the agricultural economy. We appreciate your being here.

Our next witness is Mr. S. T. Moore, Jr., chairman of the Flue-Cured Tobacco Committee of the Virginia Farm Bureau Federation, and he is from South Hill, Va.

Mr. WAMPLER. Mr. Chairman, Mr. Moore is not a constituent of mine. However, I have had the pleasure of knowing him for some time and he is here in his representative capacity as chairman of the Flue-Cured Tobacco Committee of the Virginia Farm Bureau Federation, and I want to welcome him here. I know he will have very interesting testimony for the committee.

Mr. MOORE. Thank you, Mr. Wampler and Mr. Chairman.

STATEMENT OF S. T. MOORE, JR., SOUTH HILL, VA.

Mr. MOORE. My name is S. T. Moore, Jr., of South Hill, Va.

I appreciate the opportunity to appear here today to present the position of the Virginia Farm Bureau Federation on S. 700. Currently, I am serving as vice president of the 37,000-member Virginia Farm Bureau in which most Flue-cured tobacco growers in Virginia hold membership.

I am a full-time farmer, operating a farm in Mecklenburg County, Va., which produces Flue-cured tobacco, corn, wheat, soybeans, beef cattle, hogs, and sheep.

Mr. Chairman and members of the Tobacco Subcommittee, the Flue-cured tobacco grower members of the Virginia Farm Bureau oppose the enactment of S. 700. To establish the basis for our position, let me quote from the policy of our organization: "We oppose lease and transfer of Flue-cured tobacco allotments across county lines."

As passed by the Senate, S. 700 is a bad bill that should be killed by this subcommittee. In my opinion, this proposed legislation begins to undermine a program which, over the years, has had almost absolute support of Flue-cured tobacco growers from Florida to Virginia. One need only glance at the results of periodic referenda of the growers to note that their solidarity of support has been 95-percent plus.

S. 700—let's look at it for a moment. For the first time in the history of agricultural programs, to the best of my knowledge, this bill would establish a system of variable administration on a State-by-State basis rather than on a production area for a type of a particular commodity.

I do not recall any other program which operated in such manner under the lease-and-transfer concept. We strongly feel that any lease and transfer across county lines within a State must be applicable throughout the entire Flue-cured production area from Florida to Virginia.

Also, S. 700 provides that lease and transfer of allotments or quota may be permitted across county lines within a State if a majority of the Flue-cured tobacco growers of such State voting in a referendum have approved cross-county leasing. Again, this provision is a departure from precedence and the traditional requirement of a two-thirds favorable vote of those growers voting in a referendum to initiate, to continue, or to terminate an agricultural quota program.

Every 3 years, Flue-cured tobacco growers vote in referendum on the question of continuation of the quota program. That referendum requires a two-thirds favorable vote in order to be continued.

In May 1965, when the program was changed from a straight acreage program to an acreage-poundage program, it required a two-thirds favorable vote of the growers. We see no reason to change that precedent as suggested in S. 700.

Historically, Flue-cured growers have produced from 93 to 96 percent of the national allotment or quota. I believe this factor has generally applied to all States growing Flue-cured tobacco.

Under a State-by-State cross-county leasing, the aforementioned production pattern will no doubt change. As a result, all growers would probably receive a reduction in quota whether in a State that had lease and transfer or in a State that does not. The formula for determining quota each year includes a factor for the 93- to 96-percent production pattern.

I think what we have just mentioned here might have a small effect on the increase or decrease of quota within a particular area, but it just stands to reason that lease and transfer in one area would most probably increase the percentage of the quota that is being produced, as compared to an area that does not have lease and transfer. Of course, it would be their loss if they did not produce the entire percentage of their quota.

In its present form, S. 700 completely exempts the State of North Carolina from the provisions of this bill. Mr. Chairman, this means that Flue-cured growers in the largest producing State, North Carolina, will no doubt have their future tobacco quota reduced while not being able to participate in the referendum on this question.

Of course, we, in Virginia, are more interested in protecting the growers in Virginia than we are in any other State, but we are firm believers that we are in a program—we have been in it together, we have operated under one set of rules, and we believe that it is in our total interest to operate under one set of rules.

Therefore, the Flue-cured tobacco grower members of Virginia Farm Bureau Federation urge that this subcommittee kill S. 700. The only way that we could support such a bill would be that it contain the following provisions: (a) a provision that lease and transfer across county lines within State apply to all Flue-cured producing States subject to: (b) a favorable vote of two-thirds of those Flue-cured tobacco growers voting in a referendum on the question of lease and transfer of allotments or quotas across county lines; and (c) that the farm on the receiving end of a quota lease agreement must have an established Flue-cured tobacco allotment or quota.

Mr. Chairman, I would strongly urge that S. 700 be killed by this subcommittee, and suggest that, if you feel there is strong sentiment among Flue-cured tobacco growers for a lease and transfer program across county lines within States, this subcommittee should consider writing a bill which contains the three provisions which I have just outlined.

Thank you.

Mr. JONES. Thank you, sir.

Are there any questions?

If not, our next witness is Mr. Kendall Hill.

I find I have a statement of Mr. Jimmy Hill.

Mr. KENDALL HILL. I do not have a statement, Mr. Chairman. I will just make a few comments. Mr. Jimmy Hill is related to me and will submit his statement.

Mr. JONES. Please proceed, Mr. Kendall Hill.

STATEMENT OF KENDALL HILL, KINSTON, N.C.

Mr. KENDALL HILL. My name is Kendall Hill and this is my brother, Jimmy Hill. We are from Kinston, N.C., along with another brother and my father.

We farm around. This past year we had 350 acres of tobacco. We own a lot of land. We lease a lot of tobacco from other farms into our section—into our farming operation.

Since about 1966, we, as a family and as a company, have gone into debt something like \$1 million for land based on tobacco allotment valuations.

I have not been around long, but I know that, if you lose money, you cannot stay here. We really feel that this bill that you are talking about—S. 700—should be passed with the exception that North Carolina should be put back in and let North Carolina participate in a referendum.

To get back to the farm valuation, which is what I was leading into, I cannot see where letting tobacco come from one county to another is going to greatly reduce the farm valuation of land in Lenore County, Pitt County, Green County—these high-producing counties where the rent at this time is something like 35 cents per pound, and move tobacco to the growers' farms.

The gentleman had a lot to say about the cotton program and how he lost the valuation of his cotton or his acreage because of the cotton. I would dare to say that there is not a county in North Carolina that used to grow cotton and that wants to grow cotton, can't grow cotton. I would dare to say that these same counties' valuation or tax base is not greater at this time than when it had cotton on the farm.

All this is leading back to what I am saying. We are on both sides of this fence. We lease a lot of tobacco. We cannot pay 35 cents a pound on leased tobacco. We simply will not grow it, if we have to pay that kind of lease.

On the other side, if it comes about that we can lease and transfer tobacco from up in the mountains down east, we do not feel as though we are going to lose a great deal of money, if we lose any money because of the devaluation of our property, because we can take this tobacco from other areas and bring it down here.

By the same token, in 1975, in Lenore County, the tobacco farmers had more tobacco than they wanted to grow, because of the increase in allotment. If there had been an increase in 1976, it would not have been planted, because the farmers in Lenore County had planted more tobacco in 1975 than they could take care of—the barns, the financing, management of the farms, and the labor available.

In 1976, Lenore County is only 4.4 million pounds of tobacco short of what they were in 1975. What I am saying is, 3 million pounds of tobacco in Lenore County for 1976 would probably oversaturate the market—or would saturate the market again to a point where you could rent tobacco, I would say, for 18 cents to 20 cents, which is what I would think tobacco in our county would level out at if this bill came to be.

For the farmer up in the western part of the State, or in a county where you have low rent, I cannot see where there would be enough tobacco moved into these counties down east to take up this 100 million pounds that is not grown. I would say that farmer would not stand to lose a whole lot, because he would be able to rent tobacco enough that he wanted to grow without having to pay a lot of extra money.

Getting back to the adjoining counties bit of this bill, I think, if you are going to let us move tobacco across county lines, it should be statewide and statewide only. I do not think we should let something slip up here where we can move it from one State to another State.

When I say I think we should move it from county to county, there is a very good reason for this, and, Mr. Jones, I think you will understand what I am saying if I point this out to you. If you were a farmer, or if you were a voter in Green County, and you wanted to lease some tobacco in, you would really be hemmed in because you have Pitt County on one side, Wilson on another side, Lane on another side, and Lenore on another side.

What you would do for that man in Green County is say, we are going to let other people grow tobacco but you can't bring tobacco in, because there is no way he is going to go in those counties and rent tobacco and move it over into Green County. Those counties are just as high-priced as his county is, and all of them are good land.

Then there are some counties like Martin County, or maybe some of those counties where some of these folks are from, where they do not have any tobacco on the other side of them. They might want to lease some more tobacco in, but the only county they would be able to rent it from would be Pitt County, and they could not move tobacco from Pitt County back over to Martin County because it would be higher priced in Pitt County than it would be in Martin County.

I think the bill should be passed with the stipulation that North Carolina could vote in the referendum, and I think it should be county-wise exactly like the Senate bill says.

That is all I have to say. I will be glad to answer any questions you gentlemen might have.

Mr. JONES. Mr. Hill, not to take issue with you, but to relieve your mind a little about your concern about Martin County, we had this yesterday, and Martin adjoins Washington and Bertie both with Pitt, Edgecomb, Hereford, and Halifax.

Mr. KENDALL HILL. All right. I thought it adjoined Pitt and was hemmed in by Pitt over there.

Some of those counties a little further out on the fringe might be affected in this way.

Mr. JONES. Yes, you take Washington County—it can go only one way.

Mr. KENDALL HILL. That is the point I was trying to make.

Mr. JONES. Any questions?

If not, Mr. Jimmy Hill, would you like to read your statement? Or would you just like to submit it for the record? Feel free to do either.

Mr. JIMMY HILL. We can just submit it for the record. I think that will be satisfactory.

Mr. JONES. Without objection, the statement of Mr. Jimmy Hill will be submitted for the record at this point.

[The prepared statement of Jimmy Hill follows:]

STATEMENT OF JIMMY HILL, KINSTON, N.C.

Mr. Chairman, as tobacco farmers in Eastern North Carolina, we own tobacco farms and rent poundage from other landowners, we favor proposed legislation to allow cross county lease and transfer of tobacco poundage. Being included in the legislation, the farmers and land owners would have a chance to make their feeling known on this legislation. We feel North Carolina should also be included in this legislation. In our opinion the proposed legislation would:

1. Allow tobacco in counties where farmers are unwilling or unable to produce to be moved into counties where it would be planted.

2. Enable the tobacco producing industry to become healthier since tobacco could move to counties where farmers can produce and need more poundage to justify heavy investment in mechanized equipment in order to increase production efficiency. Increased efficiency is most important to the U.S. tobacco situation as it would make us more competitive in vital world markets.

3. Benefit farmers in counties not planting tobacco by giving income from rentals, also present rental would more than likely be increased.

4. In some cases lower unreasonable rents now being charged for poundage in counties of high demand, but would not economically ruin nonfarming land owners. To the contrary, we feel prices would tend to average out across the state, thus stabilizing prices and giving both lessor and lessee a firmer base and more assurance in planning long-term operations.

Mr. JONES. At this point, the chair, without objection, would like to submit a statement by Congressman Bill Stuckey, Jr., of the Eighth District of Georgia, on this particular matter.

[The prepared statement of Hon. Bill Stuckey, Jr., follows:]

STATEMENT OF HON. W. S. (BILL) STUCKEY, JR., A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF GEORGIA

Mr. Chairman and Members of the Subcommittee: I am Bill Stuckey and I represent the Eighth District of Georgia. I'm grateful for this opportunity to address you on S. 700, a bill to amend the Agricultural Adjustment Act of 1938, as amended.

S. 700 provides for the lease and transfer of Flue-cured tobacco acreage allotments and marketing quotas to farms *in other counties in the same state* (except North Carolina) if approved in that state by a majority of growers voting in a referendum.

As you are aware, present legislation provides for the lease of flue-cured allotments and marketing quotas in all states and transfer to other farms *in the same county* having flue-cured allotments and quotas.

As was noted by USDA, tobacco producers have made extensive use of the provisions for the lease and transfer of farm acreage allotments and marketing quotas. For example, quotas were transferred from 48 percent of the flue-cured farms last year—with 30.2 percent of the total poundage being transferred.

S. 700 would provide more flexibility in the tobacco marketing quota programs and enable those farmers who have the land, labor and equipment for producing larger acreages to increase their operations to more economic units.

In short, Mr. Chairman, S. 700 makes good business sense because larger and more economic production units stimulate the mechanization of planting, harvesting and curing of tobacco. At the same time, sale and lease enable those farmers who may not wish to continue the production of tobacco to transfer their resources to other operations and still receive some income from the lease or sale of their allotments and quotas.

I urge prompt passage of S. 700, as written.

Thank you very much indeed, Mr. Chairman, for allowing me to present my statement in support of S. 700.

Mr. JONES. Our last witness, I believe, is Mr. Gene F. Sears of Route 3, Box 274, Apex, N.C.

Mr. Sears, will you step forward, please?

STATEMENT OF GENE F. SEARS, APEX, N.C.

Mr. SEARS. Mr. Chairman and members of the committee, thank you for permitting me to speak before you on this bill.

My name is Gene F. Sears, Route 3, Box 274, Apex, N.C. 27502.

I live in Chatham County and plant approximately 20 acres of Flue-cured tobacco on a family farm and rent two more small farms in the community. I lease and transfer some poundage from other farms in our county. Our family—my wife, five children, and I—do 90 percent of the labor on these farms.

I am not in favor of the lease of Flue-cured tobacco across any county or State lines. I strongly oppose the consideration of changes that are not needed. These changes tend to divide the tobacco farmers into splinter groups which may bring about the loss of our tobacco program.

Flue-cured tobacco has the best program of production control with price support of any farm crop at this time. Proposed changes that

divide the farmers will result in a lack of total support that we need to keep this vital program alive.

Just why are we considering a change in our tobacco program? Do we need to increase production of Flue-cured tobacco? I think we would all agree that we do not need to increase production this year. Our production in 1975 was so large that farmers felt the 15-percent maximum cut of allotment for 1976 might not be enough.

Do we have farmers who want others to take a 15-percent cut in the tobacco allotment but wish changes to be made that would provide for greater opportunity for themselves.

With tobacco production under the present program, we are assured of continuing widespread growing of tobacco. The export market demands some of the high aroma found only in Flue-cured tobacco grown in the middle and old belts. Some areas are totally dependent on tobacco as a cash crop.

Small fields on hilly land that is suitable for tobacco cannot be utilized for production of any other known crops capable of providing a livelihood for these families. The farming equipment being used by these farmers on the hilly small fields is not suited for other use.

Crossing county and State lines with the allotment would tend to raise rent and lease in some counties above the profit level. Unemployment for farmers would greatly reduce money going to stores and related business in these counties. Some counties tax tobacco poundage base on each farm; others do not. Across-county-line leasing would upset the tax base.

The present lease and transfer within a county has provided an outlet for those who did not wish to grow tobacco and a source for some additional acreage for those who could grow more. The potential profit from growing tobacco in a given county, in a given year, sets the price for rent of a farm with tobacco allotment and for lease and transfer of tobacco allotment in that county. So the profit and the price of lease vary from county to county.

I can understand how a tobacco farmer in a county where lease is 25 cents per pound would covet the 5-cents-per-pound lease in a distant county. May I remind these farmers that they are free to move all or part of their operation into these low-lease counties.

The low or high lease that has established itself in each county puts the growers on a very competitive basis at the auction markets. Where production cost per pound is high, lower lease cost makes him competitive. Where lease cost per pound is high, lower production costs also make him competitive.

We hear talk of tobacco allotments not being all planted in some counties every year. This is good when we are producing too much. The poundage can only double when not planted or leased. After this, it goes back, to the State pool, and all farmers benefit in a small way.

It should be noted that our tobacco growers have historically responded to increased production if there is a demand and a price.

By bringing up changes, such as found in S. 700, you are doing a disservice to most tobacco farmers. Most of us need credit for equipment, bulk barns, land, home, and farm improvements, that require several years to repay.

Production Credit Association, Federal land bank, banks, FHA, and others who make such loans for repayment over a period of years, have to take into consideration the ability of each farmer to repay his loan, if such drastic changes are made into law.

Tobacco farmers who I talk to are not only concerned but alarmed over any new or proposed tobacco legislation because we are simply playing into the hands of our enemies in Congress and the administration who would wreck a successful program.

One example for our concern can be given in the recent budget message of President Ford:

The administration's policy is to avoid Government restrictions on crop production, permit market forces to work, but provide producers protection against severe price declines. Problems continue to exist where this policy is not followed. For example, rice, peanuts, and tobacco are controlled through cumbersome mandatory programs that often result in a buildup of surpluses and higher prices at considerable cost to the Federal Government and consumers.

This was found on page 95 in the "Budget of the United States Government for Fiscal Year 1976."

Again may I assure you that I am strongly opposed to unnecessary changes in our tobacco program that benefit some, divide all, hurt many, and may in the end lead to the loss of the only farm program with a good track record.

I come before you on behalf of 10 other tobacco farmers and myself who share my deep concern for the tobacco program under which we earn a living for our families.

If any of you have questions, I would be happy to answer them if I can.

Thank you for giving me this opportunity to express my opinion along with those of my neighbors.

Mr. JONES. Thank you, Mr. Sears.

I believe you stated that you do lease some tobacco in Wade County?

Mr. SEARS. Chatham. I live in Chatham County.

Mr. JONES. Chatham; that is right.

Mr. SEARS. Apex is in Wade. I am on a mailing address out of Wade, but I live in Apex.

Mr. JONES. You are still in Mr. Andrews' district?

Mr. SEARS. Right.

Mr. JONES. He is doing a mighty fine job.

What price did you pay in Chatham County for tobacco you lease per pound?

Mr. SEARS. Last year it was 10 cents. I have not leased any this year.

Mr. JENRETTE. Is it too early for you to tell what it is going to lease for in Chatham County this year?

Mr. SEARS. I hear that it is going to be around 6 cents. I have not been into the office yet to lease any.

Mr. JENRETTE. You were talking about the hilly farm land that is suitable only for growing tobacco.

There is nothing in this legislation and nothing has been proposed by any members of this subcommittee or Senate as a whole that would require that the small hilly farmer lease his tobacco.

Mr. SEARS. No, sir, it is not. But, if he cannot grow it at a profit, when he has to compete at a higher rate. Demand in our area, our production in our county runs 1,400 this year, approximately 900 pounds, per acre. As most farmers know, the cost of farm land, setting it out, cultivating, and all these factors are pretty well fixed.

Again, I say that the potential profit sets the lease. It is just an economic factor that potential profit in a given county sets the lease. One gentleman said that he could not pay 35 cents. In other words, that is getting to the borderline where he does not think it is economical profit

to grow it. If it passed 15 cents in our county, we would be completely out due to our extra production costs.

As I said, I had 20 acres of tobacco scattered over 4 miles and in 17 different fields. This adds to our cost.

Mr. JENRETTE. Also, I have some concern regarding your statement about allowing it to be leased across county lines and State lines, I believe you said. If it were just county lines, it would tend to raise the lease price, would it not, in effect, overall, stabilize the lease price?

Mr. SEARS. This is true. It would put it on average but for the man with the low rent it would raise it for him; it would lower it for others.

Mr. JENRETTE. An economist from Clemson University testified before the Senate that, in South Carolina, anyway, it would stabilize at about 21.5 cents per plant. Are you saying that you could not lease in Chatham County, N.C., at 21 cents per pound, if that would be the true figure, and make a profit?

Mr. SEARS. I am saying that I could not, with a potential. There is one thing they have left out. If the farmers in certain areas had available tobacco from all over the State, in 2 or 3 years time when they could get all this equipment together, then the total price therefore in the State would be the maximum of what these few farmers could pay for. They would set the rate. They would be in 700-acre blocks. They would set the total rate for all the farmers and put a lot of small farmers completely out of business.

Does that answer the question, sir?

Mr. JENRETTE. Yes. Thank you.

Mr. JONES. Mr. Sears, before you leave, we want to get this into the record.

I think I am correct—you alluded to the President's budget message—I do not know who wrote it for him, but whoever did was not too accurate about this agricultural setup.

I am under the impression, having gained this information some place not too long ago, that of all the moneys expended by Commodity Credit since its inception in the late 1930's, less than 1 percent has been spent on the tobacco program. Yet it is a crop that produces to the Federal Government, the States and the municipalities in excess of \$6 billion a year in taxes.

Mr. SEARS. Mr. Chairman, may I say that I was quoting the President; I did not say I agreed with him.

Mr. JONES. I am glad to hear that.

Thank you.

Are there any further witnesses?

Are there any further questions?

[No response.]

We are going to adjourn the subcommittee now. We will not take any action today. You have heard the testimony here this afternoon, and I think this subcommittee is about as the audience here is. We have got to come to some common meeting of minds, which we will do within a few days. Where we go from here will be in the democratic process contingent upon the thinking of the majority of the members of this subcommittee and also with the full Committee on Agriculture.

Thank you for coming.

The subcommittee stands adjourned.

[Whereupon, the subcommittee adjourned at 3:25 p.m.]

