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RICE PROGRAMS DOCUMENTS

GOVERNMENT

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STATE UNIVERSITY BEFORE THE

SUBCOMMITTEE ON AGRICULTURAL PRODUCTION, MARKETING, AND STABILIZATION OF PRICES

OF THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1645

A BILL TO ESTABLISH IMPROVED PROGRAMS FOR THE
BENEFIT OF PRODUCERS AND CONSUMERS OF RICE,

S. 2260

A BILL TO ESTABLISH IMPROVED PROGRAMS FOR THE
BENEFIT OF PRODUCERS AND CONSUMERS OF RICE,

AND

S. 2385

A BILL TO AMEND THE AGRICULTURAL ADJUSTMENT ACT
OF 1938 AND THE AGRICULTURAL ACT OF 1949 WITH RE-
GARD TO THE RICE PROGRAMS ESTABLISHED IN THOSE
ACTS

NOVEMBER 14, 1975

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RICE PROGRAMS

FRIDAY, NOVEMBER 14, 1975

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

The subcommittee met, pursuant to notice, at 9 a.m., in room 1114, Dirksen Senate Office Building, Hon. George McGovern presiding.
Present: Senators McGovern, Clark, Stone, and Dole.
Also present: Senator Leahy.

STATEMENT OF HON. GEORGE MCGOVERN, A U.S. SENATOR FROM SOUTH DAKOTA

Senator MCGOVERN. Today, the Subcommittee on Agricultural Marketing, and Stabilization of Prices will receive testimony on proposed changes in existing law as it applies to the rice program.

There are three bills now before the subcommittee. These are S. 1645, S. 2260, and S. 2385. In addition, the subcommittee is aware of the fact that a House bill, H.R. 8529, very similar to the first two identified bills, is moving through the legislative process in that body.

Both S. 1645 and S. 2260 provide for a target price type program for rice. On the other hand, S. 2385 makes significant changes in the existing law while retaining some of its more important features.

The subcommittee looks forward to receiving testimony on these programs. However, there are a whole host of witnesses, therefore, we shall appreciate brevity. And all statements will be placed in the record in full.

Also, without objection I want to place in the record the three bills before the subcommittee; the committee staff explanation of the legislation; responses from the Department of Agriculture regarding the legislation; and information relative to the rice program.

[The above-mentioned material follows:]

[S. 1645, 94th Cong., 1st Sess.]

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Rice Act of 1975".

TITLE I—RICE

NATIONAL ACREAGE ALLOTMENT AND ALLOCATION

SEC. 101. Effective for the 1976 and 1977 crops of rice, section 352 of the Agricultural Adjustment Act of 1938 is amended to read as follows:

"Sec. 352. (a) The Secretary shall establish for the 1976 and 1977 crops of rice a national acreage allotment which shall be the number of acres which the

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

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

"(c) (1) If, for any crop the total acreage planted to rice on a farm is less than the rice allotment for the farm (or in producer administrative areas, the producer allotments allocated to the farm), the farm or producer allotment used as a base for the succeeding crop shall be reduced by the percentage by which such planted acreage was less than the allotment for the farm, but such reduction shall not exceed 20 per centum of the farm or producer allotment for the preceding crop; except that if not less than 90 per centum of the farm acreage allotment is planted to rice, the farm shall be considered to have an acreage planted to rice equal to 100 per centum of such allotment. For purposes of this paragraph, an acreage on the farm which the Secretary determines was not planted to rice because of drought, flood, other natural disaster, or a condition beyond the control of the producer shall be considered to be an acreage planted to rice. For the purpose of this paragraph, the Secretary may permit producers of rice to have acreage devoted to soybeans, wheat, feed grains, sugar, castor beans, triticale, oats, cotton, rye, or such other crops as the Secretary may deem appropriate, considered as devoted to the production of rice to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the rice program.

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

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

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

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

State, subject to such rules and regulations as may be prescribed by the Secretary. The Secretary shall also provide, by the issuance of rules and regulations, for the apportionment, transfer, and division of such a producer allotment in the event of the producer's death, his withdrawal in whole or in part from the production of rice, or the dissolution of a partnership.

"(f) Any acreage planted to rice in excess of the farm or producer acreage allotment in the crop years 1976 and 1977 shall not be taken into account in establishing State, county, farm, or producer acreage allotments in any year following such year."

LOANS AND PAYMENTS

SEC. 102. Effective for the 1976 and 1977 crops of rice, section 101 of the Agricultural Act of 1949 is amended by adding the following new subsection at the end thereof:

"(g) Notwithstanding any other provision of law—

"(1) The established price for the purpose of making loans, purchases, and payments on rice under this subsection shall be 7 cents per pound in the case of the 1976 crop; 7 cents per pound adjusted to reflect any changes during the calendar year 1976 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the case of the 1977 crop: *Provided*, That any increase that would otherwise be made in the established price for the 1977 crop to reflect a change in the index of prices paid by farmers may be further adjusted to reflect any changes in (i) the national average yield per acre of rice for the three calendar years preceding the year for which the determination is made over, (ii) the national average yield per acre of rice for the three calendar years preceding the year previous to the one for which the determination is made.

"(2) The Secretary shall make available to cooperators and other growers of rice in the several States of the United States loans and purchases on each of the 1976 and 1977 crops of rice at such level not less than 60 per centum of the established price for the crop of the commodity as the Secretary determines necessary to keep the crop of the commodity produced in the United States competitive, obtain an adequate share of the world market for the commodity, and avoid an excessive buildup of stocks of the commodity in the United States.

"(3) The Secretary shall make available to cooperators payments for each of the 1976 to 1977 crops of rice grown in the several States of the United States at a rate equal to the amount by which the established price for the crop of rice exceeds the higher of—

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

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

"(4) Such payments shall be made available on the basis of the quantity of rice determined by multiplying the farm allotment for the crop by the payment yield established for the farm. The payment yield for the farm for any year shall be determined on the basis of the actual yields per harvested acre for the three preceding years: *Provided*, That the actual yields shall be adjusted by the Secretary for abnormal yields in any year caused by drought, flood, other natural disaster, or a condition beyond the control of the cooperator.

"(5) (A) The Secretary shall provide for a set-aside of cropland if he determines that the total supply of rice or other agricultural commodities will, in the absence of such a set-aside, likely be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency. If set-aside of cropland is in effect under this paragraph then as a condition of eligibility for payments under paragraph (3) of this subsection on rice, the cooperators must set aside and devote to conservation uses an acreage of cropland equal to (i) such percentage of the farm acreage allotment as may be specified by the Secretary, plus, if required by the Secretary, (ii) the acreage of cropland on the farm devoted in preceding years to soil conserving uses, as determined by the Secretary. The Secretary shall permit cooperators to plant and graze on set-aside acreage sweet sorghum, and the Secretary may permit, subject to such terms and conditions as he may prescribe, all or any of the set-aside acreage to be devoted to hay and grazing or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodity, if he determines that such production is needed to provide an adequate supply, is not likely

to increase the cost of the price support program, and will not adversely affect farm income.

"(B) To assist in adjusting the acreage of commodities to desirable goals, the Secretary may make land diversion payments, in addition to the payments authorized in paragraph (3) of this subsection, to cooperators on a farm who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in addition to that required to be devoted under paragraph (5) (A) of this subsection. The land diversion payments for a farm shall be at such rate or rates as the Secretary determines to be fair and reasonable taking into consideration the diversion undertaken by the cooperators and the productivity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to adversely affect the economy of the county or local community.

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

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

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

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

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

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

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

SEC. 103. Sections 353, 354, 355, and 356 of the Agricultural Adjustment Act of 1938 shall not be applicable to the 1976 and 1977 crops of rice.

TITLE II—RICE RESEARCH

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

- (1) to reduce fertilizer and herbicide usage in excess of production needs;
- (2) to develop varieties of rice more susceptible to complete fertilizer utilization;
- (3) to improve the resistance of rice plants to disease and to enhance their conservation and environmental qualities;
- (4) to increase the usage of rice and its processing byproducts;
- (5) to develop better husbandry practices in production and conservation of rice;

- (6) to develop more efficient rice storage practices;
 - (7) to improve domestic and international marketing of rice; and
 - (8) to benefit the general welfare.
- (b) The Secretary shall, in implementing the program authorized in subsection (a), utilize the technical and related services of appropriate Federal, State, local governmental, and private agencies.
- (c) There is authorized to be appropriated not more than \$1,000,000 in any fiscal year to carry out the provisions of this section.

TITLE III—MISCELLANEOUS

UNUSED ACREAGE ALLOTMENTS

Sec. 301. Section 377 of the Agricultural Adjustment Act of 1938 shall not be applicable to rice for the 1976 and 1977 crops.

FINALITY OF FARMERS' PAYMENTS AND LOANS

Sec. 302. Effective only with respect to the 1976 and 1977 crops of rice, section 385 of the Agricultural Adjustment Act of 1938 is amended in the first sentence thereof by inserting immediately after "cotton set-aside program," the following: "payments under the rice program authorized by section 101(g) of the Agricultural Act of 1949,".

Sec. 303. Section 408(b) of the Agricultural Act of 1949 is amended by striking the period at the end of the first sentence and inserting in lieu thereof the following: ": And provided, That for the 1976 and 1977 crops of rice, a cooperator shall be a producer on a farm on which a farm acreage allotment has been established or to which a producer acreage allotment has been allocated, who has set aside the acreage required under section 101(g) and who complies with the condition of eligibility prescribed by the Secretary.".

CONFORMING AMENDMENT

Sec. 304. Effective only with respect to the 1976 and 1977 crops of rice, section 408 of the Agricultural Act of 1949 is amended by adding at the end thereof the following new subsection:

"REFERENCE TO TERMS MADE APPLICABLE TO RICE

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

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY STAFF EXPLANATION OF S. 1645—RICE

This bill would—

- (1) Be effective for the 1976 and 1977 crops of rice.
- (2) Provide for a target price of 7 cents per pound for the 1976 crop. The 1977 target price will be the 1976 target price adjusted to reflect changes in the index of prices paid by farmers for production items, interest, taxes, and wage rates during calendar year 1976. The 1977 crop target price may be further adjusted to reflect any changes in average yields.
- (3) Provide for a loan rate at not less than 60 percent of the established price for 1976 and 1977. Loans would be limited to cooperators on the allotment times the farm yield.
- (4) Authorize payments to cooperators equal to the amount by which the target price exceeds the higher of (i) the loan rate or (ii) the national average market price received by farmers during the first five months of the marketing year.
- (5) Authorize the Secretary to provide for a set-aside of cropland when he determines that the total supply of rice will likely be excessive. Diversion payments are authorized for land taken out of production in excess of the required set-aside.
- (6) Establish a national acreage allotment of not less than 2 million acres for each of the two years.

(7) Allocate the national allotment to farms and producers on the basis of the allotment established for the preceding crops.

(8) Reserve not to exceed 1 percent of the national allotment for apportionment to new farms and producers who meet certain conditions.

(9) Provide that if less than 90 percent of the allotted acreage is planted (or regarded as planted) to rice, the base allotment for the following year will be reduced accordingly, but not to exceed 20 percent of the allotment.

(10) Provide that if no acreage is planted (or regarded as planted) to rice for three consecutive years the allotment is lost. However, no allotment will be reduced or lost if the cooperator elects not to receive payments for that portion of the allotment not planted. Substitution of certain crops is permitted subject to the Secretary's determination.

(11) Authorize sales, leases and transfers of allotments within the same State.

(12) Provide authority to promulgate rules and regulations for the withdrawal from production of rice and the transfer of the allotment and history of producer allotments.

(13) Prohibit acreage planted in excess of the allotment from being taken into account in establishing future allotments.

(14) Provide for an annual \$1,000,000 rice research program.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., March 10, 1975.

Hon. NELSON A. ROCKEFELLER,
President of the Senate,
U.S. Senate, Washington, D.C.

DEAR MR. PRESIDENT: Enclosed for your consideration is a draft bill to amend various sections of the Agricultural Adjustment Act of 1938, as amended, and the Agricultural Act of 1949, as amended. This proposal would provide a program for rice, similar to the programs enacted in the Agriculture and Consumer Protection Act of 1973 (P.L. 93-86) for feed grains, wheat and cotton.

Specifically, the proposed bill would:

1. Suspend the present acreage allotment, marketing quota and price support programs for the 1976 and 1977 crops of rice;

2. Provide for target prices, loans, freedom to plant, deficiency payments and set-aside provisions similar to P.L. 93-86;

3. Contains authority for the Secretary to establish and carry out through private, local, State and federal agencies, rice production, storage, processing and marketing research programs.

Enactment of this proposed legislation will result in savings in government outlays as is shown on the enclosed table.

An identical letter and draft bill have been submitted to the Speaker of the House of Representatives.

The Office of Management and Budget advises that there is no objection to the presentation of this report and that enactment of this proposed legislation would be in accord with the program of the President.

Sincerely,

J. PHIL CAMPBELL, *Under Secretary.*

Enclosures.

ANALYSIS OF NET GOVERNMENT OUTLAYS¹ OF ALTERNATIVE RICE PROGRAMS, 1976-80

[In millions of dollars]

Item/crop year	Current program	Target price at 7 cents per pound
Export payments: ²		
1976.....	44	-----
1977.....	57	-----
1978.....	81	-----
1979.....	110	-----
1980.....	144	-----
5-yr total.....	436	=====

See footnotes at end of table.

ANALYSIS OF NET GOVERNMENT OUTLAYS¹ OF ALTERNATIVE RICE PROGRAMS, 1976-80—Continued

Item/crop year	Current program	Target price at 7 cents per pound
Deficiency payments:		
1976.....		
1977.....		
1978.....		
1979.....		
1980.....		
5-yr total.....		
Public Law 480 costs: ²		
1976.....	270	238
1977.....	276	283
1978.....	290	238
1979.....	304	238
1980.....	320	238
5-yr total.....	1,460	1,190
Total:		
1976.....	314	238
1977.....	333	238
1978.....	370	238
1979.....	414	238
1980.....	464	238
5-yr total.....	1,895	1,190
2-yr total (1976-77).....	647	476

¹ Public Law 480 costs are on a gross basis.² Export payments on commercial exports only.³ Includes export payments. Public Law, 480 exports assumed at a constant tonnage for planning purposes only.

[S. 2260, 94th Cong., 1st sess.]

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Rice Production Act of 1975".

TITLE I—RICE ALLOTMENTS AND PRICE SUPPORT

NATIONAL ACREAGE ALLOTMENT AND ALLOCATION

SEC. 101. Effective for the 1976 and 1977 crops of rice, section 352 of the Agricultural Adjustment Act of 1938 is amended to read as follows:

"Sec. 352. (a) The Secretary shall establish for each of the 1976 and 1977 crops of rice a national acreage allotment in the amount of one million eight hundred thousand acres.

"(b) The national acreage allotment for each such crop of rice shall be apportioned by the Secretary to farms, and in producer States and administrative areas, to producers on the basis of the rice allotments established for the 1975 crop as adjusted in accordance with subsection (c) of this section: *Provided*, That not to exceed 1 per centum of the national acreage allotment apportioned within each State may be reserved by the State committee for (1) apportionment to new rice farms and new rice producers on the basis of the following factors: suitability of the land for the production of rice, the extent to which the farm operator (or producer in the case of a producer allotment) is dependent on income from farming for his livelihood, the production of rice on other farms owned, operated, or controlled by such person, and such other factors as the State committee determines should be considered for the purpose of establishing fair and equitable rice allotments; (2) making adjustments in farm allotments to correct inequities or to prevent hardships; and (3) making corrections in farm or producer allotments.

"(c) (1) If for any crop the total acreage planted to rice on a farm is less than the rice allotment for the farm (or in producer administrative areas, the producer

allotments allocated to the farm, the farm or producer allotment used as a base for the succeeding crop shall be reduced by the percentage by which such planted acreage was less than the allotment for the farm, but such reduction shall not exceed 20 per centum of the farm or producer allotment for the preceding crop; except that if not less than 90 per centum of the farm acreage allotment is planted to rice, the farm shall be considered to have an acreage planted to rice equal to 100 per centum of such allotment. For purposes of this paragraph, an acreage on the farm which the Secretary determines was not planted to rice because of drought, flood, other natural disaster, or a condition beyond the control of the producer shall be considered to be an acreage planted to rice. For the purpose of this paragraph, the Secretary may permit producers of rice to have acreage devoted to soybeans, wheat, feed grains, sugar, castor beans, triticale, oats, cotton, rye, or such other crops as the Secretary may deem appropriate, considered as devoted to the production of rice to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the rice program.

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

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

"(d) Notwithstanding any other provision of this Act, if the Secretary determines for any year that, because of drought, flood, other natural disaster, or a condition beyond the control of the person involved in the production of rice, none or only part of the acres of an allotment can be timely planted or replanted by or for such person in such year, the Secretary may authorize for such year the transfer of the total number of such acres which are so affected to another farm in the same or any nearby county, but within the same administrative area, on which one or more persons on the farm from which the transfer is made will be engaged in the production of rice and will share in the proceeds thereof, in accordance with such regulations as the Secretary may prescribe. Any allotment, or portion thereof, transferred under this subsection shall be regarded as planted to rice on the farm from which the transfer is made for purposes of establishing future farm allotments. For the purpose of determining the amount of payments and loans made under section 101(g) of the Agricultural Act of 1949 with regard to farms to which allotments, or portions thereof, are transferred under this subsection, the Secretary shall establish a farm yield for any such farm for which there is no established yield.

"(e) (1) The Secretary shall permit the owner and operator of any farm for which a farm acreage allotment has been established to sell or lease all or any part, or the right to all or any part of such allotment, to any other owner or operator of a farm in the same administrative area, or to transfer all or any part of such allotment to any other farm owned or controlled by him in the same administrative area. The Secretary shall also permit the person for whom a producer allotment has been established to sell or lease all or any part of such allotment to any other person in the same administrative area.

"(2) (A) If a producer in a State in which farm rice acreage allotments are determined on the basis of past production of rice by the producer on the farm dies, his history of rice production shall be apportioned in the whole or in part among his heirs or devisees according to the extent to which they may continue, or have continued, his farming operations, if satisfactory proof of such succession of farming operations is furnished the Secretary.

"(B) Upon dissolution of a partnership in a State in which farm rice acreage allotments are determined on the basis of past production of rice by the producer on the farm, the partnership's history of rice production shall be divided among the partners in such proportion as agreed upon in writing by the partners.

"(C) Any part of the farm rice acreage allotment on which rice will not be planted and which is voluntarily surrendered to the county committee shall be deducted from the allotment to such farm and may be reappportioned by the county committee to other farms in the same county in amounts determined by the county committee to be fair and reasonable. Any allotment surrendered under this subparagraph shall be regarded for purposes of this subsection as having been planted on the farm from which it was surrendered.

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

PAYMENTS AND LOANS

Sec. 102. Effective for the 1976 and 1977 crops of rice, section 101 of the Agricultural Act of 1949 is amended by adding the following new subsection at the end thereof:

"(g) Notwithstanding any other other provisions of law—

"(1) The established price for the purpose of making payments on rice under this subsection shall be \$8 per hundredweight in the case of the 1976 crop, adjusted to reflect any changes in the index of prices paid by farmers for production items, interest, taxes, and wage rates during the period beginning on the date of enactment of the Rice Production Act of 1975, and ending July 31, 1976; for the 1977 crop the established price shall be the established price for the 1976 crop adjusted to reflect any changes in the index of prices paid by farmers for production items, interest taxes, and wage rates during the twelve-month period immediately preceding July 31, 1977: *Provided*, That any increase that would otherwise be made in the established price for the 1976 and 1977 crops to reflect a change in the index of prices paid by farmers may be further adjusted to reflect any change in (i) the national average yield per acre of rice for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre for the three calendar years preceding the year previous to the one for which the determination is made.

"(2) The Secretary shall make available, to cooperators in the several States of the United States, loans and purchases on the 1976 crop of rice at a rate equal to \$6 per hundredweight adjusted to reflect any changes in the index of prices paid by farmers for production items, interest, taxes, and wage rates during the period beginning on the date of enactment of the Rice Production Act of 1975 and ending July 31, 1976: *Provided*, That any increase in the rate of loans and purchases for the 1976 crop to reflect a change in the index prices paid by farmers may be further adjusted to reflect the change described in the proviso in paragraph (1) of this subsection. Loans and purchases for the 1977 crop shall be established at such rate as bears the same ratio to the loan rate for the 1976 crop as the established price for the 1977 crop bears to the established price for the 1976 crops. The loans and purchases for the 1976 and 1977 crops shall be made available to each cooperator with respect to a quantity of rice determined by multiplying the allotment of the cooperator for the crop by the yield established for the farm, as determined in the manner described in the second sentence of paragraph (4) of this subsection.

"(3) The Secretary shall make available to cooperators payments for each of the 1976 and 1977 crops of rice grown in the several States of the United States at a rate equal to the amount by which the established price for the crop of rice exceeds the higher of—

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

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

"(4) The payments for the 1976 and 1977 crops shall be made available to each cooperator with respect to a quantity of rice determined by multiplying the allotment of the cooperator for the crop by the yield established for the farm. The yield for the farm for any year shall be determined on the basis of the actual yields per harvested acre for the three preceding years: *Provided*, That the actual yields shall be adjusted by the Secretary for abnormal yields in any year caused by drought, flood, other natural disaster, or condition beyond the control of the cooperator. If the Secretary determines that the persons involved in producing rice on a farm are prevented from planting all or any portion of the acres of the producer or farm acreage allotment to rice or other nonconserving crop, because of droughts, flood, or other natural disaster or condition beyond the control of the producer, the rate of payment with regard to such acres so affected shall be the larger of (A) the foregoing rate, or (B) one-third of the established price, except that the Secretary shall make no payment pursuant to this sentence on a farm from which acres were transferred under section 352(d) of the Agricultural Adjustment Act of 1938 with respect to the transferred acreage. If the Secretary determines that, because of such disaster or condition, the total quantity of rice which the persons involved in producing rice are able to harvest on any farm

is less than 66⅔ per centum of the farm acreage allotment times the yield of rice established for the farm, the rate of payment for the deficiency in production below 100 per centum shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. Any payment made under the previous two sentences with regard to acres transferred under section 352(d) of the Agricultural Adjustment Act of 1938 shall be calculated with respect to the farm yield established on the farm to which such acres were transferred.

"(5) (A) The Secretary may provide for a set-aside of cropland for a crop of rice if he estimates (without taking into consideration the effect of a set-aside), that the carry-over of rice for the marketing year beginning in the calendar year immediately following the calendar year in which such crop will be grown will exceed 15 per centum of the total supply of rice for the marketing year beginning in the calendar year in which such crop will be grown. The Secretary shall make a preliminary determination prior to the beginning of the calendar year in which such crop will be grown and a final determination not later than April 1 of the calendar year in which such crop is grown of whether a set-aside shall be in effect and, if so, the acreage of cropland required to be set aside. The determinations and estimates on which they are based shall be published in the Federal Register at the time they are made. If a set-aside of cropland is in effect under this paragraph then, as a condition of eligibility for payments, loans and purchases under this subsection, the cooperators must set aside and devote to conservation uses an acreage of cropland equal to (i) such percentage of the farm acreage allotment as may be specified by the Secretary (not to exceed 30 per centum of the farm acreage allotment), plus, if required by the Secretary, (ii) the acreage of cropland on the farm devoted in preceding years to soil conserving uses, as determined by the Secretary. The Secretary shall permit cooperators to plant and graze sweet sorghum on set-aside acreage. The Secretary may permit subject to such terms and conditions as he may prescribe, all or any part of the set-aside acreage to be devoted to hay and grazing or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodity, if he determines that such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not adversely affect farm income.

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

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

"(7) If the operator of the farm desires to participate in the program formulated under this subsection, he shall file his agreement to do so no later than such date as the Secretary may prescribe. Payments under this subsection shall be made available to cooperators on such farm only if such cooperators set aside and devote to approved soil conserving uses an acreage on the farm equal to the number of acres which the operator of the farm agrees to set aside and devote to approved soil conserving uses, and the agreement shall so provide. The Secretary may, by mutual agreement with the cooperators on the farm, terminate or modify any such agreement entered into pursuant to this subsection

if he determines such action necessary because of any emergency created by drought or other disaster, or in order to alleviate a shortage in the supply of rice.

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

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

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

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

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

"(13) Notwithstanding any other provision of law—

"(A) the total amount of payments which a person shall be entitled to receive during a crop year under the rice program shall not exceed \$55,000;

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

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

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

SUSPENSION OF MARKETING QUOTAS AND OTHER PROVISIONS

SEC. 103. Sections 353, 354, 355, and 356 of the Agricultural Adjustment Act of 1938 shall not be applicable to the 1976 and 1977 crops of rice.

TITLE II—RICE RESEARCH

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

- (1) to reduce fertilizer and herbicide usage in excess of production needs;
- (2) to develop varieties of rice more susceptible to complete fertilizer utilization;
- (3) to improve the resistance of rice plants to disease and to enhance their conservation and environmental qualities;
- (4) to increase the usage of rice and its processing byproducts;
- (5) to develop better husbandry practices in production and conservation of rice;
- (6) to develop more efficient rice shortage practices;
- (7) to improve domestic and international marketing of rice; and
- (8) to benefit the general welfare.

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

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

TITLE III—MISCELLANEOUS

UNUSED ACREAGE ALLOTMENTS

SEC. 301. Section 377 of the Agricultural Adjustment Act of 1938 shall not be applicable to the 1976 and 1977 crops of rice.

FINALITY OF FARMERS' PAYMENTS AND LOANS

SEC. 302. Effective only with respect to the 1976 and 1977 crops of rice, section 385 of the Agricultural Adjustment Act of 1938 is amended in the first sentence thereof by inserting immediately after "cotton set-aside program," the following: "payments under the rice program authorized by section 101(g) of the Agricultural Act of 1949,".

DEFINITION OF COOPERATOR

SEC. 303. Section 408(b) of the Agricultural Act of 1949 is amended by striking out the period at the end of the first sentence and inserting in lieu thereof the following: " : *Provided further*, That for the 1976 and 1977 crops of rice, a co-operator shall be a person who has a rice acreage allotment and, if a set-aside is in effect, who has set aside any acreage required under section 101(g).".

CONFORMING AMENDMENT

SEC. 304. Effective only with respect to the 1976 and 1977 crops of rice, section 408 of the Agricultural Act of 1949 is amended by adding at the end thereof the following new subsection :

"Reference To Terms Made Available To Rice

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

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY STAFF EXPLANATION OF S. 2260—RICE

This bill would—

- (1) Be effective for the 1976 and 1977 crops of rice.
- (2) Provide for a target price of \$8 per hundredweight for the 1976 crop, adjusted to reflect index changes during the period beginning on the date of enactment and ending July 31, 1976. The 1977 target price will be the 1976 target price adjusted to reflect changes in the index of prices paid by farmers for production items, interest, taxes, and wage rates during the 12 month period beginning August 1, 1976 and ending July 31, 1977. The 1976 and 1977 crop target prices may be further adjusted to reflect any changes in average yields.
- (3) Provide for a 1976 loan rate of \$6 per hundredweight adjusted to reflect index changes during the period beginning on date of enactment and ending July 31, 1976, and may be further adjusted to reflect changes in average yields. The 1977 loan rate will reflect the same percentage change as the target price change from 1976 to 1977.
- (4) Authorize payments to cooperators equal to the amount by which the target price exceeds the higher of (i) the loan rate or (ii) the national average market price received by farmers during the first five months of the marketing year.

Payments would be calculated by multiplying the farm allotment by the payment yield for the farm, which is the actual harvested yield for the preceding three years.

- (5) Authorize disaster payments if prevented from planting or if losses are suffered after planting.

(6) Authorize the Secretary to provide for a set-aside of cropland when the projected ending stocks of the marketing year for which the decisions are being made exceeds 15 percent of the total supply. The set-aside could not exceed 30 percent of the farm acreage allotment. Diversion payments are authorized for land taken out of production in excess of the required set-aside.

(7) Limit payments for rice for a person to \$55,000. The Secretary would issue regulations defining a person.

(8) Establish a national acreage allotment of 1.8 million acres for each of the two years.

(9) Apportion the national allotment to farms and producers on the basis of the allotment established for the 1975 crop.

(10) Reserve not to exceed 1 percent of the national allotment for apportionment to new farms and producers who meet certain conditions and for adjustments for and corrections in allotments.

(11) Provide that if less than 90 percent of the allotted acreage is planted (or regarded as planted) to rice, the base allotment for the following year will be reduced accordingly, but not to exceed 20 percent of the allotment.

(12) Provide that if no acreage is planted (or regarded as planted) to rice for two consecutive years the allotment is lost. However, no allotment will be reduced or lost if the cooperator elects not to receive payments for that portion of the allotment not planted. Substitution of certain crops is permitted subject to the Secretary's determination.

(13) Provide authority for disaster condition transfers of allotments within the same administrative area.

(14) Authorize sales, leases, and transfers of allotments within the same administrative area.

(15) Provide authority to promulgate rules and regulations for the withdrawal from production of rice and the transfer of the allotment and history of producer allotments.

(16) Prohibit acreage planted in excess of the allotment from being taken into account in establishing future allotments.

(17) Provide for an annual \$1,000,000 rice research program.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., November 13, 1975.

HON. HERMAN E. TALMADGE,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of August 11 for a report and estimated cost of S. 2260, a bill "To establish improved programs for the benefit of products and consumers of rice."

The Department recommends that this bill be enacted *provided* that:

(1) the bill be amended to set the 1976 established price and loan rate of \$7 and \$5 per hundredweight, respectively, without the provision to adjust 1976 levels;

(2) the disaster payment provision be deleted; and

(3) the set-aside authority be amended which would permit the Secretary to provide for a set-aside of cropland if he determines that the supply of rice or other agricultural commodities will, in the absence of a set-aside, likely be excessive.

The established price and loan rate of \$8 and \$6 per hundredweight, respectively, are more than adequate to support farm income and provide interim financing of the rice crop. To immediately escalate the established price and loan rate in 1976—as proposed in S. 2260—would provide levels well in excess of average production costs.

The Department is opposed to mandatory disaster payment provisions, such as those contained in the Agriculture and Consumer Protection Act of 1973 and which are included in S. 2260. The Department favors legislation such as that embodied in S. 1647, which would substitute an expanded crop insurance program for disaster provisions, and would encourage private underwriters to offer all-risk insurance.

The recommended amendment to the set-aside provision would then be consistent with the set-aside authority provided in the Agriculture and Consumer Protection Act of 1973.

An analysis of government outlays for a 5-year period covering the current rice program, S. 2260 and S. 2260, with recommended amendments, is enclosed. As shown on this enclosure, the Department estimates that escalation of the levels in 1976, as provided by S. 2260, would result in deficiency payments in each of the 1976 through 1980 crop years.

The Office of Management and Budget advises that there is no objection to the presentation of this report and that enactment of this legislation, if amended, as recommended above, would be in accord with the President's program.

Sincerely,

RICHARD A. ASHWORTH,
Deputy Under Secretary.

Enclosure.

SUMMARY: NET GOVERNMENT OUTLAYS OF ALTERNATIVE RICE PROGRAMS

[In millions of dollars]

	Current program	S. 2260	1976 target price ¹
Deficiency payments:			
1976.....		36	
1977.....		36	
1978.....		50	
1979.....		71	
1980.....		99	
5-yr total.....		292	
Loans and purchases:			
1976.....			
1977.....			
1978.....			
1979.....	28		
1980.....	99		
5-yr total.....	127		
Public Law 480 costs:			
1976.....	259	238	238
1977.....	270	238	238
1978.....	283	238	238
1979.....	300	238	238
1980.....	321	238	238
5-yr total.....	1,433	1,190	1,190
Total:			
1976.....	259	274	238
1977.....	270	274	238
1978.....	283	288	238
1979.....	328	309	238
1980.....	420	337	238
5-yr total.....	1,560	1,482	1,190

¹ At \$7 per hundredweight, loan level at \$5, escalation of target for 1977 subsequent crops.

[S. 2385, 94th Cong., 1st sess.]

A BILL To amend the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 with regard to the rice programs established in those Acts

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 352 of the Agricultural Adjustment Act of 1938 is amended to read as follows:

"NATIONAL ACREAGE ALLOTMENT

"SEC. 352. (a) The national acreage allotment of rice for the 1976 and subsequent crops of rice shall be two million acres, unless the Secretary determines,

prior to December 31 of the calendar year preceding the beginning of the crop year for which the allotment is to be made, that the difference between the total supply of rice for the marketing year beginning in the calendar year preceding such crop year and the normal supply of rice for such marketing year is greater than 20 per centum of such normal supply.

"(b) If the Secretary makes the determination described in subsection (a), the national acreage allotment of rice for the crop year beginning after the determination is made shall be established at a level which will adjust the supply of rice so that a quantity of marketable rice will be on hand in the United States at the end of the marketing year beginning August 1 of the calendar year in which the rice for which the acreage allotment is being determined is to be produced (not including rice produced in the calendar year in which such marketing year ends) which is less than 20 per centum of the estimated amount of rice which will be utilized in exports and domestic consumption during such marketing year, except that the national acreage allotment for rice for any crop of rice may not be less than one million six hundred fifty-two thousand five hundred and ninety-six acres.

"(c) For purposes of this part, the term 'normal supply' means, with respect to any marketing year—

"(1) the estimated domestic consumption of rice during the marketing year for which normal supply is being determined, plus

"(2) the estimated exports of rice during such marketing year."

SEC. 2. (a) Section 353(b) of the Agricultural Adjustment Act of 1938 is amended—

(1) by striking out the second sentence; and

(2) by striking out "and old producer" and all that follows through "second sentence of this subsection," in the third sentence and inserting in lieu thereof "a producer or farm under the first sentence of this subsection."

(b) Section 353 of such Act is amended by adding at the end thereof the following new subsection:

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

SEC. 3. Section 354(a) of the Agricultural Adjustment Act of 1938 is amended to read as follows:

"(a) Whenever in any calendar year the Secretary determines the national acreage allotment under section 352(b), he shall, not later than December 31 of such calendar year, proclaim such fact and marketing quotas shall be in effect, subject to subsection (b) of this section, for the crop of rice produced in the next calendar year."

SEC. 4. Section 365(a) of the Agricultural Adjustment Act of 1938 is amended to read as follows:

"(a) Whenever marketing quotas are in effect with respect to any crop of rice, the producer shall be subject to a penalty on the farm marketing excess at a rate per pound which is equal to the cost of production, as defined by section 108 of the Agricultural Act of 1949, per pound of rice for the crop with regard to which the penalty is imposed."

SEC. 5. Section 301(b) (10) (A) of the Agricultural Adjustment Act of 1938 is amended by striking out "rice," in the first sentence and by striking out "10 per centum in the case of rice;" in the second sentence.

SEC. 6. Section 101 of the Agricultural Act of 1949 is amended—

(1) by striking out the undesignated paragraph in subsection (a) dealing with rice;

(2) by inserting "except for rice," immediately after "price support" the first time it appears in subsection (d) (5); and

(3) by inserting "and rice" immediately after "except tobacco" in subsection (d) (3).

SEC. 7. Title I of the Agricultural Act of 1949 is amended by adding at the end thereof the following new section:

"PRICE SUPPORT FOR 1976 AND SUBSEQUENT CROPS OF RICE

"SEC. 108. (a) The Secretary shall make available nonrecourse loans and purchases for the 1976 and subsequent crops of rice. These nonrecourse loans and purchases shall be available only to persons producing rice on acres allocated under section 353 of the Agricultural Adjustment Act of 1938.

"(b) The amount of the loans and purchases available shall be based on the following:

"(1) the farm yield base, as determined by the Secretary, of the person receiving the loan, multiplied by

"(2) the amount of acres of rice produced by such person on acres allocated to him under section 353 of the Agricultural Act of 1938, multiplied by

"(3) the cost of production, as determined under subsection (c), of the rice produced on the acres described in paragraph (2).

"(c) For the purposes of this section, the term 'cost of production' shall mean—

"(1) with regard to the 1976 crop of rice, \$8 per hundredweight of rice or 60 per centum of the parity price for rice, whichever is higher; and

"(2) with regard to crops of rice subsequent to the 1976 crop, the cost of production for the 1976 crop of rice adjusted each year to reflect changes in a cost-of-production index for rice;

except that such term shall mean 50 per centum of the parity price for rice with regard to any crop of rice for which marketing quotas have been disapproved by producers."

SEC. 8. The amendments made by this Act shall become effective with the 1976 crop of rice.

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY

STAFF EXPLANATION OF S. 2385—RICE

This bill would—

(1) Provide for a permanent program for rice.

(2) Establish a national acreage allotment of 2 million acres.

(3) Require that when the total supply exceeds the normal supply by 20 percent of the normal supply, marketing quotas are imposed.

Under the formula and in this situation, the national acreage allotment would be reduced, but in no event below 1,652,596.

(4) Permit unlimited production except when marketing quotas are imposed and the national acreage allotment established is less than 2,000,000 acres.

(5) Permit the sale, lease or transfer of allotments within the state.

(6) Establish a support price (loans and purchases) for allotment holders for the 1976 crop at \$8 per hundredweight, or 60 percent of parity whichever is higher. Such loans or purchases are limited to production from allotted acreage. For subsequent crops, this support price will be adjusted to reflect changes in a cost-of-production index for rice.

DEPARTMENT OF AGRICULTURE,

OFFICE OF THE SECRETARY,

Washington, D.C., November 13, 1975.

HON. HERMAN E. TALMADGE,

Chairman, Committee on Agriculture and Forestry,
U.S. Senate.

DEAR MR. CHAIRMAN: This is in response to your request of September 25 for a report on S. 2385, a bill "To amend the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949, with regard to the rice program established in those Acts."

The Department strongly opposes the adoption of S. 2385.

The major provisions of S. 2385 would require marketing quotas in years when total supply exceeds normal supply by 20 percent and would establish a support

level at a minimum of 60 percent of rice parity, but not less than \$8 per hundred-weight. When quotas are imposed, rice production is restricted once again to traditional allotment holders. Department projections indicate that marketing quotas would be in effect three of the next five years under this legislation. Thus, new producers would be effectively excluded. As a consequence, shifts to land more suited to rice production and annual changes in the acreage mix between rice and other crops would be impeded.

The provision that rice be supported at a minimum of 60 percent of parity in 1976 and escalated thereafter would set the price of U.S. rice at a level that would be too high to be competitive in the world market. In recent years, exports have accounted for more than 60 percent of the crop. Traditional U.S. markets would be lost to foreign competitors. Not only would these foreign markets be lost, but also the potential development of a strong and expanding industry. In addition, the Commodity Credit Corporation would again be forced to hold large inventories of rice. The alternative would be a return to export payments that would have to increase yearly to keep U.S. rice competitive.

This bill would, in effect, require the Department to continue to make production decisions which rightly should be the opportunity of each farmer.

It is the Department's position that new legislation is necessary to provide greater freedom to rice producers and to make possible a market-oriented policy similar to that provided for other major farm commodities by the Agricultural and Consumer Production Act of 1973. S. 2385 is in direct contradiction of these aims and does, in fact, simply maintain the production controls and high support level embodied in present rice legislation.

A five-year comparative cost analysis of the current rice program and S. 2385 is enclosed.

The Office of Management and Budget advises that there is no objection to the presentation of this report and that enactment of S. 2385 would not be consistent with the Administration's objectives.

Sincerely,

RICHARD A. ASHWORTH,
Deputy Under Secretary.

Enclosure.

RICE: SUMMARY OF NET GOVERNMENT OUTLAYS OF ALTERNATIVE PROGRAMS

[In millions of dollars]

	Current program	S. 2385	1976 target price ¹
CCC loan and inventory outlay:			
1976.....		125	
1977.....		² -43	
1978.....		200	
1979.....	28	² -67	
1980.....	99	² -47	
5-yr total.....	127	168	
Public Law 480 costs:			
1976.....	259	242	238
1977.....	270	248	238
1978.....	283	259	238
1979.....	300	270	238
1980.....	321	282	238
5-yr total.....	1,433	1,301	1,190
Total:			
1976.....	259	367	238
1977.....	270	205	238
1978.....	283	459	238
1979.....	328	203	238
1980.....	420	235	238
5-yr total.....	1,560	1,469	1,190

¹ At \$7 per hundredweight, loan level at \$5, escalation of target for 1977 subsequent crops.

² Denotes net receipts.

RICE: MAJOR PROVISIONS OF CURRENT AND PROPOSED LEGISLATION

Provisions	Current program	S. 1645	S. 2385	H.R. 8529 as amended
Life of act.				
National allotment	Permanent. Acreage needed to make available a supply not less than the normal supply. A minimum allotment is established at 1,652,596 acres.	1976-77 Acreage needed for projected utilization, but not less than 2,000,000 acres.	1976-77 Permanent. 2,000,000 acres unless total supply exceeds normal supply by 20 percent; the Secretary then can establish a lower allotment but not less than 1,652,596 acres.	1976-77. 1,800,000 acres.
Marketing quotas	Declared when total supply exceeds normal supply.	Not applicable	Declared when total supply exceeds normal supply by 20 percent.	Not applicable.
Target price	Not applicable	Not applicable	Not applicable	\$8/cwt. for 1976 adjusted for changes in the index of prices paid by farmers for production items, interest, taxes and wage rates from date of enactment. The 1977 target price will be the 1976 target price adjusted to reflect increases in the above items during the 1976-77 marketing year. Increases may be adjusted to reflect changes in yields.
Loan level	Established at not less than 65 percent nor greater than 90 percent of rice parity.	7¢/lb for 1976 adjusted for 1977 to reflect changes during calendar year 1976 in the index prices paid by farmers for production items, interest, taxes and wage rates. Increases may be adjusted to reflect changes in yields.	\$8/cwt. for 1976 adjusted for changes in the index of prices paid by farmers for production items, interest, taxes and wage rates from date of enactment. The 1977 target price will be the 1976 target price adjusted to reflect increases in the above items during the 1976-77 marketing year. Increases may be adjusted to reflect changes in yields.	\$6/cwt for 1976 adjusted to reflect changes in the index of prices paid by farmers for production items, interest, taxes and wage rates from date of enactment. Subsequent crops adjusted each year to reflect changes in the cost of production for rice.
Production eligibility	Limited to rice allotment holders when marketing quotas are in effect; unrestricted production when marketing quotas are not in effect.	Unrestricted	Unrestricted—provided set-aside is not required.	The 1977 loan rate will reflect the same percentage changes as the target change from 1976 to 1977. Unrestricted—provided set-aside is not required.
Loan eligibility	Limited to cooperators, producers who plant within the allotted acreage.	All production	Limited to production from allotted acreage.	Limited to production from allotted acreage.

Set-aside.....	Not applicable.....	Secretary shall provide for set-aside of cropland if he determines that the total supply of rice or other agricultural commodities will in the absence of such set-aside likely be excessive.	Secretary may provide for a set-aside when the projected ending stocks of the marketing year for which the decisions are being made exceeds 15 percent of the total supply.	Not applicable.....	Secretary may provide for a set-aside when the projected ending stocks of the marketing year for which the decisions are being made exceeds 15 percent of the total supply.
Set-aside payments.....	Not applicable.....	May be authorized at a rate determined to be fair and reasonable considering acreage diverted and productivity of such acreage.	May be authorized at a rate determined to be fair and reasonable considering acreage diverted and productivity of such acreage.	Not applicable.....	May be authorized at a rate determined to be fair and reasonable considering acreage diverted and productivity of such acreage.
Deficiency payments.....	Not applicable.....	Payment rates would be equal to the amount by which the target price exceeded the higher of (1) the loan rate or (2) the national average market price received during the 1st 5 mo of the marketing year.	Payment rates would be equal to the amount by which the target price exceeded the higher of (1) the loan rate or (2) the national average market price received during the 1st 5 mo of the marketing year.	Not applicable.....	Payment rates would be equal to the amount by which the target price exceeded the higher of (1) the loan rate or (2) the national average market price received during the 1st 5 mo of the marketing year.
Disaster payments.....	Not applicable.....	Not applicable.	Made to cooperators, when because of national disaster or condition beyond control of cooperator, production on a farm is less than 66 $\frac{2}{3}$ percent of normal. Payment rate on the deficiency in production below 100 percent shall be larger of (1) deficiency payment or (2) $\frac{2}{3}$ of the established price.	Not applicable.....	Made to cooperators, when because of national disaster, or condition beyond control of cooperator, production on a farm is less than 66 $\frac{2}{3}$ percent of normal. Payment rate on the deficiency in production below 100 percent shall be larger of (1) deficiency payment or (2) $\frac{2}{3}$ of the established price.
New grower allotments.....	A State reserve of 3 percent of the State allotment may be withheld for new producers.	A State reserve of not more than 1 percent of the State allotment may be withheld for new growers.	A State reserve of not more than 1 percent of the State allotment may be withheld for new growers.	A State reserve of 3 percent of the State allotment may be withheld for new producers.	A State reserve of not more than 1 percent of the State allotment may be withheld for new producers.
Payment limitation.....	Not applicable.....	Not applicable.	Not applicable.	Not applicable.....	Not applicable.....
Rice research.....	Not applicable.....	\$1,000,000 each fiscal year.....	\$55,000 for rice for a person.	Not applicable.....	\$55,000 for rice for a person.
					\$1,000,000 for the period ending Sept. 30, 1976, with priority consideration for land grant universities, State experiment stations and other agricultural institutions of higher learning.

RICE: ACREAGE AND YIELD, PRICES AND VALUE, SUPPLY AND UTILIZATION, 1960 TO DATE

Unit	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
Acres and yield:																
Allotment.....	1,652.6	1,652.6	1,817.9	1,818.2	1,818.2	1,818.6	2,000.5	2,000.5	2,400.0	2,160.0	1,836.5	1,836.5	2,222.1	2,100.0	2,100.0	1,803.0
Planted acres.....	1,614.0	1,618.0	1,788.7	1,785.0	1,796.8	1,803.8	1,980.3	1,982.3	2,366.6	2,140.6	1,825.8	1,826.0	2,181.3	2,088.0	2,088.0	1,765.0
Harvested acres.....	1,594.8	1,588.9	1,722.6	1,770.8	1,785.6	1,792.7	1,967.2	1,970.1	2,353.0	2,128.4	1,814.7	1,817.9	2,170.2	2,068.0	2,068.0	1,741.5
Yield per harvested acres.....	3,423	3,411	3,726	3,968	4,098	4,255	4,322	4,537	4,475	4,268	4,618	4,718	4,700	4,274	4,441	4,517
Prices and value:																
Parity price.....	5.90	6.00	6.22	6.46	6.33	6.62	6.85	6.87	6.92	7.26	7.47	7.79	8.10	9.33	11.60	13.10
Dollar per hundred-weight.....																
Support price.....	4.42	4.71	4.71	4.71	4.71	4.50	4.50	4.55	4.60	4.72	4.86	5.07	5.27	6.07	7.51	8.52
Level of support.....	75.0	78.5	75.7	72.9	74.4	68.0	65.7	66.2	66.5	65.0	65.0	65.0	65.0	65.0	65.0	65.0
Season average price.....	4.55	5.14	5.04	5.01	4.90	4.93	4.95	4.97	5.00	4.95	5.17	5.34	6.73	13.80	10.45	65.0
Dollar per hundred-weight.....																
Value of production.....	248.4	278.6	332.6	352.2	358.6	376.2	421.0	444.0	520.0	449.0	433.0	457.0	575.0	1,280.0	1,195.0	-----
Millions of dollars.....																
Supply and utilization																
Supply (rough rice)	12.1	10.1	5.3	7.7	7.5	7.7	8.2	8.5	6.8	16.3	16.4	18.6	11.4	5.1	7.8	7.1
Carrying stocks (Aug. 1)	54.6	54.2	66.0	70.3	73.2	76.3	85.1	89.4	104.1	90.9	83.8	85.8	85.4	92.8	114.1	124.1
Production.....	.3	.4	.4	.5	.5	.7	.7	.7	.7	.2	1.5	1.1	.5	.2	.2	-----
Imports.....	67.0	64.7	71.3	78.0	81.2	84.7	93.3	97.9	110.9	107.4	101.7	105.5	97.3	98.1	121.9	131.2
Total supply.....	26.9	29.5	28.0	28.7	31.1	30.9	31.9	33.6	35.7	34.6	34.4	35.4	35.7	37.0	40.2	41.8
Domestic use.....	9.9	16.4	16.0	22.6	25.0	27.1	29.6	34.7	25.7	24.9	17.8	16.0	25.1	31.8	44.4	45.0
Commercial exports.....	19.6	12.8	19.5	19.2	17.5	16.2	22.0	22.2	30.5	32.0	24.0	37.5	25.4	17.9	25.1	24.5
Public Law 480 exports.....	29.5	29.2	35.5	41.8	42.5	43.3	51.6	56.9	56.2	56.9	46.5	56.9	54.0	49.7	69.5	63.5
Total exports.....	56.4	58.7	63.5	70.5	73.6	74.2	83.5	90.5	91.9	91.5	80.9	92.3	89.7	86.7	109.7	111.3
Total utilization.....	10.1	5.3	7.8	7.5	7.7	8.2	8.5	6.8	16.3	16.4	18.6	11.4	5.1	7.8	7.1	19.9
Ending stocks.....	10.1	5.3	7.8	7.5	7.7	8.2	8.5	6.8	16.3	16.4	18.6	11.4	5.1	7.8	7.1	19.9
Difference unaccounted.....	+1.5	+7	+2	-----	-.1	+2.3	+1.3	+6	+2.3	-.5	+2.2	+1.8	+2.5	+3.6	+5.1	-----

1 Estimated.

RICE: SUMMARY OF NET GOVERNMENT OUTLAYS OF CURRENT AND ALTERNATIVE PROGRAMS¹

	Current program	S. 1645	S. 2260	S. 2260 T.P. at \$7 loan at \$5 escalated for 1977	S. 2385	H.R. 8529
Deficiency payments:						
1976.....			26			26
1977.....			25			25
1978.....			35			35
1979.....			51			51
1980.....			80			80
5-yr total.....			217			217
Loans and purchases:						
1976.....	11				150	
1977.....	12				69	
1978.....					187	
1979.....	15				67	
1980.....	91				51	
5-yr total.....	105				150	
Public Law 480 costs:						
1976.....	258	238	238	238	240	238
1977.....	266	238	238	238	247	238
1978.....	277	238	238	238	256	238
1979.....	292	238	238	238	266	238
1980.....	312	238	238	238	278	238
5-yr total.....	1,405	1,190	1,190	1,190	1,287	1,190
Total:						
1976.....	269	238	264	238	390	264
1977.....	254	238	263	238	178	263
1978.....	277	238	273	238	443	273
1979.....	307	238	289	238	199	289
1980.....	403	238	318	238	227	318
5-yr total.....	1,510	1,190	1,407	1,190	1,437	1,407

¹ Revised to reject changes (Nov. 6, 1975) in the index of prices paid by farmers for production items, interest, and wage rates and adjusted for average yields and parity prices. This supersedes all previous outlay projections.

² Denotes net receipts.

RICE: GOVERNMENT OUTLAYS, FISCAL YEARS 1966-75

[In millions of dollars]

Item	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Price supported and related:										
Commodity export pay- ments (commercial sales).....	42.4	22.0	1.9	3.2	13.7	17.8	24.8	21.8	(¹)	-----
Other price support and related ²	9.1	7.5	9.3	42.6	25.0	23.8	19.4	0.2	14.7	0.1
Total price support and related.....	51.5	29.5	11.2	45.8	38.7	41.6	5.4	21.6	14.7	.1
Public Law 480.....	60.5	140.2	133.8	170.9	167.6	167.8	214.5	244.4	317.3	285.3
Total.....	112.0	169.7	145.0	216.7	206.2	209.4	219.9	266.0	332.0	285.4

¹ Less than \$50,000.

² Includes gain or loss on sales, cost of donated commodity, storage and handling, transportation, loans made, loans repaid and delivered.

³ Denotes net receipt.

Note: Totals may not equal sum of items due to rounding.

Source: U.S.D.A., Nov. 13, 1975.

RICE: ACREAGE ALLOTMENTS AND HARVESTED ACREAGE BY PRINCIPAL RICE PRODUCING STATE, 1974
AND 1975

[In thousands of dollars]

State	1974		1975	
	Acres allotment ¹	Harvested acres	Acres allotment ¹	Harvested acres
Arkansas	507.0	745.0	435	895.0
California	380.9	467.0	327	467.0
Louisiana	603.6	673.0	518	650.0
Mississippi	59.3	108.0	51	165.0
Missouri	6.0	14.0	5	17.5
Texas	536.6	562.0	461	553.0
National allotment	2,100.0	2,569.0	1,802.9	2,747.5

¹ Marketing quotas were not in effect.

RICE: U.S. EXPORTS BY DESTINATION, AUGUST-JULY 1970-71, 1971-72, 1972-73, 1973-74, AND 1974-75 (MILLED
EQUIVALENT) ¹

[In metric tons]

Destination	1970-71	1971-72	1972-73	1973-74	1974-75
Western Hemisphere:					
Argentina	15				
Bahamas	4,611	5,041	4,962	9,097	4,646
Barbados	84	13	1,603	921	262
Belize	753	454	9	5	227
Bermuda	408	373	353	805	273
Bolivia	246	50			1
Brazil	6		4	8	1
Canada	50,020	61,829	60,913	80,719	60,517
Chile	5,514	6,968	1,129	1,448	1,578
Columbia	31	90	56		
Costa Rica	240	224	35	56	75
Dominican Republic	554	22	23,704	59,992	3
Ecuador				8,991	
El Salvador	14	5	14	2,496	2
French Guiana	18	7	6	25	11
French West Indies	3,594	6,644	2,189	1,568	1,418
Guatemala	111	112	133	22	5,357
Guyana	3			8	
Haiti	70	200	2,786	2,346	3,481
Honduras	1,949	42	38	73	10,673
Jamaica and Dep.	21,793	19,200	8,542	22,737	299
Leeward-Windward Island	128	391	731	2,049	471
Mexico	790	93	77	342	334
Netherlands Antilles	4,653	4,887	5,769	7,387	3,477
Nicaragua	111		98	9	5
Panama	14,327	116	6,087	259	90
Paraguay	10				
Peru	45			15	17
Trinidad-Tobago	41	78	4,428	708	223
Venezuela	3,988	15	10	13	2
Total	114,127	106,854	123,676	202,099	93,443
Western Europe:					
EC-9:					
Belgium-Luxembourg	17,667	4,902	13,903	23,776	11,243
Denmark	750	637	3,771	2,491	1,418
France	19,665	14,289	20,596	11,780	11,985
Germany, West	51,337	33,040	54,319	67,789	51,003
Ireland	360	432	499	69	208
Italy	62	16	87	33	38
Netherlands	15,573	9,276	25,898	32,214	21,872
United Kingdom	55,841	42,377	43,955	23,018	31,697
Total	161,255	104,969	163,028	161,170	129,464
Other Western Europe:					
Austria	27	38	1,199	1,421	1,150
Finland	1,240	691	1,009	1,338	873
Gibraltar	3	11	19	38	13
Greece	2,097	531	1,091	17,998	129
Iceland	632	407	280	553	246

RICE: U.S. EXPORTS BY DESTINATION, AUGUST-JULY 1970-71, 1971-72, 1972-73, 1973-74, AND 1974-75 (MILLED EQUIVALENT)¹ —Continued

[In metric tons]

Destination	1970-71	1971-72	1972-73	1973-74	1974-75
Malta-Gozo	158	228	361	129	92
Norway	729	446	472	1,557	672
Portugal	142	10	105	1,938	285
Spain	27	131	157	-----	42
Sweden	4,320	4,273	5,376	9,998	5,789
Switzerland	13,902	13,329	12,065	14,228	12,830
Total	23,277	20,095	22,134	49,198	22,121
Eastern Europe:					
Poland	-----	-----	-----	17,475	20,280
Yugoslavia	54	-----	-----	-----	-----
Total	54	-----	-----	17,475	20,280
Total Europe	184,586	125,064	185,162	227,843	171,865
U.S.S.R.	-----	-----	-----	-----	10,141
Asia:					
Afghanistan	-----	-----	3	-----	-----
Arabian Pen. St. Nec.	1,499	518	-----	-----	-----
Bahrain	77	83	84	1,467	105
Bangladesh	-----	74,920	4,467	2	295,133
China, Rep. of (Taiwan)	-----	29	-----	-----	-----
Cyprus	78	141	201	354	33
Hong Kong	9,913	3,428	24,705	47,078	5,504
India	-----	105,169	9	-----	455
Indonesia	287,565	353,561	173,683	59,837	42,020
Iran	7	19,353	34,190	42,461	450,837
Iraq	-----	-----	-----	9,011	109,999
Israel	10,930	11,405	8,777	2,689	2,909
Japan	2	2	42	22,679	19,302
Jordan	180	411	431	489	309
Khmer Republic (Cambodia)	-----	-----	70,696	205,643	214,942
Korea, Republic of	374,201	495,094	432,437	120,778	498,580
Kuwait	2,189	4,877	1,889	4,528	27,743
Lebanon	453	786	1,207	1,137	845
Macao	-----	-----	-----	5	-----
Malaysia	-----	-----	500	656	-----
Nansei Islands, Nec.	33,998	-----	-----	-----	-----
Oman	-----	3	9	3,091	92
Pakistan	10	109,474	3	6	4,354
Philippines	24	27	54,280	90	33
Qatar	-----	140	39	1,773	50
Saudi Arabia	49,638	81,711	57,276	94,152	72,072
Singapore	17	5	12,631	33,469	1,601
Syrian Arab Republic	23	13	13	125	21,795
Thailand	-----	-----	-----	38	-----
Turkey	-----	-----	11,000	12,937	-----
United Arab Emirates	-----	64	151	2,798	1,094
Vietnam, South	226,856	145,658	360,252	300,782	-----
Yemen (Aden)	2,045	387	-----	-----	-----
Yemen Arab Republic	-----	1,936	449	1,043	4,083
Total	999,705	1,409,195	1,249,424	969,118	1,773,890
Africa:					
Afars-Issas	2,039	2,394	1,798	775	430
Algeria	-----	-----	-----	4,331	-----
Angola	2,442	108	770	3,201	259
Burundi	15	11	8	17	-----
Cameroon	204	93	365	114	175
Canary Islands	-----	-----	25	-----	-----
Central African Republic	23	2	10	39	-----
Chad	-----	2	-----	28	-----
Congo (Brazzaville)	48	94	74	282	46
Dahomey	102	458	333	391	9
Egypt	-----	-----	-----	214	-----
Ethiopia	123	109	150	303	81
French Indian Ocean	3	100	12,901	6,605	2
Gabon	474	617	480	1,189	76
Gambia	11	16	43	1,177	29
Ghana	789	7	5,234	3,308	-----
Guinea	15,012	17,645	570	1,271	17,391
Ivory Coast	1,108	2,343	2,318	1,442	1,095
Kenya	520	184	-----	5	2
Liberia	39,855	37,236	28,528	27,664	23,331

RICE: U.S. EXPORTS BY DESTINATION, AUGUST-JULY 1970-71, 1971-72, 1972-73, 1973-74, AND 1974-75 (MILLED EQUIVALENT)¹—Continued

[In metric tons]

Destination	1970-71	1971-72	1972-73	1973-74	1974-75
Libya.....	1,002	3,100	2,218	2,577	981
Maderia Island.....	23				
Malagasy Republic.....	76			27,302	
Malawi.....	5	16	8	12	10
Mauritius and Dep.....	194	3,314	1,127	275	554
Morocco.....	6		2	4	2
Mozambique.....	2	2			
Niger.....	10	38	90	93	481
Nigeria.....	3	4,500	764	2,059	3,295
Rhodesia.....		91			
Rwanda.....	12	15	10		
Senegal.....	32	110	19,932	4,749	18,423
Sierra Leone.....	668	20	1,789	14,173	
Somali Republic.....	11,706	85	1,373	10	27
South Africa, Republic of.....	80,711	82,049	82,401	86,108	53,245
Swaziland.....			10		
Tanzania.....	62	3			30,914
Togo.....	46	325	450	384	241
Tunisia.....				11	19
Uganda.....		41		1,514	997
Upper Volta.....	3	24	13	42	
West Africa, Nec.....	295				869
West Portuguese Africa, Nec.....	1,744	1,457	1,788	2,757	
Zaire.....	2,069	1,228	1,063	202	754
Zambia.....	442	409	35	138	141
Total.....	161,879	158,246	166,682	194,766	153,879
Oceania:					
Australia.....	145	135	195	368	90
British Pacific Island.....	2,734				
French Pacific Island.....	1,791	2,379	2,196	3,498	851
New Zealand.....		816	1,208	1,010	751
New Zealand-West Somoa.....	1,192	351		13	
Other Pacific Islands.....	3,651	1,464			
Papua New Guinea.....		282			
Trust territory Pacific Island.....	3,872	3,235	4,234	8,607	1,890
Total.....	13,385	8,662	7,833	13,496	3,532
World total.....	1,473,682	1,808,021	1,732,798	1,607,332	2,206,810

¹ Source: Foreign Agriculture Circular, USDA, Oct. 7, 1975.

² Only about 175,000 tons actually arrive before the change in government; the rest was diverted to other Asian ports.

RICE: WORLD PRODUCTION, TRADE, AND STOCKS FOR 1973-74, 1974-75 AND PROJECTED LEVELS FOR 1975-76¹

[In million metric tons]

Country or region	1973-74	1974-75 (preliminary)	Projected for 1975-76 as of—	
			Aug. 15	Oct. 7
Production: ³				
Bangladesh.....	17.6	17.1	18.5	18.5
Burma.....	8.6	8.6	8.7	8.7
India.....	65.7	59.5	66.0	66.0
Indonesia.....	21.6	23.8	24.0	25.0
Japan.....	15.2	15.4	15.6	16.0
Korea, Republic of.....	5.9	6.2	6.4	6.4
Pakistan.....	3.7	3.5	3.8	3.8
PRC.....	113.0	117.9	118.0	118.0
Thailand.....	14.4	14.5	14.8	15.0
Subtotal.....	265.7	266.5	275.8	277.4
EC-9.....	1.1	1.0	1.0	1.0
Australia.....	.4	.4	.5	.5
Argentina.....	.3	.4	.4	.4
Brazil.....	6.3	6.5	6.5	6.5
All others.....	46.5	47.9	49.1	4.95
Total non-United States.....	320.3	322.7	333.3	335.3
United States of America.....	4.2	5.2	5.7	5.7
World total.....	324.5	327.9	339.0	34.10

RICE: WORLD PRODUCTION, TRADE, AND STOCKS FOR 1973-74, 1974-75 AND PROJECTED LEVELS FOR 1975-76 ¹—Con.

[In million metric tons]

Country or region	1973-74	1974-75 (preliminary)	Projected for 1975-76 as of—	
			Aug. 15	Oct. 7
	1974	1975		1976
Exports: ⁴				
Burma.....	.2	.4		.4
Japan.....	.3			
Pakistan.....	.5	.5		.5
PRC.....	1.9	1.8		1.8
Thailand.....	1.0	1.3		1.3
Subtotal.....	3.9	4.0		4.0
All others.....	1.8	1.3		1.2
Total non-United States.....	5.7	5.3		5.2
United States.....	1.7	2.3		2.3
World total.....	7.4	7.6		7.5
Imports:				
Bangladesh.....	.1	.3		.3
EC-9.....	.6	.6		.6
Hong Kong.....	.3	.4		.4
Indonesia.....	1.8	.7		.7
Iran.....	.1	.5		.5
Khmer (Cambodia).....	.3	.4		.1
Korea, Republic of.....	.3	.5		.4
Philippines.....	.2	.2		.2
Sri Lanka (Ceylon).....	.3	.5		.4
South Vietnam.....	.3			
All others.....	3.1	3.5		3.9
World total.....	7.4	7.6		7.5
Stocks, ending:				
Foreign ⁵	10.2	9.6		11.0
United States (ending July 31).....	.3	.3		.5
World total.....	10.5	9.9		11.5

¹ Production is on rough basis; trade and stocks are listed as milled.² Source: Foreign Agriculture Circular, USDA, Oct. 7, 1975.³ The world rice harvest stretches over 6 to 8 mos. Thus, 1975-76 production represents the crop harvested in late 1975 and early 1976 in the Northern Hemisphere, and the crop harvested in early 1976 in the Southern Hemisphere.⁴ Trade data are on a calendar year basis.⁵ Includes only those countries for which production data are listed, excluding Burma and the PRC. Data are based on an aggregate of differing local marketing years and should not be construed as representing world stock levels at a fixed point in time.

TITLE I PUBLIC LAW 480, COMMODITIES SHIPPED, BY COUNTRY AND COMMODITY, FISCAL YEARS 1974 AND 1975

[In thousands]

Country and commodity	Fiscal year 1974		Fiscal year 1975	
	Quantity (metric tons)	Value	Quantity (metric tons)	Value
Bangladesh, total.....	84.18	\$18,902	866.66	\$204,391
Oil, soybean.....	4.97	3,953	12.12	8,639
Rice.....	79.21	14,949	296.28	108,290
Wheat.....			558.26	87,462
Bolivia, wheat.....	83.61	13,218		
Chile, wheat.....	.03	14	308.43	47,599
China (Taiwan), cotton.....	62.20	6,971		
Colombia, wheat.....	5.47	866		
Ecuador, total.....				
Oil, soybean.....	1.40	495		
Wheat.....	4.07	371		
Egypt, total.....			439.78	76,106
Tobacco.....			3.40	9,501

TITLE I PUBLIC LAW 480, COMMODITIES SHIPPED, BY COUNTRY AND COMMODITY, FISCAL YEARS 1974 AND 1975—Continued

[In thousands]

Country and commodity	Fiscal year 1974		Fiscal year 1975	
	Quantity (metric tons)	Value	Quantity (metric tons)	Value
Wheat			\$436.38	\$66,605
Guinea, total	6.11	\$1,588	37.28	9,967
Corn			10.00	1,400
Cotton	.47	469		
Oil, soybean	1.38	565	1.90	1,538
Rice			13.47	4,660
Wheat flour	4.26	553	11.91	2,369
Haiti, wheat			14.76	2,372
Honduras, total			20.02	5,113
Rice			10.00	3,767
Wheat			10.02	1,346
India, wheat			719.82	103,148
Indonesia, total	4.62	5,671	2.35	3,482
Cotton	4.58	5,603	2.35	3,482
Cotton yarn	.04	68		
Israel, total	293.16	29,123	50.12	8,683
Corn	32.82	3,335		
Grain sorghum	163.95	12,759		
Oil, soybean	6.19	2,806		
Tobacco	.18	399		
Wheat	90.02	9,824	50.12	8,683
Jamaica, blended foods	1.79	518		
Jordan, wheat	39.99	7,087	40.51	6,544
Khmer Republic, Total	313.87	168,378	215.75	88,698
Corn			4.43	571
Cotton	.56	557		
Cotton yarn	1.49	5,141		
Oil, soybean	.70	600		
Rice	285.33	155,727	211.32	88,127
Tobacco	.80	2,036		
Wheat	24.99	4,317		
Korea, total	43.71	5,726	208.02	73,869
Corn	6.80	495		
Cotton	1.63	1,200		
Rice			208.02	73,869
Wheat	35.28	4,031		
Morocco, wheat	56.02	6,927		
Pakistan, total	120.68	30,243	463.14	78,646
Grain sorghum	40.00	4,308		
Oil, soybean	22.21	14,581	15.34	11,740
Wheat	58.47	11,354	447.80	66,906
Philippines, total	9.21	7,374		
Cotton	8.34	5,305		
Tobacco	.87	2,069		
Portugal, total	90.07	10,033		
Corn	68.00	7,673		
Grain sorghum	22.07	2,360		
Sri Lanka, wheat flour	20.12	5,219	86.33	18,672
Sudan, wheat	24.45	2,922	6.00	809
Syria, total			22.78	6,914
Rice			14.38	5,815
Wheat			8.40	1,099
Tanzania, rice			15.17	5,884
Thailand, total	5.53	9,823		
Tobacco	3.19	9,365		

TITLE I PUBLIC LAW 480, COMMODITIES SHIPPED BY COUNTRY AND COMMODITY, FISCAL YEARS
1974 AND 1975—Continued

[In thousands]

Country and commodity	Fiscal year 1974		Fiscal year 1975	
	Quantity (metric tons)	Value	Quantity (metric tons)	Value
Wheat.....	2.34	\$458		
Tunisia, oil, soybean.....	23.47	10,411		
Vietnam, total.....	514.15	234,365	57.78	\$22,725
Corn.....	44.65	5,429		
Cotton.....	14.92	21,914	7.51	7,867
Oil, soybean.....	4.99	4,093		
Rice.....	320.30	165,653		
Tobacco.....	6.14	16,283	2.31	7,022
Wheat.....	123.15	20,993	47.96	7,836
Total, fiscal years 1974 and 1975.....	1,802.44	575,379	3,574.70	763,622

NEWS—U.S. DEPARTMENT OF AGRICULTURE

1975-CROP RICE MARKETING QUOTAS LIFTED, ACREAGE ALLOTMENT PROCLAIMED

WASHINGTON, Dec. 31.—Marketing quotas will not be in effect for the 1975 crop of rice, Acting Secretary of Agriculture J. Phil Campbell said today.

Mr. Campbell also announced for the 1975 rice crop a national acreage allotment of 1,802,916 acres and a national average loan and purchase rate at the minimum level of 65 percent of parity.

Lifting of marketing quotas and setting of the allotment were determined by two formulas prescribed by law.

Under provisions of the Agricultural Adjustment Act of 1938, as amended, marketing quotas are not applicable for the next crop year if normal supply for the current marketing year is equal to or exceeds the total supply. Since the normal supply of 122.3 million hundredweight for 1974-75 exceeds the total supply of 121.9 million hundredweight, there will be no marketing quotas for the 1975 crop.

The law also requires the Secretary of Agriculture to establish an acreage allotment which will provide for rice production at a level which, when added to the previous year's carryover, will meet domestic and foreign needs and an allowance for carryover. The Department has determined that the 1,802,916 acre allotment for 1975 will meet these requirements.

Since there will be no marketing quotas for 1975-crop rice, farmers can produce without marketing quota penalties being assessed for 1975 production. However, allotments will be in effect for loan eligibility purposes. Only those producers who plant within their established allotments will be eligible for loans and delivery to the Commodity Credit Corporation (CCC).

The national average loan and purchase level for the 1975 crop rice will be \$8.06 per hundredweight (rough rice). This represents 65 percent of the December parity of \$12.40 per hundredweight. By law, if the support level is less than 65 percent of the parity price as of the beginning of the marketing year Aug. 1, 1975, the Department will increase the level to reflect 65 percent of the August 1975 parity price. Value factors for the 1975 crop for whole kernels of rice classes and broken rice for all classes will be announced later.

Producers must comply with acreage allotments on their own farms and on all farms in which they have interest to be eligible for loans. Producer allotments (in producer states and producer administrative areas) for allocation to a farm will be approved only when such allotment holders are bonafide producers of rice on the farm.

The Secretary of Agriculture will withhold 3 percent of the 1,802,916 acres allotment in a reserve for allocation to new growers. Non-allotment holders will be eligible to apply for acreage allotments from this 54,078-acre reserve and should contact their local ASCS county office for eligibility requirements. The final date for accepting applications will be Feb. 14, 1975.

New producers have the freedom to enter into rice production, but are not eligible for loans. In addition, no acreage history will be accredited to them for subsequent year programs.

The apportionment of the 1975 rice acreage allotment of 1,802,916 acres to states is as follows:

State	Apportionment of national allotment	3 percent new farm reserve	Total State allotment
Arizona	243	7	250
Arkansas	422, 262	13, 060	435, 322
California	317, 226	9, 811	327, 037
Florida	1, 013	31	1, 044
Illinois	21	1	22
Louisiana:			
Farm administrative area	484, 737	14, 992	499, 729
Producer administrative area	17, 939	554	18, 493
State total	502, 676	15, 546	518, 222
Mississippi	49, 393	1, 528	50, 921
Missouri	5, 035	156	5, 191
North Carolina	40	1	41
Oklahoma	158	5	163
South Carolina	3, 012	93	3, 105
Tennessee	547	17	564
Texas	446, 912	13, 822	460, 734
Total apportioned to States	1, 748, 538	54, 078	1, 802, 616
Unapportioned national reserve	300	0	300
U.S. total	1, 738, 838	54, 078	1, 802, 916

Senator McGOVERN. Our first two witnesses are the two Senator from Louisiana, Senator Long and Senator Johnston. We are very happy to welcome you two Senators to the committee.

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

Senator LONG. Thank you very much, Mr. Chairman.

I regret very much to find myself taking issue with some of my very dearest friends who have sponsored S. 1645 and S. 2260. However, I think that in the best meaning of representative democracy they have a responsibility, just as Senator Johnston and I do, to look at what we think is best for the greatest number.

A short time ago I took the liberty of addressing a very detailed letter to each member of this committee making various arguments and citing the data to the end that well enough be left alone in the rice program.

Although I have introduced S. 2385, the so-called Houston plan because it was first thought of in Houston, Tex., as a counterproposal to these target pricing plans, I did this to give the committee a lesser of two evils approach, if it must legislate in the rice area.

My central argument is that the current rice price is achieving the desired goals in a fashion that could not be improved on. It is providing for our domestic needs with a year-to-year carryover.

It is giving us ample supplies to meet our international commitments.

It guards against the pitfalls of overproduction as it affects the producers, particularly small farmers.

It produces rice at a price to the farmer which should result in quite reasonable prices to the consumer, if a way can be found to close the unprecedented farm-retail spread which has recently developed.

It guards against the excessive program costs which are certain to occur under the provisions of S. 1645 and S. 2260, also pending before you.

Frankly, Mr. Chairman, there are so few laws that work exactly as intended and at no program cost to the Government that we should be hesitant indeed to change one when we stumble across it. The facts and figures as I see them indicate that we should not scrap a proven program for an alternative that is almost certain to bring about overproduction and market instability to the rice industry.

Now, Mr. Chairman, I realize that you have a very long list of witnesses to hear. So, with your permission, I would like to submit the balance of my prepared testimony for inclusion in the hearing record.

However, before yielding to numerous other witnesses who belong to the rice industry and who know much more of the details of this complex problem than I do, permit me to call to your special attention several tables and charts which give the overall view as to what sort of job the current law is doing and which argue persuasively against target pricing and open production.

Once the committee has an opportunity to review current trends in acreage, production and carryover, it is bound to determine that we should not be encouraging vast new production at a time when we already have a surplus. It will find that world production of rice is up, and that anticipated exports are slightly down. It will also find that the proposed changes could result in budgetary costs of as much as \$170 million, when the present program costs nothing.

I submit that a review of the tables and charts that I submitted here, Mr. Chairman, simply shows that this bill can do nothing but give us large additional quantities of rice, for which we have no markets, and which we can't possibly sell over a period of 5 years.

I would estimate it would cost the better part of a billion dollars to buy all this surplus rice for which we have no market, and, in doing so, we would be putting a lot of small farmers out of business. We don't want to do that.

I am concerned about the cost of the proposal to expand rice production but, even more than that, I was going to say, Mr. Chairman, even more than the cost of the proposed new program, it is my concern about small farmers, and I know that the chairman of this committee and the majority of his members are concerned about small farmers. They don't want to see those people going out of business and being destroyed. It may be that you and the able members of your committee can work out some kind of a compromise between the two conflicting points of view that we can all live with.

So far, I regret to say that they have the votes and won't have to compromise. I hope that will not continue to be the attitude with regard to this matter.

Senator McGovern. Your position is that you would prefer to stay with the present program; that you have introduced legislation as a fallback. You feel that the present program is working pretty well and we should just leave it alone.

Senator Long. Basically, that is correct. If you must make a change, I have introduced a suggested way that it could be done that we think we could live with. There might be some other way, but the last thing on Earth I want is to see a lot of small farmers destroyed in this busi-

ness by new people coming in who are able to use large-scale methods, building up bigger surpluses at a cost to the taxpayer for a market that we don't have. It is just not there.

Thank you very much.

Senator McGovern. Thank you very much. Your complete statement will be made a part of the record.

[The prepared statement of Senator Long follows:]

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

Mr. Chairman, I appreciate the opportunity to speak to your subcommittee this morning to urge in behalf of many thousands of my constituents that the basic rice law that has been on the books for many, many years be left as it is. Several distinguished representatives of Louisiana farm groups are present today and will be testifying later in the day to urge that no changes be made.

Of course, Mr. Chairman, others will be asking the opposite. Some of my dear friends in the Senate—Senator McClellan, Senator Stennis and Senator Eastland—represent constituencies that would benefit from the proposed switch from the present law to a system of target-pricing and open-production.

Knowing these distinguished colleagues as I do, I am certain they are fighting for their constituencies with as much vigor and conviction as I am fighting for mine. That is the way it ought to be. That's what is meant by "representative democracy".

But in the end, this committee will have to sort through the charges and counter-charges, the proposals and counter-proposals, the lobbying and counter-lobbying, to make a decision based on the pertinent facts and figures available to them. In the end it should resolve itself into a question not of who is right but what is right.

Several days ago, Mr. Chairman, I took the liberty of addressing a rather detailed letter to each member of the Senate Committee on Agriculture making various arguments and citing supportive data to the end that well enough be left alone in the rice law. Although I have introduced S. 2385 the so-called "Houston Plan" as a counter proposal to the target-pricing plans, I did so only to give the committee a lesser-of-evils alternative in the event it decides that it just absolutely must legislate on rice.

My central argument is that the current rice program is achieving the desired goals in a fashion that could hardly be improved upon:

It is providing for our domestic needs, with the desired year-to-year carryover. It is giving us ample supplies to meet our international commitments.

It guards against the pitfalls of overproduction as it affects the producers, particularly small farmers.

It produces rice at a price to the farmer which should result in quite reasonable prices to the consumer, if a way can be found to close the unprecedented farm-retail spread which has recently developed.

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Frankly, Mr. Chairman, there are so few laws that work exactly as intended and at no program cost to the government that we should be hesitant indeed to change one when we stumble across it. The facts and figures as I see them indicate that we should not scrap a proven program for an alternative that is almost certain to bring about over-production and market instability to the rice industry.

Now, Mr. Chairman, I realize that you have a very long list of witnesses to hear. So, with your permission, I would like to submit the balance of my prepared testimony for inclusion in the hearing record at this point.

However, before yielding to numerous other witnesses who belong to the rice industry and who know much more of the details of this complex problem than I do, permit me to call to your special attention several tables and charts which give the overall view as to what sort of job the current law is doing and which argue persuasively against target-pricing and open-production.

Once the Committee has an opportunity to review current trends in acreage, production and carryover, it is bound to determine that we should not be encouraging vast new production at a time when we already have a surplus. It will find that world production of rice is up and that anticipated exports are slightly down. It will also find that the proposed changes could result in budgetary costs of as much as \$170 million, when the present program costs nothing.

1. Looking at the supply side, there is today a projected surplus of rice. You will note that over the past five years both planted acreage and total production have been increasing at just about the correct rate to provide the optimum carryover of 7-10 million hundredweight, with about twice that amount predicted for this year's record harvest.

Year	Planted acreage	Millions of hundredweight	
		Production	Carryover
1971-72.....	1,826,000	85.8	11.1
1972-73.....	1,824,000	85.4	5.4
1973-74.....	2,181,000	92.8	7.8
1974-75.....	2,588,000	114.1	7.1
1975-76.....	2,757,500	122.0	18.2

¹ Estimated.

² Estimated Oct. 24, 1975.

It is obvious from these figures that the current program permits new rice acreage in a manner that has resulted in a gradual, healthy increase in production without the sort of government guarantees which would encourage overplanting, overproduction and an eventual destabilization of the entire industry.

Even under the current program, this year's increased production and projected surplus have dropped the national average price 92 cents to \$8.88 per ctw in the last month. Louisiana rice has dropped 45 cents per ctw for the same period and was selling in September for \$9.10 per ctw, a full dollar below last year's prices.

These statistics indicate to me that there could be no worse time for legislation which would further increase production, further add to the carryover, and further reduce the prices being paid the farmer.

2. As to our needs for export there is no problem whatever. In fact, as the following chart indicates, world production is up and anticipated exports—both P.L. 480 and commercial—are stable and represent a smaller fraction of our total production than they did last year.

	World production (million metric tons)	AID and Public Law 480 (metric tons)	Exports	
			Commercial (metric tons)	Total (metric tons)
1971-72.....	295.5	1,203,514	497,025	1,700,539
1972-73.....	294.3	1,120,374	818,070	1,938,444
1973-74.....	317.0	610,509	973,951	1,584,460
1974-75.....	320.6	774,344	1,517,462	2,291,806
1975-76.....	334.3	800,000	1,471,000	2,271,000

If there were a plan afoot to increase greatly our P.L. 480 shipments or if a world shortage were in prospect which would provide the likelihood of an active commercial export market, there might be a more rational argument for open production. But this is absolutely not the case, and, once again, the figures indicate there could be no worse time than now to promote a leap in production that is simply not needed in our export program.

3. The problems of overproduction and falling farm prices are a particular menace to the small and medium-sized farmer. Normally, he is growing as much rice as he has acreage to accommodate and cannot double his crop to compensate for a severe drop in the price he receives.

One bad year is often all it takes to force the small producer out of business, and two or three years of depressed prices guarantees his ruin. This is not so true of the large producers, and particularly corporate operations, which are able to survive the period of surplus and then make their profit when the pendulum swings back to short supply and high prices.

There is no question that a principal result of the proposed amendments would be to ruin many hundreds, even thousands, of small producers, thus leaving the industry to be dominated by fewer and fewer large operations. If this were a logical means of providing the consumer with cheap rice over the grocery counter,

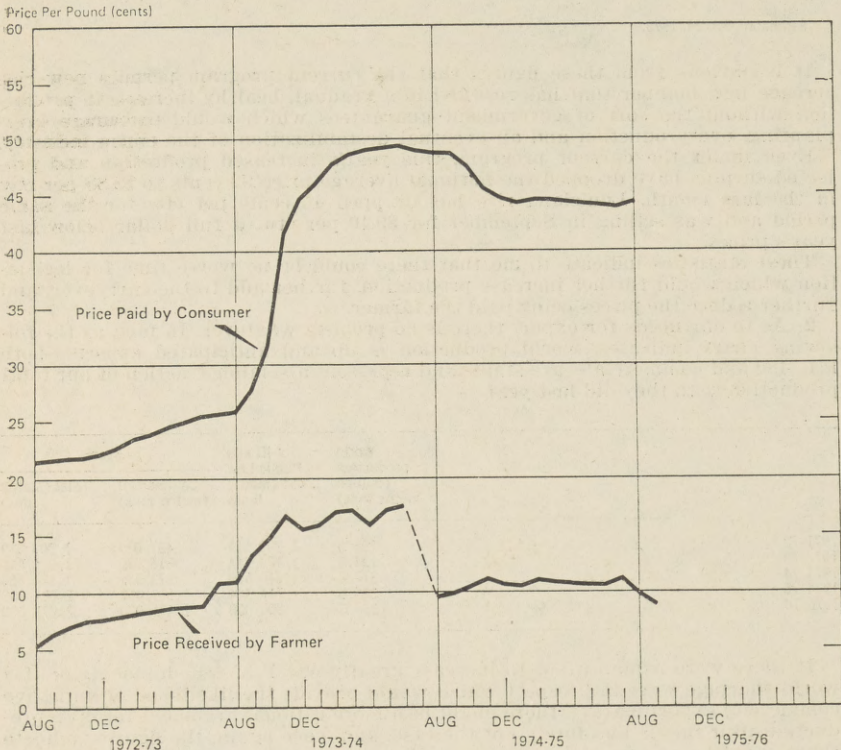
one might argue that the proven stability of the current law is not worth preserving and that these thousands of smaller farmers are expendable.

But * * *

4. * * * But, when one studies the relationship between the price received by the farmer and the price paid by the consumer, he discovers a remarkable thing—a virtual lack of relationship between the two. Note, for instance, the fact that while the farmer is receiving 2.1 cents less per pound than he was in August 1973, the consumer is paying 18.6 more.

During this same two year period, the farm-retail spread has increased from 14.8 cents to 35.5 cents per pound. An analysis of the following chart might suggest that it is not the rice program itself which needs legislative attention but, rather, whatever factors have caused this great disparity in the farm-retail spread.

Farm-retail spread (rice) August 1972 to September 1975



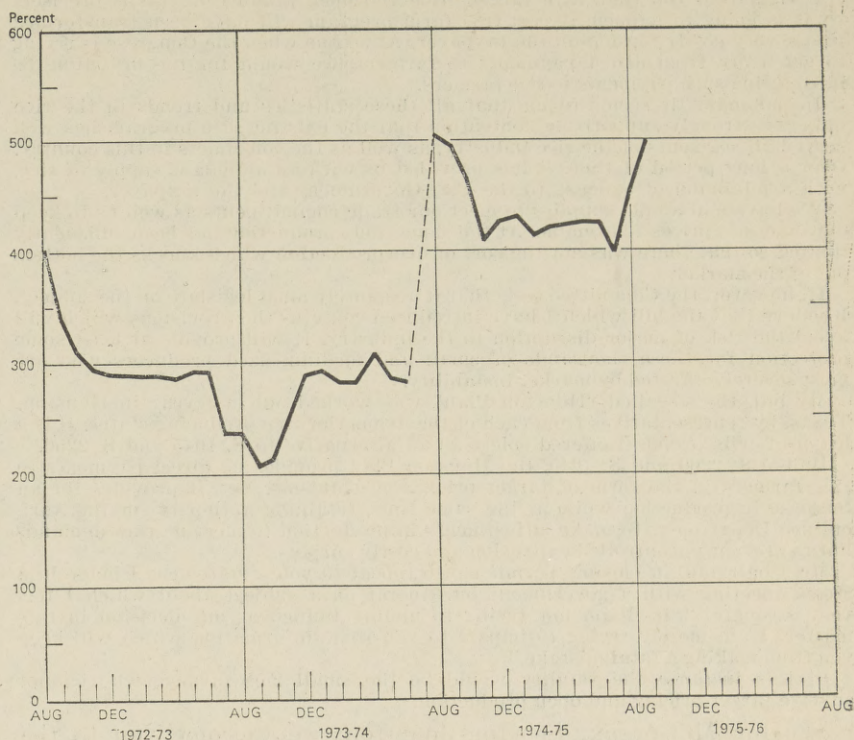
Also, Mr. Chairman, I wish to place in the record another chart entitled Retail Price of Rice as a Percent of Farm Price. This chart, like the previous one, indicates a growing disparity between farm and retail prices. In August 1973, retail prices were slightly more than 200% of farm prices. But in August of this year, they were 500%.

The point I seek to make is that a lower and lower price for the farmer does not necessarily mean decreased prices for the consumer. Somehow, the advantage continues to be gobbled up by the middleman.

The same is no doubt true in the case of the brewing industry which strongly supports this legislation. I would hope that the Committee would ascertain from their witnesses how much the price of beer has dropped during the past year when farm prices of rice were cut in half.

RETAIL PRICE OF RICE AS A PERCENT OF FARM PRICE

AUGUST 1972 TO DATE



5. One of the very attractive features of the present rice program is that it entails no cost to the government. Some people wrongfully ascribe P.L. 480 costs to the program, but this is plainly a cost of the foreign aid effort and should not be confused with program costs of the Rice Act.

By contrast, both S. 2260 and S. 1645 contain target price provisions which call for direct payments to farmers when prices fall below a given level.

I was recently able to obtain USDA estimates of the cost of a program based on the S. 2260 target price of \$8 and loan rate of \$6 per cwt, both escalated. The following chart shows net government outlays over a five-year period at various farm price levels:

PROJECTED DEFICIENCY PAYMENTS

[In millions of dollars]

Farm price	1976-77	1977-78	1978-79	1979-80	1980-81	5 years.
\$7.50 per hundredweight.....	\$78	\$79	\$93	\$113	\$139	\$502
\$7 per hundredweight.....	119	120	134	153	179	702
\$6.50 per hundredweight.....	155	157	170	180	189	851
\$6 per hundredweight.....	168	170	175	181	189	883
\$5.50 per hundredweight.....	168	170	175	181	189	883
\$5 per hundredweight.....	168	170	175	181	189	883

Of course, there are those who suggest that the farm price could not possibly drop as low as \$5 per cwt and result in the \$168,000,000 annual cost indicated

in the chart. May I point out, however, that this was indeed the price just three years ago when production was 30 percent less than it is today.

I suggest to you that with target price and open production this is precisely what is going to happen. A cost-free farm program will have been transformed into a very costly burden on the taxpayer. At a time when the Congress is trying to get away from direct payments to farmers, we would for the first time be introducing such payments to rice farmers.

In summary, it seems to me that all these statistics and trends in the rice industry strongly support my contention that the existing rice program has well served all segments of the rice industry, as well as the consumers in this country. Over a long period of time, it has provided us with an abundant supply of rice, with a minimum of expense to the U.S. Government and the taxpayer.

We have had ample supplies to meet our trade commitments as well as to keep our domestic prices reasonable. At the same time, production has been sufficiently limited so that there was not the sort of overproduction which knocks the bottom out of the market.

If, however, the Committee feels that it absolutely must legislate on the subject, I believe that the bill which I have introduced contains the provisions which will avoid the risk of major disruption to the industry. It will provide at least some protection for those thousands of small and medium-sized producers who are most severely affected by market instability.

My bill, the so-called "Houston Plan" was worked out last year in Houston, Texas, by representatives from each of the five major rice producing states. It is a lesser-of-evils proposal offered solely as an alternative to S. 1645 and S. 2260.

Unlike S. 2260 and S. 1645, the Houston Plan provides no direct payments to rice farmers in the form of target pricing mechanisms. Yet, it provides for an increase in production while at the same time, retaining authority for the Agriculture Department to make adjustments in production to meet market demands but to prevent uncontrolled expansion and costly surplus.

Mr. Chairman, in closing, permit me to repeat to you a statement I made in a recent meeting with a government bureaucrat on a subject about which I feel very strongly, "Sir, I am not trying to unduly influence your decision in this matter. I am merely trying to impart to you some information which will keep you from making a fatal mistake."

In this instance the fatality would be the small rice farmer, who cannot survive target pricing and open production.

Senator MCGOVERN. Senator Johnston, we welcome you to the committee.

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

Senator JOHNSTON. Thank you very much, Mr. Chairman. Repeating frankly politically, this is a very difficult question because we have people in Louisiana on both sides of the issues.

We have the traditional farmer, largely small farmers, in southwest Louisiana. On the other hand, a lot of my best friends want to go into the rice growing business. They have land suitable for rice growing.

It is difficult politically. It is not difficult from the question of policy. It is not how much rice, it is not how much the consumer will pay for it, but it is who is going to grow that rice.

Are you going to replace the present set of rice growers with a new set of rice growers?

What is the price going to be? How stable is it going to be, and how much of the price is the Government going to pay?

Now, that is what is involved in this case. I think it is important to consider consumption patterns in rice, because the consumption patterns are, I think, much different than they are in other agricultural commodities. We are fairly inelastic in our consumption of rice.

First, exports. Exports, as this committee knows, are limited by

what we are willing to do under the aid program, under Public Law 480. We are trying to develop more export markets and our colleague, John Breaux, just finished a trip to Cuba trying to reinstate our traditional rice market there, but in any event, it is a fairly inelastic thing, the export market, and it depends on matters other than how much rice we can produce.

We have been increasing it to 2.7 metric tons this year, but the graph goes in a generally slowly upward direction.

Our plan, Mr. Chairman, and the present plan as well, the present law as well, provides a mechanism for that increase, both in domestic consumption and in export consumption, but in an orderly kind of way.

Domestic consumption is very limited in rice, very inelastic. We are doing all we can to promote it, but there are people in certain parts of the country, and I would guess in South Dakota, that just don't eat rice as a staple in their diet. They prefer potatoes. They haven't learned the joys of a meal with rice yet, and we hope to teach them, and we are trying to do our best.

However, there is a fair segment of society that eats rice as a regular part of the diet.

Now, more Americans drink beer, I guess, but it is a fairly small component in the price of a can of beer.

With this supply-demand equation as it is, it makes for a fairly inelastic demand so that any increase in supply can give tremendous price fluctuations.

We have seen that historically in the rice market.

So then the question is: Who is going to grow that rice, because if you have a big supply allowed to be produced in 1 year that we can't possibly dispose of by exports, then the price is going to go down very precipitously, and, Mr. Chairman, the small farmers simply cannot stand a disastrous year.

If they can stand 1 disastrous year, they can't possibly stand 2 disastrous years because their costs are so great. They have to pay for the combines, the milling and all these other problems that rice growers have.

So, if these farmers go broke, if we have this oversupply of 1 year, is it reasonable to expect that farmers will continue to produce this oversupply at an insufficient price?

The answer is quite obviously no, that if you have an oversupply in 1 year it is going to lead to a cut in production the next year, and the point is that the consumer is not going to have low rice prices as a continuous thing.

The question then is: Are you going to rearrange the pattern of who grows the rice? Are you going to take it away from the small farmers and give it to corporate combines? It is a fairly simple question in that respect.

Now, there is one way to avoid the question of oversupply and still keep the small farmers in business and that is for the Government to provide the difference, and that is precisely what these two other bills, S. 2260 and S. 1645, do: they provide for the Government to pay the target price. Of course the target is the difference between the market and what the Government says.

If this committee really wants to get the Government supporting artificially the oversupply of rice, I would recommend that you pass one of these two bills because that is exactly what would happen. If the Government fixes the target too high, then you have the glut of rice, and then you have the question of how are you going to dispose of that rice.

So if you rearrange, it is a question of, first, small versus big; it is a question of waste because if you get some new people in the rice market, you have got the expenditures on combines, on preparing the land and rice mills and all these other expenditures—it is a high capital kind of farming and, along with the new farmers, you have got new special interests to protect.

Then we ought also to consider, Mr. Chairman, the question of alternate crops. Existing rice farmers, at least in southwest Louisiana where we have most of our crop are very limited in their alternate crops, owing to the topography and the soil and the various other things there.

About the only other thing they can grow is perhaps sugarcane, perhaps soy beans, but it is not really successful for either one.

For one thing, sugarcane is a long-lead type crop, very high expenditure crop, and it is a big crop in terms of the amount of land you need to have to farm it. So they have nowhere else to turn.

On the other hand, the people who want to get into the rice business, by definition are already in another crop. Their land is well suited for cotton and soy beans, so if you rearrange this, you take an existing group of farmers out of a crop that their land is well suited for and give them really no choice, and you ruin them financially, and you take another group of farmers, require a tremendous expenditure, and you take them out of the profitable crop they are in now and put them into something somebody has got.

It is almost that simple, Mr. Chairman.

I would hope this committee would either leave the law as it is now, because I think it is working very well, rice production is going up and up, or else go to the compromise bill which my colleague and I have put in.

Our bill will provide for plenty of rice, for orderly expansion of both domestic and foreign markets. It will protect existing farmers, and particularly your small farmers, and it will result in no cost to the Government.

To go in the other direction is going to result in either ruination to the farmer or subsidy, that is, cost to the Government through taxes.

Thank you very much, Mr. Chairman.

Senator McGOVERN. Thank you very much, Senator Johnston, for your statement.

Senator Clark?

Senator CLARK. I have to go to a conference on behalf of the Agriculture Committee. I have only one question.

I must say, first of all, I know nothing about planting rice and rice policy. As a result, I am totally open on the question.

I want to attend as many of the hearings as possible. I want to hear both sides of it. It seems to me that you make a good case: On the one hand, those that have allotments would be adversely affected if you allowed everybody to plant and the prices would go down. Surpluses would go up, and, in effect, it would cost the Government more.

On the other hand, I suppose that other witnesses here are going to make a strong case that it isn't very fair to these people who don't have allotments to say that you can't ever, ever plant rice.

But my question is something I hadn't thought about until both of you mentioned that you feel small farmers would be adversely affected if you open up planting entirely and that this would lead to what I think Senator Johnston, you call corporate combines.

Why is that true? What evidence is there of that?

Senator JOHNSTON. Not only farms and corporate combines—the pattern of ownership in southwest Louisiana just happens to be small farms.

Someone else can speak to the question of how it happened that way, but they are fairly small farms; whereas in northeast Louisiana or in Arkansas or one of our other States they are large farms, because I guess they are now into cotton, and cotton is the kind of crop you usually grow on big plantations. It is more or less an historical pattern.

Senator CLARK. Thank you.

Senator MCGOVERN. Thank you very much, Senator Long and Senator Johnston.

[The prepared statement of Senator Johnston follows:]

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

Mr. Chairman, I appreciate the opportunity to testify along with my friend and colleague, Senator Long and to address ourselves to the issue of altering the present rice program of the United States.

It is my belief Mr. Chairman that there should be no change in the rice program as presently structured. It is the purpose of the present program to promote a stable situation of production of rice in both the price and supply areas. It is my belief that these objectives have been accomplished. At the same time the present program has served the interests of the farmers and consumers at the same time. These facts notwithstanding, Mr. Chairman, the argument has been made that the Senate should adopt legislation which would promote expanded production of rice through increased acreage allowances. I cannot overstate the degree of opposition I feel toward legislation of this type. Senator Long has mentioned the main points to which I fully subscribe. There are some factors which I do believe bear repeating.

1. There is a surplus of rice presently available for consumption. The latest production figures for 1975-1976 indicate that 125 million ctw (hundredweight) will be available at the end of this crop year. This figure compares to 85 million ctw only 3 years ago. This level of production is expected to generate a carryover of almost 3 times that of last year. These figures alone are sufficient in my judgment to indicate that now is not the time for new legislation which would increase production and reduce prices further.

2. The export markets for American rice is in a soft position because the worldwide production is up while PL 480 shipments are down overall over last year's. If there were a world shortage existing or there was a plan to greatly increase shipments, the situation would be different. However, as you know this is not the case. The facts are that worldwide production has increased from 295.5 million metric tons in '71-'72 to 334.3 million metric tons this year. At the same time the U.S. has lost Cambodia and Viet Nam, two of it's largest importing nations. In the face of these facts can we truly ask for more production and thereby increase the carryover, the greatest price depressant.

3. The price differential between the amount received and the cost to the consumer has continued to increase. There seems, paradoxically, to be very little correlation between the two figures. For instance while the farmer is receiving 2.1 cents less per pound than in August '73, the consumer is paying 18.6 cents more. Since '73 the differential has increased from 14.8 cents to 35.5 cents per pound. This set of facts would indicate that the focus of the committee might well be directed not on changing the present program but rather on what has caused the farmer to reap no benefit from the increased retail price. As a result

of this farmers are reluctant to see any further increase in production because they fear that such increase would only mean further decreased prices with no commensurate rise in consumer demand.

4. Finally, Mr. Chairman, I must address myself to the potential cost to the Federal government of any new legislation. The present program has not required the United States Treasury to make direct payments to rice farmers. While many people attribute the cost of the P.L. 480 program to the rice program, it is—as you know—rather a cost of the Foreign Aid program. Two of the pending proposals before this committee, S. 2260 and S. 1645, have been estimated to generate an annual cost to the government in excess of \$168,000,000 if the cost of rice were to go to \$5 per cwt (hundred weight) which was the price of rice three years ago. This would result from the fact that these bills contain a target price of \$8 and loan rate of \$6. When the Congress is making every effort to escape the spectre of direct payments, these two bills would plunge us even deeper in this direction.

Again, let me express my appreciation for being given the opportunity to testify before this subcommittee.

Senator McGOVERN. Our next witness is the Senior Senator from Arkansas, Senator McClellan.

Senator McClellan, we are happy to welcome you before this subcommittee.

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

Senator McCLELLAN. Thank you very much, Mr. Chairman, and members of the committee.

I appreciate very much the opportunity to submit this brief statement to the committee on S. 2260, designated the Rice Production Act of 1975, which Senator Eastland introduced on July 31, with Senator Stennis and myself as cosponsors.

Previously, I appeared before this subcommittee to endorse the principles and goals of S. 4121, which was known as the Rice Act of 1974, a bill which I introduced in the 93d Congress with the majority of the members of the Agriculture Committee as cosponsors.

That bill, Mr. Chairman, was unanimously reported from the Agriculture Committee in December of 1974. Since this is a comparable bill, we are hoping, of course, that the same profound wisdom and good judgment of the Agriculture Committee will prevail again and that this bill will be reported.

In full committee hearings, on February 21 of this year, I again endorsed legislation to provide expanded rice production and urged action to secure a rice program which would have the support of a broad cross-section of the rice industry.

S. 2260, in my judgment, is such a bill. After months of effort, the language of this bill has been developed to strike a balance between the interests of old and new growers of rice with minimal risks of cost to the Government and with protection for cooperators participating in a market oriented rice program.

It is consistent with the goals of S. 1645, a bill similar in almost all respects to the administration-backed bill last year, except that S. 2260 provides loan coverage only for rice produced under allotment.

In almost all respects, S. 2260 is identical to H.R. 8529, which was reported from the House Agriculture Committee on October 29, just a few days ago, by a vote of 32 to 8.

The Rice Production Act of 1975 would establish for the rice producer in the 1976-1977 crop years, the freedom and market-oriented policy which was provided for certain other farm commodities under the Agricultural and Consumer Protection Act of 1973.

That act applied the target price concept to wheat, feed grains and upland cotton. S. 2260 would permit rice growers to make the same essential decisions concerning the amount of land to devote on rice based on their evaluation of supply and demand in the marketplace.

It proposes a significant change from the present rice policy, in existence for almost two decades, the policy which has permitted the Department of Agriculture to determine the rice supply. To exercise this authority, the Department has been forced to utilize various rice production programs with averages varying between 1.65 million and 2.8 million acres. These fluctuations have not contributed to the stability of the rice industry. Neither the farmer nor the consumer can know what the next year will bring, and, unfortunately, S. 2385, with its mandatory triggering of marketing quotas, would continue the uncertainty of the present price program.

The new policy established by S. 2260, which was endorsed by this committee last year will encourage efficient use of the land by permitting the growth of rice in areas most suitable for its cultivation and thereby maximize the crop production at the most efficient and economical level.

Additionally, growers will have the flexibility to shift between rice and other crops based upon their assessments of market conditions.

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

Agricultural exports remain a significant factor in improving the Nation's balance of payments position. Historically, over 60 percent of the rice we produce has moved into export channels, making the United States the world's largest supplier. 1974-75 U.S. exports of rice exceed \$1 billion, a substantial part of the total United States agricultural exports.

A number of OPEC countries have become increasingly important rice markets. In 1973, with other Middle Eastern countries, they bought 155,000 tons of rice. One year later, Mr. Chairman, in 1974, their cash purchases increased to 700,000 tons, an increase of 545,000 tons in 1 year.

By encouraging efficient land utilization and increased rice production, the Rice Production Act of 1975 can further enhance the competitive position of American rice in the world market and favorably influence our balance of trade which has been adversely affected by the increased cost of imported oil.

Mr. Chairman, I would like to insert in the record at this point a statement from an article which appears in the current issue of the publication *Foreign Agriculture*.

Senator McGovern. Without objection, the article will be made a part of the record.

[The article from Foreign Agriculture follows:]

[Reprinted from Foreign Agriculture, Nov. 10, 1975]

MIDEAST OIL SALES FINANCE BIGGER IMPORTS OF U.S. RICE

(By John B. Parker, Jr., Foreign Demand and Competition Division, Economic Research Service)

Use of tremendous profits from petroleum sales to upgrade Mideastern diets and Government buying and social programs have caused rice imports by countries in the region¹ to skyrocket in 1975², and rice imports are expected to remain strong in the years immediately ahead. Most of the Mideast's rice-supplying countries, including the United States, have profited from the 1975 jump in demand.

Other major rice suppliers to the region—Thailand, Pakistan, India, and the People's Republic of China (PRC)—also made spectacular sales gains in Mideast rice markets in 1975.

U.S. rice exports to some Mideast countries may gain further in 1976. Iraq appears to offer the brightest opportunity for large volume gains of U.S. rice, and shipments to Iran and the Arabian Peninsula should remain near the 1975 level.

Valued at about \$1 billion, exports of U.S. rice to the Mideast in 1975 accounted for 34 percent of the worth of all U.S. rice exports. These figures contrast sharply with U.S. exports to the area in 1973, of \$437 million, just 8 percent of the total value of all U.S. rice exports. In terms of quantity, the Mideast took about 30.6 percent of total 1975 U.S. rice exports of 2.3 million tons. At 702,556 tons, these exports to the Mideast were more than triple the 155,000 tons exported to the area in the previous year. Most U.S. rice exports to the Mideast are of the more expensive grades.

Spectacular gains occurred in 1975 in U.S. rice exports to Iran and Iraq, where petroleum revenues have been used to subsidize increasing food imports by Government agencies. Petroleum income also is being distributed widely throughout the population of these—and several other—countries, and should help individual consumers to upgrade their diets, a large part of which is rice.

The demand for imported rice in Iran and Iraq will also be strengthened by a falloff in both countries' calendar 1975 rice production to a level well below previous peaks and a growing demand for rice in the cities. New government programs have put larger sums of money into the hands of many farm families, triggering an unexpected surge in demand for imported rice in rural areas of Iran, Iraq, and Arabian Peninsula countries.

Imports of rice by Mideast countries are expected to approximate 1.6 million tons in calendar 1975—a third above the previous record in 1974 and almost quadruple the 1965–69 average. High prices on the world market over the last 3 years failed to deter growth in rice imports by the oil-rich Mideast countries, while recent declines in prices have caused some countries to accelerate import plans.

Consumers near the Mediterranean prefer medium- and short-grain rice, while those in Iran, Iraq, and countries along the Persian Gulf prefer long-grain rice. These countries are major markets for this kind of U.S. grain. The grain in rice imports by Iran and Iraq has had a noticeable influence on the sales of long-grain rice, especially U.S. long-grain rice.

Arabian Peninsula long-grain rice imports were trending upward even before petroleum prices started climbing in 1973, but the growth rate sped up in 1974 and 1975. Syria is a new market for medium- and short-grain rice.

MIDEAST RICE PRODUCTION

Along with Iran and Iraq, Egypt and Turkey are the major rice producers in the Mideast, where regional output of rough rice totaled 3.7 million tons in 1974. Rice production in other Mideast countries is smaller, totaling about 5,000 tons a year each in Sudan and Saudi Arabia and 1,000 tons in Syria.

¹ Includes Iran, Iraq, Saudi Arabia, Kuwait, Bahrain, United Arab Emirates, Oman, Qatar, Yemen Arab Republic, People's Democratic Republic of Yemen, Jordan, Syria, Lebanon, Turkey, Egypt, Sudan, Libya, and Israel.

² All tons are metric. Unless otherwise indicated, all years are U.S. fiscal years ending June 30.

Rice production in the four major rice-producing countries increased by more than one-fourth between the early 1960's and 1970 because of expanded use of irrigation, improved rice varieties, and fertilizer. But this growth has not extended into the current decade, largely because of competition from other crops and difficulty in developing new areas for rice cultivation.

One of the "big-four" Mideast rice producers, Egypt saw its milled rice output fall from a peak of 1,745,000 tons in 1970 to only 1.5 million tons in 1974. Output in 1975 was still below the peak. Increases in Egyptian rice tonnage will be difficult to achieve since gains in rice areas beyond the northern area of the Nile Delta are unlikely. Meanwhile, domestic demand continued to grow, reducing export availability. Egypt's rice exports declined from a record 772,000 tons in 1969 to only 136,000 tons in 1974, and declined further in 1975.

Demand for rice in Iran has grown faster than production, although local producers still provide over 60 percent of the supply. Iran's output of milled rice in 1975 is estimated at 696,000 tons, down from 717,000 tons in 1974.

Opportunities to increase the area planted to rice or use of irrigation water are limited in Gilan and Mazanderan, the two northern Provinces along the Caspian Sea, where much of the country's rice is grown. Expansion of rice production is planned in the south near Abadan to help offset these losses.

MIDEAST RICE IMPORTS

Iran's rice imports from all sources in 1975 are expected to total 510,000 tons—more than double the 1973 and 1974 levels. Government subsidies on imported rice allow Iranian consumers to purchase top grades of U.S. long-grain rice for an equivalent of about 29 U.S. cents per pound, below prices for top grades of domestic long-grain rice that reached a record retail price of 50 cents per pound in 1974. Larger supplies of imported rice caused prices for domestic long-grain rice to fall below 40 cents per pound in 1975.

Rice exports from the United States to Iran zoomed from 20,399 tons in 1974 to a record 461,261 tons, worth \$226 million, in 1975. Port congestion and distribution problems may cause temporary disruptions in the flow of 1976 rice imports into Iran. As a result, total imports may drop slightly below the previous year's level and, as a supplier, the United States may suffer some temporary lag in shipments until new port facilities are opened in late 1976.

Some rice may be shipped from North Korea. North Korea recently signed a trade agreement with Iran that included 200,000 tons of grains for delivery over a period of several years, but shipment may not start until late 1976.

Total Iranian rice consumption will continue upward at a rapid pace in future years and stock levels may be placed under considerable strain, putting them noticeably below the "comfortable" level recorded in 1972.

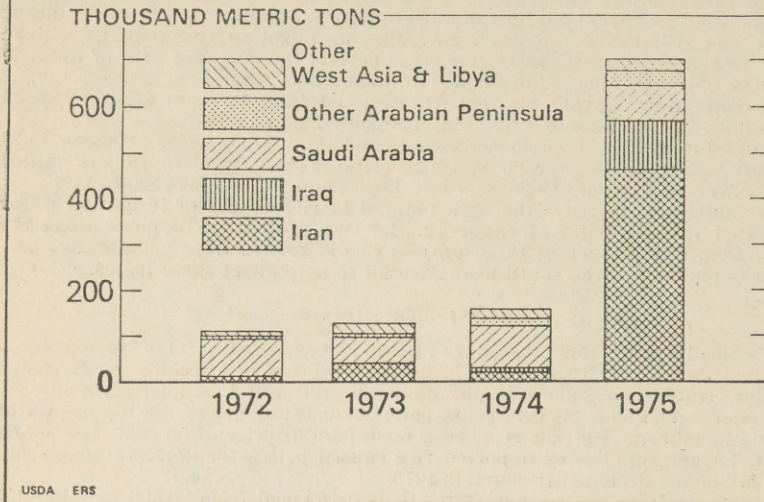
Iraq may increase its purchases of U.S. rice in 1976—perhaps even double them. From 9,011 tons in 1974, Iraqi imports of U.S. rice rose to a record 109,856 tons in 1975. Iraq's imports of rice from all sources, mostly from Thailand, Latin America, and Pakistan, have also risen, pushing total imports to about 300,000 tons annually.

Kuwait imported rice from Pakistan, India, the United States, and the PRC in 1975. U.S. rice exports to Kuwait increased from 4,531 tons in 1974 to a record 27,707 tons in 1975. India sent 10,600 tons of Basmati rice to Kuwait in calendar 1974, putting India ahead of Pakistan as a supplier of Basmati in this rice market.

Kuwait's total rice imports in 1975 are expected to exceed 92,000 tons, allowing for a stock buildup of about 12,000 tons. Stocks were depleted in 1973 when only 28,000 tons were imported and many consumers had to obtain rice from neighboring countries.

Saudi Arabia's rice imports have fluctuated widely in the last decade because of caution shown by private importers during periods of rising prices. In fact, imports declined from 220,000 tons in 1971 to about 154,000 tons in 1973 because private importers were hesitant to make foreign purchases when world prices were high and the port congested.

U.S. EXPORTS OF RICE TO MIDEAST MARKETS, FY 1972-75, BY QUANTITY



Large Saudi Government purchases of rice in the United States and Pakistan eventually ended the shortage which had become severe late in 1973.

Saudi rice use may rise 20 percent in 1976, while wheat and flour purchases may rise even more, largely because of higher incomes. Recently initiated programs to boost the birth rate by making a payment for each baby born appears to have triggered stronger demand for rice in rural areas. New sales of U.S. rice to Saudi Arabia in August and September reached 46,000 tons, well above the average monthly level during 1975.

U.S. rice exports to Saudi Arabia declined from 90,977 tons in 1974 to 78,607 tons in 1975, while Pakistan's rice exports to that country more than doubled, exceeding 60,000 tons in 1975. India sent 2,959 tons of rice in 1974.

India became a major supplier of long-grain Bismati rice to the Persian Gulf shiekhdoms in 1975, with shipments of 7,000 tons to Dubai, 5,642 tons to Bahrain, 4,000 tons to Oman, and 1,000 tons to Qatar.

Reopening of the Suez Canal may allow American rice exporters to compete more vigorously with Pakistani and Thai sellers in the Arabian Peninsula. New port facilities in Dubai and Abu Dhabi will allow rice importers in the United Arab Emirates (UAE) to store rice for transshipment to other Mideast markets. Thus, rice imports by the UAE are expected to exceed 100,000 tons in 1975, double the 1968-73 average.

Improved economic conditions in the Yemen Arab Republic (YAR) have made possible larger imports of wheat and rice. U.S. rice exports to that country increased to 4,124 tons in 1975—quadruple the 1974 level. Thailand sent 17,000 tons of rice to the YAR in 1974. Much larger exports of rice to the YAR by both countries are expected in 1976.

U.S. rice exports to Syria jumped from only 125 tons in 1974 to 14,363 tons in 1975. Most of the increase was under P.L. 480, Title I (long-term dollar credits). Sharp reductions in imports of Egyptian rice and rising demand have bolstered Syria's use of U.S. rice. Rice imports by Syria reached a record 85,000 tons in 1974, including 25,000 tons from the PRC, 20,000 tons from Italy, and 10,000 tons from North Korea.

Reopening of the Suez Canal may also contribute to the movement of more Asian rice to Turkey in 1975. Turkey's rough rice production has fallen from the record of 292,000 tons in 1971 to 238,000 tons in 1974. To a large extent imports have filled this breach. Thailand and the PRC have been major suppliers of Turkey's rice imports in recent years. Turkey purchased about 100,000 tons of rice

in 1974, including 60,000 tons from the PRC and 12,900 tons of U.S. rice. Only about half was shipped in 1974; the other half moved through the Suez Canal in mid-1975.

Lebanon's rice imports have moved up gradually. Shipments from Egypt declined in early 1975, but imports from Italy increased. Exports of rice by the United States and Thailand to Lebanon are expected to rise in 1975 as total rice imports reach 31,000 tons.

Israel—another steady growth market—imports rice from Italy, Argentina, and the United States. This country is usually Israel's third largest supplier, sending around 3,000 tons of rice annually.

Libya's rice imports are expected to reach 30,000 tons in 1975, with over half of the supply coming from Egypt. The PRC, Italy, and the United States are other suppliers.

Egypt—a large rice exporter in some past years—has imported some rice from Pakistan and Brazil recently to help ease late summer shortages. Imports of rice from Pakistan in exchange for petroleum products and phosphates may be feasible. New trading arrangements, opening of duty-free zones, and rising import needs to meet foreign tourist demand could cause Egypt to become a significant rice importer during months when local supplies are usually short—July to October.

Egyptian farmers earn higher profits from growing vegetables sold at open market prices than they do from growing rice for sale to Government procurement agencies at low fixed prices. Rice ties up the land from April to October—a period of 7 months—when two or three crops of vegetables could be grown in the same period.

Senator McCLELLAN. Expanding our production and exports is important for humanitarian reasons as well as for our economic advantage. The World Food Conference of last year, which was held in Rome, Italy, highlighted the increasing need for producing more of the world's basic food crops. Rice, the world's principal food crop, is the primary food of literally hundreds of millions of the world's people—millions of whom are among the most needy, hungry, and deprived. Information supplied to my office by the Department of Agriculture Economic Research Service indicates that practically all gains in food production in less developed countries are absorbed by the rapid increase of population, a situation that condemns millions of people to continued living on a marginal or even starvation diet.

Because the United States seems to be the only country with the potential to expand efficient rice production, increased United States rice acreage, which would be encouraged by the Rice Production Act of 1975, could help provide more of the very basic substance of life for many millions of these people.

The pending bill provides a unique opportunity for Congress to address the problem of hunger in the world, while providing a positive influence on our Nation's balance of trade and a workable new rice policy combining a measure of protection for our farmers and incentives to expand production.

If the new rice policy proposed in S. 2260 is not adopted, Mr. Chairman, the Secretary of Agriculture may be compelled under current law to drastically cut rice acreage for the 1976 crop. The reduction of this year's 2.8 million acres to the statutory minimum of 1.65 million acres, a decrease of 41 percent, is a realistic possibility.

This action, I think, many would agree would be a step in the wrong direction.

Mr. Chairman, I want to emphasize that the need for change and improvement in present price law continues and an expanding overseas market provides an opportunity that should be seized and indications are that is the opportune time to do so.

Mr. Chairman, if our country doesn't undertake the world demands, from what other source are they going to be supplied? We have the opportunity. We have the capability. We have a responsibility, to assist other countries.

Mr. Chairman, I want to emphasize that the need for passage of S. 2260 will provide the appropriate legal framework for capitalizing on this opportunity.

I urge a prompt reporting of this measure on the floor where the Senate will have an opportunity to work its will.

I have not presented my testimony as an expert in the rice industry. I am not that, Mr. Chairman, but my State produces more rice, I believe, than any other State in the Nation. The rice producers of my State export more rice than do the rice growers from any other State in the Nation, so you can understand and appreciate my profound interest in this vital issue.

Others from my State are here to testify and they can present expert testimony with reference to the merits and facts relating to this bill in greater detail.

I am, however, persuaded, as I have indicated in my statement, of the timeliness of S. 2260, and the need for its prompt enactment.

I thank the committee and I appreciate your consideration on these matters that I have presented together with that which will be presented by representatives of the rice industry from my State.

Senator MCGOVERN. Thank you very much, Senator McClellan.

As I understand it, there are two basic thrusts in the legislation that you have introduced. One is the so-called target price system that we have on wheat and which is very similar to the legislation you propose, and the other is to open up to rice production the opportunity for producers primarily in your State and in Mississippi who are not permitted to participate under the present program.

Is that substantially the purpose?

Senator MCCLELLAN. That is correct. The overall problem is this, Mr. Chairman.

Here is a world market developing, as I illustrated among the Arab nations. Their purchase in 1 year went up from 155,000 tons to 700,000 tons. That will increase.

We are in a position to meet a lot of their demands and growing demands from other parts of the world.

Now, do we respond? There are humanitarian interests in this, as well as economic ones. Both can be served. I think we have the potential to produce much more rice. I think as the world market develops, we should produce it. We should be the suppliers of those great needs.

Senator MCGOVERN. Thank you, Senator.

Senator DOLE, do you have any questions

Senator DOLE. No; I have no questions. I have to go to another conference on another agriculture bill.

Have you made a part of the record the Department's views on these bills?

Senator MCCLELLAN. My statement is directed to the bill that I cosponsored.

Senator DOLE. The Department supports that bill with certain changes. It is in your interest to have that in the record.*

*See p. 13.

Senator McGovern. The next witness will be Senator Tower.

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

Senator Tower. Mr. Chairman, I appreciate very much this opportunity to address your committee today on proposals to alter the present rice program of the United States. Texas is a major rice-producing State, and this question is of great concern to Texas rice farmers and to me as their representative in the Senate.

I share with my colleagues from Louisiana, who have so ably made the point, the belief that the present program is serving the needs of farmers, consumers, and the Nation as a whole, and I believe that at this time no change is desirable.

The basis for my confidence in the workability of the present program derives not just from discussions I have had in recent months with Texas gulf coast rice producers, but also from statistical data recently released by the Department of Agriculture in the October rice situation report. Let me, if I may, proceed to these points in turn to illustrate what I believe to be telling arguments in favor of rejecting proposed changes in the rice program at this time.

Judging from discussions I have had in the past 3 months, and from letters I have received from rice producers, their main concern is that overproduction leading to increased carryover stocks is acting at the present time as a price depressant. Farm income is down in the rice sector and appears to have no chance of recovering during this season.

However, we do not need to take the farmers' word for it—even though I have no doubt that they are the best to judge the economic situation in their own industry. The Department of Agriculture states and I quote:

Early price quotes for 1975 crop rice are generally ranging from \$9.00–10.50 per hundredweight, not too different from a year ago. But with part of the crop yet to be harvested and, with the world rice situation improved and U.S. rice stocks expected to build, grower prices may not strengthen as they did a year ago. Thus the season average price to farmers likely will fall short of last year's \$10.50 per hundredweight.

The latest estimate of the 1975 rice crop is set at a record 125 million hundredweight, 9 percent above 1975. With no quotas in effect in 1975, and assuming the best case—that export demand will be vigorous, it appears now that next summer we will have roughly double the stocks we had this year—14 million hundredweight. Falling prices, from early quotes of up to \$10.50 to the mid-month September quote of about \$8.80, portend greater reluctance to sell and in fact may increase stocks beyond projected estimates.

The second concern that Texas rice farmers have is the need to produce at a competitive price which will spur greater domestic demand. It had been hoped that the present adversity would generate this demand, as the consumer is able to purchase the finished product at a lower price. Unfortunately, as farmers discover, reductions in the prices paid to them somehow are not translated into lower consumer prices. As a result, farmers are reluctant to see a substantial increase in production as translated from increased acreage as provided by some of the proposals before this committee because they fear—and

I think rightfully so—that increased production will mean decreased prices without an offsetting increase in consumer demand.

But, Mr. Chairman, again we do not need to take the farmers' word for it. According to the Department of Agriculture, the farm-retail price spread for a pound of rice was about 17 cents. When rice was selling for 22 cents per pound in major American cities, Texas producers were receiving 5.3 cents a pound on the farm.

In the last full year for which figures are available—1974—the Texas farmer was receiving 11 cents a pound but consumers were paying 53 cents for the finished product, a differential of 42 cents. While farm prices had doubled, covering the increased costs of doing business, the retail price had increased by 150 percent, outstripping the cost of living index which rose only 47.7 percent in the same period. It is no wonder farmers have been unable to observe any increase in consumer demand. In fact, what they are seeing is a decrease in per capita rice consumption in the period since 1967, again, according to USDA.

Mr. Chairman, some of the best economists I know are farmers. Either through education, experience, or commonsense, farmers recognize the influence of market supply and demand on prices they receive. They understand it where it counts, in the gaining of their livelihood—in the pocketbook. The farmers I talk to are extremely concerned that without strong export demand, in fact, without an aggressive export marketing effort, opening up production will mean ever-increasing carryover stocks, which without doubt are the greatest market depressant. The Department of Agriculture estimates 1975 reserves are likely to double this year's stocks, as I mentioned earlier. I am concerned about what would occur if we enact legislation guaranteeing prices which would stimulate even more overproduction and oversupply.

Mr. Chairman, your committee has always led the thinking in the American agricultural community concerning what must be done to guarantee the food needs of this country and the livelihoods of American farmers. I have always felt that Texas, and the rest of the Nation, has been well-represented before your committee, and we deeply appreciate the work you and your colleagues have done in our behalf.

I would hope, Mr. Chairman, that you will consider the pleas of Texas farmers at this time, and I believe there is unanimity among our rice producers: There may come a time to alter, strengthen, or outright abolish a rice program, but, Mr. Chairman, that time is not now. Already the farmer is caught in a squeeze between declining prices, increasing costs of inputs, and an uncertain world situation. What is needed today is stability, the stability afforded by the present, so that our farmers can plan for the future.

Mr. Chairman, I would not be doing my complete duty if I did not at this time express to the committee a final point on behalf of Texas rice producers. If after your deliberations, you determine that some modification of the present rice program is needed and can be justified by the present market situation, there is one proposal, S. 2385, which was introduced by my good friends and able colleagues from Louisiana, Senator Long and Senator Johnston, which we feel would work the least hardship on our State.

I believe that the bill was introduced in a sense of compromise as an

attempt to offer an alternative which is beneficial to those who desire increased production and at the same time without the disastrous consequences which would accrue to today's rice farmers under other proposals. I am grateful to Senator Long and Senator Johnston for having introduced S. 2385 as an alternative, and I will support the bill if the committee reports it to the Senate.

May I say, Mr. Chairman, that we do everything we can down in our part of the world to consume rice. We eat rice with everything. There is the story of a fellow who walked into a restaurant in Beaumont, Tex., and ordered a hamburger.

The chef said, "Do you want everything on it?"

He said, "No, cut the rice." [Laughter.]

Finally, one of the critical needs of the rice industry is to develop aggressive marketing programs abroad.

I concur with Senator McClellan in his desire to expand our markets abroad and to provide a useful food service to the rest of the world.

I am conscious of the fact that rice is the staff of life for some 2 billion people in this world, and I had the privilege in September 1967, after Sukarno was overthrown, to stand on the dock in Djakarta and watch the first load of Public Law 480 rice unloading from a ship from Beaumont, Tex., and I am proud of the role that the rice producers of my State, indeed all the rice producing States, are playing in trying to meet this vital demand.

But as the rice producers will tell you, developing an export market is easier said than done, and it is important to give the industry a little breathing room while they pursue export strategies, so it is essential, given the present rice market and given what we can forecast that the rice program, the present rice program not be tampered with.

I know there is pressure to expand acreage or to establish target prices. I am not saying that neither or both may not be beneficial. We all look to the day when we have no controls, but we have to think in terms of the realities to the present. Right now nothing could be more detrimental to the rice industry than radical change.

Therefore, I urge that there be consideration of the present depressed market and the consideration of the legislative options available to the committee.

Thank you very much, Mr. Chairman, for giving me the opportunity to appear.

Senator McGOVERN. Thank you very much for your appearance, Senator Tower.

Senator Dole?

Senator DOLE. I have no questions. Senator Tower eats rice on a regular basis in the Senate restaurant.

Senator McGOVERN. Thank you very much.

The next witness will be Senator Bumpers of Arkansas.

STATEMENT OF HON. DALE BUMPERS, A U.S. SENATOR FROM ARKANSAS

Senator BUMPERS. I would like to state as a preface that I appreciate the members of this committee who are here this morning, neither of which have any rice in their States, and yet both of them I recog-

nize understand the magnitude of the problem of world food production and allocation of food resources, and are interested in being here in what I know is going to be a long day of hearings on all of these bills, so I want to start off by expressing my gratitude to them.

Mr. Chairman, some 20 years ago, the Congress was facing the same problem that brings this committee together today, that is, devising a policy that ensures a supply of rice roughly equal to the demand. But, in those days, the difficulties lay mainly on the supply side of the equation. If the term "food problem" meant anything, in the United States it meant the problem of coping with the embarrassing surpluses of agricultural commodities. The solution which the Congress hit upon was a system of acreage allotments and marketing quotas to assure an adequate, but not overabundant supply of rice.

For nearly 20 years this solution worked reasonably well. At times, massive Government purchases or subsidies of rice exports were required, but, for the most part, the stable supplies and prices which both farmers and consumers found desirable were maintained. But now the problem has changed. Differences in viewpoints notwithstanding, there is widespread agreement that the "food problem" in the future will be one of chronic shortages rather than surpluses. Lester Brown, a Senior Fellow with the Overseas Development Council, has written:

Throughout most of the period since World War II, the world food economy has been plagued by chronic excess capacity, surplus stocks, and low food prices. But emerging conditions suggest that this era is ending and is being replaced by a period of more or less chronic scarcity and higher prices * * *

He goes on to warn us, "Short-term price fluctuations and more temporary commercial surpluses should not obscure the more basic long-term forces at work."

Now that the basic question has changed from "How do we avoid surpluses?" to "How do we avoid shortages?" I believe that it is time for the Congress to review the approach we designed many years ago. There are three bills being considered by this committee, two of which strike off in directions already charted for other agricultural commodities by the Agriculture and Consumer Protection Act of 1973. It is to one of these bills, S. 2260, that I would like to direct my attention, since I feel that it best provides the broad outlines, though perhaps not all of the details, of the answer which Congress should adopt.

As the members of this committee know, S. 2260 draws on the experience of our past rice program, but at the same time it looks to the needs of the future. Under the bill, acreage allotments are continued—in fact, the minimum national acreage allotment is raised from the present level of 1.65 million acres to 1.8 million acres. But, while allotments are retained, the marketing quotas, which artificially restrained rice production in the past, are suspended for 2 years. It thus becomes possible for a farmer without an allotment to grow and market rice, provided he feels there will be a suitable return on his investment, since the Government does not guarantee him either loans or target prices as it would the allotment holder. The decision to produce rice outside of allotment—for all practical purposes a decision made in the Department of Agriculture for the past two decades—is returned to the marketplace, which, some people tell me, is a more efficient allocator of resources than Government.

I think this bill is a significant step in the right direction—a step toward freeing farmers to produce adequate supplies to meet growing domestic and foreign demands. With its allotments, loan and target prices, and disaster payment provisions, it protects the investments of those farmers who, over the last 20 years, have assured America of an adequate supply of rice. At the same time, it recognizes the need to allow new growers to enter rice production, as the market dictates, so that we may continue to enjoy a plentiful supply in the future.

If I may, I would like to turn for a moment to the demand for rice, particularly the foreign demand. There are those who assert that our foreign markets are fast approaching the limits of their capacity to absorb American rice, and that further expansion of our productive potential will ultimately result in a glut and a collapse of prices injurious to all rice producers.

In partial answer to this claim I think it should be underscored that the early price quotes for 1975 crop rice are generally ranging from \$9 to \$10.50 per hundredweight, a good price, well above target prices set by S. 2260, and despite the fact that United States (and, quite possibly, world) production is at a record high.

An even more effective refutation of the theory of declining demand may be found in a quick look at some statistics on the growth of the world's population and its growing appetite. Each year, over 80 million people—roughly equivalent to the population of Bangladesh—are added to the world's population. As of 1970, the world demand for cereals was growing at an estimated annual rate of 30 million tons. When it is considered that rice is the staple food in the diet of over two-thirds of all the world's people, it should be clear that there is no threat of a glutted market.

Within recent years, sales of American rice to the richer nations of the Middle East have soared. As the House Agriculture Committee has noted, there is every reason to believe that this demand will remain strong. Moreover, new markets are opening each year to American rice. Just last week, Riceland Foods revealed a substantial sale of rice directly to the Soviet Union, and reports indicate that the Russians hope to buy as much as 100,000 metric tons in the United States. The prospects of a normalized trade relationship with Cuba are encouraging to rice producers in this country, since in the pre-Castro days the Cubans bought over 6 million hundredweight of rice annually.

At the same time, we can continue to expect strong demand from the traditional purchasers of American rice, both through commercial and Public Law 480 sales. Much has been made of the fact that when South Vietnam and Cambodia fell to the Communists, we lost two of the largest markets for our rice exports. To hear some people talk, you would think that the people of these countries had stopped eating entirely. Although we've all heard some rather remarkable powers attributed to the Communists—particularly around the time the Administration sends up its defense budget—I've never yet heard it claimed that they could go without food. The fact of the matter is that the Vietnamese and Cambodian demand for rice didn't disappear, as some people would have us believe; it merely shifted to other suppliers. As these suppliers—primarily China, meet the needs of their

new customers, they must divert the rice from some other buyer. It is a case of robbing Peter to supply Paul, and sooner or later Peter will be shopping for American rice. Total demand did not decrease, nor did total supply increase as a result of the events in Southeast Asia.

In closing, Mr. Chairman, I would like to make one additional point. When we discuss the development of a new weapons system, or a new technology to meet our energy needs, an important consideration is leadtime—the span of time it takes for an idea to become reality. Though this fact is often overlooked, leadtime is no less an important consideration in agriculture. A great deal of advance preparation goes into the growing of a rice crop—from drilling irrigation wells to buying the machinery for planting and harvesting. We are fast approaching the deadline for the 1976 growing season and the uncertainties in the rice program remain to be resolved.

This is particularly true in the case of the farmer who has grown rice for the last 2 years without an acreage allotment. If the present law is left unchanged and the current harvest and sales projections hold true, the Secretary of Agriculture will be required to reimpose marketing quotas for the 1976 season. The farmer without an allotment will not be allowed to grow rice. If he does, the Government will impose severe financial penalties, and, of course, if he doesn't (because he can't) he stands to lose the considerable investment that it took to begin rice production 2 years ago. Unless new legislation is forthcoming, the situation can be disastrous for this farmer.

Mr. Chairman, I repeat that it has been a pleasure to be here today representing the State which leads the Nation in production of rice. Arkansas farmers expect to harvest nearly 43 million hundredweight of rice this year, almost 70 percent of which will be exported, greatly benefitting this country's balance of payments. If given the opportunity which S. 2260 provides, these farmers are prepared to continue and even expand this level of production.

Mr. Chairman, I recently came across some statistics that I would like to include in the record.

Rice exports in 1973 amounted to about \$436.5 million, with \$196.2 million of this total being sold for cash dollars. The remainder was under the provisions of Public Law 480.

In 1974, exports rose to nearly double, of which \$428.9 million was in commercial or cash markets, still a much higher percentage for cash than for Public Law 480.

Then, in 1975, the market year export sales zoomed to \$1.4 billion. Buyers paid \$768 million in cash, while the balance was under Public Law 480.

In summary, if this bill is not reported and we go back to the same allotment procedures we have been using in the past, there are three things that are going to happen.

First, farmers who have been growing rice without an allotment for the past two years, will be taken out with all the economic consequences that obviously entails.

Second, it may raise the price of rice to the detriment of consumers. We are at a point where rice is selling at a nice profit, the consumers are not disastrously affected, and yet the balance of payments that we get, the credits on our balance of payments program, can't be overestimated, particularly at a time when we are paying so much for imported oil.

And finally, as important a consideration as any, we deprive a hungry world of a very badly needed cereal crop.

I thank the chairman for his indulgence and I appreciate the opportunity to be heard.

Senator MCGOVERN. Thank you, Senator Bumpers. We are aware that you come from the leading rice producing state and also while many of us on this committee come from States that do not produce rice, we are aware that it is a vital part of our international commerce and our food assistance programs as well as making a contribution here on the domestic front. We appreciate your thoughtful statements on information and supply.

I think our next witness is Congressman John Breaux of Louisiana.

Congressman, we are happy to welcome you back to this committee again.

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

Mr. BREAU. Thank you very much. I am particularly pleased to be back again to present testimony from the other body, as far as my views are concerned and the views of the people that I represent.

I am particularly glad that you decided to stay here, because if you had to leave, I was going to suggest that the people behind me settle the issue by vote back there. I think it would come out pretty good on my side.

I think one of the things that we have to consider in the whole rice bill is that obviously you will get prejudiced statements.

My district has traditional rice growers and allotment holders. We don't favor the new legislation. You will hear from people who are very much in favor of it, exporters who are very much in favor, larger farming interests who are very much in favor of the bill and Senators, like Senator McClellan, who are very much in favor of the bill.

I think it is good that you are not from a rice producing area so you can look at this bill and look at it very honestly and without the parochial interest that so many others have.

Let me share some thoughts with you that I have. The present legislation has served us since 1954. Obviously, there must be some reason to change it, but the reasons are not valid. The arguments that I have heard simply don't justify any change.

Some people say we should change the rice legislation because we need more rice.

I have a fact sheet that I have worked up, and I would like to direct the chairman's interest to that particular sheet. It points out the situation that we have had for the last 2 years. Anybody in the United States who wants to plant rice can plant rice.

If you had a farmer in South Dakota who wanted to plant rice, he could go out and plant rice.

There were no marketing quotas in the last 2 years, because the existing legislation says that when we need more rice, marketing quotas can be lifted to allow anyone to plant rice. That has been the situation in the last 2 years. No marketing quotas.

What has happened? The Department of Agriculture is saying our crop will be 9 percent more than last year. That is not a great deal.

If you look at what happened the year before, that was a 23-percent record year over the year before that. All of this has been accomplished under the existing rice legislation and under the existing program.

We were planting in 1971 and 1972 about 1.1 million acres of rice. This year they estimate under the existing legislation we will plant 2.7 million acres of rice.

They are projecting right now a carryover almost 18.2 million hundredweight. They say we will get rid of the carryover at the end of the year, but these are Department figures, not mine.

We have a program right now that, depending upon the need, determines how much rice is going to be planted in each given year.

We have had a record production under the existing program in the last few years.

Anybody in the United States who has land without an allotment can go out and plant rice if they think it is in their best interests.

Somebody says we should change the existing program because rice costs too much. That is an even less credible argument than the fact that we need more rice.

If you look at chart 1 you can see what is happening to rice prices in this country.

In 1972-73, because of sharp reductions in this country and bad crops overseas, the demand for rice greatly increased and the price of rice shot up to about \$17 per hundredweight.

Look at what has happened for the last 2 years as far as rice prices are concerned.

You have rice retailer groups from New York, and rice consumer groups. They will be saying we need a new program so we can buy rice at a cheaper price.

Look at chart No. 2. It shows what has happened—the gap between what farmers are getting paid for rice and what is happening on the consumer shelf. The average price of rice to a farmer is about 8.8 cents a pound, \$8.80 per hundredweight.

Look what the consumer is paying for it: 44.3 cents. The spread between what the consumer pays for rice in New York City and what the farmer is getting on the farm in Louisiana, Arkansas, and Texas—I think the committee ought to be looking into that gap as a way of trying to solve the problem for the consumer.

This is not the answer. More rice is not the answer. When the price goes down to the farmer, it is not going down to the consumer.

Senator MCGOVERN. What is your reason? It is in all food commodities.

Mr. BREAUX. I agree. It is not just rice. The committee would do quite well to look at some of the tremendous gaps between what the producer gets for it and then gets blamed because it is selling for too much around the country.

I can't understand the claim that a lot has to be done to the product between the time it leaves the farm and arrives on the shelf.

A grain of rice that leaves Louisiana is the same rice that reaches the shelf in New York. It might be wrapped in cellophane, but if anyone tells me cellophane cost that much, I think he is just whistling in the wind. That is not the answer.

When the price of rice to the farmer went up, it went up on the consumer shelf. When it drops down to the producer, it does not drop

down at the consumer shelf. The retailer keeps it at that level. He gives you a lot of reasons for it.

When you look at rice, it sure isn't the packaging. There isn't anything that has to be done to keep it from spoiling.

I think the committee would do quite well in looking at that very serious point.

I understand the consumer groups who will come up here and say: "We can't possibly afford to buy rice."

The answer is not to look at the American farmer and say: Drive your price further down. It has gone down. It hasn't gone down on the shelf.

We have a lot of programs that cost the Government a lot of money. The peanut program is in a very serious state. It has cost the Government a heck of a lot of money to grow peanuts.

Look at the rice program. The existing rice program we have had since 1954 has cost the Government absolutely nothing, if you take away the Public Law 480 cost, which is really a foreign aid cost, which is not a cost to the farmer or the Government. Those costs will exist whether we pass the bill or whether we don't.

The rice program costs the Government nothing. There are no direct payments to rice farmers, no subsidies are paid to rice farmers.

That is what has been happening under the existing program.

USDA ran a projection of what this bill could potentially cost the Government if it were enacted and the price of rice dropped down.

If it dropped down to \$7.50 per hundredweight the target price is \$8 a hundredweight, it could cost the Government \$78 million the first year. If you project it down, it drops down to \$5 a hundredweight.

Some people say, well, it is not going to drop down that far. But, Mr. Chairman, that was the average price of rice for many years, probably the 3 years before this bill which is being proposed.

What I am saying is that you have got a bill that has a potential cost to the Government. When we try to move away from those programs, here we are considering legislation that will expose the taxpayer and USDA to an awful lot of cost. The present program doesn't have any cost involved.

You are going to hear today a lot of thoughts about humanitarian reasons why we need more rice. The Middle East is buying rice and humanitarian needs indicate we should be selling more rice.

They better hope we are more humanitarian to them in selling rice than they have been humanitarian to the United States in selling us oil.

All the expansions that the people have testified to so far have been accomplished under the existing rice legislation.

The new markets in the Middle East are buying more, it is true, but that has been done under the existing program. That hasn't been done in waiting for new legislation.

Another point, Mr. Chairman, that I want to make is simply something that one of my constituents told me once when he was up here talking about something other than rice, and Congress was involved in a program.

He said:

Congressman, if it is not broken, don't fix it.

The present rice program is not broken, Mr. Chairman, it worked very well for the past 20-some-odd years. It allows increased production. It curtails production when we have too much rice, and I think that is working in everybody's best interests.

The other point I want to make is that since you have also visited the country of Cuba, I think our policy in that country is no longer working in this country's best interests.

I daresay you and I differ philosophically on a number of issues. As far as Cuba is concerned, we ought to act in the United States best interests.

They were buying 165,000 tons of rice per year from the United States for cash. They are now buying rice from other capitalist countries, socialist countries. They are trading with all countries of the world—capitalist and socialist countries.

Our embargo hasn't worked because of our actions. We should move to try to sell for cash surplus agricultural products that we have. Rice is one of those.

They have a need of 240,000 tons. What they are doing is buying it from other countries. They are buying it from Russia now.

Some of our producers have been successful in recently selling rice to Russia, which I applaud. That is to our best interest. Russia is now selling it to Cuba. Why don't we sell it directly?

Our embargo policy is not working in our best interests. This is something that we, as a Congress, ought to consider what is this country's best interests.

We have a good program. Let us keep what we have got and not mess it up.

Senator McGOVERN. Thank you very much, Congressman. I couldn't agree more with your observations on the Cuban situation. I really don't see the logic in our present policy of assuming we ought to boycott that country.

We applaud the sales that are being made to Moscow and Peking, which are the two biggest Communist countries in the world. It really doesn't make very much sense to forego a market a few miles off our shores.

It seems to me that even for those people who feel we are not in a position now to lift the embargo, at least when it comes to agricultural commodities and medicine, which are two things they seem to want most from us at the present time, we ought to be able to lift that part of the embargo.

Did you get the impression, as I did, that they are prepared to start making purchases here if we would open the way?

Mr. BREAUX. That is my definite impression from talking to people who are in the rice-purchasing departments with the Cuban Government and also with some of their high-level foreign ministers and trade people when I was down there.

Senator McGOVERN. Really, the agricultural purchases really seem to be number one on their shopping list, so far as I could tell.

Mr. BREAUX. On top of the agricultural list happens to be rice which we have a heck of a surplus of.

We have nothing to lose by making that gesture. If negotiations are not successful following our move to sell them products for cash, we

have not lost anything, but go further away from any of our goals with regard to Cuba.

What we have done has been successful in selling them a product for cash which we are going to have our Government picking up if we don't sell it to them.

Senator McGOVERN. Thank you very much, Mr. Congressman. We appreciate your testimony here today.

Mr. BREAUX. Thank you.

Senator McGOVERN. The charts and supporting materials offered will be a part of the record.

[The prepared statement of Representative Breaux follows:]

STATEMENT OF HON. JOHN BREAUX, REPRESENTATIVE IN CONGRESS FROM THE 7TH DISTRICT OF LOUISIANA

CURRENT SITUATION

The current 1975/76 outlook for rice features a record U.S. rice crop, a substantially larger world crop, continued strong world trade, and some easing in price.

A larger acreage and improved yields will push the U.S. rice harvest to a record 125 million cwt., 9 percent above 1974's record. In addition, 1974 production was 23 percent more than 1973 and 10 percent above the all time record production year of 1968. All of this was accomplished under the existing rice program.

Looking at the supply side, there is today a projected surplus of rice. You will note that over the past five years both planted acreage and total production have been increasing at just about the correct rate to provide the optimum carryover of 7-10 million hundredweight, with about twice that amount predicted for this year's record harvest.

Year	Planted acreage	Millions of hundredweight	
		Production	Carryover
1971-72.....	1,826,000	85.8	11.4
1972-73.....	1,824,000	85.4	5.1
1973-74.....	2,181,300	92.8	7.8
1974-75.....	2,588,000	114.1	7.1
1975-76.....	2,757,500	2 122.4	2 8 2

¹ Estimated.

² Estimated Oct. 14, 1975.

RICE PRICES

As a result of the past two record years of production prices received by farmers have dramatically declined. The trend as indicated on the chart is that prices are continuing to decline. In addition, the enclosed chart showing the farm-retail spread for rice strongly suggests that it is not the rice program itself which needs legislative attention but, rather, whatever factors have caused this great disparity in the farm-retail spread. (See Chart #1 and Chart #2.)

COST TO THE TAXPAYER

One of the very attractive features of the present rice program is that it entails no cost to the government. Some people wrongfully ascribe P.L. 480 costs to the program, but this is plainly a cost of the foreign aid effort and should not be confused with program costs of the Rice Act.

By contrast, H.R. 8529 contains target price provisions which call for direct payments to farmers when prices fall below a given level.

USDA estimates of the cost of a program based on the H.R. 8529 target price of \$8 and loan rate of \$6 per cwt, both escalated. The following chart shows net government outlays over a five-year period at various farm price levels.

PROJECTED DEFICIENCY PAYMENTS

[In millions of dollars]

Farm price	1976-77	1977-78	1978-79	1979-80	1980-81	5 years
\$7.50 per hundredweight.....	\$78	\$79	\$93	\$113	\$139	\$502
\$7 per hundredweight.....	119	120	134	153	179	702
\$6.50 per hundredweight.....	155	157	170	180	189	851
\$6 per hundredweight.....	168	170	175	181	189	883
\$5.50 per hundredweight.....	168	170	175	181	189	883
\$5 per hundredweight.....	168	170	175	181	189	883

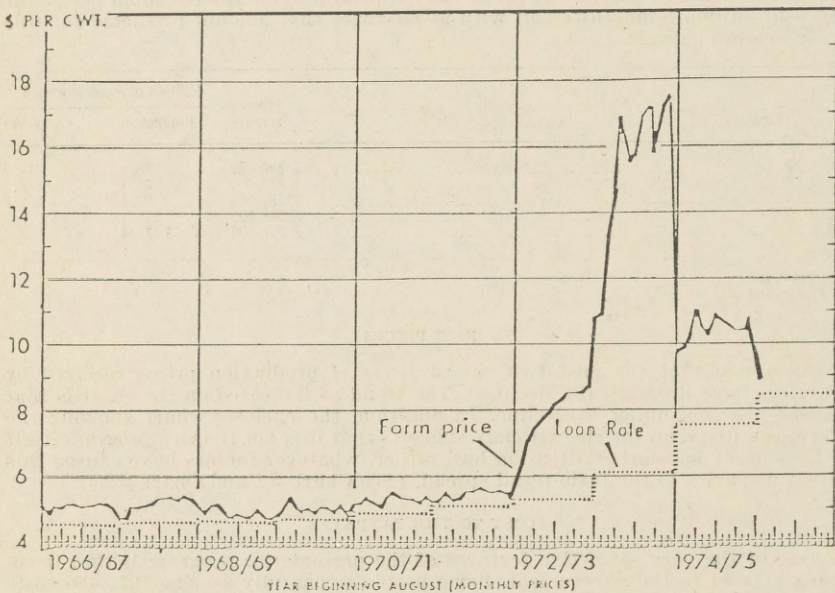
Of course, there are those who suggest that the farm price could not possibly drop as low as \$5 per ctw and result in the \$168,000,000 annual cost indicated in the chart. May I point out, however, that this was indeed the price just three years ago when production was 30 percent less than it is today.

H.R. 8529 therefore could transfer a cost free farm program into a potentially very costly burden on the taxpayer.

SUMMARY

We have a present program that has provided two record production years in a row, at absolutely no cost to the federal government, and has provided the American consumer and the world with rice at very favorable prices. In the words of one of my constituents, "If it's not broken don't fix it!"

Chart 1.—"Rough Rice"—Farm prices and loan rates



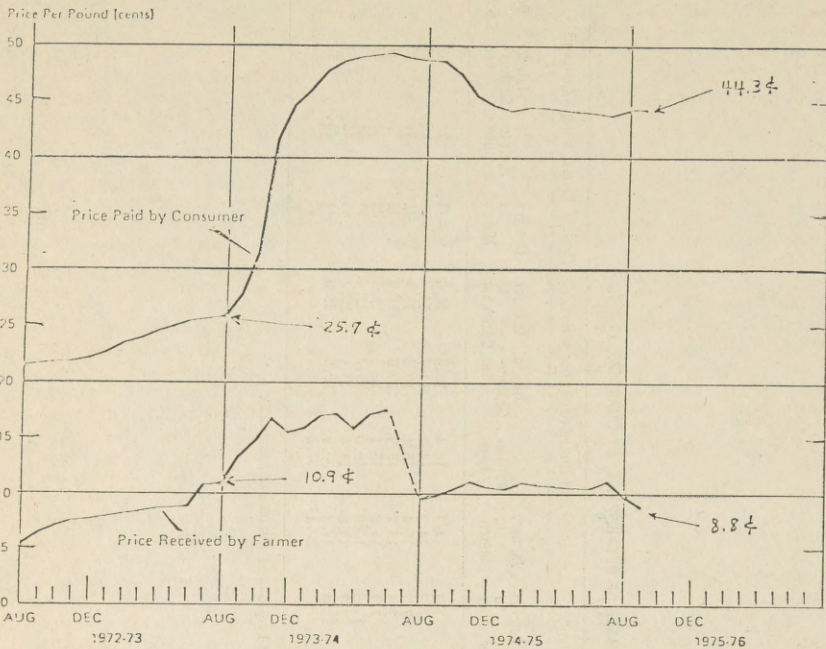
RICE, LONG GRAIN: PRICES, VALUE, AND FARMER'S SHARE OF RETAIL PRICE, BY QUARTERS, 1967-75

Year	Retail price (cents per pound)				Net farm values ¹ (cents per pound)				Farm-retail spread (cents per pound)				Farmer's share (percent)			
	January to March	April to June	July to September	October to December	January to March	April to June	July to September	October to December	January to March	April to June	July to September	October to December	January to March	April to June	July to September	October to December
1967	21.8	21.9	21.9	22.0	7.5	7.5	7.5	7.4	14.3	14.3	14.3	14.6	34	34	32	34
1968	22.0	22.1	22.1	22.1	7.7	7.7	7.8	7.3	14.3	14.3	14.3	14.7	35	35	33	33
1969	22.3	22.4	22.5	22.6	6.9	7.0	7.0	7.2	15.4	15.4	15.4	15.8	31	31	30	32
1970	22.9	23.2	23.1	23.3	7.2	7.3	7.3	7.4	15.7	15.9	15.9	15.9	31	31	31	32
1971	23.6	23.8	24.0	24.0	7.8	7.7	7.7	7.7	15.8	16.1	16.3	16.3	33	32	32	34
1972	24.1	24.0	23.9	24.0	8.1	8.0	8.2	10.6	16.0	16.0	15.7	13.4	34	34	34	44
1973	25.2	26.7	28.2	42.9	11.6	12.3	15.1	22.7	13.6	14.4	13.1	20.2	46	46	54	53
1974	51.5	53.2	52.8	49.0	24.2	22.3	16.9	15.4	17.3	30.9	35.9	33.6	47	42	32	31
1975	47.4	47.3	-----	-----	15.3	15.1	-----	-----	32.1	32.2	-----	-----	32	-----	-----	-----

¹ Payment to farmers for equivalent quantities of rough rice (gross farm value) minus imputed value of by-products obtained in processing.

Source: National Economic Analysis Division, ERS.

Chart 2.—Farm-Retail Spread (Rice)—August 1972–September 1975



Senator McGOVERN. I also ask that a statement by the Honorable Harold T. (Bizz) Johnson be made a part of the hearing record.
[The statement of Representative Johnson follows:]

STATEMENT OF HON. HAROLD T. (BIZZ) JOHNSON, A REPRESENTATIVE IN
CONGRESS FROM THE 1ST DISTRICT OF CALIFORNIA

Mr. CHAIRMAN: I appreciate the opportunity to share with you my thoughts concerning proposed changes in the rice support program. California is one of the leading rice producing states in our country today. In 1974, the Golden State alone produced approximately 25 million hundredweight of rice. California has also been instrumental in establishing world markets for U.S. rice. Thus, the rice farmers of California have a long history of participating in this program and know well the strengths and weaknesses of the present program.

Rice has been considered a special crop when it comes to support programs and other rules and regulations by the Federal Government. I believe there is good reasoning for this. Rice is a difficult crop to raise. Specific climate and land conditions are required. Furthermore, substantial investment is required to initiate rice production. All of these factors have had the effect of limiting rice production to certain well-suited areas of the country where commercial farmers have been able to raise a profitable crop.

Obviously, the present system has worked well. Last year was a record year for rice production, and this occurred under the present rice control program. Last year's production totalled 114 million hundredweight, ten percent more than the previous high record set in the 1968-69 crop year.

Likewise, exports showed a record year in 1974. American exports of rice totalled 71.2 million hundredweight, a full 25 percent higher than the highest previous export record set in the 1971-72 crop year.

The present rice program is sometimes blamed for the high cost of rice to the American consumer. Let me quickly point out, however, that last year the price earned by the rice farmer dropped forty percent, from \$13.75 per hundredweight to \$10.80. Therefore, I feel it is unjust to blame the farmer for the increased cost. The blame obviously lies somewhere else.

Mr. Chairman, we in California believe that the current program as established and administered by the Federal Government is basically a good program. As with any program, there are some deficiencies; however, we feel that the grower, the American consumer and American export trade can best be served by retaining the rice program we have today.

While our first loyalty lies with the current program, I would not be realistic if I did not recognize the proposals for change which are blowing in the wind. Last year there were several hearings on proposed changes in the program. If change is indeed the road to be taken here, I think that it is important that the preferences of the California rice growers be presented.

Representatives of the California rice industry met with their counterparts in Houston, Texas, in January to review the proposals for change in the rice program. After analyzing the various suggested modifications, this group of industry representatives formulated a program for rice support which all the representatives felt they could accept. This proposal was drafted into legislative form and introduced by your colleague Russell Long. His bill S. 2385, is among those being considered today.

Mr. Chairman, if the present program cannot be retained in its present form, the Long bill (Houston Plan) is as far as we feel we can go and still preserve an effective rice program which will benefit all segments of the industry, the consumer, and the foreign markets. This proposal meets with the approval with the key elements of the rice industry, those who will be most directly affected by the results of your action.

Basically, the Long bill provides for rice production on two million acres, with production on a minimum of 1.6 million acres if marketing quotas are imposed. It provides for a loan value of eight cents per pound or sixty percent of parity, whichever is higher. Loans are provided to growers in the program. Allotments may be sold or leased, in part or in whole, within the same State. No new grower allotments are provided. Marketing quotas are automatically put into effect when total supply minus normal supply is greater than twenty percent of normal supply.

It is my hope that this Subcommittee will carefully consider such matters as the effectiveness of the current program as illustrated by record production and export years, the consequences of drastic changes in the rice program to individual growers, and the combined support of key elements of the rice producing industry for the Houston Plan legislation, if the Subcommittee feels a change is necessary.

Senator McGOVERN. I have to go to the hearing on pesticides, so I will turn over the Chair to Senator Leahy.

I am sorry that I have to leave. As you know, we have an important conference.

Without objection, I would like to ask that the statements by Senator Bentsen of Texas, Senator Eastland of Mississippi, a joint letter from Senators Tunney and Cranston of California, and a statement from Congressman Alexander of Arkansas, be included in the record.

[The statements of Senators Bentsen, Eastland, Tunney, Cranston, and Congressman Alexander follow:]

STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS

Mr. Chairman, last year there was a short rice crop; something that doesn't happen very often.

As a result of this situation, changes were proposed in the rice program, which I don't think should be made at this time.

Since last year, the situation has changed dramatically for the rice industry. This year the U.S.D.A. predicts an 18.2 million hundred weight carry over of rice. In a very real sense this is a surplus position and we have seen it cause a dramatic drop in prices paid to farmers.

Despite this bumper crop, legislation is still under consideration to change the current rice program to encourage greatly increased production.

Mr. Chairman, I must oppose the effort to change the current legislation at this time. In today's situation I do not think it wise or constructive to the Texas rice industry, to the rice industry as a whole or to the people of this nation to radically change the current program.

Mr. Chairman, the current program has proved to be constructive and consistent. It has allowed production to gradually increase from 85.8 million hundred weights in the crop year 1971-1972 to the estimated 122.4 million hundred weights this year. It is important to note that this increase has been gradual and predictable. This is a great asset in determining the amounts of rice this country will produce for the export market in the future.

Mr. Chairman, this country is moving toward long-term commitments for its farm exports. To be able to make such commitments we must rely on steady and predictable farm production in this country.

The goal of the target price proposal now under consideration is to allow a great many new rice producers to decide each year if they want to produce rice the following year. Because rice can be interchanged with other crops, in many of the new rice production areas, this concept will certainly lead to varying production amounts. Such variance, as I mentioned, is not conducive to long-term planning and long-term export commitments. This contrasts greatly with the current predictable production and has the potential of greatly destabilizing the entire rice industry.

As we have seen with the current surplus, the present program usually generates as much or more rice than is needed but, it also offers vital protection for the producers without a great economic drain on the Federal Government.

Mr. Chairman, the costs of new program proposals must be carefully considered under today's budgetary situation. I am concerned because U.S.D.A. projects that costs of a target price proposal will be between \$78 and \$168 million in the first year, escalating to a possible \$883 million by 1980, if surpluses increase as expected. Certainly, legislation which is expected to greatly increase planted acreage will increase the current surplus and result in the greater Government costs that the U.S.D.A. predicts.

Mr. Chairman, Senator Long of Louisiana will speak further on the unfavorable impact that the proposed target price legislation will have on Texas, Louisiana, and California. I wish to associate myself with his position. His concern is for the small and traditional rice producers who have responded to the current legislation and generated consistent and adequate supplies of rice for this country. This is a stable base that this country and the countries who import our rice have come to depend on. I believe this stable base is too important to risk to the uncertainties of a drastically new program. Thus I must oppose changing the current program at this time. We have a surplus position for rice, we have an uncertain export market fraught with uncertainties like the recent announcement that Korea has chosen to cancel an expected large rice purchase.

This situation calls for caution not rapid change.

STATEMENT OF HON. JAMES O. EASTLAND, A U.S. SENATOR FROM MISSISSIPPI

The present rice law was enacted in 1938 and amended in 1954, and has operated with quotas continuously from the 1955 crop through the 1973 crop years. The minimum allotment is 1,652,596 acres and the largest allotment was in 1968 at 2.4 million acres. The law operated on the basis of restricted production and quotas similar to cotton and the other controlled crops. Quotas were lifted for the 1974 crop under the formula in the law and to encourage additional production to meet anticipated export market increases. Farmers planted an additional 500,000 acres in 1974 above the 1973 allotment. This resulted in an increased production of 21.3 million cwt for a total crop of 121.9 million cwt. It appeared in late 1974 that we would go back under marketing quotas, but late sales persuaded the Department to suspend quotas for the 1975 crop year. As a result, acreage increased another 180,000 acres and production increased 9.3 million cwt for a total of 124.1 million cwt estimated for the 1975 crop. The ending stocks at the beginning of this crop year were 7.1 million cwt for a total supply of 131.2 million cwt. Disappearance is estimated at from 107.8 million cwt to 114.8 million cwt with an estimated carry-over at the end of this year of 19.7 million cwt.

The above carry-over, if sustained under the supply-demand formula in the law, would require marketing quotas to be imposed for the 1976 crop year. Last year's experience, however, raises questions concerning the estimates for disappearance and carryover. The figures quoted above were updated November 1, 1975. On November 11, 1974, the estimated carry-over was 23.8 million cwt, but the final figure was 7.1 million cwt. Of this difference, 5.1 million cwt is unac-

counted for and the difference was absorbed into increased exports. The Department is not always this inaccurate and without legislation, quotas will likely be imposed.

A part of the Department's error in the carry-over estimate for 1974 is accounted for in the increased imports of U.S. rice by the Middle East Countries. In 1973, the Middle East imported 155,000 tons and they tripled this amount in 1975 for 702,556 tons, or approximately one-third of U.S. rice exports for 1975. These figures come from the November 11, 1975 issue of Foreign Agriculture, which further indicates that "imports of rice by Mideast countries are expected to approximate 1.6 million tons in calendar 1975—a third above the previous record in 1974 * * *". These, of course, are estimates but indicate a growing market potential. A further encouraging development is the negotiation of a 100,000 ton sale to Russia last week with a firm commitment on the first shipload. This could be the opening wedge into a new substantial market.

The United States plants from one to one and one-half percent of the world's rice acreage and produces two to two and one-half percent of the world's production. Most of the rice producing countries consume their production and the United States furnishes approximately thirty percent of the rice moving in world trade. World rice production has increased from 294.3 million metric tons in the 1972 crop year to 334.4 million metric tons for 1975. World trade in rice in 1972 was 7.2 million metric tons and increased to 7.6 million metric tons in 1975. The United States' share of the 1972 market was two million metric tons and the 1975 share was 2.3 million metric tons. The United States provided the increase in the world market while the 40 million metric ton increase produced in other countries remained at home.

The export market is primarily dependent upon American rice. This market is expanding as indicated by the Middle East situation and to return to marketing quotas with restricted production would create shortages in world markets and deny American farmers the opportunity for economic production. World rice trade is shifting to cash trade instead of concessional sales. In 1972-73, we exported 1,120,374 metric tons under A.I.D. and P.L. 480, and sold 818,070 metric tons for cash. In 1974-75, we sold 774,344 metric tons under A.I.D. and P.L. 480 while moving 1,517,462 metric tons through commercial sales. A.I.D. sales are down and commercial sales are up with rice providing \$1 billion from export markets to assist in our balance of trade problem.

The bill needs passing in order to supply world rice needs, but more especially it needs passing to protect the rice industry from the requirements of the present law. The price support for the 1973 crop was \$6.07 per cwt—for 1974 it was raised to \$7.754 per cwt—and the current 1975 crop year support price is \$8.52 per cwt. This is an increase in two years of \$2.45 per cwt in the price support level under the present law's requirements. If the same projection would be true for the next two years, the price support would be \$10.97 per cwt. This could be above the world price and could require additional P.L. 480 concessional sales to move a smaller crop due to the price increase. These P.L. 480 costs could exceed any payments made to producers under the bill that is under consideration. The results could be hungry people without rice for food. The farmers would have a restricted market and would be providing an umbrella over foreign producers similar to that which occurred in cotton in years past. This would be detrimental to our rice producers in the United States, would reduce rice's contribution to cash export markets and our balance of payments problem.

This two-year bill offers the better alternative. It would establish a minimum allotment of 1,800,000 acres (up 120,000 acres from the present law) for price support and target price payments. It would establish a loan level of \$6 per cwt plus the escalator which would give a loan for the 1976 crop, which I estimate at \$6.60 per cwt for the production on the allotted acres. It would provide a target price of \$8 per cwt for the 1976 crop. With the escalator, I estimate a \$8.80 per cwt on the allotted acres or about the present \$4 per bushel cash price for rice. The old grower would be eligible for the loan and the target price on his allotted acres and could exceed his allotment in plantings without penalty which he cannot do under the present law. The new grower would not have access to either the loan or the target price and would operate under the umbrella of the loan price of the old grower on the allotted acres. The old grower has a fair advantage of the new grower pricewise. He has the opportunity to develop export markets for the rice industry of the U.S. which is in his long-term best interest. The increased production by the old grower and the new grower will enhance our economy, con-

tribute to our balance of payments and serve the humanitarian needs of the world by providing their choice food at reasonable prices to hungry people.

I recognize that rice growers are divided as to the need for new legislation. I have heard from allotment growers who are opposed to any action. I have also heard from allotment growers, as well as new growers, who support S. 2260 as a means to enlarge the rice industry and develop sustained export markets. I have weighed all of their views. I have earnestly sought for the long-term best interest of the rice industry as an important part of our total food supply. I have looked at the consumer's interest and the humanitarian needs in the foreign market.

It is my considered judgment that S. 2260, though not perfect nor supported by all growers, is the best proposal for the rice industry, and particularly growers, for the next two years.

STATEMENT OF HON. BILL ALEXANDER, REPRESENTATIVE IN CONGRESS FROM THE
FIRST DISTRICT OF ARKANSAS

Mr. Alexander: Mr. Chairman and members of the Committee, thank you for giving me this opportunity to be heard on the need rice producers and consumers have for Congress to modernize the laws governing rice production in this Nation.

I have attached to my statement today a copy of the testimony which I gave before the House Committee on Agriculture's Subcommittee on Oilseeds and Rice during its hearings this Spring.¹ I hope that this information will prove useful to you. I will keep my further remarks as brief as possible in deference to the heavy demands on your time.

First, let me say that my State of Arkansas and my district have traditionally been leading rice producing areas. This year Arkansas ranked first among the States and my district second among Congressional Districts in acreage planted.

There are a number of important points which I believe the Committee will want to consider today. These concern the actions of rice producers during the past two growing seasons, the demand and supply situation, and the importance of rice to the U.S. balance of trade position.

In 1974 and 1975, for the first time in two decades, U.S. rice was grown under open production conditions allowing anyone who wanted to plant rice to do so. There are two critically important things about the behavior of rice producers during these two years. First, many of the allotment-holding growers have been willing to forego the price protection provided under the current legislation by planting more acres than they were allotted.

Second, non-allotment holding farmers had the courage to plant rice without any hope of price protection. That says to me that both these groups believe that the domestic and world demand for rice is great enough that they can make money in today's market.

This is particularly interesting because at the same time that the allotment-holding producers were planting more than their allotments, some of them were busy trying to kill efforts to make the laws governing rice production fairer to all farmers and to consumers.

Opponents of this bill say that it should not be passed because the prices farmers are getting for rice are now down. Historically, prices received by farmers have been higher from January through July than they are at the beginning of the marketing year. In addition, it should be noted that since the 1975-76 marketing year began some farmers have been turning down bids for their rice that are higher than the current loan rate. If I was turning down such bids it would be because I expect prices to rise.

Rice-allotment holders opposing this bill don't say they want to quit growing rice. What they are asking is that Congress help them cut out the competition from farmers who have the guts to try to compete in the rice market even without the cushion of price protection that the allotment holders have and would continue to enjoy under the proposal before you today.

In the last two years more rice has been produced and sold by farmers than at any other time in U.S. rice production history. And, the farmers have been getting more on a monthly and seasonal national average per hundredweight than they did at any time prior to July, 1973, under restricted production.

It is my understanding that during the month of October the average price per hundredweight paid to farmers for rice was \$8.86. Using this figure and the total cost of production information contained in The Texas A & M University study titled "Estimated Costs and Returns Per Acre of Rice in Major Producing

¹ See p. 63.

Areas, 1975 Season", I find that rice growers can make money at this price. Based on the study, the per acre income above total costs per acre is \$142.06 in California, \$115.56 in Arkansas, \$68.57 in Mississippi, \$55.04 in Louisiana, and \$51.83 in Texas.

As members of this Committee know, U.S. agricultural exports play a vitally important role in our Nation's balance of trade position. For instance, last year these exports constituted \$22 billion. That was enough to pay 92 percent of our total oil import bill. Commercial rice exports provided \$706.8 million of the \$22 billion figure.

The U.S. exports approximately 60 percent of its rice crop.

It has been said that most of the U.S. rice exported goes into P.L. 480 "Food for Peace" program. The dollar-value figures for the past three years show a different trend.

In 1973 \$436.5 million worth of rice was exported with \$196.2 million going to commercial sales and the remainder to P.L. 480. In 1974 \$752.3 million worth of rice was exported, with \$428.9 million being shipped in commercial sales and the rest to P.L. 480. In 1975 \$1,042,400,000 worth of rice went into the world markets, with \$706.8 million being the commercial sales share.

More U.S. rice was exported commercially in 1974 and 1975 than was shipped under P.L. 480. In addition, while the value of P.L. 480 sales was 1.4 times higher in 1975 than 1973 the value of commercial rice exports was 3.6 times greater than they were in 1973. In other words, commercial rice exports grew more than 2.5 times faster during these three years than did the P.L. 480 sales.

The latest Department of Agriculture carryover projections for August 1, 1976, is 14.7 to 21.7 million hundredweight. It has not been unusual for the USDA October rice carryover projections to be high. In seven of the last ten years the USDA carryover projections have been higher than the actual figure. The October, 1974, carryover projections for August 1, 1975, were 62.64 percent higher than the actual carryover.

Last year's October projections were made at a time when USDA should have been fully aware of the world food crisis and its implications for the U.S. grain markets, and at a time when USDA itself was cautiously forecasting an increase in rice sales.

What actually happened was that in the 1974-75 crop year the U.S. produced and sold in the domestic and world commercial markets more rice than at any time in its history and had an August 1, 1975 carryover of 7.1 million hundredweight. This was lower than the previous year and one of the lowest carryover figures in U.S. rice production history. We were competitive and when we are competitive we sell rice.

If the October, 1975, USDA rice carryover projections are off by the percentage of error of its October, 1974, projections the August 1, 1976, carryover will range between 5.5 and 8.1 million hundredweight. This, I understand, is well within the range considered acceptable by the rice industry.

Under current law, if the USDA rice carryover projections remain at the level they are now, the Secretary of Agriculture will have no choice but to declare a program of rice acreage controls in effect for the 1976 crop.

If this happens many rice farmers who have the courage to plant rice and compete in the market, without the price protection that rice allotment holders have, will be forced to quit growing a food crop that is badly needed in our country and by hungry people around the world. Rice consumers will face higher rice prices because rice supplies are sharply reduced at a time when USDA is predicting increases in domestic demand and continued strong world demand for U.S. rice. The United States will lose from a half to a billion dollars in income from rice exports. Our Nation's promises to help solve the world food shortage problems will become a mockery.

I urge that the Subcommittee and the full Committee on Agriculture and Forestry, after careful consideration, act favorably on S. 2260 which is now before you. This bill is very similar to H.R. 8529 which is now awaiting action by the full House of Representatives. I believe these proposals are in the best interests of our rice growers and consumers, of our Nation, as a whole, and of the world's hungry people.

STATEMENT OF HON. BILL ALEXANDER, BEFORE THE SUBCOMMITTEE ON OILSEEDS AND RICE, HOUSE COMMITTEE ON AGRICULTURE—APRIL 30, 1975

Mr. ALEXANDER: Mr. Chairman and members of the Subcommittee, thank you for giving me this opportunity to talk with you today concerning the rice program

proposals before you. I appreciate the interest which you have demonstrated in the discussion and debate on a need for modernizing our rice legislation.

As you know, for more than a year I have been working to bring about passage of legislation which would strengthen our rice industry. The bill which I have sponsored in this Congress, H.R. 201, contains, with one exception, the same language as H.R. 15263 which was reported by the Committee on Agriculture last year. This exception is in the target price provision of the bill. In H.R. 15263 the target price for the first year of the program's operation was 11 cents per pound. In H.R. 201 the target price is eight cents per pound for the first year.

This bill was the subject of hearings before this Subcommittee and the full Committee in March, April, June, July, and August of last year. And, the witnesses you have been hearing in this week's sessions have again been discussing the concepts in my proposal. In view of this, I believe the most valuable contribution which I may be able to make to your deliberations today would be to discuss some related matters rather than speak directly on the language of the target price proposals which are now before you.

My study of the complex issues involved in the rice question has given rise to an indepth study of the even more complex energy-dollar-food issue relationships. In the course of my pursuit of information, I have enlisted the aid of the Departments of Agriculture, Commerce, State, and Treasury and the Library of Congress. Though my work in this direction is not complete, much data has already been made available to me.

In reviewing this information, the belief I have held for more than a year that there is a tremendous demand for rice in the world market has been reconfirmed. I also remain convinced that if the American rice farmer does not supply this need, farmers of other nations will.

I do not propose that we beggar our international rice-producing neighbors through a nationalistically-centered rice export program. But, I believe we will do a great disservice to our Nation, our agriculture industry in general and our rice farmers in particular should we fail to vigorously seek to maintain and continue building the international markets for the fruits of our land.

We are one of the fortunate nations which can produce more than is required by our domestic market. By doing so we not only respond to the food needs of our own people but are in a position to respond to the hunger problems in other nations.

The United States can have and needs an expanded rice industry. We can have an economically viable, expanded rice industry only if the proper climate and the willingness to work for its success exists within the industry, with the Congress, and within the Executive Branch. I support an expanded rice industry. I do not want a program that produces more rice than we can sell.

Many factors affect the future, potential market for rice produced by our farmers and the ability of our farmers to supply future demands. We have approximately 9.1 million acres of land which is suitable for rice production. Thus, land availability would not be a limiting factor in rice industry expansion. Other ingredients in the rice production and demand situation which can have an effect include weather, environmental concerns, the availability of fertilizer, the speed with which less developed nations increase their capacity to produce rice, growth in population, growth in per capita income, the aggressiveness demonstrated by the rice industry in the U.S. and competing nations seeking to acquire markets for their production, and the nature of our federal programs relating to this food crop. Some of these we can influence. Some we can not.

Studies of the rice market since the 1930s indicate that the domestic use of rice has tended to increase. But they also show little elasticity of consumption as it relates to the price of rice to domestic consumers.

On the other hand, the export market for rice has proven more elastic. In recent fiscal years, particularly since 1958, U.S. rice has generally tended to gain in commercial sales, except in years in which the price of our rice has not been competitive on the international market. Appendix One of this statement is a graph illustrating the trend in commercial rice exports of U.S. rice already shipped. This graph also shows projections for future commercial sales activity, based on the FY 1960-68 trend assuming a competitive product.

During the 1973-74 and 1974-75 marketing years we have witnessed a strong upsurge over the past years in the international demand for U.S. rice. In the earlier year 1,582,300 metric tons of U.S. rice were exported for dollars and under P.L. 480. This is expected to rise to 2.4 million metric tons in 1974-75.

I understand at your session yesterday the question was raised as to the demand outlook for American rice exports. Our first graph suggests that commer-

cial export demand will continue to grow steadily if U.S. rice remains competitively priced. In addition, the Subcommittee may be interested in other information on this matter that I have obtained, primarily from USDA.

Appendix two of my statement is a chart which shows USDA projections of export demand for rice into 1985. The top projection of demand reaches 3.4 million metric tons. These projections include both commercial export sales and PL 480 activity.

Because of the nature of the domestic market for rice, a realistic analysis of the source of growth potential for commercial rice sales points directly to winning, keeping, and developing foreign markets.

Exports of rice have a triple-barreled importance to our Nation. Expanded markets for this food will strengthen the economic position of our farmers. Increased export sales of agricultural products helped the Nation to move into the black in its international balance of payments position in 1973. Last year, the American farmers' ability to produce enough food and fiber for domestic needs and to meet many of the foreign market demands helped prevent our downward slide to a balance of trade deficit reaching far beyond the \$3 billion red-ink mark.

Finally, our Nation's response to the crisis of a hungry world has largely been made possible by the ingenuity and industry of our farmers.

Major strides were made in commercial sales of U.S. food to the petroleum exporting nations since 1973. Our nation was able to move into this market because in a supply shortage era we were able to provide the quantity and quality of rice and reliable service these nations desired.

We are now at a crossroads because of the division in the industry. The industry is operating under the laws of the 1930's. When the reason for the rule changes, the rule should change. But Congress has, thus far, refused to change the rules.

And, some in the industry are resisting needed change.

We must have an industry that is willing to turn loose of the status quo and move out into the middle of the rice marketing arena. It is not the nature of people or industries to stand still. We either move forward, or we slide backward as the world moves ahead of us.

According to figures available to me, during the open production season of 1974, our rice farmers, both those who hold allotments and those who do not, illustrated their capacity for planting more rice by cultivating 2.56 million acres. Of this amount 2.4 million acres were planted by allotment holders. Cooperators farmed 343,413.6 acres in excess of their allotments.

Even though the new producers tilled less than half the new rice acreage last year, their belief in the domestic and international market was, I am convinced, amply demonstrated. And though the risk faced by cooperators was not as great, they too appeared to be willing to rely somewhat more on market conditions in their decisionmaking.

After the U.S. rice farmer made these commitments to rice production, to feeding our own people and to helping feed a hungry world, they were handed some pretty sore lumps by our own government. The vigor with which our officials have pursued success in meeting the one-million-ton rice export commitment under the Food for Peace program has been less than inspiring. And, last month the Department of Agriculture officially conceded their failure to meet their own PL 480 rice export figure by reducing it by 20 percent. The downward adjustment in the PL 480 figure is totally responsible for the growth in rice carryover from 7.8 million hundredweight on August 1, 1974, to USDA's projection of 13.4 million hundredweight on August 1, 1975.

In addition, the rice farmer was not helped by disquieting reports in the middle of the marketing year that the Department of Agriculture thought rice prices were too high. Statements such as "rice prices should be lower" added uncertainty to the market and encouraged some to look askance at the Department as an objective and neutral factor in the rice market. I would hope USDA will let market forces determine the market and would not intervene to impose its judgment on it.

As the U.S. is not unique in the food it can supply the world's commercial markets, we can and should expect other international competitors to make the most of potential cash markets and of our own marketing problems.

I fully understand the need for our government to be able to judge with accuracy the food supply situation at any given time. But I believe that with some creative thinking and imagination we can evolve an effective system for doing so without the seriously undesirable trade-offs we now make.

Not only must we have an industry that is willing to move imaginatively and vigorously, we must have an Executive Branch strongly enough committed to both the present and the future to establish and stick to goals announced for food aid. We must have an Executive Branch that is not only knowledgeable and compassionate about the needs of our own citizens but that can fully examine the economic consequences, which are also human consequences, of actions which restrict the free flow of international trade in food. We must have within USDA persons who are actually specialists in rice, rather than persons whose orientation is to another crop and who inherit rice as a not so well-loved collateral part of their duties.

And, finally, we must have a Congress, and industry and an Executive Branch which can rise above the demands of any single or group of vested interests to work out a new rice program which will achieve two basic objectives.

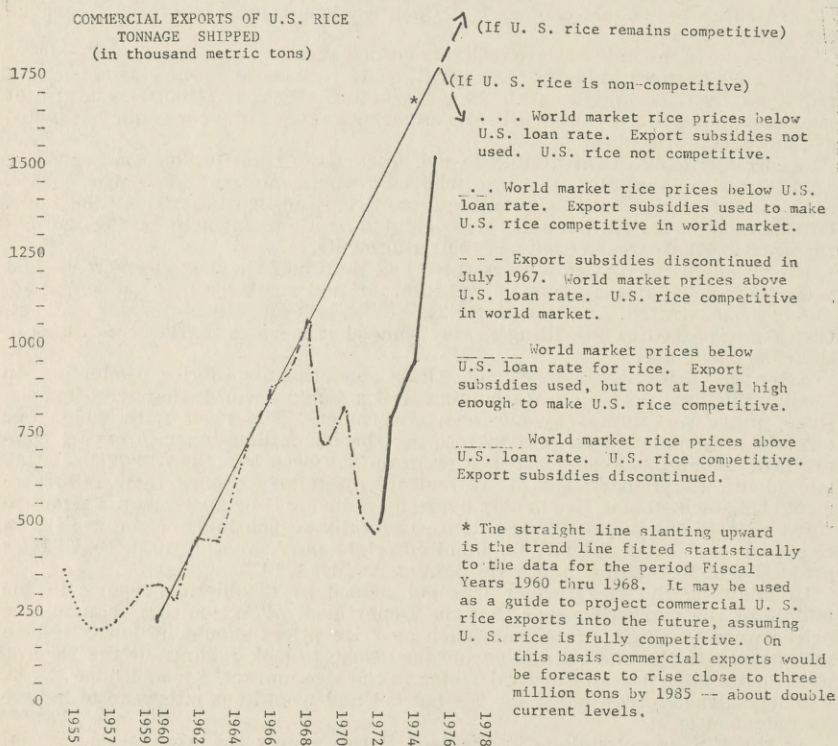
The first would be to allow persons who want to produce rice to do so without playing Russian roulette with their livelihood annually. The second would be to produce supplies of rice sufficient to meet the needs of the U.S. and a proper share of the world market at acceptable prices.

I would urge this Subcommittee and the full Committee to report such legislation to the House for action by the people's Representatives.

Not only do we need new legislation we need cooperation and leadership from the industry, from the Executive Branch and from the Congress to achieve objectives which such legislation would establish.

Thank you for giving me this time before you today.

APPENDIX 1



Export Data Source: U. S. Department of Commerce

APPENDIX 2
U.S. RICE EXPORTS—ACTUAL 1968/69–1970/71, 1973/74 AND PROJECTED 1974/75, 1975/76, 1977/78 AND 1985
[In thousand metric tons]

	Total exports	Major petroleum exporters	Canada	Major exporters less Canada	North Africa/Middle East ¹	Western Hemisphere ²	Far East ³	Nigeria	All others trading partners
1968/69–1970/71	1,737.5	462.6	55.6	407.0	76.4	0.4	328.7	1.5	1,274.9
1973/74	1,582.3	300.8	85.1	215.7	143.7	9.0	61.0	2.0	1,281.5
Forecast: 1974/75	2,400.0	769.0	55.0	714.0	611.0	1.0	100.0	2.0	1,631.0
Projection:									
1975/76	2,025.0–2,330.0	828.0	60.0	768.0	650.0	1.0	115.0	2.0	1,197.0–1,502.0
1977/78	2,700.0	913.0	65.0	848.0	720.0	1.0	125.0	2.0	1,787.0
1985 I	2,950.0	1,130.0	70.0	1,060.0	911.0	1.0	145.0	3.0	1,820.0
1985 II ⁴	3,400.0	1,235.0	75.0	1,160.0	995.0	1.0	160.0	4.0	2,165.0

¹ Includes Algeria, Bahrain, Iran, Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, and Yemen.

² Includes Mexico, Venezuela, Columbia, Ecuador.

³ Includes Brunei, Indonesia and Malaysia.

⁴ Alternative II assumes a higher income growth rate than alternative I.

UNITED STATES SENATE,
Washington, D.C., November 13, 1975.

SENATOR HERMAN E. TALMADGE,
Chairman, Agriculture and Forestry Committee, Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR TALMADGE: We know that you and other members of the Senate Agriculture Committee have recently received a detailed letter from our colleague, Russell Long, arguing most persuasively against any change in the current rice program.

We understand that Senator Long's bill, S. 2385, is offered only as a lesser-of-evils proposal and that neither he nor any Senator is actively seeking its enactment.

Our review of all the pertinent information, not only from California but from national and international trends as well, prompts us to join Senator Long in recommending strongly against enactment of the target-pricing, open-production plans envisioned by S. 2260 and S. 1645.

Under the program now in effect, both planted acreage and production in rice have been increasing at healthy rates and will result this year in an estimated carryover of about twice what is considered adequate and desirable.

Since there appears to be no prospect for increased export levels in either the commercial or PL 480 markets, this surplus has already caused farm prices to drop precipitously. Enactment of a target-price proposal with open-production, will result inevitably in a glut of rice, a ruinous drop in prices paid to farmers, a major destabilization of the entire rice industry and the need for massive government payments to farmers whose receipts have dropped below the target price.

If the proposed changes were likely to result in any meaningful benefit to the average American consumer, we might look more favorably on a system of target-pricing and open-production.

However, the current lack of relationship between the price the farmer receives and the price paid by the consumer indicates to us that even the sort of super-surplus of rice which would put many small and medium sized farmers out of business would still not reduce the retail price of rice to any meaningful degree. On this point, like Senator Long, we think the Committee might do better to look not at changes in the basic rice law but rather at ways and means of narrowing the unprecedented farm-retail spread which has existed for rice over the past two years.

Our sincere recommendation to you is that the Senate Committee on Agriculture permit the present rice law to continue in operation and then to re-evaluate the situation at this time next year. At that point, the Congress will be able to judge whether the current trends toward surplus production are continuing. If a year from now that is not the case, we can then consider possible changes in the law. If, however, production and carryover are continuing to grow at an adequate rate under the current law, we will have avoided the very serious disruption of the rice industry and the creation of a costly new farm subsidy program which are threatened by the target-pricing proposals.

Sincerely,

ALAN CRANSTON.
JOHN V. TUNNEY.

Senator LEAHY [presiding]. I have been advised that we have a 10-minute time limit.

Normally when I chair these hearings, I am somewhat willing to let us go on after that, but there are so many people who are listed to testify, that it will not be possible to do that.

We will have to break the meeting periodically because of votes on the floor of the Senate.

I will have to ask you to stick to the time limit.

I suggest the best way would be if you have any particular point you want to emphasize, to cover that point or points.

Our next witness is Victor A. Senechal, Deputy Administrator, Programs, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture.

STATEMENT OF VICTOR A. SENECHAL, DEPUTY ASSISTANT ADMINISTRATOR, PROGRAMS, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY GEORGE SCHAEFER, CHIEF, RICE BRANCH, GRAINS, OILSEEDS AND COTTON DIVISION, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Mr. SENECHAL. My name is Victor A. Senechal, Assistant to the Deputy Administrator, Programs, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture.

I have with me George Schaefer, who is Chief of the Rice Branch, Grains, Oilseeds and Cotton Division, Agricultural Stabilization and Conservation Service.

With your permission, I have a prepared statement which I believe is available to all members of the committee. In the interest of brevity and to conserve time, I would like to submit this statement on behalf of the Department and summarize some comments.

Senator LEAHY. Certainly.

Mr. SENECHAL. Mr. Chairman, the current rice program legislation that we have clearly is contradictory to the evolution of the market-oriented farm policy that we have gone into in recent years in the case of wheat, feed grains, and upland cotton.

The current legislation is a restricted program based on the production that we see at the present time and our best estimates of what our disappearance will be ahead of us during the 1976 marketing year, it would appear that under the formula which is under effect under the current legislation that we would have to go to a marketing quota position in 1976.

In view of the fact that there is this growing concern worldwide for expanded food production and the fact that rice is a very important food commodity, it would appear to be contradictory to this need for additional food for us to impose or be required to impose a very restrictive marketing quota program in the case of rice.

The Department favors legislation which is similar to that which is in effect for the grains, wheat and feed grains and upland cotton.

The Department also favors the target price concept and with the availability to any producer, if he can do so efficiently, to produce rice.

Senator LEAHY. S. 1645?

Mr. SENECHAL. Yes. S. 1645 and S. 2260. Generally speaking we support the concept of S. 2260 with some recommended modifications.

We would recommend that the target price and loan rate be lowered somewhat to \$7 and \$5 per hundredweight respectively, and we would recommend that the initial escalation of target price from the time of enactment to the beginning of the 1976 marketing year be eliminated.

We would recommend that the disaster payment provision be eliminated because we favor a different type of approach, an insurance type of approach for disaster conditions on which a premium is charged producers, rather than the disaster provisions which we have under the grains and upland cotton at the present time.

The major problem that we had with this S. 1645 is the fact that it provides loans to everyone. The production base or the pay base on it is set at 2 million acres which we feel is too large, and the other unde-

sirable feature of S. 1645 is the fact that there is a mandatory set-aside feature in it.

We feel that this should be discretionary.

We feel that this type of legislation, both S. 1645 and S. 2260, offer the farmers who have been interested in producing rice an opportunity to do so and yet does give protection to the grower that has been growing rice for a number of years.

In the case of S. 2260, the target price protection applies only to holders of rice allotments, and the loan is available only on production from the allotment acreage, so that the producers who do come into rice production for the first time without allotment, are free to do so totally for the incentive at the marketplace, but they would not receive any of the loan or target price protection which would be available to the old grower.

Mr. Chairman, this concludes our statement, and if the committee has any questions, we will be glad to answer them.

Senator LEAHY. I appreciate that, and if we have further questions from any of the members of the committee, most of whom are involved elsewhere this morning on the FIFRA markup, I am sure knowing the cooperation of your Department in the past, you will be willing to furnish answers to those questions for the record.

Mr. SENECHAL. Yes, sir, Mr. Chairman, we will be happy to supply any other additional information that you or other committee members request.

Senator LEAHY. Thank you very much.

[The prepared statement of Mr. Senechal follows:]

STATEMENT OF VICTOR A. SENECHAL, DEPUTY ASSISTANT ADMINISTRATOR,
PROGRAMS ASCS, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman and members of the subcommittee. I am pleased to appear today to present the Department's position on S. 1645, S. 2260 and S. 2385. As has been stated many times before, the Administration believes that fundamental policy changes are needed to update present rice legislation and bring it into conformity with the Agriculture and Consumer Protection Act of 1973.

The farm policy of the United States has been moving toward increasing market-orientation for about ten years. This trend has occurred under three different Administrations and under both major political parties. Major factors encouraging this movement have been the desire of farmers for increased flexibility and freedom in managing their enterprises and the need to be fully competitive in world agricultural markets. The Agricultural Acts of 1970 and 1973 were major steps in providing greater freedom to wheat, feed grains and cotton producers. Those laws represented practicable legislation at an opportune time in the evolution of U.S. agriculture policy. The production and marketing opportunities afforded by the target price system have benefited wheat, feed grain and cotton producers and the Department believes that these benefits should be extended to rice producers as well.

Current rice program legislation clearly contradicts the evolution to a market-oriented farm policy. The program discourages production of rice by farmers who do not have rice allotments—regardless of their efficiency—and at the same time, the program encourages rice allotment holders to continue to produce for the program when many might benefit from an adjustment to more efficient cropping patterns.

Under the current law, it appears almost certain that marketing quotas will be imposed on the 1976 rice crop after two years of unrestricted production.

This results from a rather specific and inflexible formula which the law requires the Secretary of Agriculture to use, and which is production restrictive by design. Thus, the U.S. production level would again be governed by the old system of Government decision, instead of representing the result of farmer response to market signals. Furthermore, it is possible that the current law

will require a price support level which could exceed the world market price— if not in 1976, then in subsequent years as the price support level is mandatorily escalated.

The Department opposes the adoption of S. 2385 because it simply maintains the production control and high support level features embodied in the present rice program. S. 2385 is in direct contradiction of the Department's position that new rice legislation should provide a greater management freedom to rice producers and should make possible a market-oriented policy similar to that provided for other major farm commodities by the Agriculture and Consumer Protection Act of 1973.

S. 2385 would require marketing quotas in years when total supply exceeds normal supply by 20 percent and would establish a support level at a minimum of 60 percent of rice parity, but not less than \$8 per hundredweight. When marketing quotas are imposed, rice production would be restricted once again to traditional allotment holders. This annual quota determination perpetuates the uncertainties of long range planning for potential new growers and those allotment holders who wish to make capital investments for expansion. With marketing quotas in effect, new producers would be effectively excluded from producing rice. As a consequence, shifts to land more suited to rice production and annual changes in acreage mix between rice and other crops would be impeded.

S. 1645 incorporates a target price concept which, with modification, could be supported by the Department. The provision in S. 1645 which sets the established price at 7 cents per pound and the loan rate at 60 percent of the established price has been modified through agreement between the Subcommittee in the House and the Department of Agriculture. Discussion has centered on 7 cents per pound target price and a 5 cents per pound loan rate. Provisions of this bill which the Department does not support include an allotment pay base as high as 2 million acres, loan eligibility extended to all rice growers, and a mandatory set-aside feature.

USDA supports the legislation proposed in S. 2260, with certain modifications, which would restore management decisions and responsibilities to the rice farmer. However, the Department does not support the following provisions, and recommends that they be modified:

1. Target price and loan rate of \$8 and \$6 per hundredweight, respectively, in 1976.
2. Escalation of the target price during the initial year of enactment to reflect the changes in the index of production items from the date of enactment of the legislation to July 31, 1976.
3. Disaster payments.
4. Set-aside based on rice supplies rather than on the overall agricultural commodity supply situation.

To elaborate briefly on the above objections, a target price and loan rate of \$8 and \$6 per hundredweight, respectively, are more than adequate to support farm income and provide interim financing of the rice crop during the 1976 crop year. To immediately escalate the established price and loan rate in 1976 would provide levels well in excess of average production costs.

The Department recommends a 7 cents per pound target price and 5 cents per pound loan level for 1976 crop rice, with the escalator coming into effect beginning with the 1977 crop.

In lieu of the disaster payment provisions, the Department favors legislation such as that embodied in S. 1647. S. 1647 would substitute an expanded crop insurance program for disaster provisions and would encourage private underwriters to offer all-risk insurance. This bill, as originally proposed, did not provide for coverage of rice, but the Department recommends that such coverage be expanded to include rice should target price legislation be enacted for rice.

Consideration of the need for set-aside under S. 2260 is narrowly limited to the rice supply. However, the basic principle of the set-aside concept is to provide discretionary authority to impose a set-aside in the event it is needed in order to obtain an overall acreage and production balance for a number of important crops. Therefore, the set-aside authority in S. 2260 should be amended to permit the Secretary to provide for a set-aside of cropland if he determines that the supply of rice or other agricultural commodities will, in the absence of a set-aside, likely be excessive.

We believe that S. 2260, with recommended amendments, will strengthen the rice industry by permitting it to:

- Produce in response to market demands;
- Compete more aggressively for new markets;
- Improve rice growers' income opportunities without export subsidies or other intervention by the U.S. government;
- Importantly contribute to export earnings which aids this nation's balance of payments; and
- Provide a more equitable basis of opportunity for rice growing in this Nation.

Senator LEAHY. Our next witness is Grank Link, vice president of National Rice Growers Association of Jennings, La.

Is Mr. Link here? We are happy to have you.

STATEMENT OF GRANT LINK, FIRST VICE PRESIDENT, NATIONAL RICE GROWERS ASSOCIATION, INC., JENNINGS, LA.

Mr. LINK. Thank you, Mr. Chairman. I am Grant Link, part landowner and part tenant farmer, and I am vice president of the National Rice Growers Association, representing the rice growers of the Seventh Congressional District of Louisiana.

Our district represents 76 percent of the Louisiana rice acreage that is under allotment.

We, as an organization and as individual rice producers, oppose any change whatsoever in the present rice legislation, except the changes that are necessary to conform with the supply and demand of rice. We recommend that we remain and be permitted to operate under the present program.

Mr. Chairman, we have testified time and time again that any drastic change in the rice program could and in all probability would increase the surplus of rice and that this surplus would be unmanageable.

We pointed out in our testimony last year that there would be grave danger of a large, unmanageable surplus of rice this year if the Secretary of Agriculture permitted rice to be grown under open-end planting.

According to estimates of October 14, 1975, there will be carryover of some 18.2 million hundredweight.

The planted acreage estimate of the same date indicates that 2,757,500 acres of rice were planted in 1975. An increase of 933,500 acres over 1972-73 when a carryover of only 5.1 million hundredweight existed.

According to two well-known agricultural economists, it is implicated that from all available information there is a potential of 4.4 million acres of rice that could be grown in the established growing area; therefore, the United States apparently has the physical capability of expanding rice acreage 60 percent above the 1975 level.

These statistics and predictions indicate to us that there could be no worse time for legislation which would further increase production, further add to the carryover and further reduce the prices being paid the present rice farmers for their produce.

We heard testimony last year in various committee hearings that there was and there would be a market for as much rice as we could produce. Where are these markets?

I want to call your attention to the fact that rice—in Louisiana, at

least—is not moving into the market and we are told that rice from all areas of the United States is moving very, very slowly.

I would like to call your attention to exhibit A attached to my testimony.*

This exhibit is a copy of a bid sheet from the Louisiana Farm Bureau Rice Marketing Division of Crowley, La., for sale No. 20, dated Wednesday, October 29, 1975. Twenty-six lots of rice were offered for sale. There were bids offered on 4 of the 26 lots by three bidders.

Gentlemen, this indicates to us that a market for rice does not exist at the present time.

We are told, however, that there is a market for rice, but at a price for which we cannot afford to produce rice. Also, that the nations in which these markets exist do not have the money to buy the rice at any price.

It is our understanding that the Secretary of Agriculture objects to the present program because the U.S. Department of Agriculture is financially responsible and that should H.R. 8529 or the Senate version of the same legislation, S. 1645 and S. 2260, be passed, the Department would have no financial responsibility. Nothing could be further from the truth.

One of the very attractive features of the present rice program is that it entails no cost to the Department. Some people wrongfully assess Public Law 480 costs to the rice program, but this is plainly a cost of the foreign aid effort and should not be confused with the program cost of the Rice Act.

Contrast this with both S. 2260 and S. 1645, which contain target price provisions which call for direct payments to farmers when prices fall below a given level.

A recent USDA estimate of the cost of a program based on the S. 2260 target price of \$8 per hundredweight, and a loan rate of \$6 per hundredweight both escalated, shows that should the price of rice be at \$7.50 per hundredweight for 1976–1977, the cost to the Government would be estimated at \$78 million.

In the event that the price would fall to \$5 per hundredweight for 1976–77, the cost to the Government would increase to \$168 million.

Now project this, if you will, to the 1980–81 crop. Rice selling for \$7.50 per hundredweight would cost \$139 million and if it sold for \$5 per hundredweight, the cost to the Federal Government would be \$189 million.

In 5 years, 1976–77 to 1980–81, rice selling for \$7.50 per hundredweight would cost the Government \$502 million, and if the rice would sell for \$5 per hundredweight, the cost of such a program for the 5 years would be \$883 million.

Of course, there are those who suggest that the farm price could not possibly drop as low as \$5 per hundredweight and result in the annual cost that I've just mentioned.

May I point out, however, that this was indeed the price of rice just 3 years ago when production was 30 percent less than it is today.

We suggest to you that with target and open-end production this is precisely what is going to happen. A cost-free farm program will have

* Exhibit A will not be reprinted due to illegibility.

been transformed into a very costly burden on the taxpayers who, by the way, are for the most part consumers.

At a time when Congress is trying to get away from direct payments to farmers, you would, for the first time, be introducing such payments to the rice farmers.

I mentioned consumers a moment ago. We hear a lot about the high cost of food to the consumer. We hear a lot from some political officeholders that the poor consumer needs protection from high prices of food; and we agree.

However, these same people approve laws increasing wages; these same people permit the price of raw products to be increased, causing an increase in prices on farm machinery, automobiles, trucks and other items which we as farmers, who are also consumers, need.

But we hear very few of these people complain about the farmer needing protection from increased costs of fertilizer, insecticides, herbicides, seeds, machinery and labor.

With the increased cost of production, there is no way for us as rice farmers to compete with farmers of the Far East, Asia or any other foreign country as far as producing cheap rice. There just isn't enough cheap labor, cheap machinery, cheap fuel or any cheap input available for us to compare our cost of production with other countries.

In conclusion, it seems to us that all statistics and recent trends in the rice industry strongly support our contention that the existing rice program has well served all segments of the rice industry, as well as the consumers in this country. Over a long period of time, some 20 years, it has provided us with an abundant supply of rice, with a minimum of expense to the U.S. Government and taxpayers.

We have had ample supplies to meet our trade commitments as well as to keep our domestic prices reasonable.

At the same time, production has been sufficiently limited so that there was not the sort of overproduction which knock the bottom out of the market, with the exception of this year, when the Secretary of Agriculture ignored our testimony and warning of what would happen if marketing quotas were removed.

If, however, this committee must enact legislation on this subject now, we believe that the bill introduced by Senator Long, S. 2385, contains provisions which will avoid the risk of major disruption to the rice industry.

It will provide at least some protection for the thousands of small and medium-sized producers who are most severely affected by the ups and downs of an unstable market.

This bill, S. 2385, is the so-called "Houston Plan" worked out last year in Houston, Tex., by representatives of each of the five major rice-producing States. It is accepted by our organization only as the "lesser of evils" as opposed to S. 1645 and S. 2260, and it is accepted solely as an alternative to the two aforementioned bills.

The Houston plan provides no direct payments to rice farmers in the form of target pricing mechanisms. Yet, it provides for an increase in production while at the same time retaining authority for the Agriculture Department to make adjustments in production to meet market demands, but to prevent uncontrolled expansion and costly and unmanageable surpluses.

Thank you very much, Mr. Chairman.

Mr. LEAHY. Thank you, Mr. Link.

Those three lights mean that we have a live quorum. It requires the attendance of the Senators.

We will fudge it a little bit.

Mr. LEAHY. Mr. Chalkley, if you would like to put your testimony in now, you can do that before we respond to the quorum call.

The witness is H. G. Chalkley, vice president of the American Rice Growers Cooperative Association, Lake Charles, La.

His association, I understand, is opposed to the target price bill, S. 2260.

STATEMENT OF H. G. CHALKLEY, VICE PRESIDENT, AMERICAN RICE GROWERS COOPERATIVE ASSOCIATION, LAKE CHARLES, LA.

Mr. CHALKLEY. Yes. I appreciate the opportunity to appear here. I have made a prepared statement. I would like to emphasize one or two items in the statement and then ask that the statement be inserted in the record.

Senator LEAHY. Certainly, it will be.

Mr. CHALKLEY. We are opposed to Senate bill 2260. The first reason is that the Secretary of Agriculture under the present legislation must follow two prerogatives. He must have a supply of rice sufficient to meet all estimated needs, and, second, he must, if the indications are that too much rice would be produced, he must declare marketing quotas, but I want to emphasize one factor, his declaration of marketing quotas must be approved by two-thirds of the producers of rice, which is entirely different from having a mandatory setup as is in the present S. 2260.

The next point I want to make is that while we have no marketing quotas in effect today, eligible producers only are eligible for the non-recourse loan which is 65 percent of parity.

The U.S. Government in its wisdom has set prices for labor which are supposed to be a fair return for work. To the farmer, he is only asking for 65 percent of what is set up in the labor legislation as a fair return for labor, so we, the farmers, feel that we should have some assurance that when we work we will get something for our work.

The third point I want to make is this: that while each farmer is given an allotment on his historical background of production, a small percentage of acreage is used to encourage new producers and by means of the present legislation, the Secretary in the past has always been able to increase production as needed.

We have a minimum allowable of 1,650,000. The Secretary has in the past set the amount of rice to be planted as high as 2.4 million acres. This year with open-end production, we have 2,750,000 acres. But the interesting point I want to make is this: Under the 1975 crop as announced by the Secretary, each producer was given an allotment which if he complied with his allocated acreage would make him eligible for nonrecourse loans. This acreage was provided as follows: Louisiana had an acreage which was equal to roughly 25 percent of that acreage which was given, which was a total of one million eight acres for all producers.

Senator LEAHY. Twenty-five percent?

Mr. CHALKLEY. Yes. Texas had roughly 24 percent. Arkansas had relatively 22 percent.

California had around 19 percent, and the balance went to Mississippi.

You might be interested to know that the actual planting—Louisiana overplanted its allocation by approximately 8 percent.

Texas by approximately 10 percent.

California, the best figure I have got is about 17 percent.

Arkansas more than doubled its allocation.

Mississippi planted four times as much.

The point I am making is this: The old producing areas which brought about the rice markets which we have today, Louisiana and Texas, by planting very close to their allocated acreage, combined already planted as much as Mississippi and Arkansas which States encouraged vast new production, many being first time planters.

They say they are the largest rice producers—yes, they are this year by taking opened-end production and more than doubling their acreage.

Senator LEAHY. Thank you very much.

We will recess for a few minutes while I go for this vote.

[The prepared statement of Mr. Chalkley follows:]

STATEMENT OF H. G. CHALKLEY, VICE PRESIDENT, AMERICAN RICE GROWERS COOPERATIVE ASSOCIATION, LAKE CHARLES, LA.

My name is Henry G. Chalkley. I am the Vice-President of the American Rice Growers Cooperative Association for Louisiana, a producer of rice, and I represent the members in the State of Louisiana.

The farmers in our organization are definitely opposed to the "target price bill" for rice, as proposed in Senate Bill 2260.

The present rice legislation, when administered as required by legislation, has functioned perfectly. It is designed to protect both the producer and the consumer and has always provided an ample supply of rice, at reasonable prices at home, while allowing rice to compete in the world market.

Taking into consideration that vast quantities of rice requested by the Department of Agriculture to meet the "Food for Peace" and other aid programs to carry out diplomatic and military commitments, the cost has been minimal. In the past five years little or no rice has gone into government stocks, because all of the transactions have been conducted on the basis of orderly marketing.

The present legislation provides three fundamental approaches of value to the producer as opposed to the "target price" support.

NUMBER ONE

The Secretary of Agriculture determines how much rice is needed to cover both the domestic and the possible export demands, taking into consideration the export dollar market and the indicated government requirements under PL 480. If a carryover should exceed 10 percent of the total crop, he calculates the number of acres required to meet the supply and demand. He then calls for a referendum, at which time not less than two-thirds of the producers must approve the setting of marketing quotas. That being settled, any producer exceeding his allotment must pay a penalty of 75 percent when marketing his crop.

NUMBER TWO

When marketing quotas are in effect all growers are eligible for non-recourse loans at 65 percent of parity, which is adjusted in line with the cost-of-living index.

NUMBER THREE

Each grower is given an allotment based on his historical background in the production of rice and a small percentage of acreage is maintained to encourage new growers to enter the field.

All of the worthy provisions are in accord with existing laws and apply to both labor and government. They are expedient, they operate smoothly and they get highly satisfactory results.

The proposed legislation would give the Secretary of Agriculture dictatorial powers to determine how much acreage the growers could plant, how much acreage must be set aside and—there would be no referendum—no voice of the farmers who produce the rice at all. Furthermore, it offers a support loan at less than the present program and requires the grower to produce at far less when every production cost is escalated in line with the times. For example, farm labor has risen from \$1.35 per hour one year ago to \$2.00 presently and will rise again next year. The cost of fuel has practically doubled and may yet go higher. Fertilizer has advanced from \$50 the ton to \$95, urea that was \$90 is now \$165 and so on. Actually, the figure on the unit cost per acre for growing rice, as published by the USDA on the first of April in 1974 was \$206.47 and that allowed no compensation for the producer. The average yield for Louisiana was approximately 3,400 pounds per acre. If one would add the increased costs of labor, fuel, fertilizer and machinery, et al., it is easy to see that early disaster to the grower would be the result of "target price" legislation.

Why, when the government of this country, by law, sets minimum wage levels, fuel prices, etc. and permits radical increases in the cost of manufactured goods does it ask the farmer, who is vital to the country's existence, to accept advanced costs in his operation without the benefit of market increases that would enable him to meet the steadily rising cost of producing rice and the scale of living for himself and his family as well?

We respectfully beg that Senate Bill 2260 be reported unfavorably.

Senator LEAHY. Our next witness this morning will be Leonard Hensgens, chairman, Rice Advisory Committee, Louisiana Farm Bureau Federation.

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

Mr. HENSGENS. Mr. Chairman and members of the subcommittee, my name is Leonard Hensgens, a rice producer and chairman of the Louisiana Farm Bureau Rice Advisory Committee. I would like to thank you for this opportunity to testify regarding the current rice legislative situation.

My appearance before you today represents 43,000 member families of the Louisiana Farm Bureau; but, specifically, my testimony is on behalf of the 4,200 rice producer families of our organization.

At this time, Mr. Chairman, I would like to have a group of farmers, who came up here today to support our position, stand. This is just to show you how much support I have for my position.

[A group of farmers supporting the position stood.]

Senator LEAHY. Who is left back home to run the store?

Mr. HENSGENS. We don't have a store to run.

Senator LEAHY. The record should indicate that there were a large number of people in the committee room who were demonstrating their support.

Mr. HENSGENS. Thank you, sir.

My testimony reflects the policy developed through our statewide Rice Advisory Committee. The committee is composed of rice producers from each parish where rice is grown. Committee members are selected by the parish farm bureau organizations.

Louisiana rice producers are strongly in favor of retaining our present rice program. We feel the legislation has served the industry,

consumers, and others well. It provides the necessary mechanisms for increased production when additional supplies are needed.

Also, production restrictions are authorized if supplies become excessive and act as depressing factors to the market.

The only time prices moved up sharply was 2 years ago when a weather disaster occurred in Asia and a world shortage was created for a few months.

We produce only 2 percent of the world production and cannot compete favorably at current world prices because of the cost of production in this country.

Our machinery has gone up 100 percent in the past 3 or 4 years and fertilizer has increased over 100 percent in some areas.

These increases are due primarily to the high cost of labor supported by, condoned by, and promoted by organized labor.

The so-called consumer—as a matter of fact, we consider ourselves major consumers of all goods and services—is naive to think that the rice farmer, or any farmer, can produce at prices comparable to those prevalent 3 or 4 years ago and yet purchase all of our inputs at current prices.

I am sure the average blue collar worker would not accept a 50-percent reduction in income and continue purchasing his goods at current prices.

Recently the Louisiana State University did a study of the cost of producing rice in Louisiana. A copy of that study is attached to my statement.

[The study referred to follows:]

RICE COSTS AND RETURNS PER ACRE, AVERAGE MANAGEMENT, FULL OWNER, MEDIUM AND LATE MATURING VARIETIES, WATER PLANTED, GROUP C SOILS, NEW MACHINERY PRICES, SOUTHWEST LOUISIANA RICE AREA, 1975

Item and unit	Cost per unit	Quantity	Value
VARIABLE COSTS			
Preharvest costs:			
Seed (hundredweight).....	\$21.25	1.39	\$29.54
Fertilizer (6-24-24) (hundredweight).....	9.10	1.90	17.29
Topdress 45 percent nitrogen (hundredweight).....	11.25	1.25	14.06
Propanil (gallons).....	14.50	.95	13.77
Ordram (pounds).....	.35	4.50	1.57
Furadan (pounds).....	.32	6.80	2.18
Custom air seeding (hundredweight).....	1.85	1.39	2.57
Custom air fertilizing (hundredweight).....	1.75	3.15	5.51
Custom air propanil (acre).....	2.50	.95	2.37
Custom air ordram (acre).....	1.55	.15	.23
Custom air furadan (acre).....	1.55	.40	.62
Machinery (acre).....	7.18	1.00	7.18
Tractors (acre).....	3.16	1.00	3.16
Labor (tractor and machinery) (hour).....	2.34	4.91	11.50
Other labor (hour).....	2.34	1.58	3.70
Water (gross income).....	.16	333.19	66.64
Interest on operating capital dollar.....	.09	44.74	4.03
Subtotal, preharvest.....			185.93
Harvest costs:			
Custom drying (hundredweight).....	.62	39.50	24.49
Machinery (acre).....	7.65	1.00	7.65
Tractors (acre).....	1.80	1.00	1.80
Labor (tractor and machinery) (hour).....	2.34	3.25	7.61
Storage (hundredweight).....	1.20	19.75	23.70
Subtotal, harvest.....			44.25
Total variable costs.....			230.18

RICE COSTS AND RETURNS PER ACRE, AVERAGE MANAGEMENT, FULL OWNER, MEDIUM AND LATE MATURING VARIETIES, WATER PLANTED, GROUP C SOILS, NEW MACHINERY PRICES, SOUTHWEST LOUISIANA RICE AREA, 1975—Continued

Item and unit	Cost per unit	Quantity	Value
FIXED COSTS			
Machinery (acre).....	24.52	1.00	\$24.52
Tractors (acre).....	2.70	1.00	2.70
Land rent (gross income).....	$\frac{1}{8}$	333.19	66.64
Total fixed costs.....			93.86
Total costs.....			324.04
Gross receipts from production: Rice (hundredweight).....	\$9.32	35.75	333.19
Net returns.....			9.15

Note: Materials and custom air applications for propanil, ordram, and furadan, are based on 95, 15 and 40 percent coverages, respectively. Land rent is based on 20 percent of gross receipts. Water cost is based on 20 percent of gross receipts. October 1975.

Source: Rice survey conducted by Dr. Willard Woolf, Department of Agricultural Economics and Agribusiness for basic information. Prices from Agricultural Prices and Weekly Rice Market News. Budget developed by Dr. Willard Woolf, Department of Agricultural Economics, and Mr. Lloyd A. Carville, Mr. Lewis Hill, and Dr. Ken Wegenholz, LSU Cooperative Extension Service.

The study shows a total production cost of \$324.04 per acre and at current prices, \$333.19 total returns. The net returns total \$9.15 per acres.

This is hardly the returns one should expect for the risk and investment that must be made. This is the kind of market we can expect in periods of oversupply as exists at the present time.

Those who support the idea that increased production will lower prices to the consumer cannot substantiate their arguments.

In August 1973 consumers were paying 25.7 cents per pound for the rice they consumed. At the same time the farmers were receiving 10.9 cents per pound for rice they produced.

In August of this year, consumer prices were at 44.3 cents per pound, slightly lower than a year earlier and farmer prices fell to 9.3 cents per pound.

Why haven't consumer prices followed the trend of farmer prices? That is the real issue to be dealt with, not the question of expanded production. To substantiate the depressed market situation, I have attached to my statement copies of recent sales reports from the Louisiana Farm Bureau Rice Sales Division and a copy of a sales report from a year ago showing not only the difference in prices being offered farmers, but the vast difference in demand indicated by the lack of bids on the sales reports of this current market situation.*

If you want to look at it, there are quite a few different prices. One sheet shows a four bid being offered by only 2 mills.

Another sheet shows only two bids offered in two different areas, and in the last sheet, we have 8 to 10 mills bidding and the prices are almost down the line by all the mills bidding. The prices reflect the change in demand for rice this year versus last year's prices and the lack of demand for rice.

We are realists. There are concerted efforts by the administration, particularly Secretary Earl Butz, certain Members of Congress and others, to develop a new rice program. We feel it is essential that any proposal contain our views.

* See p. 82.

We feel that the proposed bill S. 2385 sponsored by Senators Russell Long and Bennett Johnston, more generally known as the "Houston Plan," contain features acceptable to our producers.

The fact that a similar bill has been introduced by Congressman John Breaux of Louisiana and cosponsored by others from the major rice-producing areas should be an indication to you who sit on this subcommittee that the proposal is satisfactory to the majority of rice producers.

I feel an obligation to express what we consider to be the major objectives of the "Houston Plan": (1) Allow more farmers to enter rice farming to satisfy expanding world needs for food; (2) keep U.S. rice competitive in world markets; (3) assure reasonable domestic prices, while at the same time providing checks to gross overproduction; (4) create more stability from year to year in acreage levels; (5) assure U.S. consumers an abundant supply of rice at the lowest possible price on a dependable basis; (6) the milling and processing industry will have an adequate supply of rice to meet expanding markets at reasonable prices; (7) as a bonus, the industry, through expanding the normal carryover level to 20 percent, will provide a reserve of rice to meet unexpected domestic and foreign contingencies; and (8) no subsidies, direct payments nor other assurances are asked by rice farmers other than the minimum assistance of the U.S. Government to protect, at cost of production, a base of rice production.

We understand that certain parties are still favoring target price legislation. We are opposed to all target price legislation for the reasons expressed to you in the statement presented by the American Farm Bureau Federation.

Specifically, we object to the provision for direct payments to producers, which we feel is unsound, and the provision for uncontrolled production could be disastrous to our industry.

As an example, this year rice producers planted one of the largest crops ever in the history of this country. Producers relied on assurances by Secretary Butz of a free and open market system.

Today, rice farmers are suffering economic hardships because the Secretary has not fulfilled his commitment of securing adequate markets for our expanded production. In addition, the department has surrendered to political pressures, primarily labor unions and delays in authorization of Public Law 480 sales, and delays in shipment of authorized sales are causing distressed markets.

And, if this is not enough, a moratorium on grain sales was put into effect which not only was a depressing influence on our grain markets, but it is in direct conflict to the commitment made by Secretary Butz that free and open markets can be established only if agricultural exports are exempted from embargoes.

It is unfortunate that the administration has allowed labor union leaders to set up a smokescreen in their coverup of the truth to the rise in food costs. The inflationary hourly wage increases bare the burden of high food costs, not agricultural exports.

We are appalled that the leaders of this country are blind to the truth and have accepted the picture painted by those who have been responsible for rising labor costs.

In conclusion, let me reiterate our support for continuation of our present Rice Act. Again, it has served the government, consumers, and the total industry well.

However, if legislation is inevitable, we feel that S. 2385 comes as close as humanly possible to meeting the criteria of all concerned.

It is frustrating for producers to try to understand how supporters of legislation that would encourage uncontrollable expansion of rice production can justify the potential economic disaster that may occur. I hope that the members of the subcommittee will respect our views during its deliberations.

I appreciate this opportunity to be here today and welcome any questions.

Senator LEAHY. We will note 25 to 30 people were here in support of you. We appreciate their taking the time to come here.

Mr. HENSGENS. Thank you.

[The following material was referred to on p. 79:]

LOUISIANA FARM TREASURY RICE MARKETING DIVISION
P. O. BOX 156, CHOWLEY, LOUISIANA 70336

SALE NO. 23 DATE: OCT. 19, 1975 TIME: 2 P.M. PAGE 1

19. CHAMISSON
50N

L. BEATY

LOT NO.	BIN NO.	LOCATION	VARIETY	EMS	MILLING-CRD.	WGT	Grain Moisture	Grain Moisture	Grain Moisture
339	1	FARM, CHOWLEY	PRAZOS	750	104-116 3	14.20	339	14.20	339
340	2	"	"	450	108-116 2	14.71	340	14.71	340
341	3	"	NATO	450	92-116 1	13.70	341	13.70	341
342	5	"	NATO	300	94-111 5	13.81	342	13.81	342
343	6	"	LABELLE	1100	98-110 2	14.71	343	14.71	343
344	5	FARM, RAINE	S. BONNET	590	97-115 4	14.62	344	14.62	344
345	R1	FARM, MIDLAND	SATURN	1880	98-111 4	13.23	345	13.23	345
346	R3	"	PRAZOS	1243	93-114 3	13.34	346	13.34	346
347	R4	"	SATURN	1922	101-108 3	13.49	347	13.49	347
348	R5	"	NATO	630	111-115 2	14.86	348	14.86	348
349	R1	"	VISTA	1874	87-116 3	13.03	349	13.03	349
350	R2	"	PRAZOS	994	87-114 3	12.91	350	12.91	350
351	R3	"	SATURN	1320	86-110 3	12.54	351	12.54	351
352	R4	"	SATURN	1320	73-110 3	11.76	352	11.76	352
353	R5	"	SATURN	1048	74-107 3	11.58	353	11.58	353
354	R6	"	PRAZOS	673	88-114 3	14.96	354	14.96	354
355	R7	"	PRAZOS	1220	67-113 3	11.48	355	11.48	355
356	R8	"	NATO	563	81-116 5	12.03	356	12.03	356
357	R9	OAKVIEW, DRIER	VISTA	1100	101-114 5	13.30	357	13.30	357
358	S	FARM, MORGANZA	S. BONNET	2100	89-110 6	13.51	358	13.51	358
359	W	FARM, IOWA	SATURN	1900	96-110 2	13.68	359	13.68	359
360	U-3	FARM, PINE ISLAND	SATURN	1862	100-112 3	14.22	360	14.22	360
361	U-5	"	NATO	1912	108-116 4	12.88	361	12.88	361
362	U-14	"	SATURN	1353	98-112 3	14.31	362	14.31	362
363	U-11	"	SATURN	760	103-115 2	14.31	363	14.31	363
364	U-11	"	LABELLE	1100	92-115 3	14.31	364	14.31	364

LOUISIANA FARM BUREAU PIPE MARKETING DIVISION

P. O. BOX 1406 CROWLEY LOUISIANA 70526

PHONE: 78-1848

PAGE 1

TIME 2 P.M.

DATE WED. OCT. 29-9 74

SALE NO. 35

LOT NO.	BIN NO.	LOCATION	VARIETY	BEES	WOLING-ORD	* BROUSSARD (DEL. BY NOV. 30)	BROWN & CASSIDY	FAKE SALES	SUPREME	(DEL. BY NOV. 30)	RIVIERA (DEL. NOV. 30)	EDMUNDSON	LOT MEMBER
1036	1	W. DEER BROS. WRIGHT	LABELLE 500	✓	98-114 1	-	-	-	-	-	1988 1905	1037	LOT MEMBER
1037	1	FARM CROWLEY	B. BELLE 2100	✓	85-111 4	-	-	-	-	-	-	1038	LOT MEMBER
1038	2	"	NATO 2150	✓	111-117 2	2005 2038	-	2021	-	-	1988 2045	1039	LOT MEMBER
1039	3	"	S. BONNET 400	✓	77-100 4	-	-	-	-	-	-	1040	LOT MEMBER
1040	5	"	S. BONNET 400	✓	77-103 4	-	-	-	-	-	-	1041	LOT MEMBER
1041	6	"	SATURN 2150	✓	103-112 2	1987 1937	-	-	-	-	1876 1937	1042	LOT MEMBER
1042	7	"	SATURN 2100	✓	95-111 2	1887 1887	-	-	-	-	1887 1887	1043	LOT MEMBER
1043	8	"	NATO 1950	✓	111-115 1	1987 1987	-	-	-	-	1987 1987	1044	LOT MEMBER
1044	1100	CROWLEY CO-OP	NATO 361	✓	108-115 1	1987 1987	-	-	-	-	1987 1987	1045	LOT MEMBER
1045	2	FARM CROWLEY	LABELLE 2517	✓	90-111 2	1887 1887	-	-	-	-	1887 1887	1046	LOT MEMBER
1046	4	"	NATO 3270	✓	112-115 1	1987 1987	-	-	-	-	1987 1987	1047	LOT MEMBER
1047	5	"	SATURN 1645	✓	107-114 1	1987 1987	-	-	-	-	1987 1987	1048	LOT MEMBER
1048	8	"	NATO 3500	✓	107-113 1	2005 1918	-	-	-	-	1993 2011	1049	LOT MEMBER
1049	1103	FARM ESTHERWOOD	NATO 3885	✓	108-115 1	1987 1987	-	-	-	-	1987 1987	1050	LOT MEMBER
1050	E2	"	SATURN 1359	✓	107-115 1	1887 1887	-	-	-	-	1987 1987	1051	LOT MEMBER
1051	2	FARM GUENDAN	SATURN 1500	✓	91-112 2	-	-	-	-	-	1876 1876	1052	LOT MEMBER
1052	7	"	SATURN 1800	✓	65-106 3	-	-	-	-	-	1876 1876	1053	LOT MEMBER
1053	8	"	SATURN 900	✓	91-112 2	-	-	-	-	-	1876 1876	1054	LOT MEMBER
1054	5	OAKVIEW MIDLAND	NATO 781	✓	105-111 1	1985 1985	-	-	-	-	1876 1876	1055	LOT MEMBER
1055	6	"	SATURN 1459	✓	96-112 2	-	-	-	-	-	1876 1876	1056	LOT MEMBER
1056	129	FARMERSBRIER FINICE	S. BONNET 1454	✓	94-114 3	-	-	-	-	-	1876 1876	1057	LOT MEMBER
1057	128	"	NATO 5126	✓	106-116 2	1987 1987	-	-	-	-	1876 1876	1058	LOT MEMBER
1058	135	ROANOK CO-OP	SATURN 2078	✓	104-114 1	1987 1987	-	-	-	-	1876 1876	1059	LOT MEMBER
1059	1	FARM HATHAWAY	VISTA 3000	✓	86-115 3	-	-	-	-	-	1876 1876	1060	LOT MEMBER
1060	3	"	VISTA 300	✓	94-111 4	-	-	-	-	-	1876 1876	1061	LOT MEMBER
1061	4	"	VISTA 300	✓	108-115 50	-	-	-	-	-	1876 1876	1062	LOT MEMBER

High Price
Gov't Support
Price

Senator LEAHY. Mr. Joseph Halbach. I understand that you will give an oral statement.

Mr. Halbach is vice president and secretary of Riviana Foods in Houston, Tex.

STATEMENT OF JOSEPH J. HALBACH, VICE PRESIDENT AND SECRETARY, RIVIANA FOODS, HOUSTON, TEX.

Mr. HALBACH. My original intent was to take my full 10 minutes to make some extemporary remarks that would be greatly to the edification of the committee and my friends here. [Said in jest.]

But having seen the list of those desiring to testify and observing the many growers who have come up here, I've decided upon another course.

Riviana is in the rice business. We mill and sell packaged rice. We buy an awful lot of rice from Mr. Newman who follows me. He runs a big mill in my home town.

We also buy a lot of rice from Riceland producers and throughout the South from an awful lot of growers. We still buy rice through our buyers out in the field.

It occurs to me we could do a lot better by way of our contribution to what we would like to see happen here by my not taking time now. I believe our position will be presented by others today.

I would like to submit a statement later, if the record will be left open for a week. I will give up my time now.

Senator LEAHY. We will appreciate that.

I will read your statement when it comes in.

Mr. Newman. Mr. Newman is vice president and general manager, America Rice, Inc., Houston, Tex.

STATEMENT OF RALPH S. NEWMAN, JR., EXECUTIVE VICE PRESIDENT, AMERICAN RICE, INC., HOUSTON, TEX.

Mr. NEWMAN. Thank you, Mr. Chairman. I appreciate Mr. Halbach's graciousness and I will use my time if you don't mind.

Senator LEAHY. Go ahead.

Mr. NEWMAN. My company is a farmer-owned cooperative made up of Louisiana and Texas rice farmers. We handle in excess of 10 percent of the U.S. rice production. We are involved in the marketing of rice grown by our farmers in all phases.

We very much support the current rice legislation. We think it has worked very well when considered in almost any perspective. We think there are a great many issues that continue to be raised in discussion of this legislation some of which I will call motherhood and the flag issues.

We have heard a lot of testimony this morning about the expansion of world rice trade. I might point out that our firm sells quite a bit of rice in the Middle East. However, I will again emphasize, as many other witnesses have emphasized, we have been able to do this very successfully under our current program. We additionally think we will be able to meet the stable demand in Middle Eastern countries under our current rice program.

Our problem in the rice business has never been adjusting our acreage to meet demand. It has always been the enormous shifts from year to year in a very high capital investment business. It has simply not always been economic to go out and grow all the rice that we might be able to sell in a given year.

We figure that the total investment made by our farmers, the first handling facilities in the country and, the processing facilities necessary to handle 1 additional acre of rice production approximates \$450 to \$500 an acre.

The rice business, whether along the gulf coast, the Mississippi Delta or anywhere else, will not expand and contract by 20 to 30 percent a year with those kinds of required investments. To some degree we have always tried to optimize investments somewhat short of what the maximum demand might be for one period of time.

I thought the earlier testimony this morning, in a most excellent way, indicated the problem with respect to the price spread between the farm values of rice and that price the consumer pays.

I can think of no clearer way in which to illustrate the problem with consumer prices than that shown by the chart presented by Senator Long and others. It indicates that the problems with the consumer price of rice does not lie at the farm level and with the current rice program.

Another continuing issue is the one of feeding the world. Senator, we have these capabilities in our present rice areas with our present farmers. In fact, we have substantial supplies of rice on hand as many individual farmers here have testified, and to which we will testify as a marketing cooperative. Our figures show that from this year's crop, we will probably have twice as much rice available for our Public Law 480 program, for example, as there is any anticipation by our Federal Government to use to help feed the world.

In the business world, the fact that people want food and that there is a need of food does not translate to a situation where we go out and borrow money and make the capital investments to grow a rice crop. We have always expanded to meet these needs in the past whatever food program that our Government has.

We certainly have produced enough rice to easily meet our food assistance program this year. I suspect a great deal of this rice will be excess supply and will be left over for next year to meet the food requirements of our Government.

I have never seen any testimony in 25 or 30 hearings on this subject that ever indicated that we could not, under our current rice program and with our present producers supply this needed rice. The key question that has never been answered is: Where is the money going to come from to pay for it? Most of the rice farmers that I know and represent want to expand their production. They want to grow. They have the capabilities of growing. In fact, you may or may not know that we grow rice on a rotational program. As a minimum, we have 1 acre of land out of production for every acre we grow. We certainly now have one of the key resources necessary to grow this rice. The problem is that we can't simply grow it and give it away. This has always been the problem with our excess food supply. It is not the lack of product or the lack of capacity to produce it. I think this should be noted.

Another issue that we hear quite a bit about is the cost of these various programs to our Government. I will point out that under the target price concept, we are talking about a concept whereby we take X-million dollars from the Federal Treasury, and as a direct subsidy we pay it to rice producers.

Now, we have a protection mechanism in your current law. However, the way this current mechanism works is that if prices fall to disastrous levels, the Government in exchange for the physical receipt of the commodity has guaranteed a minimum price to the grower. Sure, the grower has some price protection, but in exchange for it, he has turned over his commodity to the Government. He is giving up an agricultural commodity in exchange for that protection. Target price doesn't do that at all.

Mr. Chairman, many times today we have heard that we should change our legislation because we have a threat of reduction in acreage next year. I don't think any of these people who pointed out this fact indicated why. The reason why is simple. We have an anticipated oversupply of rice, far beyond what we reasonably expect to be able to move through the next marketing year even with minimum acreage levels.

Under current law, the Secretary of Agriculture would require the industry to return to production under allotment. It would be required even with the most liberal demand projections from the Department of Agriculture. They would simply not be able to project enough demand for expanded production. The necessary and required acreage is even lower than the minimum acreage in the target price bill.

Using the previous year's figures, USDA cannot project a market for all that rice. We do not think this determination is counterproductive to the rice industry.

Can I use a couple of minutes that Mr. Halbach gave me?

Senator LEAHY. Go ahead.

Mr. NEWMAN. I am sure the next witness will talk about being competitive in world markets. Senator, this is an oversimplification, at the least in the economics. We can't be competitive with all world markets in the rice business. We can't with a lot of other things in this country either. We live in a very controlled and managed economy. We have minimum wages. We have requirements and regulations that affect our cost.

We don't see the sense of being competitive at price levels that are below cost. It might be best if we don't have some of that business. There are people in this world who can sell rice below us because they pay people 50 cents a day for labor, because they have no sanitation requirements and because they don't have regulated transportation. They have got a lot of things going for them if you want to look at it in that perspective.

I don't think we should be misled by an argument that at some time there might be prices below U.S. levels, under our present rice program. It may be best to let some of those people have some of that business sometimes because we just can't compete with such low prices.

Senator LEAHY. Thank you.

Mr. NEWMAN. May I file my written statement?

Senator LEAHY. Certainly. Your statement will be made a part of the record.

[The prepared statement of Mr. Newman follows:]

STATEMENT OF RALPH S. NEWMAN, JR., EXECUTIVE VICE PRESIDENT,
AMERICAN RICE, INC., HOUSTON, TEX.

Mr. Chairman and Members of the Committee, my name is Ralph S. Newman, Jr. I am Executive Vice President of American Rice, Inc., a farmer-owned rice processing and marketing cooperative, headquartered in Houston, Texas. Our members' rice production, principally grown in the States of Louisiana and Texas, this crop year will represent somewhat in excess of ten (10) percent of the total U.S. rice production. We are involved in the marketing of our members' rice in all phases from harvest through milling, domestic distribution, and exporting world-wide.

We believe, as I am certain other witnesses from Louisiana, Texas and California will agree, that the present, existing rice legislation has served well the needs of the rice farmer, other segments of the rice industry, our Government and U.S. consumers. For quite some time now we have produced an abundant supply of rice in this country at reasonable prices, with minimum costs to Government and with stable prices to consumers. We have had economic stability on our rice farms and in the hundreds of rural communities whose economic welfare is dependent on rice production and its related industries.

Several years ago an unusual combination of independent conditions simultaneously occurred which temporarily sent rice prices sky-rocketing. Among these were the devaluation of the dollar, poor world weather conditions, worldwide inflation and the still wholly unexplained, unprecedented and apparently transitory, large commercial purchases of U.S. rice by members of the OPEC group—most notably Iran. The passage of time, as well as substantially increased rice and other food supplies, both in the U.S. and in other countries, has sharply modified the impact of this combination of factors. The phenomena experienced within the rice industry were, in fact, essentially those experienced in our wheat, corn, feed grain and soybean markets over the past several years. Rice prices more recently have trended sharply downward in the face of increased supplies from competing countries, reduced export demand and normal weather conditions. Today we have a critical rice surplus facing us in the United States. However, much justification for a change in our rice program is predicated upon conditions occurring during this freak period two years ago.

All of this cyclic supply, demand and price movement is typical of agricultural commodities. They always have been, and will probably continue to be cyclical in price. The alternative to this cyclic approach, of course, is a rigidly administered economic system about which there is abundant evidence indicating that, in practice, such controls do not work. In fact, in the long run, they create more problems than they set out to solve.

Our concern is that some perspective of the long-term view in our industry is not maintained in all of the testimony that will be presented before this Committee. In our opinion this perspective was absent in the House of Representatives of this Congress when they recently reviewed rice legislation. On numerous occasions during the past two years, we have met U.S.D.A., various rice user groups, ad hoc committees and consumer groups across the table before subcommittees and committees of both Houses of the Congress debating changes in our rice legislation. What is of continuing concern to us is the propensity of these various special interest groups as well as U.S.D.A. to take a narrow time period, a peak in a cycle so to speak, and use the conditions occurring at that time to justify and "prove" all of their arguments. They have been successful in misleading many well-intentioned Members of Congress. We feel there is more wisdom in taking a longer term view of the rice industry when considering its problems and potentials. This, among other things, means recognition of the fact that cycles have bottoms as well as tops. At this point, we are somewhat on the downside of a trend, having recently been through a historical peak. In the judgment of many of us, the trend line will slope downward for some time.

Let me say at this point that we agree that some changes can be made in our existing rice legislation that will improve its effectiveness to all interests. We agree that parity is probably an obsolete index to utilize as a basis for a protective mechanism to rice producers through the low points of our price cycles. Providing farmers with the mechanism to preserve a stable base of production through the bad times as well as the good insures a consistent, dependable supply of rice for our domestic consumers and our export markets. Other indexes

may better serve the contemporary need to accomplish this objective while insuring consumers that prices are free to trend as low as actual cost and to keep us competitive in world markets.

We also agree that, to the extent that there is viable world demand for rice to be satisfied through expanded U.S. production, more rice should be grown. Because of our longer range perspective, upon which many do not focus because it does not serve their position well, we discount substantially the size of this expanded market, its consistency, and the economic ability of many areas in the world to buy our potential rice production.

Back in the real world where there are country bankers, PCA's and a lot of farmers who are pretty good businessmen, the problems of the world's food supply are of interest but they do not translate to a bankable, economically sound proposition.

Without change to our present legislation, and with only our present rice farmers, given stable year to year demand, we can easily double the production of rice for the food assistance programs of this country and for our commercial export markets. The key questions are, of course, where will the money come from to pay for this rice and will this additional demand be stable? These questions during the past two years of testimony on rice legislation have never been answered by any advocates for changes to our current rice legislation. In fact, most of the glowing projections of greatly expanded export demands that were projected before this very Committee less than a year ago have been proven wrong and illusionary. It seems to us poor judgment to dismember and change proven, good legislation unless the answers to those questions are first at hand.

I think this measure of our additional dormant production capacity points out the most critical problem that chonically faces the U.S. Rice Industry. Of all the problems that affect this industry, overproduction historically and currently overshadows all others. It is by far the number one concern of every rice farmer and with good reason—the Industry has had many such cycles of overproduction in the past and has the potential, within only one crop year, to be in a disastrous surplus situation again. In my opinion, we are in that situation now. It took less than a year. The production control mechanism in current law was a direct outgrowth of a previous rice over-supply problem in this country. While not perfect, it has worked pretty well. If necessary it can be modified somewhat, as for example, to give us a larger carryover of supply from year to year to meet current marketing patterns.

On one point, I want to be clear. We feel that this production limiting device, called into play when excess supply situations occur, is mandatory for the economic health of the rice production industry. I know you will find a comparable point of view from almost every rice producer organization in this country which has the job and experience of marketing the production of its farmers in international markets.

The reason for this statement is simple. Year in and year out approximately two-thirds of the rice production in the United States must be exported. The United States, producing only about two (2) percent of the world supply of rice, is a residual supplier of rice in the world market. Our markets and price levels are dependent on conditions in other rice producing areas over which we have no control. We have numerous costly health and regulatory standards in this country as well as very expensive crop inputs when compared to almost any other competing country. Our markets are dependent upon wars, weather and international politics. We have no futures marketing mechanism over which to spread risks. Our competitors in world markets are largely governments and quasi-government agencies, whose marketing and pricing decisions are often made outside of the area of economics. Most of our volume export sales to importing countries are to or through their government agencies. Since we can so abundantly out produce our markets, it becomes very important that we have the coordinated ability to increase or decrease the production of U.S. rice in accordance with world supply and demand conditions. As much as a farmer inherently dislikes Government controls, the fact is that, as far as the U.S. Rice Industry is concerned, these controls are the only effective means of controlling production. The substantial involvement, in almost every country in the world, of government in the rice business is the norm. Without a legislative mechanism to control production such as contained in current legislation, the only remaining limiting device is severe financial losses to producers, resulting in control of production always one year too late resulting in chronic instability in our supply and prices. We don't feel this serves any one's best interest.

In closing, we offer our assistance and continuing counsel to both the Congress and the Administration in reviewing and/or modifying our present legislation to make it a better and more responsive program for farmers, the related industry, Government and consumers. We are encouraged by the attitude of this Committee, as comprehensively reported by the Press, with regard to providing reasonable protection levels to U.S. agriculture to encourage stable production and prices. As a representative of a commodity with a production cost this year of \$350 per acre and which is subject to so many volatile demand factors, I assure you it is absolutely mandatory that reasonable price protection levels, together with a production limiting mechanism, be provided to rice farmers. These are necessary if we are to continue to build our Industry to meet our domestic market requirements, to expand our export markets strengthening the U.S. balance of payments position and to meet the future commitments of the U.S. Government in food assistance programs around the world.

Again, however, with regard to our particular commodity and because of the many unique factors which affect it, we feel that an even more critical requirement than a price support mechanism is the retention of the production limiting device as contained in current law to manage us through our periods of inevitable surplus with the least disruption to long-term stability of the Industry. We do not feel that a set aside approach, as typically contained in target price legislation, will, in any meaningful way, provide limitation of production as it is intermittently needed.

I appreciate the opportunity to present the viewpoint of our rice farmers to you today and will be pleased to try to answer any questions that you might have regarding this testimony or any other area of the rice business.

Senator LEAHY. The next witness is Mr. Martin S. Simon, senior vice president, Connell Rice & Sugar Co., Inc., Westfield, N.J.

Is Mr. Simon here? We will place his statement in the record at this time.

[The statement of Mr. Simon follows:]

STATEMENT OF MARTIN S. SIMON, VICE PRESIDENT, CONNELL RICE AND SUGAR CO., INC., WESTFIELD, N.J.

Mr. Chairman and Members of the Subcommittee, my name is Martin S. Simon, I am Senior Vice President of Connell Rice & Sugar Co., Inc. Rice is the most important product in our business. We are exporters and domestic distributors and have been in the rice business since 1912.

Deliberations pertaining to a change in the U.S. rice program have been going on for some thirty months now. Arguments against a change are essentially the same today as they were last year: First, we are reminded of the current "abundant" supply of rice, the "lack" of markets and the "low" prices; second, it is argued that the present program works well, so why change it or, as put more recently, it is not broken, so why fix it.

With respect to the first argument, I cannot resist pointing out that we are still operating under the present rice programs. It has not yet been changed. If there are problems, they are problems of the present program, and it is more than a little ironic to hear the present program being offered as a solution for problems for which it itself may be responsible.

Let's look at the record. In the argument against the target price proposal last year, we heard about the burdensome surplus and the outlook for a substantial increase in carryover stocks. In actuality, the ending stock of rice on July 31, 1975 was 7.1 million cwt., down from the 7.8 million cwt. on hand on July 31, 1974. All of last year we heard about limited export markets for U.S. rice. Yet we finished the season with commercial exports reaching a new record of about 1.5 million metric tons and earning over 700 million dollars in foreign exchange. How did this come about? The fact is that U.S. rice remained competitive in world markets for the entire marketing year. To put it another way, world prices were higher than the U.S. loan rate. If one examines the data over the past twenty years and classifies each year as to whether it was a year in which U.S. rice was competitive in world markets or one in which it was noncompetitive, a significant pattern becomes evident. Years in which U.S. rice was noncompetitive, that is, in which world prices were below U.S. loan rates, were years of declining or small dollar exports and excessive carryovers. On the other

hand, years in which U.S. rice was competitive, either because world prices were higher than the U.S. loan rate or because an export subsidy was provided which made up the price difference, dollar exports trended upward and the carryover remained generally at minimum levels.

Specifically, during the marketing years 1954 to 1958, U.S. rice was not competitive, as world prices declined under and remained below the U.S. loan rate. Dollar exports fell to under 10 million cwt. on a rough rice equivalent basis and large carryover stocks accumulated, ranging between 18 and 34 million cwt. In December 1958, an export subsidy program was instituted, U.S. rice became fully competitive, dollar exports rose steadily reaching about 35 million cwt. by the 1967-68 season and stocks were reduced to minimal levels of between 5.3 and 8.5 million cwt. In the middle of 1967, world prices rose over the loan rate and export subsidies were discontinued. During the marketing years 1968 and 1971, world prices again declined below the U.S. loan rate and subsidies, though eventually re-established, were limited by budgetary considerations and never fully made up the difference between the U.S. price and the world price. As a result, carryover stocks rose sharply and dollar exports collapsed. Carryover stocks did not quite climb to the levels of the 1954-57 period because substantial additional quantities of rice were exported under the PL 480 program. Nonetheless, carryover stocks rose to between 11.4 and 18.7 million cwt. and commercial exports fell from the then rate of 35 million cwt. in 1967-68 to only 16 million cwt. in 1971-72. In 1972, world prices rose above the U.S. loan rate, export subsidies were discontinued, and commercial exports increased sharply reaching a new record of about 45 million cwt. during the 1974-75 season. At the same time, the carryover was reduced to minimum levels.

This brings us to the "program works well, why change it" argument. It seems to me that this record itself challenges the contention that the present program works well. If it can be said to have worked, it has done so only because export subsidies at considerable cost were needed to promote dollar exports and hold the carryover to manageable levels. I would not consider a program that requires export subsidies one that works well or does not require fixing. In addition to their cost, export subsidies discriminate against the domestic consumer. In point of fact, the present program discourages growth and development and represents a source of uncertainty and instability. How can there be long-term planning and investment by producer, miller or commercial user in the face of production uncertainty not only in the future, but in the very next season? Will the Secretary of Agriculture decide that production is to be closed or open? If closed, at what level will he set acreage allotments? Will he require cross-compliance? Will he allocate 1 percent or 3 percent of the acreage allotment to new producers? If world prices decline below the loan rate, will he reestablish export subsidies in order to hold on to U.S. export markets or will the U.S. be relegated to the role of residual supplier?

A loan rate above world prices, unless modified by export subsidies, not only reduces export demand for U.S. rice but also encourages competition abroad thus worsening the situation for U.S. rice in the subsequent year. Unfortunately, the loan rate totally disregards marketing considerations in its determination, and the formula upon which it is based has caused the loan rate to rise sharply in recent years. It has climbed from \$5.27 per cwt. for the 1972 marketing year to \$8.52 per cwt. for the 1975 marketing year, a gain of 62 percent. This gain exceeded the increase in the consumer's price index which, during the same period, rose 22 percent, in the wholesale price index which rose 47 percent, the index of prices paid by farmers which rose 46 percent, and the index of prices received by farmers which rose 47 percent. Moreover, rice prices this marketing year are expected to be third highest on record. Perhaps this is why some of the present participants argue that the program works well.

There are three proposals before you today. From this fact, I think we can safely say there is general agreement that some change in the program is necessary. The disagreement is merely over the extent to which it needs to be changed. We find that S. 2385 represents so minor a revision to the present program as not to warrant consideration. The changes it proposes are not sufficient to insure a competitive posture for U.S. rice. S. 1645 does not suffer this liability. However, it does not have the broad support that exists for S. 2260 as evidenced by the action in the House Agriculture Committee and the House Rules Committee on its counterpart H.R. 8529. S. 2260 is the culmination of a long process of conciliation and compromise. As would be expected, it cannot and does not satisfy

everyone. However, I do believe it is a bill that represents the consensus of the majority and it also has our support.

In connection with the debate on H.R. 8529 in the House Committees, questions were raised regarding prices of rice to consumers under open production and the outlook for export markets for U.S. rice. Perhaps I can add something.

Although the per capita food use of rice in the United States annually is only about 7 pounds, in Hawaii it is about 70 pounds per capita, in Puerto Rico about 135 pounds per capita, and, I believe, Chinese-Americans or Japanese-Americans may use as much as 300 pounds per capita. When prices shot up sharply two years ago, these consumers protested vigorously and determined to support rice programs that provided for open rice production and the inherent right of any American farmer who wanted to grow rice to do so. In consequence, they have given their support to S. 2260. The fact is that American rice consumers have benefited from two years of open producing. Bureau of Labor Statistics data show that retail prices of long grain rice declined about 13 percent between June 1974 and October 1975. Although a significant decline, this is an average of retail prices across the nation and does not tell the story of the change in prices in those stores located in neighborhoods in which per capita use is high and rice is a volume leader. For example, prices of short grain rice in retail stores servicing Spanish-speaking neighborhoods in New York City rose from \$1.79 per 10-pound package in November 1972 to a high of \$3.79 in March 1974 and have since declined to \$2.49, down about 35 percent from the high. Similar variations are reported for prices paid at retail and paid by restaurants in New York's Chinatown. These price fluctuations mirror very closely fluctuations of farm prices over the same period. As a matter of fact, national data show that, although the absolute farm-retail price spread has widened, the farmers' share of the retail price currently is not out of line with the long-term experience. The point is that changes in farm prices for rice have been followed at the retail level, particularly in consumer markets where rice is important.

There is both a short and long range perspective to export markets for U.S. rice. In the long range, there is the widening disparity between food production and population; the former struggling to increase, the latter apparently impossible to contain; one rising at a linear rate at best, the other increasing geometrically at a rate approaching 80 million people per year. With the growing food-population inequality, we are no doubt witnessing a test of modern civilization. For rice, the outlook appears particularly explosive. Over the past fifteen years, world rice production (excluding the People's Republic of China) has grown at an annual rate of about 3.8 million metric tons. In the early years, this was equivalent to a growth rate of almost 2.4 percent a year, by 1975 it was 1.8 percent, and by 1985, if it can be sustained, will be but 1.5 percent. Compare this with rates of population growth in the rice consuming world in excess of 2.5 percent, and there is no place for production on a per capita basis to go but down. Superimpose on this picture the additional demand represented by improving incomes, the exhaustion of stocks, and difficulties on the supply side such as changes in weather patterns including an irregular monsoon and the spread of the Sahara southward, lack of irrigation, reduction in arable land, and higher cost production inputs, and the conclusion is inescapable that we are heading into periods of shortage of greater frequency and greater severity than anything we have seen. A major food study recently concluded by the Japanese Ministry of Agriculture predicted worldwide shortages of rice by 1985. In this context there is no justification, moral or otherwise, for the continuation of a program which limits the production of a commodity as basic as rice.

In the shortrange, it is the type of rice program that is the determinant of the export potential for U.S. rice rather than the reverse. The long-range prospect conveys a sense of urgency, but it does not alter the fact that the present program is fundamentally flawed and needs to be revamped. We have already noted the growth of commercial rice exports when U.S. rice is competitive in world markets. The loan rate level of the present program is set without such considerations and, more often than not, above world prices. Under the present program or under S. 2385, when this happens, and it will, and, if export subsidies are not re-established, which is likely, the U.S. in effect gives up its rice markets and concedes the export potential to others. The resulting distortions in production or threats thereof discourage investment and lead ultimately to greater price volatility. S. 2260, by changing the loan rate structure, will permit U.S. rice to remain competitive, encourage the growth of export markets for U.S. rice, and stimulate the investment needed to capitalize on that growth and to prepare for future needs.

The record shows what American rice can accomplish when competitive in world markets. The world market for rice is clearly expanding. We need S. 2260 if we are to participate in that market growth on a rational basis and, at the same time, be in position to meet our humanitarian obligations.

Senator LEAHY. The next person I will call on will be Steve Spinola, administrative director, World Hunger Year, Inc., New York, N.Y.

Mr. KLEBNER. My name is Lawrence Klebner.

Senator LEAHY. You are from the Action Committee on Hunger?

Mr. KLEBNER. That is right. Mr. Spinola could not be here on behalf of World Hunger.

Senator LEAHY. Now I will call on Mr. Lawrence M. Klebner, chairman, Political Action Committee on Hunger, New York, N.Y.

STATEMENT OF LAWRENCE M. KLEBNER, CHAIRMAN, POLITICAL ACTION COMMITTEE ON HUNGER, NEW YORK, N.Y.

Mr. KLEBNER. On behalf of World Hunger Year, WHY, I wanted to share some of my personal thoughts.

First, I would like to tell you that WHY is not in the business of growing rice, nor is it in the business of selling rice. It is an organization that has been formed to deal with hunger and malnutrition that exists in the United States and in the Third World around the world. We have through many programs, educational programs, through our exposure on television, tried to educate the public to many problems that exist here in the United States and around the world due to insufficient supplies of food.

It is our conviction that the United States has a moral obligation to insure that our citizens and, indeed, people of all nations, do not needlessly suffer from hunger and malnutrition. With respect to our global policy, President Ford this past year stated before the United Nations General Assembly:

The United States recognizes the special responsibility we bear as the world's largest producer of food . . . , and he added that this is one reason why we have removed restrictions on food production in the United States.

However, despite the President's statements, the United States continues its restrictive national rice program which effectively reduces production and elevates rice prices to artificially high levels.

I submit that our Nation's program of regulating rice production is essentially a relic of the past whose priorities and objectives are simply out of step with today's food crisis. Our rice program is a product of the 1950's, when there was great concern over extensive rice surpluses and depressed prices. The problem of surpluses was resolved through establishment of acreage allotments and marketing quotas beginning with the 1955 crop. These devices act as incentive to farmers to reduce production. Acreage allotments have been in effect ever since; while marketing quotas have only recently been removed for the first time.

While this artificial limiting of the rice crop might have served a useful purpose two decades ago, it only contributes to the world food shortage problem today. Although marketing quotas have been relaxed recently on a year-by-year basis, this minimal amount of flexibility is not nearly adequate to meet the current need. It is irrational, for example, to expect to lure new rice producers to make the extensive

capital investment necessary when they can never predict what the government's allotment and quota policies will be in the future.

Recently, two problems have been recognized as critical national concerns. First, the plight of the world's hungry has worsened to a degree where analysts predict millions of starvation deaths due to an insufficient world food supply. Second, the American consumer is being hit with an inflationary wave which has doubled the retail price of rice. These figures are all the more horrifying when we consider the crucial role rice plays in the diets of the poverty-stricken. In this country, the majority of the rice crop is sold to low-income groups; and overseas, rice makes up the bulk of the diet in many Third World countries. Underscoring the special importance of this crop to the most needy part of the world, the New York Times wrote:

In country after poor country, its production is endless, almost ritualistic drudgery of stoop labor in the sun; whole families bent together on pitiful plots, men, women, and children struggling to stave off starvation, pushing hand-grown shoots into sticky gumbo, one by precious one, row after tiring row, year after year after year, until rice becomes as much a part of the psyche as of the diet.

On the other hand, the American consumer is also in a predicament. Here the consumer must pay to support the rice farmer; must pay to support rice export prices when world prices fall below our market price; and must also pay unnecessarily high retail prices. Although rice is not a major part of most American's diets, it is a staple, even a necessity, of our poor, our elderly, our minorities and our immigrants. These are the very people least able to deal with the ravenous inflation that is already eating into their pocketbooks. The enormous hikes in rice prices are a particularly cruel burden because there is no cheap substitute for rice. In fact, rice is the traditional substitute, thought it is no longer cheap. For the poor, an increase in rice prices often means that they simply eat less, thus subjecting themselves to the serious health effects of malnutrition.

World Hunger Year believes that Senate bills such as 2260, 1645 is the type of legislation this country now needs. Although we would prefer rice to be treated as other commodities and placed on an open and free market, this solution may represent a too-sudden turnabout in our rice program, and the target price approach may be more practical under the circumstances.

Perhaps there may have been a time when the rice farmer deserved the type of protection our current rice program extends, but the time has now come to take notice of new and over-riding developments which compel a reevaluation of our priorities.

In closing, I submit that the guidelines for a new national rice policy were publicly stated when Secretary of State Kissinger addressed the World Food Conference last November. The Secretary stated:

A handful of countries, through good fortune and technology can produce more than they need and thus are able to export. Reliance on this production is certain to grow through the next decade and perhaps beyond. Unless we are to doom the world to chronic famine, the major exporting nations must rapidly expand their potential and seek to insure the dependable long term growth of their supplies.

They must begin by adjusting their agricultural policies to a new economic reality. For years these policies were based on the premise that production to

full capacity created undesirable surpluses and depressed markets, depriving farmers of incentives to invest and produce. It is now abundantly clear that it is not the problem we face; there is no surplus so long as there is an unmet need.

Thank you.

Senator LEAHY. Thank you very much. You are obviously in disagreement with some of the previous witnesses. Have you or your organization met with some of the other organizations, some of the rice growing organizations, and had any kind of a dialog between the two?

Mr. KLEBNER. I have been down here before for the purpose of testimony and have met with a number of the people who have testified here today. One of the basic differences seems to be where the personal priorities are.

Senator LEAHY. I know Mr. Newman mentioned it, that one of the committees had been in contact with him before. Go ahead. I didn't mean to interrupt.

Mr. KLEBNER. I have met with a number of rice growers, a number that are appearing in favor of this type of legislation I have mentioned perhaps fall in the category of not having opportunities that the old growers do have and see that that is the opportunity for the future. The old growers that I have spoken to in the past seem to have basic concerns about their own interest, protecting their own personal future. The issue of world hunger around the world or basic malnutrition has not been, to my sense, a great priority to that group.

Senator LEAHY. Thank you.

[The prepared statement of Mr. Klebner follows:]

STATEMENT OF LAWRENCE KLEBNER, ON BEHALF OF WORLD HUNGER YEAR, INC.,
NEW YORK, N.Y.

I'd like to express my gratitude to Senator McGovern for his invitation to World Hunger Year to testify today. I would also like to thank this committee, both personally and on behalf of the Board of Trustees of World Hunger Year for this opportunity to speak.

As the Legislative Consultant to World Hunger Year I am primarily concerned that there is not significant recognition of the relationship of this area of legislation to the food crisis, a crisis that as you know is one of major proportions here in the United States, as well as the rest of the world.

World Hunger Year, WHY, has a simple purpose—to try in the most effective ways possible to move towards ending chronic malnourishment from today's world. Our means are (1) to expose the dimensions of the problem through the media and various structured events and (2) to run educational programs in schools at all levels, churches and community groups.

Money is raised through the efforts of entertainers like two of our Board Members Harry Chapin and Don McLean.

More importantly we believe they help us raise consciousness about the world hunger situation and to show that there are real opportunities for positive action. WHY has reached over 100,000 young people in the last 9 months in various programs in more than 50 high schools, 12 colleges and numerous other local forums. WHY Board Members have made hunger related appearances on various TV programs such as *The Tonight Show*, *The Mike Douglas Show*, *Geraldo Rivera's Goodnight America*, *AM America*, CBS's *Look Up and Live* and many nationally syndicated radio shows.

These and other efforts by people at WHY and the dozens of other active organizations in the field are starting to have an accumulated effect—people are becoming aware that there are perhaps one billion hungry people in the world. People are becoming aware that not charity, but justice is the issue, that America is no longer the most generous nation in the world, but in fact the percentage of

our GNP budgeted for economic assistance to Developing countries ranks 14th out of 17 donor nations, that we in this country with our expensive consumption habits and our regressive policies have indeed become a part of the problem.

With this in mind, we at World Hunger Year, along with most other domestic and international hunger groups are operating with the growing awareness of how political and economic policies dictate many of the conditions that we are hoping to alleviate. For example, the United States alone has more control over the world food situation than the Arab nations have over oil. Our national food and trade policies almost literally dictate what happens in certain areas of the world in terms of the most important fuel of all—the calories and proteins that fuel men, women and children's lives.

Too often in the past we have used this power with only short term political goals in mind. Some of our most important food policy makers have pointed out that food can be a weapon. Unfortunately, we have succumbed to the temptation to use it that way. The various perversions of the original intents of P.L. 480, the Food for Peace program, are well known to all of us who have seen how this supposedly humanitarian aid does not go to the most needy peoples, or get to those agencies or governments with the ability or will to distribute it. We are pleased with the current efforts being taken in this house to correct this problem.

WHY is specifically interested in ending the rice growing restrictions and artificial high price supports, for it seems to us as morally indefensible to curb any form of food production when there are millions of people starving in our land and hundreds of millions starving in the world community.

Much of the limited amounts of food that we do send abroad is unfortunately in a form that will not be readily integrated into the diets of those we intend to help. Dried milk, for example, turns out to be not usable in many cultures. This is not true of rice, it is in fact, a basic staple of many of the most needy people of the world.

Rice is also important here in the U.S. The lower the income group and the greater the level of hardship, the higher the percentage of rice is found in the diet. Thus low rice production and high rice prices has a direct negative effect on the most malnourished elements in our society.

The past few months clearly indicates the difficulties of predicting future world food production. What was expected to be a record year for corn, wheat and other staples, has become at best, average. To continue to place limitations on rice production in this nation only adds to the great insecurity of the world's food supply. We are aware that a change in the rice law by itself will not end hunger, however with improved changes in P.L. 480 and the International Development and Food Assistant Act of 1975, we can begin to move towards that end.

President Ford and Secretary Kissinger have both said that it is the policy of the U.S. to do everything reasonably in its power to erase the spectre of hunger from the earth. Senate bill 2260 will support such a policy.

Senator LEAHY. Wayne Horiuchi, Washington representative, Japanese American Citizens League, Washington, D.C.

STATEMENT OF WAYNE HORIUCHI, REPRESENTATIVE, AD HOC COMMITTEE OF RICE CONSUMERS AND WASHINGTON REPRESENTATIVE, JAPANESE-AMERICAN CITIZENS LEAGUE

Mr. HORIUCHI. Mr. Chairman and members of the subcommittee: I am Wayne Horiuchi, representative of the ad hoc committee of rice consumers and the Washington representative for the Japanese-American Citizens League. The ad hoc committee of rice consumers is composed of a number of consumer and ethnic groups who consume large quantities of rice. A list of the organizations is attached to my written statement.

The Japanese-American Citizens League is a national organization of nearly 30,000 members with 98 chapters throughout the continental United States. Our headquarters are located in San Francisco, and a majority of our members reside in California. Open to all citizens of the United States, the Japanese-American Citizens League is one of the few national Asian-American organizations and serves predominantly the needs of the Japanese-American community.

As is well known, rice is a staple in the diet of all Asians, and last year, our community was appalled by the rice price spiral; 104 percent according to the Federal Reserve Bank of Richmond. This price action impelled the Japanese-American Citizens League to join the ad hoc committee of rice consumers and bring its plight to Congress. We quickly found that other minority groups who consume rice on a daily basis were in a similar situation. These groups include blacks, Chinese, and Spanish-speaking Americans. I might also add that the poor and immigrants also consume rice but tend to have little political clout in the Halls of Congress. I would like to summarize the aspirations of these groups as they pertain to pending legislation affecting the rice programs.

Primarily, we feel that all growers should be allowed to grow rice all of the time, that loans should be made available to all growers of rice, and further, that these should be at a level which is noninflationary and which does not lead to export subsidies. We feel that a target price concept, such as under S. 2260, should be adopted for rice in lieu of the existing outmoded program which is inflationary. If the existing program—at high prices—is continued, domestic demand for rice will prove elastic in the long run, and consumers will change their habits and eat substitute foods.

This type of substitution and consumer resistance has shown itself repeatedly with such commodities as meat, sugar, and even gasoline. Demand from abroad will also evaporate as we price our rice out of the market. Certainly poor countries are sensitive to price increases, too. The taxpayer will subsequently shoulder the burden of large surpluses. Eventually even the farmer will suffer as payments for surpluses will become politically unacceptable. These are the types of dislocations that inflationary and monopolistic programs, such as the one which now governs rice, produce. We, as consumers, are first to be dislocated and have come to tell you of our circumstances. We urge that rice be put on a more equitable basis.

The economics of rice maybe discomfoting, but they fail to portray the human element. Let me just say that rice is a staple of the Asian culture and diet. The Issei, or first generation Japanese-Americans do not have the financial wherewithal along with the poor of other minority groups to meet increasing prices of food. We respectfully request your careful consideration of legislation that will not allow the price of rice to increase.

Thank you, Mr. Chairman.

Senator LEAHY. Thank you very much.

[The list of the Ad Hoc Committee of Rice Consumers referred to above follows:]

THE AD HOC COMMITTEE OF RICE CONSUMERS

- | | |
|-----------------------------------|-----------------------------------|
| Wayne Horiuchi | Florence Rice, President |
| Washington Representative | Harlem Consumer Education Council |
| Japanese American Citizens League | National Black Consumers |
| 1730 Rhode Island Ave. N.W. | 1959 Madison Avenue |
| Suite 204 | New York, New York 10035 |
| Washington, D.C. 20036 | (212) 926-5300 |
| Mannuel Gonzales | K. L. Wang |
| National President | National President |
| League of United Latin | Organization of Chinese Americans |
| American Citizens | 1940 Dundee Road |
| 1712 North 15th Street | Rockville, Maryland 20850 |
| Waco, Texas 76707 | (202) 634-1175 |
| (817) 754-2185 | Dr. Leslie S. Hiraoka, |
| Harry Chapin, Founder | Chairman |
| World Hunger Year | Ad Hoc Committee of Rice Users |
| East 48th Street | Department of Economics |
| New York, New York | Kean College of New Jersey |
| Robert Tsang, President | Union, New Jersey 07083 |
| Rice Consumer Institute | (201) 527-2067 |
| Of America | Larry Klebner, Chairman |
| 106 Mulberry Street | Action Committee on Hunger |
| New York, New York 10013 | 2 Tutor City Place |
| (212) 226-7279 | New York, New York 10017 |
| Peter Wong, Secretary | (212) 557-1161 |
| Chinese American Restaurant | Al Smoke, President |
| Association of Greater New York | The New York Consumer Assembly |
| 173 Canal Street | 465 Grand Street |
| New York, New York | New York, New York |
| (212) 965-5747 | (212) 488-5666 |

Senator LEAHY. Is Dr. Girouard here?

Now that I have you comfortably seated, I am going to have to go for a vote. I shall be back in just a few minutes. We will recess for just a couple of minutes.

[Short recess.]

Senator LEAHY. Dr. Girouard, I apologize. The way the votes have been scheduled today, it has been of a jack-in-the-box day. Go ahead with your statement.

STATEMENT OF DR. R. E. GIROUARD, JR., LOUISIANA FARM BUREAU
FEDERATION, KAPLAN, LA.

Dr. GIROUARD. My name is R. E. Girouard, Jr., a rice producer residing at Kaplan, La. My farm is located in Vermilion Parish, one of the major rice-producing parishes in our State. I would like to thank you for this opportunity to testify in support of S. 2385.

I came a long way. I thought I would have an opportunity to testify before the full committee. I see this is not possible. I will take my 10 minutes at least to testify to you in person.

Senator LEAHY. I would like to point out something that has raised as much interest as the rice legislation, and that is the fact that there are so many people here to testify. I know that I will be reviewing most of the testimony, and I suspect that most members of the Senate Agriculture Committee will review the testimony as will Senator Talmadge, the chairman of the committee.

Dr. GIROUARD. I do hope you review it very seriously. I would like to state as a farmer and as a member of many organizations, I would be happy to meet with the representative of the Committee on Hunger out of New York and the Japanese-American representative to clarify some issues. I am sure they would not want us to produce rice at a loss, as they would not want to operate any business at a loss either.

My testimony will reflect my personal views and opinions with regard to proposed rice legislation. However, I am a member and president of Vermilion Parish Farm Bureau and support in total the position and testimony presented to you by Louisiana Farm Bureau and American Farm Bureau Federations.

Rice farmers in my area, as well as the rest of the country, are cast in the role of competing in world markets, but we are confident that we can meet this competition provided we can be assured of free and open access to these markets. We cannot stand the implications incurred when our rice markets are used as a political football in international trade policy. Generally, our rice is of higher quality than that grown in most parts of the world. Also, we are constantly incorporating methods that provide for more economical production.

It is foolish to think that rice production can be shifted to areas that could produce this crop more economically due to the fact that traditional rice-producing areas have made the necessary capital investments in milling and drying facilities, transportation, equipment, and knowledgeable, experienced labor is available.

Those who purport to offer reduced prices to consumers resulting from increased production simply are not aware of the facts. Retail rice prices have not been reduced substantially even though prices received by farmers have been reduced by more than 50 percent from the levels prevalent in 1973 and 1974.

As I stated earlier, our area has made the necessary investments for a viable rice industry. The entire economy of my parish revolves around the rice industry. Statements have been made to the effect that rice should be grown in the areas that can produce the crop most economically. I submit to you that the farmers in my area can produce rice as efficiently and economically as anyone in this country; but, if production is encouraged by legislation or administrative action, such uncontrolled production could increase supplies to the point of bankrupting all producers—old and new. Then, what will we have accomplished? In my area, this type of situation would mean additional unemployment, severe financial hardships to area businesses such as implement dealers, fertilizer distributors, seed companies, chemical companies, cropdusting services, and all other agribusinesses related to the production of rice.

And what about the rice farmer? I live in an area where the land devoted to the production of rice is not economically suitable for the production of any other crop nor is it favorably suited for any livestock enterprise. Will the Government then have the responsibility to support farmers and others who have been displaced from the rice industry? Do we want to increase the burden on our Government by causing these people to seek welfare assistance and food stamps? I realize this may seem farfetched to you, but it is a very real possibility if Congress and the present administration continue to tamper with our industry.

My family has been farming in that area for several generations. We have had a sound industry over the past 20 years. I feel we can continue to produce a sufficient supply of quality rice for U.S. consumers and assure our country of adequate supplies available for export markets within the existing rice program. I know that the members of this subcommittee and other Members of Congress are not anxious to pass any legislation that would be disastrous to anyone, but I am sincere in stating that if Congress passes target price legislation for rice, irreparable damage will be suffered by the industry.

I believe my testimony clearly indicates that I support continuation of our present rice program. As a compromise, S. 2385 comes close to being satisfactory because it provides for production controls when supplies become excessive, but I am vigorously opposed to passage of any target price concept legislation, and I earnestly request your opposition to all target price legislation.

I thank you for your attention and for the opportunity to present this testimony and welcome any questions.

Senator LEAHY. I think you have covered your position very clearly, Doctor, and very well. We do appreciate your making the effort to be heard.

Dr. GIROUARD. Thank you.

Senator LEAHY. Mr. Guthrie, president, American Rice Growers Cooperative Association, Dayton, Tex.

Mr. Guthrie is from Dayton, Tex. He is the president of the American Rice Growers Cooperative Association. That is primarily Texas and Louisiana?

Mr. GUTHRIE. Yes, sir.

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

Mr. GUTHRIE. I will scan through my statement to conserve a little time.

Mr. Chairman and members of the committee.

My name is F. E. (Gene) Guthrie. I live in Dayton, Tex., about 40 miles east and north of Houston, Tex., where I farm about 500 acres of rice and 800 acres of soybeans.

I am the president of American Rice Growers Cooperative Association, a more than 50 year-old cooperative marketing association of some 2,500 rice producers in Texas and Louisiana.

We appreciate the opportunity to express our opinions concerning rice legislation.

I list some things that set out rice as a very different commodity from other grain.

In my statement I list some requisites of sound rice legislation, also I discuss target price legislation.

Since my last appearance before this committee, I have spent a great deal of time examining this new legislative proposal to find its real purpose. I come to the following conclusions:

One: It is NOT to reduce cost to Government since the present program properly administered is designed to balance supply demand so that the taxpayer would not be burdened with paying for a surplus of rice in storage.

Two: It is NOT to increase production to feed the starving masses in this hungry world because the present program does not restrict rice production except when there is a surplus.

Three: It is NOT to make rice cheaper in the supermarket, since the price paid by the housewife has increased while the price to the farmer has decreased.

What then is the purpose of this proposal?

We can only conclude that the primary purpose is to encourage an expansion of the rice industry in Arkansas and Mississippi—resulting in a tremendous surplus—to the delight of the processors, exporters and brewers, and to the financial ruin of many lifetime rice farmers.

We are presently harvesting the largest rice crop ever produced in the United States. We have lost one-quarter of our export market and are faced with a surplus of some 20 million hundredweight. Prices to the farmer have dropped to the lowest point in several years.

What merit is there then in this proposal to increase production?

We in American Rice Growers Cooperative Association cannot support this concept of agricultural stability, but view it as a step backward to the days of boom and bust agriculture.

Gentlemen, we thank you.

Senator LEAHY. You see a substantial regional interest in the committee, but an interest that would favor primarily Arkansas and Mississippi?

Mr. GUTHRIE. Right.

Senator LEAHY. Thank you.

[The prepared statement of Mr. Guthrie follows:]

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

Mr. Chairman and Members of the Committee, my name is F. E. (Gene) Guthrie. I live at Dayton, Texas, about forty miles east and north of Houston, Texas, where I farm about 500 acres of rice and 800 acres of soybeans.

I am the President of American Rice Growers Cooperative Association, a more than fifty year old cooperative marketing association of some 2,500 rice producers in Texas and Louisiana.

We appreciate the opportunity to express our opinions concerning rice legislation.

RICE AS A COMMODITY

I would point out these several characteristics which cause rice to differ markedly from other field crops:

- (1) It is one of the most expensive field crops produced in the United States.
- (2) There is no general market quotation, either spot or futures, for rice.
- (3) The United States, with about one percent of the world's acreage and two percent of its production accounts for about twenty-five percent of the international trade in rice and two-thirds of U.S. production going to the export market.
- (4) Substantially all of the world trade in rice is government controlled, including the one-third of the U.S. crop that has been produced the past twelve years for PL 480 sales and AID commitments.
- (5) Deliveries to government CCC stocks have been nominal during the past ten years.

REQUISITES OF SOUND RICE LEGISLATION

We believe that there are three major requirements that should be embodied in any new legislation for rice.

(1) *Protection to old producers.*—Heretofore, this has been accomplished by acreage allotments based on history of production of rice.

When the acreage-allotment—marketing quota program became effective in 1955, U.S. rice producers had, for all practical purposes, one export market—Cuba—and domestic consumption was under four pounds per capita. For twenty

years the U.S. rice industry has put up its own money, with by far the major part coming from producers, and worked with our government to promote domestic consumption and develop export markets for rice. Today we export to well over 100 countries in the world and domestic consumption has doubled to more than eight pounds per person.

We cannot believe it is fair or equitable to throw these hard won and costly markets open to anyone who thinks he wants to grow rice to the detriment of producers who developed the markets, so long as these producers can supply market demands.

2. *Production controls.*—There is no question that the U.S. rice industry can produce itself into catastrophic surplus in any one year in the absence of some device to control production when surpluses become too large. Heretofore, this device has been marketing quota penalties equal to the support price.

Other methods can be used such as "triggering" of marketing quotas at certain surplus levels, adjustment of loan or support price levels or other techniques.

We still need this. We recognize also that our government wants, needs and indeed, has forced farmers to produce rice to meet this nation's overseas requirements of its allies and friendly nations.

Additionally, if we are to have reasonably cheap food prices in this country it will be by virtue of adequate production and I believe that if we are going to get that kind of production, the farmer must have some assurance that he will at least get back his cost of production.

THE TARGET PRICE CONCEPT DOES NOT INCLUDE THESE REQUIREMENTS

Since my last appearance before this Committee, I have spent a great deal of time examining this new legislative proposal to find its real purpose. I come to the following conclusions:

(1) It is NOT to reduce cost to government since the present program properly administered is designed to balance supply-demand so that the tax-payer would not be burdened with paying for a surplus of rice in storage.

(2) It is NOT to increase production to feed the starving masses in this hungry world because the present program does not restrict rice production except when there is a surplus.

(3) It is NOT to make rice cheaper in the supermarket, since the price paid by the housewife has increased while the price to the farmer has decreased.

What then is the purpose of this proposal?

We can only conclude that the primary purpose is to encourage an expansion of the rice industry in Arkansas and Mississippi—resulting in a tremendous surplus—to the delight of the processors, exporters and brewers, and to the financial ruin of many lifetime rice farmers.

We are presently harvesting the largest rice crop ever produced in the U.S. We have lost one-quarter of our export market and are faced with a surplus of some 20 million hundredweight. Prices to the farmer have dropped to the lowest point in several years.

What merit is there then in this proposal to increase production?

We in American Rice Growers Cooperative Association cannot support this concept of agricultural stability, but view it as a step backward to the days of boom and bust agriculture.

Gentlemen, we thank you.

Senator LEAHY. John C. Datt, director of congressional relations, American Farm Bureau Federation, Washington, D.C.

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

Mr. DATT. Thank you very much.

We appreciate the opportunity to present the Farm Bureau's views regarding rice legislation, and in the interest of time, I would appreciate it if our full statement could be filed and made a part of the record.

Senator LEAHY. It certainly will be.

Mr. DATT. In our statement we indicate we favor continuation of the present rice program. We have a statement of policy here that was adopted by our voting delegates at the last annual meeting.

Then, in addition to that, we have a rice advisory committee that is made up of rice producers from all over the various rice States—Arkansas, Louisiana, Mississippi, Texas, and California.

And as is indicated in the statement, they made specific recommendations to our board of directors which are contained in the statement.

Generally, they would indicate our opposition to S. 1645 and S. 2260. They would indicate our support for S. 2385 with several amendments which we have listed here in our statement.

In summary, I will say that the Farm Bureau does not support the target price compensatory payment approach as is indicated in some of the bills before the committee. We do indicate a support for the continuation of the present rice program and recognize that the legislation contained in S. 2385 makes some changes in the law, and would support that approach with several amendments that we have listed here.

Senator LEAHY. Thank you. I appreciate it very much.
[The prepared statement of Mr. Datt follows:]

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

We appreciate the opportunity to present Farm Bureau's views regarding rice legislation.

Farm Bureau is the largest general farm organization in the United States with a membership of 2,393,731 families in forty-nine states and Puerto Rico. It is a voluntary, nongovernmental organization, representing farmers who produce virtually every agricultural commodity that is produced on a commercial basis in this country. As a consequence, we have a deep interest in all aspects of individual farm commodity programs.

The American Farm Bureau Federation favors continuation of the present rice program. At our most recent annual meeting, the voting delegates of the member State Farm Bureaus adopted the following policy position:

"We favor the continuation of the present rice program; however, in view of strong grower dissatisfaction with administration of this program and our opposition to the target-price concept, we recommend that Farm Bureau immediately initiate a study of possible alternatives for future rice programs."

Following the annual meeting, the rice commodity divisions and advisory committees of the several State Farm Bureaus in the rice producing states studied the present program and its administration; and, through the American Farm Bureau's Rice Advisory Committee, made the following recommendations for legislative changes which were approved by the AFBF Board of Directors:

- "(1) A permanent amendment to the present law (not cycling legislation).
- "(2) A 2.0-million-acre allotment base for producers with allotment history.
- "(3) Unrestricted U.S. rice production unless carryover is greater than 20 percent of a normal supply. (The intent of the recommendation is to allow for a carryover equal to 20 percent of estimated domestic consumption and export).
- "(4) Benefits for allotted acres not to be affected by open-end production.
- "(5) CCC loans for the production of allotted acres.
- "(6) An initial loan level based on 60 percent of parity or \$8.00 per hundred-weight adjusted annually for changes in the prices of the production cost items in the parity index.
- "(7) Authority for the transfer of acreage allotments through sale or lease within states or administrative areas (language 'person' rather than 'producer' preferred).
- "(8) Repeal of the authority for new producer allocations. Authority for state ASCS committees to make adjustments in (not to exceed 1 percent of total allotment) 'hardship' situations."

S. 1645 and S. 2260 are not consistent with these recommendations. Specifically, Farm Bureau is opposed to the "established price" or target price concept. Our policy states that the target price concept, which includes the compensatory payment approach in disguise, is unsound at any level.

Any legislative proposal for expanding U.S. rice production that disregards the uncertainties and realities of the present rice situation is not in the best interest of rice producers. S. 1645 and S. 2260 are such proposals. The following are but a few of the elements that characterize the present and longer-term U.S. rice situation.

1975 U.S. rice production is now estimated at a record 124.1 million hundredweight—9 percent greater than in 1974.

1975 world rice production is expected to exceed 1974 production by 4 to 5 percent.

U.S. rice carryover for August 1, 1976, is currently projected to range between 14.7 and 21.7 million hundredweight. If the 1976 carryover is within the range indicated by these projections, stocks on hand August 1, 1976, will be from 107 to 206 percent greater than those on hand on August 1 this year.

USDA has projected 1975-76 rice exports to range between 66.4 and 72.6 million cwt. "Outstanding export sales" of rice as reported in USDA-FAS estimates of October 26, 1975 were 53 percent less than on the comparable date last year. If rice export market activity does not improve, final 1975-76 exports are likely to be significantly below the USDA range.

U.S. rice exports depend heavily on the P.L. 480 Program.

Only 700,000 of a projected 1 million tons of rice were shipped under last year's P.L. 480 long-term, low-interest, sales program.

USDA indicates that the P.L. 480 program for 1975-76 includes no more rice than the amount shipped during 1974-75.

Cambodia and S. Vietnam are no longer recipients of P.L. 480 rice and, furthermore, these countries are likely to become net rice exporters.

Worldwide inflation and the cost of oil have impacted heavily on the purchasing power of developing countries—potential commercial markets for U.S. rice.

Per capita U.S. rice consumption is relatively stable.

Farm Bureau believes that rice legislation must be considered in light of these uncertainties and realities. The recommendations we offer were so developed. They recognize the need for amendments to the present rice program on the one hand balanced against the need for the development of reliable commercial export markets on the other.

S. 2385 is consistent with our recommendations; however, we would like to offer the following technical amendments which in no way change the thrust of the bill.

(1) On page 3, lines 17, 19, and 22, add the words "or administrative area" after the word "State."

(2) In line 11 on page 4, strike "cost of production" and insert "support level."

(3) In lines 21, 24, and 25, on page 5, strike "cost of production" and insert "support level."

(4) On page 6: (a) in line 5 strike "cost of production" and insert "support level," and (b) in lines 6 and 7 strike "a cost of production index for rice" and insert "the index of prices paid by farmers for production items, interest, taxes and wage rates."

We urge the Committee to give favorable consideration to these amendments and to the passage of S. 2385.

Senator LEAHY. On behalf of the committee, I want to express appreciation that people have kept well within their time period.

B. F. Smith, executive vice president, Delta Council, Stoneville, Miss.

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

Mr. SMITH. Mr. Chairman, I will also try to stay within my time limit.

Senator LEAHY. I understand that you have a number of other statements that you want to have included in the record, and they certainly will be.

Mr. SMITH. I appreciate it very much.

My name is B. F. Smith. I am vice president of Delta Council, an organization representing the 18 Delta and part-Delta counties of Mississippi. Our area is largely dependent upon agriculture for a livelihood and our principal crops are cotton, soybeans, and rice.

Mississippi has been producing rice commercially since shortly after World War II, a period of more than 25 years. The fact that we have a relatively small share of the national rice allotment is due to the restrictive nature of the rice program rather than to a lack of resources that can be devoted to rice or to a lack of interest in rice production. We also have an abundance of water for irrigation, both from underground and surface sources. In addition, we have a rice mill located in Cleveland, Miss., and we have inland ports located at Greenville and Vicksburg on the Mississippi River. The combination of adapted land resources and easily available water supplies makes it possible for the farmers of our area to excel in rice production. We produce good yields of long grain high quality rice, and rice offers more opportunities for the efficient use of our heavy clay soils than any other crop.

We strongly endorse the rice program provided by the legislation introduced by Senator Stennis, Senator Eastland, and Senator McClellan, S. 2260. The purpose of this program is to establish for rice farmers the same kind of producer freedom and market-oriented policy which has been provided for other major farm commodities. The shift from rigidly controlled rice production to a market-oriented rice program, which this legislation would provide, clearly recognizes the special importance of the historic or the old rice producer. The old rice grower will be protected by the target price mechanism and the loan program. He also will profit by an increase in the minimum acreage allotment that is provided in the bill. The new rice farmer will be provided an opportunity to grow rice based on his evaluation of the supply-demand conditions in the marketplace and can, therefore, use his land resources more efficiently.

He would be the one to make the first adjustment in terms of supply because he does not have the protection offered to him by the old grower.

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

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

In 1974, the United States exported slightly over \$1 billion worth of rice. The outlook for 1975 is for an even higher export level and

there is every reason to believe that the United States can count on continued strong export demand for this important food crop. Only last week, the sale of a large quantity of rice to the Soviet Union was announced by Riceland Foods of Stuttgart, Ark.

Rice exports totaled 69.5 million hundredweight of rough rice in 1974—25 percent higher than the highest previous export record set in the 1971-72 crop year. Approximately 60 percent of these exports were for dollars.

Rice is the staple food in the diet of over two-thirds of the world's population and it is in the heavy rice-consuming countries of the world that the greatest population increase is taking place. Consumption of rice is increasing in these countries at a rate of over 1 percent each year. About 60 million more people are being added to the consumer list each year, requiring approximately 7½ million tons more rice annually.

As has been pointed out previously, the current rice law is very restrictive. It has frozen rice allotments in a rigid pattern and has prevented production of rice in areas of high efficiency, except in cases where marketing quotas are lifted. While quotas were lifted last year and again this year, producers have no reasonable assurance that quotas will not again be imposed and rice acreage sharply reduced simply because of provisions of the law. This will, of course, result in severe restrictions and dislocations of land, water and credit resources and will also raise serious questions concerning U.S. policies in helping to provide assistance abroad. In fact, a drastic cutback in the production of rice in this country at the very time that a hungry world is pleading for assistance will be very difficult, both economically and morally, for us to justify.

We, therefore, strongly endorse changes in the rice program, as proposed by Senator Stennis, Senator Eastland, and Senator McClellan, to make this program more responsive to national and world needs. We believe that the "target price approach" offers the greatest potentials for rice production on a sounder basis in this country.

In conclusion, we wish to point out that the existing acreage allotment and price support program for rice can only result in restrictions on rice growers, higher prices to consumers and limits on our export potentials to other nations. We believe that passage of new legislation would be in the best interest of all segments of our economy and would also remove any doubt about our country's commitment to participate to the best of our ability in meeting world food needs.

I would like my statement to be incorporated together with statements from farmers who are members of the Delta Council.

Senator LEAHY. Your statement and those of the others will be put in the record in full.

Mr. SMITH. Thank you very much.

[The statements referred to follow:]

STATEMENT OF C. PENN OWEN, JR., PRESIDENT, TUNICA COUNTY FARM BUREAU,
TUNICA COUNTY, MISSISSIPPI

Mr. Chairman and Members of the Subcommittee, my name is C. Penn Owen, Jr. I am a farmer from Tunica County, Mississippi, and am president of the Tunica County Farm Bureau.

The passage of a new rice program as proposed in the legislation introduced by Senator Stennis, Senator Eastland and Senator McClellan is of major importance to Mississippi and to the Nation.

From our own standpoint, Mississippi farmers have more opportunities in rice production than any other crop. We have land that is ideally suited to rice and we have an abundance of both groundwater and surface water. Our pumping costs are low. We have experienced farmers and we produce high yields of high quality long grain rice that is in demand in both domestic and foreign markets. This kind of rice is not in surplus supply and the demand outlook is excellent.

Mississippi started producing rice commercially immediately following World War II. Quotas were lifted soon after the war ended and by 1954 we were producing 79,000 acres of rice. In 1955, quotas were imposed and rice production in Mississippi was reduced drastically. In fact, in 1957 and because of the imposition of quotas, rice production was cut to 32,000 acres in Mississippi. By 1968 and because of increases in the national allotment, rice acreage in the State increased to 68,000 acres.

As you know, the rice law is very restrictive and is based on rigid acreage allotments and marketing quotas. Because of changes made in 1954, acreage planted in excess of allotments, even when quotas are suspended, cannot count as history, and allotment holders who plant in excess of their allotments when quotas are suspended lose price support protection. The purpose of these rigid rules is to freeze the pattern of rice production on a historical basis and to prevent new growers from competing with traditional allotment holders.

The Congress, under both Democratic and Republican administrations, has made major changes in farm policy over the past decade. Cotton farmers no longer have the protection that was once provided by acreage allotments, marketing quotas and price supports at levels above the cost of production. This protection has also been taken away from producers who grow corn, wheat, and feed grains. As a result of this change in policy, major shifts in production have taken place and farmers who can produce efficiently and who are willing to sell their crop on the free market have the opportunity to produce without restrictions. As an example, since World War II, a great deal of the cotton acreage once concentrated in the Southeast and in the Midsouth has shifted to the Far West.

Rice is one of the world's most important food crops and is the staple food in the diets of literally hundreds of millions of people. In recent years, food shortages have occurred in areas where rice is the main food and many deaths have resulted from starvation. This raises the question of whether we, as a Nation, can continue with a national policy that will require a major cut in the production of a critically important food crop while the need for food is of major concern in the world?

Mississippi farmers responded in 1974 and 1975 to the need for increased rice production by expanding acreage. Not only did they invest in irrigation wells and land preparation, they also invested in additional production equipment, drying facilities and storage facilities. The farmer-owned rice mill serving our area has also expanded its facilities. Our farmers want to continue to produce rice and we believe that the "target price approach" offers the greatest potentials as the kind of policy that the Congress should enact. We strongly endorse the legislation that has been introduced by Senator Stennis, Senator Eastland and Senator McClellan and we respectfully urge approval of this bill by members of this Subcommittee.

STATEMENT OF MALCOLM COMMER, JR., PRESIDENT, COAHOMA COUNTY FARM BUREAU, CLARKSDALE, MISS.

Mr. Chairman and Members of the Subcommittee, my name is Malcolm Commer, Jr., I am a farmer from Coahoma County, Mississippi, and am president of the Coahoma County Farm Bureau.

We wish to urge passage of the new program for rice as proposed in the legislation introduced by Senator Stennis, Senator Eastland and Senator McClellan. The passage of this bill is of major importance to the farmers of Mississippi and we believe that it is very important to the Nation.

Mr. Chairman, rice is the staple food in the diet of over two-thirds of the world's population. It is of special importance in areas where the population

explosion is taking place and the consumption of rice is increasing in these countries at a rate of over one percent each year. About six million more people are being added to the consumption each year, requiring about $7\frac{1}{2}$ million tons more rice annually.

The best information that we can develop indicates that the rice export market offers great potential for the United States. This legislation will permit our rice farmers in this country to meet this challenge.

The shift from rigidly controlled to open rice production, which this legislation provides, will establish for rice a market-oriented policy which has already been provided for other major farm commodities under the Agricultural Act of 1973. The new rice program will permit rice farmers to grow this important commodity with a minimum of Government control and interference. Each farmer will be able to decide, on the basis of the market outlook and his own capabilities, how much rice he should grow. The old grower is protected by the CCC loan and the target price mechanism. He also will profit from the increase in the minimum acreage allotment that is provided in the bill. The extension of loan eligibility only for the historic producer provides an additional measure of price protection in that they will be afforded an opportunity to obtain funds while they are holding their crop for orderly marketing. The new rice farmer, on the other hand, will have the opportunity to produce rice based on his own evaluation of supply-demand conditions in the marketplace. If the market is not favorable, the new rice farmer who has no loan or target price protection, will be the one who will make the adjustment more quickly.

We believe that farmers in our area have great opportunities in rice production. From a land use standpoint, rice is ideally suited for both heavy clay and mixed soils which comprise a high percentage of the cropland in our area. These soils have great water-holding capacity and are fertile. The combination of well-adapted land resources, and abundance of water and low pumping costs favors rice as the crop that offers the greatest per acre returns for many farmers in our area. We produce high yields of high quality long-grain rice that is in demand in both domestic and foreign markets. This kind of rice is not in surplus supply and the demand outlook is excellent.

Rice is the number one food crop in the world. It is important in the diets of hundreds of millions of people, many of whom live in areas where starvation is an every day threat. Our farmers excel in rice production and can produce this important food both efficiently and abundantly.

We, therefore, strongly endorse the bill that has been introduced by Senator Stennis, Senator Eastland and Senator McClellan and we urge the passage of this legislation.

STATEMENT OF J. D. COBB, PRESIDENT, QUITMAN COUNTY FARM BUREAU,
QUITMAN COUNTY, MISSISSIPPI

Mr. Chairman and Members of the Subcommittee, my name is J. D. Cobb. I am a farmer from Quitman County, Mississippi, and am president of the Quitman County Farm Bureau. Our county is almost totally dependent upon agriculture for a livelihood and cotton, soybeans and rice are our principal crops.

From a land use standpoint, rice is ideally suited for both heavy clay and mixed soils which comprise a high percentage of the cropland in our area. Heretofore, most of the heavy clay soils have been used for soybean production and our better drained, mixed and sandy loam soils have been used for cotton. Because of the physical characteristics of heavy clay or "buckshot" soils, even soybean production has been a "hit-or-miss proposition." These soils, however, have great water-holding capacity and are relatively fertile. The combination of well-adapted land resources, an abundance of water and low pumping costs favor rice as the crop that offers the greatest per acre returns in our area and Quitman County farmers have responded to the lifting of marketing quotas in 1974 and 1975 by more than doubling the acreage that they planted in rice. This additional rice production is the only bright spot in the agricultural picture for our area this year. The outlook for cotton is very poor due to disaster weather conditions that occurred during the planting and growing season. Committee members may be interested in the fact that we received $47\frac{1}{2}$ inches of rainfall by June 15 of 1975. Our normal annual rainfall amounts to about 52 inches.

There have been many changes in farm policy in the past decade. Restrictions on production have been eliminated for cotton, wheat, corn and feed grains.

This means that anyone who wants to grow cotton or any of these other crops can do so without penalties. Shifts have occurred in the production of these crops. As an example, California replaced Texas last year as the leading cotton-growing state in the Nation. California was able to achieve this status because of changes in the law and because of the availability of land and water resources that contributed to efficient production of a quality product.

The current rice law is very restrictive. It has frozen production of rice in a rigid pattern and has prevented the production of this crop from shifting into areas of greater efficiency. Under the current law and except when quotas are suspended, we are forever committed to a policy of "shorting the supply so that we can bull the price" rather than encouraging more efficient production and devoting efforts to market expansion, both at home and abroad.

Rice is the number one food crop of the world. It is important in the diets of hundreds of millions of people, many of whom live in areas where starvation is an ever constant threat. Our farmers in this country excel in rice production and can produce this important food crop both efficiently and abundantly.

If the United States is to make a major contribution to supplying food for a hungry world on a continuing basis, we must make changes in the rice program so that it will be more responsive to national and world needs.

We, therefore, strongly endorse the bill that has been introduced by Senator Stennis, Senator Eastland and Senator McClellan. We believe that the passage of this bill is in the best interest of all segments of our economy and we urge its approval.

STATEMENT OF MORRIS HOUSTON, PRESIDENT, TALLAHATCHIE COUNTY FARM BUREAU, TALLAHATCHIE, MISS.

Mr. Chairman and Members of the Subcommittee, my name is Morris Houston. I am a farmer from Tallahatchie County, Mississippi, and I am president of the Tallahatchie County Farm Bureau.

We wish to strongly endorse the rice program as proposed in the legislation introduced by Senator John C. Stennis, Senator James O. Eastland, and Senator John McClellan. We believe that the passage of this bill is of major importance to Mississippi and to the Nation.

The purpose of this new rice program is to establish for rice the same producer-freedom and market-oriented policy which has been provided for other major farm commodities under the Agricultural and Consumer Protection Act of 1973.

This program will offer an opportunity for the rice farmer to grow this important food crop with a minimum of government control and interference. The farmer himself will be in a position to decide, on the basis of market considerations, how much rice he should grow or whether he should devote his land to other uses.

The shift from rigidly controlled rice production to open rice production, which this legislation provides, recognizes the special importance of the historic rice farmer. His acreage history is protected and he is provided the benefit of both price supports and target price protection. In addition, the traditional rice grower who increases rice production in response to demand will no longer be denied the use of the loan as an orderly marketing tool for the rice that he produces on his allotted acres as is now the case.

The flexibility that this legislation provides will have the beneficial effect of encouraging the rice industry to expand its overseas markets. Currently, U.S. produced rice is shipped to over 100 countries throughout the world. Approximately 60 percent of the U.S. rice crop is exported and approximately 60 percent of our exports move for dollars.

The uncertainty as to whether or not acreage controls and marketing quotas will be imposed has prevented the growth and development of a healthy and stable export market. This new program will permit the investments that are needed to develop markets on a sound basis.

If we fail to pass this legislation, we understand that the Secretary of Agriculture will have no choice but to reduce production sharply for 1976. This will not only mean a substantial loss of foreign exchange but will cause the price of rice to increase greatly throughout the world as markets react to scarce supplies. Rice is a very important food crop and higher prices for rice will mean higher prices for food. This raises the following question: As a nation, can we

continue with a national farm policy that will require a sharp cut in the production of an important food crop while the need for this food is so evident?

Mr. Chairman, we urge the passage of this legislation and will be grateful for the support of members of the Subcommittee.

STATEMENT OF F. H. NANCE, CLEVELAND, MISS.

Senator HUDDLESTON: I am a rice farmer from Bolivar County Mississippi. I have been producing rice for more than 20 years so would be classified in the group that is known as "old growers." I have found that rice is one of the most profitable crops that we can produce on our heavy clay soils and I have consistently produced good yields of high quality rice on my farm.

I wish to strongly endorse the rice program as proposed in the legislation (S. 2260) introduced in the United States Senate by Senator John C. Stennis, Senator James O. Eastland and Senator John McClellan. I believe that the passage of this bill is of major importance to Mississippi and to the Nation.

I do not believe that there is any single development that could mean more to the economic future of Mississippi than the adoption of this new program. From a land use standpoint, rice is ideally suited for both heavy clay and mixed soils which comprise a high percentage of the cropland in our area. These soils have great water-holding capacity and are relatively fertile. Also, we have an abundance of water for irrigation. The combination of well-adapted land resources, an abundance of water and low pumping costs favor rice as the crop that offers the greatest per acre return in our area.

As you know, the current rice law is very restrictive. It has frozen production of rice in a rigid pattern and has prevented the production of this crop from shifting into areas of greater efficiency. Under the current law, we are forever committed to a policy of "tight supply management." This, of course, discourages more efficient production and makes it impossible to devote needed resources to market expansion, both at home and abroad.

Rice is the number one food crop of the world. It is important in the diets of hundreds of millions of people, many of whom live in areas where starvation is an ever present threat. We can produce rice efficiently and abundantly and if this country is to make a major contribution to supplying food for a hungry world on a continuing basis, we must make changes in the rice program so that it will be more responsive to national and world needs.

I want to respectfully urge the approval of S. 2260.

STATEMENT OF J. M. SANDERS, PRESIDENT, JIMMY SANDERS SEED CO., CLEVELAND, MISS.

Senator HUDDLESTON: The hungry people all over the world are looking to us for food and the food they need most is rice.

Please do everything you can to get the rice bill through the Senate. All segments of agriculture will benefit.

This will certainly help in keeping our food prices down and help much with our balance of payments.

STATEMENT OF JOHN J. MEYER, RAYNER HARDWARE CO., MERIGOLD, MISS.

Senator HUDDLESTON: We feel that your subcommittee needs to be made aware of the situation in our local area with regard to acreage controls on rice, and the current bill in your committee concerning the open-end rice bill. At a time when we are constantly being reminded by the press and television of the millions of people throughout the world who are going hungry, we feel that it is not to the best image of the United States to cut down on the production of food crops at the particular time.

We have here in our area some of the richest land in the world, particularly suitable for rice production, a more than adequate supply of water, the necessary labor and equipment to produce high-yielding rice. With all these factors in favor of rice production, it seems to be almost criminal to consider a cut-back in rice acreage for 1976.

Speaking for myself, and the other rice growers in this area, we will greatly appreciate any immediate consideration that you can give to our problem through

your subcommittee. We are beginning to make production plans for our 1976 crop year, and this decision which rests with your important group is of the utmost importance in our plans.

Thanking you in advance for your prompt attention.

STATEMENT OF J. T. DAVIS, T. E. PEMBLE FARMS, INC., MERIGOLD, MISS.

Senator HUDDLESTON: I am writing you to encourage you to look and act favorably on new rice legislation that you and your committee will be considering soon.

I farm, along with my two sons, in the Mississippi Delta where we have land and ample water suitable to the production of rice.

We grow cotton, soybeans, and rice on our farm. We have grown rice for only 2 years, only since planting restrictions were lifted. We do not have an allotment but we are most desirous of being allowed to grow rice under the open production concept now being considered by the House and Senate.

The American farmer has been blessed this year with good weather and good yields but no 2 years are alike. The volume of production of any commodity will find its proper place through the law of supply and demand. This is true of all farm commodities.

The rice farmer has done well under government price protection and acreage control, so well in fact, that he doesn't want to have to compete in open competition with other growers.

Without this legislation it is impossible for a young farmer to get into rice production no matter how desirous he might be. The allotted acreage is held by too few producers who selfishly don't want anyone else in the act.

I am opposed to the concept of fixed acreage allotments with price protection for the allotment holders and not allowing anyone else to produce the crop. Competition is healthy for any business and by giving old growers some protection with target price and loan guarantee it seems only fair that we should have open production in the growing of rice as we have with other crops in this country of ours.

I do not have a corn or wheat allotment, but I do have a cotton allotment yet I'm allowed to grow, unrestricted, any acreage that I so desire of these crops. The only exception is rice.

A farmer who has a rice allotment can grow all the cotton, wheat, or corn he wishes. Does this seem fair?

I ask you and your committee to please consider these facts when you study the merits of new rice legislation.

STATEMENT OF ROGERS HALL, HALL FARMS, CLEVELAND, MISS.

DEAR SIR: I sincerely urge you to approve H.R. 8529, a bill which will allow farmers to grow all the rice they can.

We are in a traditional cotton area where the input costs now exceed the income. Rice production may be the only way for the Mississippi Delta farmer to survive.

Senator LEAHY. The next witnesses are Mr. Rex Morgan, Mr. Donald Beverly, Mr. Dominic Rizzo, Mr. Edward Hester, and Mr. Bill Eifling.

We welcome the appearance of you gentlemen before the subcommittee. Please proceed in any manner you choose.

STATEMENT OF REX MORGAN, SHAW, MISS.; ACCOMPANIED BY DONALD BEVERLY, CLARKSDALE, MISS.; DOMINIC RIZZO, CLEVELAND, MISS.; EDWARD HESTER, SHELBY, MISS.; AND BILL EIFLING, HOLLANDALE, MISS.

Mr. MORGAN. We have a larger group. I will ask them to stand so you can see the size of the group.

Senator LEAHY. Again, the record should indicate that there are 25 people or more with you, certainly an indication that those people who are accompanying Mr. Morgan have a strong interest to make the effort to travel to Washington to be here with him.¹

Go ahead.

Mr. MORGAN. Also, we are all members of Mr. Smith's organization (Delta Council), who has just testified. Very seldom do we sit on opposite sides of the fence, but it seems in this case we do. This group that you have just observed makes up about 18,000 acres of production in Mississippi. They have a cumulative total of approximately 400 years of rice growing experience. We think this speaks for our ability to be here.

I might add at this point that there has been some reference made to a sale to Russia of approximately 100,000 tons of rice.

Senator LEAHY. If I could interrupt the testimony just a moment, this is Senator Stone, who will chair the hearings now for awhile.

Senator STONE [presiding]. Go ahead.

Mr. MORGAN. There has been talk as to the needs of Russia. This group alone that is here today produced this year almost half of the amount that Russia needs. We produced in excess of 40,000 tons of rice ourselves.

This segment of the rice industry for the past 22 years has been a stabilizing factor in the rice industry by providing the flexibility to meet the market demands as they arose with fluctuations on a yearly basis of up to 25 percent.

The success of the system under the Agricultural Act of 1938 was influenced to a large extent by the USDA projections of supply-and-demand patterns. The producer does not have the capability to project supply-and-demand patterns that are needed in a continuously changing worldwide pattern of production and consumption.

The decision to plant rice acres must lie in the hands of the Secretary of Agriculture to prevent instability. The 10-year average production prior to 1975 was approximately 2 million acres, and proved to be an adequate supply—the 10-year average.

The planting of 2.8 million acres in 1975 has resulted in a 21.7-million hundredweight carryover as projected by the USDA on October 1st. This carryover is approximately 20 percent of the 1975 production. The proposed legislation with continued open-end planting would bring about an increase in the 2.8 million acres and increase surpluses.

The 1938 Rice Act can more effectively handle this surplus and continue to supply a stable supply to the consumer.

I would like to refer at this time to a study that was made by Mr. Warren R. Grant of the Texas A. & M. University and Mr. S. H. Holder, Jr., at the Experiment Station, Stoneville, Miss.

¹ See p. 115.

This survey was made according to the potential of rice growing areas of the country and the water resources in those areas.

This study shows that we have the potential of a 60-percent increase in rice production from the 2.8 million acres. We have the ability to produce 4.4 million acres of rice. We think this is excessive.

There are feelings that the rice production of 2.8 million acres will not expand substantially if open-end plantings remain as they are. We feel in our own area that there will be a substantial increase.

We know that this sort of production has got to increase our surplus positions. The 20 million hundredweight carryover at this point is important to note. It has been noted that last year at this same time, we had 23 million hundredweight on hand. Our position is that last year at this time we were receiving prices to the farmers in our area of \$9 to \$10 a hundredweight—rice was moving—while we had 23 million hundredweight on hand. At this time this year, we are looking at \$6 and \$6.50 hundredweight bids, and rice is not moving. So we think that while this surplus position exists now as it did last year, it may be that we have a much different position than what we had in 1974.

I have passed my time, Mr. Chairman, but I have one other point I would like to make if you would allow me.

Senator STONE. If you can line it up in a minute, we would certainly like to hear it.

Mr. MORGAN. There has been indications of Mississippi rice growers producing for much less. Our irrigation wells cost us now in excess of \$15,000 when we bought the same wells a few years ago for \$6,000. I would remind the committee and you, Mr. Chairman, that we cannot produce rice in Mississippi for much less than others areas. Our irrigation wells once stood 20 feet from the top of the ground. A draw-down has gotten it down to 30 feet from the top of the ground. Water is the cheapest thing we have got in Mississippi, but it is the only thing we have that is cheaper, and is not unlimited. There has been quite a strong push here today to feed the hungry world, and we are concerned about this. We want to see that the nutritional needs of everyone are met.

I would remind the committee that there is a study that has been made and tests proven where edible cottonseed flour can be produced that has a 70-percent protein value, which sells for approximately 30 cents a pound. If this is our real purpose, supplying the hungry, I think we should look very strongly at leaving acres in cotton in Mississippi based on this research and not converting them to an already oversupplied rice situation.

Thank you for the extra time.

Senator STONE. We thank you very much.

Your cost sheet and sales sheet will be made a part of the record.
[The material referred to follows:]

RICE: SPECIFIED COSTS AND RETURNS PER ACRE, DELTA AREA, MISSISSIPPI

Item and unit	Quantity	Price	Amount
Income:			
Rice (hundredweight).....	¹ 43.80	² \$9.00	³ \$94.20
Expenses:			
Seed (pounds).....	125	.29	36.25
Herbicide (application).....	2	(⁴)	13.43
Custom application, air (application).....	2	(⁴)	5.50
Fertilizer: Nitrogen (pound).....	120	.17	20.40
Custom application, air (hundredweight).....	2.67	2.00	5.34
Tractor and equipment ⁵ (acre).....	1	15.94	15.94
Irrigation equipment ⁵ (acre).....	1	40.74	40.74
Harvest costs:			
Machinery and tractors ⁵ (acre).....	1	48.29	48.29
Drying and storage ⁶ (hundredweight).....	48.70	.59	28.73
Labor ⁷ (hour).....	7.40	2.30	17.02
Interest on operating capital ⁸ (dollars).....	126.20	.09	11.36
Total specified expenses.....			243.30
Returns to land and management.....			⁹ 151.20

¹ 1970-74 average yield for Mississippi Delta.² Price of actual sale, \$6.60.³ Price of actual sale, \$291.70.⁴ Varies.⁵ Includes variable and fixed expenses.⁶ Gross weight. Rice sold is about 10 percent less than the gross weight.⁷ Includes labor for tractor, irrigation, and harvest as well as a small amount of other labor.⁸ Interest charged at 9 percent for 9 mo.⁹ Price of actual sale, \$48.70.

MISSISSIPPI RICE GROWERS ASSOCIATION

Sample No.	Milling	Grade	Variety	Bushels	Uncle Ben	Liberty	Farm-ers	Pio-neer	P. & S.	Dist.
40.....	95-109	3	SB.....	8,000	3,7530		P 2.7944	P	P	TD
41.....	98-112	3	SB.....	3,500	3.8790		P 2.9055	P	P	O
42.....	87-111	3	La Belle.....	4,000	P	3.8250	2.7777	P	P	TD
43.....	90-112	SG	La Belle.....	8,500	P		P	P	P	TD
44.....	90-112	SG	La Belle.....	2,600	P		P	P	P	TD
45.....	91-112	SG	La Belle.....	8,500	P		P	P	P	TD
46.....	84-106	3	B. Belle.....	9,700	P		P 2.4750	P	P	TD
47.....	90-110	4	B. Patna.....	1,500	P		P 1.8777	P	P	O
48.....	91-114	5	B. Patna.....	4,000	P		P 1.9000	P	P	O
49.....	94-110	SG	La Belle.....	6,000	P		P 2.0722	P	P	O
50.....	78-109	SG	La Belle.....	1,000	P		P 1.6944	P	P	O
51.....	96-112	3	La Belle.....	5,500	P	3.9111	2.9555	P	P	O
52.....	94-111	3	La Belle.....	7,500	P	3.9111	2.7833	P	P	O
53.....	86-110	4	B-73.....	10,500	P		P	P	P	O
54.....	98-113	2	La Belle.....	8,000	P		2.8666	P	P	C
55.....	96-112	3	La Belle.....	4,000	4.0361		P	P	P	C

Note: C—Confirmed; TD—Turned down; O—Open.

[The following is a list of those present in support of Mr. Morgan's position:]

Name and address	Number of years	Acres planted
Bill Eifling, Route 1, Box 285, Hollandale, Miss.....	14	303.0
Edward Hester, Route 1, Shelby, Miss.....	15	140.0
Dominic Rizzo, Highway 8 West, Cleveland, Miss.....	23	3,099.8
Donald Beverly, 500 Westover Dr., Clarksdale, Miss.....	14	528.5
Rex Morgan, Box 484, Shaw, Miss.....	14	1,662.0
Joe Aguzzi, Yale Ext., Cleveland, Miss.....	14	1,394.0
J. C. Willis, Route 1, Hollandale, Miss.....	23	280.0
Pervis Richard, Route 1, Box 447, Greenville, Miss.....	16	425.0
Jessie Ducrest, Route 1, Box 183 F, Belzoni, Miss.....	23	417.7
Bob Ainsworth, Jr., Box 35, Glen Allan, Miss.....	23	300.0
Dave Jones, Sr., Route 1, Box 151, Isola, Miss.....	23	575.0
Milton Jefcoat, Sunflower, Miss.....	7	496.4
Milton Smith, 524 Robinson Dr., Cleveland, Miss.....	14	991.0
G. R. Harden, Cleveland, Miss.....	14	350.7
Durwood Long, Box 575, Rosedale, Miss.....	15	1,735.4
Gladstone Mortimer, Box 58, Belzoni, Miss.....	21	497.9
Verl Fullen, Route 1, Benoit, Miss.....	23	563.2
Charles Speakes, Box 296, Benoit, Miss.....	5	308.0
Emmett Mills, Benoit, Miss.....	20	670.0
Herman Tharp, Isola, Miss.....	20	107.9
Warren Hammett, Box 512, Greenville, Miss.....	15	630.0
Turner Arant, Blaine, Miss.....	21	550.0
Charles Russell, Beulah, Miss.....	8	989.0
Gary Chittom, Box 176, Schlater, Miss.....	10	607.7
Dick Milburn, Box 4, Ruleville, Miss.....	16	332.3
Total.....	411	17,954.5

Senator STONE. The next witness will be Mr. J. P. Gaines, Rice Millers' Association, Washington, D.C.

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

Mr. Chairman and members of the committee, my name is J. P. Gaines. My position is president of the Rice Millers' Association, the trade association of the Nation's rice milling industry. Headquarters of the association is in Washington, D.C.

There are 30 rice milling companies in the Rice Millers' Association—27 in the Southern States of Arkansas, Louisiana, Mississippi, and Texas—and 3 in California. Members of the association process 100 percent of the rice produced in the South, where about 80 percent of all U.S. rice is produced, and about 25 percent of the rice produced in California. Both independent rice milling companies and rice grower cooperatives are members of the association.

The Rice Millers' Association supports S. 2260, a bill introduced and sponsored by the most distinguished Senators Stennis of Mississippi, Eastland of Mississippi, and McClellan of Arkansas.

The reasons we support this legislation are several:

(1) It will give all the rice industry including rice producers, rice millers, and rice exporters, the flexibility and the option to produce and market rice in accordance with the needs of the marketplace and in accordance with their own calculations of what is most profitable and most desirable for each of them. This is in contrast to present legislation which requires the Government to make most decisions in regard to production and marketing of rice.

(2) It will not penalize or take anything away from traditional producers or areas of production, and it will provide a reasonable measure of guaranteed support to the income of traditional producers of rice. At the same time, efficient producers and areas are allowed to produce rice at their own risk.

(3) It allows rice millers and exporters to aggressively seek foreign markets for rice and expand dollar exchange earnings for the United States. During the past year of unrestricted production, the U.S. rice industry has earned nearly a billion dollars from commercial export sales of rice. This is four times as much as was earned from dollar export sales of rice 3 years ago.

(4) It assures an adequate supply of rice to domestic consumers and users of rice and protects them when crop failures occur in other parts of the world, such as happened in 1972 and 1973.

I will skip down to the bottom of page 2, and I would like to principally emphasize the comments on some of the objections expressed to S. 2260. We support it, Mr. Chairman.

S. 2260 will permit unrestricted production of rice. There are hazards in unrestricted production, but these risks are muted for traditional producers. The hazard is the usual one for growers—weather. If weather is uniformly good in the major rice growing areas of the world, there temporarily may be an oversupply of rice.

To protect traditional growers against such hazards, S. 2260 provides a support price of \$6 per hundredweight and calls for supplemental payments that would raise the minimum price to \$8 per hundredweight, which is above the cost of production for most rice growers. The bill also provides set-aside authority to the Secretary of Agriculture, which he can use should there be a build up of rice stocks.

The Government has other tools provided by the Congress to deal with problems, including the Public Law 480 program. The rice industry should not depend on Public Law 480 for its success; however, Public Law 480 can and should be an effective tool to help stimulate commercial demand for rice and tide the industry over during bad times.

We are having some problems in marketing this year's record rice crop. Weather has been favorable in Asia this year where 90 percent of the world's rice is produced. The favorable weather has resulted in a large rice harvest and this has placed downward pressure on the world rice market.

The administration could improve the present situation in the market if there were immediate signs it intends to meet the commitment it has made to export 800,000 tons of rice under title I of Public Law 480 during the current rice marketing year. At this date, only 120,000 tons has been committed under Public Law 480 and there are no good indications as to when and whether the balance of the commitment will be undertaken. The 800,000 tons for Public Law 480 represents about one-third of our export supply for the year. Commercial sales are the dominant part of our export market, but most commercial buyers are now buying hand to mouth because of the current weak tone of the rice market. If the administration would take action on the Public Law 480 portion, it would stimulate the market and encourage commercial buyers to buy further ahead. The effective use of Public Law 480 can be very beneficial in stimulating commercial export sales, even though in total it may represent a minor part of the market.

We perceive a strong underlying export demand for U.S. rice and with some immediate effective help from the administration, we believe dollar export buying would be stimulated.

Another disturbing factor to some people are current USDA supply/utilization estimates, which forecast an increase in the rice carryover for this year from 7.1 million hundredweight at the beginning of the year to from 16.4 to 23.4 million hundredweight at the end of the year. This does not boost confidence in the market. However, it should be remembered that 1 year ago in November 1974, USDA estimated that the rice carryover at the end of last year (July 31, 1975), would be 20.3 to 27.3 million hundredweight. It actually turned out to be 7.1 million hundredweight which was lower than the preceding year.

We believe the situation this year can be turned around and we can end up with a respectable carryover if we can get some immediate Government assistance.

This is the first year since 1971 that we have had uniformly good weather in rice-growing areas. 1972 and 1973 were disastrous years, as you can tell by looking at what happened in the rice market.

Looking further ahead, the world supply-demand situation for rice is in close balance. The situation from year to year will hinge on weather in important rice growing areas.

This ominous factor should be kept in mind in looking ahead—populations in Asia, where 90 percent of the world rice is produced and consumed, are growing at nearly 3 percent per year. This means population in Asia will double in 20 to 25 years. It means over 60 million more mouths must be fed each year. It means an additional 7.5 million metric tons of rice must be produced just to stay even, which represents about twice as much rice as we are producing in the United States in 1975.

Population has been gradually catching up to supply in Asia for years and the Asian countries have not been able to expand production rapidly enough to meet the needs of expanding population. In the past 5 years, population has gone up over 12 percent; rice production has increased only 5 percent. There is nothing in sight to suggest Asia can increase production enough to supply future popula-

tion growth. This is a dangerous situation, one that cannot be ignored. Poor weather for rice in Asia any year can be turned into a massive food shortage for a large proportion of mankind, and as world population (Asia particularly) continues to expand, each such disaster will be worse than the last.

The United States produces about 2 percent of the world's rice production. However, we supply one-third of the total rice going into world trade. We are the world's largest rice exporting country. Our exports have grown in the past 20 years from 10 million hundredweight to 70 million hundredweight. Everything indicates this trend will continue if we have a legislative program that will permit it.

S. 2260 provides the framework for continued growth and prosperity of the United States rice industry. We urge that the committee give this bill immediate and overwhelming support.

Thank you very much, sir.

Senator STONE. Thank you very much, Mr. Gaines. I appreciate your presentation, and we will study your full prepared statement.

Mr. Duane Long from DeWitt, Ark. is next.

Mr. Long, are you present? Mr. Long is not present at the moment. We will come back to him at the end, if there is time, and I will call on L. C. Carter, president of Riceland Foods, of Stuttgart, Ark.

STATEMENT OF L. C. CARTER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ACCOMPANIED BY BILL E. JONES, CHAIRMAN OF THE BOARD, RICELAND FOODS, STUTTGART, ARK.

Mr. CARTER. Mr. Chairman, I am L. C. Carter, president and chief executive officer of Riceland Foods of Stuttgart, Ark. Accompanying me today is Bill E. Jones of Fisher, Ark. Mr. Jones is chairman of the board of Riceland Foods.

I will not read my statement. I would like to have it included in the record as well as the contemporary statements I will make in addition to it.

Senator STONE. It will be placed in the record.

I reluctantly say that I will have to take a recess and go over to vote. I think you can go on for 3 or 4 minutes anyway.

Mr. CARTER. The first part of my statement deals with what Riceland Foods is. It is composed of approximately 5,000 farmers residing in 5 States. We handle about 50 percent of the Arkansas rice crop and practically all of the Missouri crop and a substantial part of the Mississippi crop and the North Louisiana crop. We handle about 15 percent of the United States rice production.

Our board of directors is composed of 50 outstanding leaders in the rice industry of Arkansas. We have made a study of the various rice legislation from time to time, and it has on various occasions unanimously approved the target price concept, and we are here today in support of S. 2260 by Senator Eastland and Senator McClellan.

I would like to emphasize about eight points that I have made here in my statement, and there are two or three points that I would like to emphasize in some detail.

In the first place, S. 2260 frees up the United States rice industry so expansion can take place in an orderly manner in those areas where rice can be grown most economically.

We think this is a principle that certainly should not be overlooked in the production of not only rice, but any other agricultural commodities. Second, it protects the present allotment holders by providing target price and nonrecourse loans on their pro rata share of 1,800,000 acres with provisions for price and loan escalation.

No. 3, it provides for open end production so existing and new growers can expand their acreage without penalty. Current legislation would simply throw these people out of production if marketing quotas are reinstated in 1976 which now appears will be the case in the absence of new legislation.

I think an important point is that this legislation redirects the industry so production, milling, drying and storage facilities can be provided in an orderly manner with some confidence that the expenditures will not be over done and, therefore, a financial burden on rice farmers and others.

Right now, we do not know from year to year what our program is going to be in the future and our organization is wrestling with that program at the present time. We need additional facilities. We actually have made some decisions to go ahead and build some on the confidence that this committee and this Congress will take the shackles off the rice industry and let it expand in those areas where it can be grown most economically without taking anything away from the old established areas.

No. 5, it permits the industry to expand its contribution to the balance of trade, as has already been indicated, that perhaps approaches or exceeds \$1 billion annually. It will provide for more rice, the world's most important food, to make an even greater contribution to the world's humanitarian needs.

No. 7, an expanding rice industry will provide more jobs on the farms and in allied industries such as farm machinery, fertilizer and chemical plants, processing, utilities and transportation, to mention a few.

No. 8, it provides for uniform sale and lease of allotments in all States which is not the case in existing rice legislation.

Senator STONE. What do you mean when you refer to sale and lease of allotments? Why is that of any importance in this legislation?

Mr. CARTER. If you will study closely the testimony you will hear today, you will find that the opposition is almost totally from those areas that have had the privilege of lease and sale of allotments—California, Texas, and part of Louisiana. This privilege is not granted to the farmers in Arkansas, Mississippi, Missouri, and part of Louisiana.

To give you an indication how important some of these allotments are to growers in these States, we understand they sell for about \$300 to \$350 an acre, just the privilege to grow rice.

For example, in California, in calculating the value of rice lands, 20 percent of it is given to the acreage allotment. In other words, if a farm is worth \$1,000 an acre—\$200 of that would be for the privilege to grow rice.

In Mississippi, it is only 9 percent.

In Arkansas, it is only 9 percent because we can't shift from one farm to another. If one wants to grow rice he has to buy the land with an allotment on it.

Senator STONE. What would happen to the value of the lease and sale of allotments privileges if this legislation passed?

Mr. CARTER. You would have to ask the people who have that privilege. I would imagine they would still have some value because the people who have allotments get certain protection under target price and loan that people who do not have allotments or exceed their allotments do not get on their excess. They would have some value. I doubt that it would be as great.

Senator STONE. You would think it would be more fair to the areas who don't have the privilege to have it?

Mr. CARTER. We certainly do, sir. Many of the growers in these States have bought up the allotments of the small farmer and they have built up their allotment to the point that even with the minimum acreage that can be allocated under present law perhaps it would give them all the acres that they might want to plant. We think that this proposed legislation will correct some very gross errors in the present legislation.

Senator STONE. I think this might be a convenient place to take a short recess. I will be happy to come back as soon as I complete the vote.

Mr. CARTER. I will be happy to complete my statement.

Senator STONE. Thank you, Mr. Carter.

[A short recess was taken.]

Senator STONE. Mr. Carter and Mr. Jones, you may proceed.

Off the record.

[Discussion off the record.]

Mr. CARTER. The thing I was saying when we were interrupted before, about the only way a young Arkansas, Mississippi, or Missouri farmer can get into the rice-farming business is to inherit a farm or marry the daughter of a rice farmer. Really, when you look this thing right squarely in the face, this is what our argument is largely about. In areas where they do not want to expand, are areas where they have limited resources such as water and land and high production costs. It is just that simple. I think we ought to look at it exactly like it is and permit orderly expansion in those areas that can grow rice most efficiently.

The Department of Agriculture has a rather consistent record in overestimating carryover at the beginning of the harvest season. As Mr. Gaines mentioned, in 1972-73 the Government said in the beginning it would be 10.1 million hundredweights. It ended up at 5.1.

The next year they said it would be 10.1. It ended up at 7.8.

Last year they said it would be 20.1. It ended up at 7.1.

They are now saying 23 million, and we now project that it will be under 10.

I have some reference to Mr. Parker's USDA's outlook statement on the Middle East. I will not refer to that now because it has already been covered.

I would like to emphasize that there are new markets looming on the horizon. Riceland Foods has made a substantial sale of rice to the Soviet Union. This is true. We are continuing to negotiate for additional business. We have been told that they may buy 100,000 or more metric tons of rice. We hope they do. The United States has the rice and we hope we can continue selling some of it to them for dollars.

Congressman Breaux alluded to Cuba. We think there is a market that will become available shortly. They purchased as much as 6 million hundredweights of milled rice prior to Castro days.

A great deal has been said that the mills are not busy. I went back and checked the record. The rice mills in the South—I do not have the information for California—but the mills in the South in August, September, and October, the first 3 months of this marketing year, milled 17,900,000 hundredweights. Last year they milled 23.6 million hundredweights, and in 1974, 17.6, so we are almost on schedule.

The records simply do not bear out the fact that rice is not moving. It is true that we are experiencing a lull in the market at the present time, but this happens every year just after the harvest is finished as all mills have adequate current inventories.

I have been in the rice business 42 years. I have seen this happen over and over again.

We have a new dimension that came into the market this year. Many mills bought ahead of harvest. Many mills contracted and they are taking these contracts now, and they are not adding additional rice to their inventory.

You cannot blame a mill for that, because money is expensive, and as soon as they get through their contracts, they will be back in the market and these purchasings will show up again.

Let me conclude by saying, Senator, let us get on with this expansion of the rice industry. Let it grow in the areas where it can be grown. There is plenty of protection in this bill for existing allotment holders.

We are not trying to displace the rice industry. We want an opportunity to expand it to meet this expanding world population which we are told will double in the next 25 years. We want to get ready for it.

I would like to yield to Mr. Jones whatever time I have left.

Senator STONE. Thank you, Mr. Carter.

Mr. Jones?

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

Mr. JONES. There has been much testimony referring to the new and old grower.

As a producer who just finished harvesting his 1975 crop, I fall in both categories.

When the allotments came on in 1955, I was in the process of developing a farm after World War II. I had not got it in full production. My father raised his first rice crop in 1913, so we are not new in the rice business in our family.

What this does do is the people who fall in the same category as I do had an opportunity to develop the farm to its potential from a practical rotation basis.

Rice works very well in rotation with other crops, and if you don't have enough allotment to properly rotate your land, then you get caught with weeds and diseases and other things.

What this does is to permit a farmer like myself to get in this and it protects my allotment. I have the target price on my acres.

Much of the testimony that we heard here today also presupposes the farmer is going to plant rice just to lose money. I don't believe this. I think they are a little smarter than that.

What this program does, as far as I am concerned, it gives me a chance to develop my farm. It gives me protection as an old allotment holder, and it gives me a chance to expand if I want to.

Thank you very much for these few seconds.

Senator STONE. Thank you very much, and thank you, Mr. Carter, for your forbearance with our voting system.

[The prepared statement of Messrs. Carter and Jones follows:]

STATEMENT OF L. C. CARTER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AND BILL E. JONES, CHAIRMAN OF THE BOARD, RICELAND FOODS, STUTTGART, ARK.

Mr. Chairman and Members of the Committee, I am L. C. Carter, President and Chief Executive Officer of Riceland Foods, Stuttgart, Arkansas. Accompanying me, today, is Bill E. Jones of Fisher, Arkansas. Mr. Jones is Chairman of the Board of Riceland Foods.

Riceland Foods is a farmer-owned and controlled cooperative. The membership consists of approximately 5,000 rice farmers, whose farming operations are located in Arkansas, Louisiana, Mississippi, Tennessee, and Missouri. The organization is engaged in the receiving, drying, conditioning, storing, milling and marketing of rice produced by its members. Annually, Riceland handles 60% of the Arkansas rice production, practically all of the Missouri and Tennessee crops, and a substantial portion of the rice produced in Mississippi and north-east Louisiana. The annual volume of rice handled by Riceland is equal to almost 15% of the total United States rice production.

Riceland distributes the finished products of its members, in both domestic and export markets. Approximately 60% of its total sales are made to foreign buyers.

It is in behalf of these 5,000 farmer-members of Riceland Foods that we appear here, today, *in support of S. 2260* by Senator Eastland, with Senators McClellan and Stennis as co-sponsors.

Mr. Chairman, as you perhaps know, we (Riceland Foods) supported rice legislation in the House and Senate last year. We supported the McClellan bill (S. 4121) in the Senate.

Mr. Chairman, we feel that it is imperative that new rice legislation be developed this year. Rice is the world's most important food crop! With the exploding population and widespread hunger throughout the world, opportunities for the American rice industry to play an increasingly important role in supplying food to all areas of the world have never been greater. However, we cannot fulfill this role under the restrictions of the present rice legislation. A new approach to fill this need has been developed in S. 2260.

S. 2260 is a good bill and will permit maximum flexibility in the production and marketing of rice. Riceland Foods supports this bill for a number of reasons:

1. It "frees-up" the U.S. rice industry so expansion can take place, in an orderly manner, in the *areas where rice can be grown most economically*.

2. It protects the present allotment holders by providing target price and non-recourse loans on their pro-rata share of 1,800,000 acres with provisions for price and loan escalation.

3. It provides for open-end production so existing and new growers can expand their acreage *without penalty*.

4. It re-directs the industry so production, milling, drying, and storage facilities can be provided, in an orderly manner, *with confidence*.

5. It permits the industry to expand its contribution to the balance of trade—now approaching *one billion dollars annually*.

6. It will provide more rice, the world's most important food, to make an even greater contribution to the world's *humanitarian needs*.

7. An expanding rice industry will provide *more jobs* on the farms and in allied industries such as farm machinery, fertilizer and chemical plants, processing, utilities and transportation, to mention a few.

8. It provides for uniform sale and lease of allotments in all states which is *not the case in the existing rice legislation.*

9. It does not repeal the present rice legislation but provides a two year trial period so the industry can *test the world market.*

Many *have and will* say here, today, that this legislation will "self-destruct" because it will cause the industry to over produce. We do not agree with this!

The United States Department of Agriculture has a consistent record of *over estimating* the carryover at the beginning of the harvest season :

[Million hundredweight]

Marketing year	Estimated carry-over at beginning of marketing year	Actual carryover at end of marketing year
1972-73	10.1	5.1
1973-74	10.1	7.8
1974-75	20.4	7.1
1975-76	23.4	(?)

We testified before this committee a year ago that the carryover from the 1974-75 crop would be less than 10 million cwt. Note in the table above that the carryover was only 7.1 million cwt. We predict the same will occur again by the end of the 1975-76 marketing season.

World rice markets continue to expand. Note the following statement :

"Rice sales to Mideast nations have zoomed upward in the last two years, and may show further gains in 1976." John Parker of the Agriculture Department's Economic Research Service says in today's Foreign Agriculture Magazine.

"In value, the Mideast took quadruple the share of total U.S. exports it did in fiscal 1973, and in quantity took triple.

"In fiscal 1976 Parker says shipments to Iran and the Arabian Peninsula should remain near the 1975 level. Port bottlenecks could create problems in the former nation, while the opening of the Suez Canal could make the U.S. more competitive on the Peninsula.

"The brightest spot for expanded exports is in Iraq, Parker says. That nation took 109,856 tons in fiscal 1975 and may double the figure this year. Its own production is off while consumers benefiting from oil export revenue are increasing their rice consumption."

While we continue to supply our normal expanding dollar markets around the world, new markets are looming on the horizon. United States Department of Agriculture currently estimates PL-480 sales for fiscal 1976 should exceed the sales for fiscal 1975.

Just last week we (Riceland Foods) announced that we have made a substantial sale to the Soviet Union. We are reliably informed that other exporters have also made sales. Estimates indicate that the Soviet Union may purchase as much as 100,000 metric tons of U.S. rice this year. We understand that Poland is now in the market for U.S. rice. Quite likely, other markets will appear before the marketing year is over.

We seem to be approaching normalization of trade with Cuba. Congressman Breaux of Louisiana has just returned from Cuba and he places their import requirements at 245,000 metric tons annually.

Many will argue that the U.S. rice milling industry is not busy for lack of markets. Records do not bear this out. The Rice Millers' Association, on November 7, 1975, advised us that the total milling in the south for the months of August, September and October, 1975 was 17.9 million cwt. compared to 20.6 in 1974 and 17.8 in 1973.

We said earlier that we support S. 2260 as written.

Let's "get on" with the orderly expansion of the U.S. rice industry and prepare for the next two and one-half decades during which time, all experts predict, the world population will double. We can no longer afford the burden of strict acreage allotments and marketing quotas and deny the orderly expansion of rice production in those areas *where it can be grown most economically.*

Thank you, Mr. Chairman, and members of the Committee for giving us this opportunity to express our views on this important legislation.

Senator STONE. Mr. Duane Long is here. He was scheduled to appear before Mr. Carter.

If Mr. Long will come forward, we will take his testimony.

**STATEMENT OF DUANE LONG, ARKANSAS COUNTY FARM BUREAU,
DE WITT, ARK.**

Mr. LONG. Thank you, Mr. Chairman. I appreciate the opportunity to speak before this group this afternoon.

Mr. Chairman and members of the committee, I am Duane Long from De Witt, Ark. A member of the Arkansas County Farm Bureau with 1,700 members.

I speak for myself and without a doubt a majority of the farmers in Arkansas County.

Senator STONE. I am a member of the Leon Farm Group with 70 members. You have us beat by 1,630.

Mr. LONG. I grew up on a rice farm and began my farming career as a rice farmer in 1956. I now own and lease nearly 2,000 acres of farmland in Arkansas County.

There had been a period of open rice acreage prior to 1956 and acreage controls had been reimposed after a surplus had built up. This meant minimum acreage allotments and minimum prices.

Our only market for rice at that time was through the CCC program. This was a very difficult time for the rice producer.

During last winter's planning season, and during the spring planting season, we were asked in the name of patriotism, and in the name of humanity, to produce to the limit of our ability.

We were promised both open markets and customers who needed this grain. The farmers in my area responded to this appeal in spite of the tremendous costs of the necessary inputs.

When the combines began to move into the fields, we found that the promised free markets had turned into embargoes. The customers who were supposed to buy the rice didn't need it right now, but might need it 2 or 3 years from now.

The result of this is that the market is flooded with rice and the price is depressed. Today only premium quality rice offered for sale in our area will attract a bid. Anything less than a top quality offering is ignored. I have sold more than half of my 1975 rice production at a price of less than \$4 per bushel.

When we are asked \$35,000 to \$40,000 each for primary tillage tractors, and \$40,000 and up for rice combines, we are simply not being realistic when we talk of \$4 per bushel for rice.

There are some adjustments that we can make. I have declared a moratorium on new equipment purchases. I can follow this course for 4 or 5 years, but there will be a time when this will become a trap.

The acreage allotment program has served us well. It disposed of a large surplus of rice and produced the amount of rice asked for each year by the Department of Agriculture.

I do not see my farming operation, or others like it, surviving under the open acreage programs of 1974 and 1975. I am opposed to the target price legislation because I do not think we can survive under it either.

Of all the plans discussed, it seems to me that the so-called Houston plan comes nearer to being a plan that we can live with than any of the others.

I thank you, sir.

Senator STONE. Why, Mr. Long, is the Houston plan more acceptable to you than these others?

Mr. LONG. Because it makes more provision for the orderly growth of the rice production. There is more control of it.

We see, I think, an expanding demand. We don't feel that we can handle an uncontrolled expansion.

Senator STONE. Thank you very much. I appreciate that.

Mr. Jack Carrico, president of California National Farmers Organization, Yuba City, Calif., accompanied by Wendell Lundberg, Richvale, Calif.

STATEMENT OF JACK CARRICO, PRESIDENT, CALIFORNIA NATIONAL FARMERS ORGANIZATION, YUBA CITY, CALIF., ACCOMPANIED BY WENDELL LUNDBERG, RICHVALE, CALIF.

Mr. CARRICO. I thank you for the privilege of being here.

I cannot urge you and the rest of the committee too strongly to very carefully read Senator Long's letter which was addressed to the members of the committee several weeks ago. Many of his statements made are accurate and on perhaps the conservative side in the light of the projected overproduction which he discusses.

He mentioned an overproduction of 1,800 million on this current crop. I am assuming he got his projections from the Department of Agriculture.

The crop figures for California, I know nothing about the other States, but the California Department of Agriculture just 2 or 3 days ago estimated the California crop at 25 million hundredweight.

I have checked two knowledgeable sources, both in the milling and storing end, and I have an estimate of 30 million hundredweight from one and 31 million hundredweight from another.

The Department of Agriculture, either by intent or accident has deliberately understated the California crop. If we add this to Senator Long's projected surplus, we are looking at a substantial amount, about 25 million hundredweight.

We have heard a lot of talk about how rosey it would be if everything were turned loose. Mr. Lundberg and I are both opposed to the target price legislation. We support taking no action.

If the committee sees fit to do so, we support the Long bill.

We have heard a lot of talk about how rosey it would be if everything were turned loose and these people could grow all they want—surpluses will mount up—and in spite of all these markets that we hear about, right now prices are dropping and dropping badly.

Our people from Mississippi testified a short while ago and they gave us chapter and verse on that, that the prices were down in the \$6.50 range, I believe I heard one of them say.

By what pretense do the proponents of the target price legislation, by what pretense can they feel there are people who will be new grow-

ers and grow clandestine rice who can get the backing and financing from conservative, astute bankers who develop this land and buy this machinery and develop this facility to grow rice when they don't really know what they are going to get for it?

It would seem to me that this committee would be on much firmer ground if they sought stability in the rice industry rather than chaos.

We have seen chaotic conditions in other crops when programs were done away with—the Sugar Act, for instance.

What happened after the Sugar Act was repealed? It went the other way. Sugar increased in price by about sixfold. There wasn't that much of a shortage of sugar, but people panicked. It goes the other way.

In rice it is going the other way.

I have one thought on this, Mr. Chairman, that even though as stated by previous chairmen in these hearings, most of the members are not from rice growing States, but you all have farmers in your States.

According to Senator Long's letter, on page 5, I believe it is, he has some USDA statistics showing the projected cost of the target price concept under S. 2260. And using a \$6 base price, it shows accumulated projected cost in 5 years of \$883 million.

Now, what kind of climate can you and other members of the committee expect to find in an economy-minded Congress, urban dominated, to get other farm legislation through?

We have other farmers who need some stability in their crops. They need some kind of program to at least give them something to hang their hat on.

What kind of farm legislation can we ever get through looking at these costs for one small parity?

Under the existing program, it isn't costing the Government anything. The only Government cost that goes into rice is a foreign relationship under the Public Law 480 program.

We have heard statements today by consumer people and by people representing hungry people from the rest of the world. I don't think there is a grower present who doesn't have great compassion for all of these, but Mr. Newman very well stated that even though there were hundreds of millions of hungry people in the world, we can't give the rice away. We are in an inflated economy, we are faced with the 1975 U.S. cost of production.

We cannot sell this rice on a Bangladesh cost-of-production level.

We have to be realistic and a little hardnosed. I am sure every grower likes to grow rice. If we can grow twice as much rice in this country and find a place for it, I think people will be fully in concurrence with that. We have to be a little bit realistic about this.

We cannot be expected to give it away. We cannot expect to bankrupt a very viable and very necessary industry that has served its country very well and its foreign relations in the last 20 years.

Whenever the U.S. Government needed rice for a diplomatic reason, we supplied it. If they wanted more, we grew more and bought more equipment, notwithstanding that the following year they cut the allotment back and we would be stuck with some heavy equipment purchases.

It has provided stability. The consumer people are being ripped off, not by the farmer, but somewhere further up the line.

Senator Long's letter very well illustrates that. If we took a 1972 price for paddy rice, which is in the \$5 or \$6 level, and we added to it what rice is now selling for, say, \$8 or \$9, the consumer should only be paying 5 or 6 cents more a pound for his rice in the stores instead of 20 cents a pound which he is actually doing.

Thank you. I will yield to Mr. Lundberg, who may have a comment or two.

WENDELL LUNDBERG, RICHVALE, CALIF.

Mr. LUNDBERG. I know that our time is up. I do appreciate the fact that we have had the opportunity to come to talk to you.

We are faced with some very, very serious problems as producers: increasing costs of fuel, machinery, fertilizer and other things, and I would like to ask you not to change the current legislation.

I say that as a producer. It has a history of serving the industry and the consumers extremely well.

Senator STONE. Thank you very much.

Mr. CARRICO. May my formal statement be incorporated into the record?

Senator STONE. Your statement will be incorporated into the record. [The prepared statement of Mr. Carrico follows:]

STATEMENT OF JACK CARRICO, CALIFORNIA STATE PRESIDENT, NATIONAL FARMERS ORGANIZATION, YUBA CITY, CALIF.

Mr. Chairman and distinguished Members of the Committee, I would like to express my thanks and appreciation for being given the opportunity to appear before you at this time.

I am, and the overwhelming majority of California rice farmers agree with me, vigorously opposed to the target price legislation (S. 1645 and S. 2260). We in turn urge this Committee to support the so-called Houston Plan embodied in Senator Long's bill (S. 2385), if you believe it necessary to bring out a bill.

I would suggest that the Members of the Committee, if they have not already done so, very carefully read Senator Long's letter of October 28th. It contains information not heretofore available for public use. It is also fairly conservative in its appraisal of potential surpluses arising out of the large 1975 crop. I have reason to believe the current crop is larger than he estimates and the decreased vigor of prospective markets indicates an even larger 1975 crop carryover than he does. Preliminary estimates by knowledgeable sources in California indicate a production of at least six million hundredweight (cwt.) more rice than last year's crop.

I would like to refer the Committee to the table on page 5 of Senator Long's letter. The figures there purport to show USDA's own estimate of the projected cost of S. 2260 to the government. I feel these cost estimates are conservative and could in actual practice be substantially higher. You will notice there is no cost increase for prices below \$6.00. It is also conceivable that if the price goes below \$6.00, the eligible rice under loan will also not be sold and the USDA will end up owning it and bearing the added expense of storage, insurance, etc. It is possible that for a time all rice sold by the traders could come from new plantings of non-allotment rice (until bankruptcy cuts back production) and the entire allotted production will become a cost burden to the Government.

Now, gentlemen, I ask you to consider the climate created for future farm legislation in Congress if these large rice program costs accumulate as pre-

dicted. Although most of you have no rice in your states, you do have farmers, and what kind of meaningful farm legislation do you think could be enacted in an urban-dominated, economy-minded Congress if one small program was costing so much? All future farm legislation would be in jeopardy.

While we're on the subject of other farm legislation, let me ask how long you think the peanut and tobacco programs could survive if the Secretary and some of his top Administrators are allowed to emasculate the rice program, which has worked well and provided stability to a commodity with the uncertain market volatility rice has had?

Now, I would like to address myself to your very justified concern for your consumer constituents. Page 4 of Senator Long's letter shows that despite substantial drops in the farm price for rice, the farm-retail spread has increased almost two and a half times. It is conceivable that the middlemen and retailers will incorporate this increased spread and further drops in the farm price of rice will be reflected only nominally at the retail level.

It has recently come to my attention that private millers in the southern states are ignoring their old growers with loan eligibility and are going into areas with large amounts of non-allotted rice with little market accessibility and are buying this rice at very low prices. Unless this situation is stabilized soon, the rice market could be devastated within a very short time period after suspension of controls.

You might question that a 25% increase in production could cause such havoc since wheat and corn prices have remained relatively good in spite of record-breaking production this year. Rice is unique among these other basic cereal and soybean crops in that we dominate the world markets for these latter items while, in rice, we are a relatively small producer—contributing less than 2% of the world's total production. About 70% of our rice production goes into export channels, putting us at the mercy of a rather uncertain and highly volatile market situation. Some method of limiting production when surpluses become excessive is absolutely necessary.

I am quite apprehensive that the 20% carryover provision which would act as the triggering level for the implementation of marketing quotas in the Long bill is too large and will cause depressed prices. It was accepted at the Houston meeting solely as a compromise to secure support of the Arkansas and Mississippi representatives present. They have since withdrawn their support of the Houston plan and there is no longer any real purpose to be served by retaining that figure. Knowledgeable people agree that a carryover of 15% to 16% is a more realistic surplus to mandate quotas.

Let us address the subject of who stands to gain the most from wrecking the rice growing industry as we know it currently. It is certainly not the consumer, as previously discussed, nor the new growers in the South who will produce themselves right into bankruptcy. It is the breweries and the brokers who will gain most by the enactment of this ill-advised legislation. I have been informed that as much as 5% to 7% of the pre-1975 production was used by the brewing industry. I am very reluctant to speak ill of our good customers, but if the above consumption figures are true, they stand to make a substantial windfall profit at the expense of producers and taxpayers. If a consumption of 5.7 to 6 million hundredweight is correct, it is quite likely that breweries will be able to purchase rice at \$4 and \$5 less than their current costs. It is extremely doubtful in my mind that the resulting \$22 to \$30 million annual savings to the breweries will be proportionately reflected in a lower retail price for a bottle of beer.

The Long bill offers stability and increased flexibility. Its provisions will prevent the accumulation of uncontrollable surpluses and costs to the government. It also greatly liberalizes the vehicle for sale or leasing of allotments. In Arkansas, and to a great extent in Louisiana, allotments are tied to the land. Under the Long bill allotment units would be fully ambulatory within each state and may be readily transferred or leased. Anyone may qualify as a grower under this bill. The Long bill also greatly limits the power of the Secretary in creating new grower allotments and leaves administration in the hands of the States ASCS Committees.

In conclusion, while we could support the Long bill, we strongly urge the Committee to take no action on a single commodity at this time—but rather to consider this legislation only as a facet of a general, comprehensive package of farm program legislation next year.

Senator STONE. Mr. Cecil Williams, executive vice president, Arkansas Agricultural Council, West Memphis, Ark.

STATEMENT OF CECIL WILLIAMS, JR., EXECUTIVE VICE PRESIDENT, ARKANSAS AGRICULTURAL COUNCIL, WEST MEMPHIS, ARK.

Mr. Chairman, my name is Cecil Williams. I am executive vice president of the Agricultural Council of Arkansas which is headquartered in West Memphis. I appear before you today on behalf of this organization. The council represents agricultural interests in eastern Arkansas. It has served Arkansas commercial farmers since 1939.

Most council members are cotton and soybean farmers. Probably 10 to 15 percent of our members also grow rice. Most of the rice farmers located in the traditional cotton and soybean areas of Arkansas are ACA members. This area has tremendous potential for expansion of rice production. Most of the State's rice production is found on the Grand Prairie where practically no cotton is grown. In most instances, rice farmers in the cotton areas have much acreage available to increase production above their allotments. And there are thousands of acres ideally suited to rice in the traditional cotton areas on which no rice has ever been planted due to lack of allotment.

Our members want and need the opportunity to plant rice without fear of Government restriction. There are many desirable points which should be included in rice legislation. However, the overriding prerequisite for a sound rice program is the right to plant unlimited acres without fear of Government interference or penalty. S. 2260, sponsored by Senators Eastland, McClellan, and Stennis, would grant this privilege. I, therefore, appear in full support of S. 2260. In fact, we have supported open end production of rice since the first hearings were held on the issue.

We think S. 2260 treats old growers and new growers fairly. And fairness in farm programs is an important issue in our State. Arkansas farmers feel that the U.S. Government should deal with farmers on an equitable basis. They argue that if the Government will not allow them to plant rice without allotments, then the Government should reinstate such a program for cotton.

Most cotton producers in Arkansas were opposed to changes in the cotton program. We came before the agriculture committees of both the Senate and the House and presented many of the same arguments against changing the cotton program as we now hear so eloquently presented by rice growers. And true enough, the demise of cotton on many farms has taken place. But in most cases the farmers are better off because they are producing crops which are more profitable. They would like to add rice to the list of alternatives.

We have learned much from the mistakes made in developing the Agriculture and Consumer Protection Act of 1973. Rampant inflation has rendered the Act of 1973 virtually ineffective. On the other hand, S. 2260 sets the loan level and the target price for rice high enough, when coupled with the "escalator provision", to offer real protection to old growers on their allotted acres.

We think persons who have been producing rice for many years are due some protection. We believe S. 2260 will offer rice allotment holders more protection than producers of cotton, wheat and feed grains now enjoy. There has always been a great deal of concern in this subcommittee about protecting the small farmer. This bill will offer just as much protection to the small farmer as the present law provides. The sale and lease provision contained in S. 2260 will be helpful to small growers and, indeed, to all rice allotment holders in that it will provide some alternatives as to what they can do with their allotments. Sale and lease of allotments was a real boon to small cotton allotment holders.

Large allotment holders are reluctant to accept a rice program which includes direct payments because the amount of Government assistance might be limited due to limitation on payments. The Agricultural Council is, always has been and always will be unalterably opposed to payment limitations. We think they are diametrically opposed to the American sense of fair play. They also tend to subvert the objectives of farm programs. However, payment limitations are a fact of life. The electorate has convinced its representatives that payment limitations must accompany farm programs. S. 2260 contains a payment limitation provision which is much more liberal than that for cotton, feed grains or wheat. What's more, it applies only to rice, whereas, the limitation placed on benefits from other commodities applies to all payments.

A major concern of rice farmers is the probability of accumulation of surpluses which would result in disastrously low prices if allotments are lifted. This was also a major concern of producers of the three basic commodities. Prices have not been as strong as we'd like, but many of our farmers have had two of the best years ever following passage of the 1973 act. Most of our members still like the security of high level Government support for their commodities. However, we have learned that the market place brings about adjustments in supply and demand and in prices much faster than any government agency.

Opponents of new rice legislation express the fear that millions of additional acres of land will be brought into rice production. A slight sense of relief on this issue can be gleaned from the October issue of Rice Situation. The article deals with potential rice acres in the United States. It shows that roughly 2.8 million acres are seeded to rice in 1975. This will be the biggest crop ever grown in this country. The article further indicates that suitable land is available for the sustained annual production of roughly 4.4 million acres of rice. So we're not nearly as far from potential maximum production as some persons I have heard express their opinion on this may fear. Furthermore, many rice people doubt that 4.4 million acres would be planted annually even with moderate prices.

Much concern is expressed about the ability of exporters to market the potential rice crop if acreage restrictions are lifted. We are certainly not experts on marketing. However, our friends in the marketing cooperatives and in the large exporting firms are convinced that the markets are there and can be developed if we can be assured of adequate production to fill the demand. You certainly can't build markets without a product to sell. And with our Government's com-

mitment to supply food for needy nations, we would expect Public Law 480 programs to continue to dispose of large amounts of rice.

Mr. Chairman, we know that you and other members of this subcommittee realize that the free market system for American agriculture cannot succeed if the administration continues to use agriculture as a pawn in international diplomacy and in domestic politics. Our farmers are extremely upset at being encouraged to produce to their full potential and then be denied part of their market. Grain prices have gradually fallen since the first export embargo was announced several months ago.

In conclusion, we have thousands of acres in Arkansas well suited to rice. We have abundant supplies of water in conjunction with the available land. Agronomically speaking, we desperately need a grass crop to rotate with our broad leaf crops—cotton and soybeans. Rice is an excellent crop to fill this need. Rice yields are more stable than yields of our alternate crops. Rice is an easy crop to mechanize. However, it is expensive to get into rice production. Most farmers are not willing to invest the necessary capital to enter rice production so long as they might be forced to cease growing the crop due to the imposition of marketing quotas. We need a new rice program.

S. 2260 is a good bill. It provides fair treatment for old growers and for new growers. It offers financial protection to old growers through loans and payments on allotted acres. It offers new growers another excellent alternative in their selection of crops which would help them to manage their farms to the best possible advantage. And probably most important of all, new growers could enter into rice production without fear of being forced out of the business by Government decree. The bill would also assure the Nation's consumers adequate supplies of rice. We, therefore, urge passage of S. 2260 at the earliest possible date so that farmers can make plans for the 1976 crop.

Thank you.

Senator STONE. Noel Baker, Alicia, Ark.

STATEMENT OF NOEL BAKER, NATIONAL RICE ADVISORY COMMITTEE, REPRESENTING NEW PRODUCERS OF RICE, ALICIA, ARK.

Mr. BAKER. Mr. Chairman and members of the committee:

My name is Noel W. Baker, a farmer from northeast Arkansas. I want to thank you for the opportunity of being allowed to discuss with you pending rice legislation before the 94th Congress.

The rice bill S. 2260 in the Senate of the United States, July 31, 1975, by Mr. Stennis (for Mr. Eastland), for himself, Mr. Stennis, and Mr. McClellan can be supported by rice farmers, the rice milling industry, consumers and the business people of this Nation.

I, along with a large number of farmers, consumers, and business people would like to ask that you give this bill, that will allow open production of rice, your most urgent attention, because it is vital to the success of the Nation's farmers, the domestic food supply, the export availability of food to nations that do not have an adequate food supply, to this Nation's balance of trade and, last but not least, the impact that open rice production will have upon the economy of America, to assist in putting back to work a larger number of the

Nation's unemployed. The unemployment rate in October was 8.6 percent, which is much too high for this Nation. By restricting the production of our farmers we are hurting the buying power of agriculture. There are approximately 4 million people directly involved in farming and 10 to 14 million people employed in agribusiness. We buy automobiles, trucks, farm machinery, grain storage, and irrigation wells and supplies, which are connected to the steel industry, chemicals, petroleum products, tires, batteries, electric motors and household appliances.

By restricting the production of this Nation it would also hurt the transportation and aviation industries. Can we afford to restrict the buying power of anyone in this Nation or the world? With unemployment at the highest it has been since the late thirties and early forties, and possibly put some person out of a job so that they could not give their family a standard of living that is fair to all the people in this great Nation that we live in. Gentlemen, we can no longer restrict the production of this country with a 1938 law of a bygone era.

The investment on my operation, by being able to grow rice in 1974 and 1975 will be approximately \$35,000 in grain storage, drying and irrigation equipment. The investment in a rice milling complex in Jonesboro, Ark., will cost approximately \$7 to \$9 million and when completed will employ an additional 75 people. The investment created by open rice production creates jobs for the people of America.

In 1974 rice was released from quota penalties under the agricultural marketing act of 1938, by the demand exceeding the supply, and in 1975 this has happened again, but it is only on a yearly basis, which does not give a farmer or the rice milling industry time to plan their investment in milling facilities, storage, drying, and irrigation equipment. This inconsistent way of handling the production of our country is a detriment not only to well established farmers, but very harmful to the young farmers of this Nation and the rice milling industry and to the important factor of keeping our foreign markets.

Even though the new producers tilled less than half the new rice acreage last year, their belief in the domestic and international market was amply demonstrated by going into the investment of new production of rice without any loans or guarantees by the Federal Government.

The new producers also knew that without new rice legislation the possibility existed that they might not grow rice in 1975, but they were able to grow it in 1975 and were joined by a number of other new producers who were willing to take the risk of new rice production without any legislation on record for the 1976 crop. This should represent to all of us that the farmers of this Nation can acquire the capital needed for rice production, that we have the land suited for the production of this crop and that the new and old producers have the knowledge to produce this crop successfully for domestic consumption as well as for good export markets.

The export projections for the year 1985 could be more than double what the exports were in 1968-69 and 1970-71. I think the announcement of an export sale of rice of approximately 100,000 tons to the Soviet Union is an indication that the rice grown in America will find a market.

Under the present law, when the Agriculture Department is forced to reimpose marketing quotas, rice production will once again be restricted to those select farmers who own rice allotments. Under the language of the Houston compromise, farmers would be forced back under allotments because of the 20 percent estimated carryover provision, and this would rule out rice production for new growers. We cannot afford to go back to restrictive production of rice because of the reasons I have tried to bring before you in this statement.

Let us all work together, "With malice toward none, with charity for all, with firmness in the right as God gives us to see the right, let us strive to finish the work we are in," so the Nation's farmers will know that the 94th Congress passed an open production bill for rice.

Thank you.

Senator STONE. Mr. Baker, thank you very much. We appreciate your statement.

Mr. Larry Corbett, Alicia, Ark.

STATEMENT OF LARRY CORBETT, ALICIA, ARK.

Mr. CORBETT. Mr. Chairman and members of the committee I am Larry Corbett, 33 years old, and a farmer in partnership with my dad and brother from Alicia in northeast Arkansas.

The farmer has been called the biggest gambler of anyone because almost anything—rain or drought, insects or disease, wind or hail—can destroy a whole year's labor for him.

In addition, men have devised three other ways to hurt the farmer: 1. Embargoes on grain sales; 2. dock strikes; 3. laws that restrict farmers from planting what will be best for him and his land.

I will restrict further comments to this last point and the one we are discussing today under Senate bill 2260.

I am in favor of passing this bill even though I don't feel it is hardly worth the paper it is written on. I say this because it is only a temporary measure which gives the nonallotment holder 2 years to grow rice when we should remove quota penalties permanently and remove one worry to the farmer as to whether he can plant in future years.

Look at the small number of young farmers we now have. Are we going to deny them the chance to raise the crop of their choice? Unless they inherited rice allotments they have never had an equal opportunity to grow rice except for the last 2 years and now there is a chance of reverting back to the old system. We ask them to serve in our Armed Forces and then deny them the freedom to plant the crop that would benefit them the most. Is this true freedom? Is this right?

We say we want more food to feed the world and cheaper food for our own people here at home. Reducing the supply available will raise prices not feed more people. Our farmers must make a reasonable profit, but is it right to say one man can raise a crop and hurt the consumers and the farmers that are denied the right to raise the crop? Is this what we want?

Rice helps our farming land in a rotation with soybeans by putting organic matter—straw—and lime from the water back into our land that has been soybeaned to death for several years. This aids the farmer, businessman and the consumer.

For example, we are a small operation with approximately 300 acres of rice this year and we have already spent about \$38,000 on irrigation and storage alone this year. Look at the steel that is used in storage bins, equipment on the farm and in transportation of farm products, or look at any one of several other industries that farmers either use or cause to be used and what would happen if a lot of farmers who have gone in debt for rice are forced out of business or even if the farm economy is reduced? What would this do to the businessman and consumers?

Our country has had balance of payments difficulties concerning trade with other countries and agriculture products have helped put pluses on our ledger more than anything else and in my mind also has the biggest possibility for helping in the future.

Are we going to restrict production and risk Government deficits in the future?

Most opponents of open production are old rice producers who point to surpluses of rice stocks.

As you may know, Arkansas has increased rice acreage as much as anyone and Lawrence County—where I live—is a leading area in this increase.

Figures from our ASC office showed that in 1974 old producers—115 farms—grew 5,885.1 acres above their allotment compared to new growers 4,784.6 acres. Their production above their allotment exceeded our total production by 1,105.5 acres.

This year, 1975, shows 30,830.3 total certified acres of which these same old growers, not including farmers who received small allotments this year, had 20,465.8 acres total of which 8,288.3 were allotment acres.

Farmers who received allotments this year, 29 farms, 1,179 acres allotment, grew 2,757.7 acres leaving 7,606.8 acres by nonallotment holders.

The old producers farms again outproduced the new allotment holder and nonallotment holder combined by about double on total production. Their production above their allotment exceeded the total new allotment holder and nonallotment holder by 1,813 acres this year.

This same trend was true nationwide last year and when I see the figures this year I am sure it will be the same.

Another example—I stated on some of my three trips to Washington D.C. this year—member of public at USDA rice advisory meeting, testified before Senate Agriculture and Forestry Committee and House Rice and Oilseeds Committee on this same subject—that farmers as a whole wanted freedom to plant. At our annual Farm Bureau meeting in Lawrence County when we asked the membership to vote on rescinding rice quota penalties permanently or to favor a 2-year bill as we are now considering, they voted by an 8.5 to 1 ratio in favor of permanently rescinding penalties on rice. If all farmers are polled, not just those old producers who benefit from having allotments again put on and the same ones who have controlled many of the national organizations policy in the past I am certain that the results will be the same as in our county.

It seems to me our country was founded on the principle of freedom as long as what one does is not harmful to someone else. Controls on

who can plant rice, therefore, seems unconstitutional to me as it hurts more farmers than it helps, it hurts the consumer who buys the product, it hurts the local businessman in loss of money in circulation, and it hurts our country in trade balances.

The law of supply and demand will work if given a chance.

Again, this country was founded on the principle of freedom, not a large government controlling our every move.

We are telling you, our officials, that we want less controls and more freedom starting with the elimination of acreage controls on rice that hurts far more than it helps. To deny us this right would be the same as my saying, Senator, you cannot vote on this issue, but your colleague can. How would you feel?

Gentlemen, due to the time element in passing a bill this year we must ask you to report out Senate bill 2260 swiftly so plans can be made for 1976 and 1977, but we strongly urge you not to stop considering rice legislation until we have righted this situation and eliminated quota penalties permanently.

Some people may misunderstand my next statement, but I feel there is someone who must not be left out when considering this legislation or any other.

If you are a Christian you will understand why I say please put yourself in the shoes of individuals on both sides of the issue, then stop and consider what Jesus would do and follow him. If this is done we will not have to worry about politics getting in the way of and influencing decisions.

Thank you very much, sir.

Senator STONE. Thank you, Mr. Corbett.

Mr. George Norwood, Poplar Bluff, Mo.

STATEMENT OF GEORGE NORWOOD, POPLAR BLUFF, MO.

Mr. Chairman and members of the committee, I am George Norwood, a rice farmer from Missouri. In behalf of the rice farmers interest in Missouri, we have lots of available ground suitable for rice with plenty of available water and it is needed for rotation with other crops.

We have soybeans and it needs to be rotated with something. Rice is a good crop.

Growers in the area are wanting to expand rice production for more efficient farm operation. This expansion requires a considerable capital investment, so therefore, we need a long-term program. These long-term investments apply also to the entire rice industry in handling, processing and marketing.

USDA statements and expansion of world population at the rate of 80 million people per year, combined with new trade agreements with a larger portion of the world, leads us to believe that a need for expanding production exists. We as farmers, in this area, are ready to help meet the demand for this important world food crop.

We feel the proposed legislation will sufficiently protect the present allotment holders and allow for expansion of the rice industry.

America's wealth is its producing capacity. We the farmers are ready to produce.

Senator STONE. Thank you so much. We appreciate your testimony. Mr. Lester Cranek, National Farmers Union, Garwood, Tex.

**STATEMENT OF LESTER CRANEK, NATIONAL FARMERS UNION,
GARWOOD, TEX.**

Mr. CRANEK. Mr. Chairman and members of the subcommittee, my name is Lester J. Cranek. I live in Gardwood, Tex.—about 75 miles southwest of Houston—where I farm about 850 acres of rice. I am also the county judge of Colorado County, Tex. Under Texas law, the chairman of the county government is known as the county judge, having both judicial and administrative function. I would further add that I am president of the Houston-Galveston area regional councils of governments comprising over 3 million people in 13 counties, 110 cities, 88 school districts, 440 water districts and 11 soil conservation districts.

Gentlemen, since I am in that first step of government closest to the people, "Local Government" and you are in the third and top step, "Federal Government", I would like to visit with you briefly here today as I interpret the thinking of the Colorado County rice farmers, the Texas rice farmers and I dare say the vast majority of rice farmers from the other rice producing States.

I am positive that the feeling and thinking of these farmers were well spelled out by the rice farmer delegates to the most recent convention of National Farmers Union at Portland, Oreg., March 16-19, 1975. The convention took specific action to support the continuation of programs for rice, peanuts, and tobacco.

The delegates' statement is as follows:

These programs established 35 years ago, have assured the nation adequate supplies of these commodities at stable and fair prices while lending stability to prices paid to producers. These programs embody all the basic principles that Farmers Union believes to be essential to make commodity programs work.

We oppose the U.S. Department of Agriculture's action in suspending marketing quotas on rice and reducing allotted acres.

We support continuation of programs for these crops as they are presently constituted and their administration to assure the maximum price support permitted by law.

Mr. Chairman, I would like to ask permission to have the entire farm policy resolution as adopted by the National Farmers Union convention March 16-19, attached to this statement as "Exhibit A" and made a part of this record.

Mr. Chairman, the position of the Farmers Union and its rice farmer members has been previously explained to you this very same committee when I had the privilege of appearing before you on December 3, 1974. I would like to have that statement become a part of this record as "Exhibit B".

You have been told here in the course of hearings on rice legislation that some producers want to end the program. We do not have any such producers in our organization. There are not very many producers, irrespective of what organization they might belong to that feel differently. To verify that observation, please allow me to refer to the last three referendum votes by all rice producers before the administration did away with marketing quotas in 1974.

In January of 1973, of the 11,422 producers voting, 10,768 voted "yes" and 654 voted "no." The percentage of favorable votes for the program was 94.3 percent. In January of 1972, of the 11,659 voters voting, 11,019 voted "yes" and 640 voted "no." The percentage of favorable votes for the program was 94.5 percent. In January of 1971, of the 11,874 producers voting, 11,138 voted "yes" and 736 voted "no." The percentage of favorable votes for the program was 93.8 percent.

Mr. Chairman, a fantastic approval of a program that had been in effect since 1954 and approved each succeeding year by as good a percentage. Gentlemen, don't I wish that every governmental decision I make in Colorado County would have that kind of approval by the citizens. I imagine each of you feel likewise. The Congress is to be commended for adopting a program over 35 years ago that has been so widely accepted by the people it affected. Why has the program enjoyed the overwhelming, almost unanimous approval of the farmers? One only has to look at the chaotic conditions of the price and of the marketing of rice in the midfifties prior to the operation of the current program to understand this phenomena.

Mr. Chairman, unfortunately, each year, however, the producers have had to fight off the vested-interest groups, that make their conglomerate profits from volume with utter disregard to the economic plight of the producer, as well as that horde of bureaucrats that believe, first of all, that the farmer doesn't have the sense to think for himself and second, if he did have the ability to think, he doesn't have good business sense.

I am not going to make a game of figures. Just for the information of everybody concerned, I would indicate I have that ability. I have a doctorate in agricultural economics from Michigan State University.

We think the producer vote concerning the rice program conveys a strong message to the Congress. Our plea is that you listen to producers and not the small group of vested-interest middlemen, led by the Nation's largest beermakers, who want to profit at the expense of the farmer.

Mr. Chairman and members, please forgive me if I seem a bit emotional about this. I am emotional. During the past 20 years I reared four sons to manhood and three daughters to womanhood making a living farming rice. How was I able to do that? We had a strong viable program for rice. I could sit across the desk from my banker and look him in the eye and tell him what I could do. The only variables were my ability and the weather; one of the other most important viables, price, was stable because of the sound program.

Now my four sons and a son-in-law are partners in my farming operation. By decree of the Secretary of Agriculture in 1975 and a strong effort by the present administration and vested-interest groups to alter the current rice program and cause that very important variable, price, to fluctuate up and down like a ferris wheel, my sons and son-in-law will not be able to go to their bankers and borrow the \$300,000 operating costs that it takes to put in an 850-acre rice crop.

My sons and son-in-law have just as much right to stay in rice farming as these farmers from other areas appearing before the Agriculture Committees claim they have of entering. Sure, we hear the old cliché that it's not Americanism to not have wide open production.

But, gentlemen many, many other segments of the economy are protected, by some regulation, franchise, or other means. We can name a few here for example; (a) to get a trucking permit in Texas, you must prove to the Railroad Commission there is a need for the service, (b) to get a bank charter, you must prove to the State Banking Commission that there is a need, (c) to get into one of the six law schools in Texas, you must pass an entrance exam that is unbelievable, (d) the same is true for medical school and on it goes. The basic underlying reason for all of this is to limit participants in these areas so that a reasonable businesslike profit can be made by those involved.

It is unfortunate that too often we have well-meaning farmers falling under the misrepresented guise of the soothsayers of vested interests who are the only ones to really profit by uncontrolled production.

Mr. Chairman, I know it's a dilemma for this committee to have to make a decision on what legislative route it will recommend. You heard in the December 1974 hearing, as well as this hearing, from areas other than the historic rice areas asking for a program that will enable them to engage in rice farming. The reason these areas want to engage in rice production is because it has been one of the more viable enterprises the past 18 years or so. It didn't get that way by accident, but by design. As was pointed out earlier, the producers opted each year to have controlled production and at the same time voluntarily checked off a payment, per hundredweight sold, for the promotion of rice domestically and in foreign markets. Many of these historic rice areas are basically adopted to one crop only, rice, as is true in Texas. We do not have the opportunity to switch from rice to other grains, fibers, or legumes when rice proves unprofitable.

Gentlemen, it is unbelievable the chaos and uncertainty that exists today, November 14, 1975, in the rice industry in Texas. All brought about by the Secretary of Agriculture declaring no marketing quotas for 1975. If it was his design to break the Texas rice farmer, he is close to succeeding. Not only has the price fallen to the Government loan support or below, 60 to 70 percent of the sale offerings are not even getting a bid price. Hundreds of thousands of acres of nonallotment rice was planted this year in several of the States. Texas had an actual reduction from 1974 acreage, and we have a supply of rice on hand that boggles the mind.

Mr. Chairman, I will not belabor the committee today with a number of figures and statistics to prove my point. I would just wish to recall to the attention of each member of this committee the letter you received from your colleague Senator Russell Long dated October 24, 1975. It was my good fortune to come into possession of a copy.

Gentlemen, I have appeared a number of times before the Agriculture Committees of both the House and the Senate in the last 20 years and have steadfastly stood for the current law that we have operated under continuously since 1955 and did so just as recently as December 3, 1974, before this very same committee. Maybe it's the trend of our times that anything no matter how well tried and proven, grows too old to be good and need changing. If this committee feels from the testimony it has heard today that it must legislate on the subject then I would respectfully ask that you accept the so-called Houston plan that was worked out this spring in Houston, Tex., by representatives from each of the five major rice-producing States. The Houston

plan provides no direct payments to rice farmers in the form of target pricing mechanisms. Yet, it provides for an increase in production while at the same time, retaining authority for the Agriculture Department to make adjustments in production to meet market demands but to prevent uncontrolled expansion and costly surplus. Senate bill 2385 embodies the Houston plan and it is the program offered by the farmers and for the farmers of the rice industry.

Gentlemen, I look at our democracy as a government of the people, by the people and for the people. But, unfortunately, I find, more often than not, the average citizen referring to our Government here in Washington as "they" as if it was some foreign entity and not one of themselves. Too many laws are passed at all levels of government without regard to the desires and wishes of the majority of the people and that abstract reference may be deserving.

In closing, Mr. Chairman, let me remind you that we are here to emphasize the position that we have taken previously in hearings before this subcommittee. Our position has not changed in any way. We urge the subcommittee to reject all efforts to kill an effective rice program. If you were to embrace a target pricing, open production position, the fatality would be the small and medium-sized producers who are most severely affected by market stability.

But gentlemen, in my closing comments, I emphasize there is the trucking industry, banking industry, and law schools that just continue on with having some control of who can get into the field, so I am saying if we find a need of having to change a program that has been tried and proven, if it is determined by the committee that the change has to be made, I would recommend the Senate bill 2384 which embodies the Houston plan which has been alluded to here before. It was so very ably covered by Senator Long in his fine letter, indeed, got out for the gentlemen of this committee to consider.

I will say this, that I appreciate the opportunity of appearing before you. I wish I had more time to say something. To come 1,500 miles and talk a couple of minutes or 3 seems like a lot of wasted effort, but at least I am happy for the privilege to do that.

Senator STONE. Judge, thank you. Most folks who get to Washington get 2 minutes or 2½. We are going to concentrate 10 minutes on each one of these presentations. Thank you very much.

[The following material was submitted by Lester Cranek:]

Exhibit A

COMPLETE STATEMENT ON FARM PROGRAMS ADOPTED BY NATIONAL FARMERS UNION CONVENTION

C. FARM PROGRAMS

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

1. FAMILY FARM

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

2. PROGRAM RECOMMENDATIONS

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

- a. Target prices at 100 percent of parity;
- b. Non-recourse loans or purchases or purchase agreements at not less than 90 percent of parity;
- c. A program conforming to the "ever-normal granary" principle to protect producers from the price-depressing and economically disrupting effects of surpluses of storable commodities, by:
 - (1) Enabling farmers, at their discretion, to extend their non-recourse price support loans from year to year;
 - (2) Permitting loan collateral commodities to be stored, under the producer's control, in approved storage facilities on the farm or in cooperative or commercial warehouses;
 - (3) Providing for the government to absorb each prior year's storage and interest charges for any year when the average prices received by farmers have not exceeded 100 percent of parity;
 - (4) Prohibiting any sales of commodities acquired by the government as loan collateral at less than 100 percent of parity; and
 - (5) Authorizing the government to take option to purchase at 110 percent of parity a portion of any commodity pledged as collateral for extended price support loans.
- d. Effective means for managing supplies of food and fiber through land retirement or other voluntary programs, or through mandatory programs to which producers have assented by an affirmative vote of a majority of eligible producers voting in a referendum conducted by the United States Department of Agriculture, including acreage allotments and/or marketing quotas to be employed only when loan collateral and government-owned commodity stocks have reached such quantities, to be defined by statute, which are deemed by Congress to be sufficient to assure consumers of an adequate and abundant supply of food at fair and stable prices, and to enable all needs to be met for domestic and export markets, including the needs of dairy, livestock, and poultry producers, for emergencies arising from natural disasters and economic or national security crises, for famine relief, and for market development in underdeveloped countries;
- e. Extension of the Agricultural Marketing Agreements Act of 1937 to provide optional authority for producers of all agricultural products to use marketing agreements and marketing orders;
- f. For perishables and other commodities as needed in order to achieve the goal of 100 percent of parity, a combination of purchases of processed products for temporary storage or donation, bonus food stamps to encourage increased consumption by the needy of abundant supplies, premium payments as incentives for marketing at light weights, and direct payments to raise returns to producers to a "target" of 100 percent of parity;
- g. Legislation to enable farmers to associate together to bargain with processors and other buyers of farm products for prices and other terms of sale;
- h. Elimination of the present system of fixed quantitative limitations on imports of agricultural commodities and establishment of a new system of variable import duties equal to the shortfall, if any, of the current market price in world trade from 110 percent of parity; and
- i. Negotiation of international commodity agreements for grains, dairy, and other agricultural products for which the need may exist or arise, to maintain world trading prices within a range of 90 to 110 percent of parity.

3. PRICE SUPPORT RECOMMENDATIONS

Prices for farm commodities during 1974 varied in considerable degree. Certain commodities have ranged above parity while others have ranged below the parity level.

Farmers continue to face escalating costs of production that must be dealt with by immediate remedial amendments of existing farm legislation. The exorbitant price increases in fuels, fertilizer, machinery and other farm production items have greatly diluted target price levels that apply in 1975. These target

prices are below 50 percent of parity, and are being further reduced by escalating costs of production so that the result is to provide support at levels far lower than intended by Congress when it drafted the 1973 Farm Act. The outlook is for further increases in farm input costs. We, therefore, strongly urge that Congress take action as follows:

- a. Increase target price levels to 100 percent of parity for wheat, feed grains, soybeans, and cotton, and provide target prices or increase the price support level for manufacturing milk to 100 percent at parity;
 - b. Amend the cost of production index in the present law to maintain target prices at 100 percent of parity throughout the term of the law;
 - c. Increase price support loans for wheat, feed grains, soybeans, and cotton to 90 percent of parity;
 - d. Provide that no sale of CCC-owned commodities into commercial channels may be made at less than 110 percent of parity price as defined by statute;
 - e. Clarify provisions of existing law as needed to establish paying bases for wheat, feed grains, and cotton to comply with the intent of Congress.
- The feed grains base was substantially reduced by the Administration in 1974 by ignoring some ten million acres of silage corn in computing the nationwide base. To correct this situation, we support a statutory requirement of a minimum feed grains paying base of at least 100 million acres.
- f. Existing law should be amended to include dry edible beans.

4. PEANUT, RICE, AND TOBACCO PROGRAMS

These programs, established 35 years ago, have assured the nation adequate supplies of these commodities at stable and fair prices while lending stability to prices paid to producers. These programs embody all the basic principles that Farmers Union believes to be essential to make commodity programs work.

We oppose the United States Department of Agriculture's action in suspending marketing quotas on rice and reducing allotted acres.

We support the continuation of programs for these crops as they are presently constituted and their administration to assure the maximum price support permitted by law.

EXHIBIT "B"

STATEMENT OF LESTER CRANEK, NATIONAL FARMERS UNION, GARWOOD, TEXAS ON RICE PROGRAM, AND S. 4121—DECEMBER 3, 1974, BEFORE THE SUBCOMMITTEE ON AGRICULTURAL PRODUCTION, MARKETING, AND STABILIZATION OF PRICES, SENATE AGRICULTURE AND FORESTRY COMMITTEE

Mr. Chairman, Members of the Subcommittee, I am Lester Cranek, a member of Texas Farmers Union and a rice producer from Garwood, Texas. I am testifying today in behalf of National Farmers Union and Texas Farmers Union. I appreciate the opportunity to express our views on the rice program and on S. 4121.

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

Our delegates said:

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

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

Furthermore, as you know the programs for rice and peanuts, in particular, are under attack by an Administration that would sacrifice provenly-workable programs for consistency with an abstract and illusory concept of "free market" agriculture. Under such attack, Congress must hold both programs together. Otherwise, the "divide and conquer" tactics of the Administration likely will

prevail. The present peanut program will be more difficult to maintain, if Congress allows the basic concept of the rice program to be changed.

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

1. The program is popular with, and supported by, the vast majority of rice producers. In 1973, the last year that a referendum was held among rice producers, the program was endorsed by 94.3 percent of the voting producers. (Marketing quotas were lifted in 1974, and therefore no referendum was held.)
2. The rice program has not been costly to taxpayers. The average annual cost during the past ten years (through 1973) has been some \$31.4 million, which is a moderate expenditure considering the worth of the program.

Costs of the program in 1974 will be limited to administrative expenses, which will be negligible. Only some 6 percent of the 1974 crop has gone under loan. With market prices substantially above the \$7.54 per hundredweight loan level, all of that 6 percent which went under loan likely will be redeemed. As long as market prices hold, costs to the Treasury will continue to be negligible.

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

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

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

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

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

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

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

Senator STONE. We have Mr. Gene Harris who is chairman of the Rice Division, California Farm Bureau, Richvale, Calif.

STATEMENT OF GENE HARRIS, CHAIRMAN, RICE DIVISION, CALIFORNIA FARM BUREAU, RICHVALE, CALIF.

Mr. HARRIS. Mr. Chairman, my name is Gene Harris. I grow rice in the Sacramento Valley of California and chair the Rice Division of the California Farm Bureau Federation. We have 1,025 member-growers.

We support S. 2385 proposed by Senator Long. We feel that the mandatory production controls incorporated in this bill do a good job of preventing our industry from self-destructing through glutting the market.

We view with alarm this year's exportable surplus in Burma of 400,000 tons, in Thailand of over 500,000 tons (in fact 746,518 metric tons were shipped between January 1 and September 30 this year), and Indonesia is cutting imports by two-thirds—down to 620,000 tons. Hong Kong has doubled its rice purchases from China. World ending stocks have increased 25 percent from 1973 to 1975.

China grows 34 times the amount of rice grown in the United States; India 11 times; Indonesia 4½ times; Bangladesh and Japan and Thai-

land about three times the United States production. Burma, Brazil, and South Korea also exceed the United States production. Only $2\frac{1}{2}$ percent or $7\frac{1}{2}$ million tons of rice comprise the total world trade. The United States ships approximately two-thirds of its rice which represents 17 percent of the world's export rice.

The purpose of these figures is to demonstrate the extreme vulnerability of the rice industry to minor changes in rice yields in Asia.

The advantage of the current legislation and also that of S. 2385 as proposed, is that production controls are automatic. Other legislative problem-solving efforts lack the teeth necessary to protect our industry from its own overproduction capability.

Senator Long's bill doesn't carry provisions for paying farmers not to produce food. This is not something farmers want to be accountable for to the urban majority. These are not the direct payments to farmers which have such a poor record in cotton, wheat, and feed grains.

S. 2385 allows open production during periods of shortage but safeguards the existing basic industry in times of excess production. We have lived through world price fluctuations before with the quota system, and it has served us well. There is no hedging provision for rice, and the lack of it is a sound reason why self-regulation through legislation is advisable. We feel that there will be extremely uncertain supply/demand swings in the next 5 years, and now is not the time to cast off from principles which are virtually the foundation of the industry.

We appreciate the opportunity to be heard. Thank you for your attention.

Senator LEAHY [presiding]. Thank you very much. I appreciate your patience and the patience of the others in the amount of time it has taken today.

Mr. Freeland, Rice Growers Association of California, Sacramento, Calif.

STATEMENT OF ROBERT FREELAND, RICE GROWERS ASSOCIATION, SACRAMENTO, CALIF.

Mr. FREELAND. Thank you, Mr. Chairman.

Senator LEAHY. I might make a personal notation here. I recall the first time I went to Sacramento. I was still a district attorney at that time, and I was going out to meet with John Price who is your district attorney. We flew in low. I looked out the window and I said to John: "That looks like rice paddies out there."

John assured me indeed it was. Since then I learned more about them.

Mr. FREELAND. We have more rice paddies since then, I can assure you.

Senator LEAHY. I am sure, that was 4 or 5 years ago.

Mr. FREELAND. My name is Robert Freeland. I am executive vice-president of Rice Growers Association of California which is a rice milling and marketing cooperative whose members produce over half of the rice grown in the State of California. Our 1,900 grower-members are emphatically opposed to the target price legislation contained

in S. 2260. California ricegrowers would much prefer that the present rice program remain unchanged. However, they are supporting the bill introduced by Senator Long, S. 2386, which is a compromise between the extremes of the target price concept and the present rice legislation.

Most of the things in my statement have been expressed by the previous speakers. I am not going to read the entire statement. I would like to dwell on one item which is the present status of the rice industry in our country. Due to unrestricted planting, U.S. rice is in trouble.

The production of U.S. crop will undoubtedly exceed 130 million hundredweight as compared to 114 million the last year. If this crop is to be disposed of, the United States must have substantially higher exports than occurred last year, and actually the forecast is for decreased exports. It appears that we can very probably, almost with a certainty, have a burdensome carryover of at least 25 percent of the U.S. rice crop. This is certainly not the time to encourage and subsidize increased production.

Proponents of this target price legislation have continually stated that the United States can export all the rice that it can produce and we would like to see this happen also, but unfortunately we are faced with the situation that must prove the error of this statement.

As an example of our problems the former substantial export markets of Cambodia and Vietnam have been lost to the United States.

Iraq, last year a major purchaser of U.S. rice has recently acquired the major portion of their 1975 crop requirements from other countries—Pakistan and Thailand.

Indonesia has announced that it will require little or no rice imports. A couple of years ago it was the largest rice importer in the world importing about a million tons.

Iran, the largest cash purchaser of the 1974 crop of U.S. rice stated that its 1975 requirements will be substantially less. One reason is due to the demurrage problem in their ports. They cannot unload the rice.

Other than the recently announced Russian sale, there is little interest being shown in U.S. rice from any so-called new markets and some rice-producing countries that have been normally deficit in rice are indicating that they will have at least small amounts of rice to export in competition with us.

In the Public Law 480 area, the Department of Agriculture has indicated programing of only 800,000 tons of rice from the 1975 crop, an amount equal to what was exported last year. To date, the Department is having difficulty in finding eligible recipients for even this reduced amount of programing.

For example, Korea which was scheduled to receive 400,000 tons of the 1975 crop of rice under the Public Law 480 program is indicating that they do not wish to take the full amount of rice offered under the Public Law 480 program. To show the status of the trouble, just using California as an example, and we are not apart from other States, but in California, at this time, we have enough surplus rice to supply 100 percent of the requirements of this year's Public Law 480 program.

We don't need anymore rice.

Thank you.

Senator LEAHY. Thank you very much.

[The prepared statement of Mr. Freeland follows:]

STATEMENT OF ROBERT W. FREELAND, RICE GROWERS ASSOCIATION, SACRAMENTO, CALIF.

Mr. Chairman, members of the Committee: My name is Robert W. Freeland. I am Executive Vice President of Rice Growers Association of California which is a rice milling and marketing cooperative whose members produce over half of the rice grown in the State of California. Our 1,900 grower-members are emphatically opposed to the Target Price legislation contained in S-2260. California rice growers would much prefer that the present rice program remain unchanged. However, they are supporting the bill introduced by Senator Long, S-2386, which is a compromise between the extremes of the Target Price concept and the present rice legislation.

S-2386 would make it possible for open-end rice production in times when rice can be marketed. This bill also contains the very necessary provision to again control rice production, when required, in order to avoid disastrous surplus accumulations. Among other things, it also provides for a reduction in the present support rates and eases the restrictions on transfers of acreage allotments to provide easier access to the rice program by new growers.

Let us briefly take a look at the present situation in the rice industry. Due to unrestricted planting, the production of the 1975 crop could exceed 130 million cwt. as compared to 114 million cwt. produced last year. We are aware that this production figure is in excess of that currently projected by the Department of Agriculture, but we feel that both the acreage and production figures as reported by the Department are not accurate.

If this crop is to be disposed of, the United States must have substantially higher exports than occurred last year. Actually, the forecast is for decreased exports, and it appears that we can very probably have a burdensome carry-over of at least 25 percent of the 1975 rice crop. This is certainly not the time to encourage and subsidize increased production.

Proponents of the Target Price legislation have continually stated that the United States could export all of the rice it can produce. Unfortunately, we are presently faced with a situation which must prove the error of this statement.

Some of the reasons for the projected decrease in 1975 crop exports are:

1. The former substantial export markets of Cambodia and Vietnam have been lost to the United States.

2. Iraq, previously a major purchaser of United States' rice, has recently acquired the major portion of their 1975 crop requirements from other countries.

3. Indonesia has announced that it will require little or no rice imports. A few years ago it was importing a million tons. It was the largest importer in the world.

4. Iran, the largest cash purchaser of 1974 crop United States' rice, has stated that its 1975 requirements will be substantially less than last year's.

5. Other than the recently announced Russian sale, there is little interest being shown in United States' rice from any so-called new markets, and some rice producing countries that have been normally deficit in rice are indicating that they will have at least small amounts of rice to export.

6. In the PL-480 area, the Department of Agriculture has indicated programming of only 800,000 tons of rice from the 1975 crop. To date, the Department is having great difficulty in finding eligible recipients for even that reduced amount of rice. For example, Korea who has scheduled to receive 400,000 tons of 1975 crop rice under the PL-480 program is indicating that they do not wish to take the full amount of rice that had been offered to them.

The situation of the United States' rice in the world market is almost entirely dependent upon conditions in the other rice producing areas of the world. The United States produces less than 2 percent of the world's rice. Therefore, the size of the United States' crop has only a minor effect on total world supplies. However, a very small increase or decrease in world production can radically affect the demand for our product. It becomes very important that the rice industry retain the ability to increase or decrease the production of United States' rice in accordance with the changes in the world supply and demand. The proposed Target Price legislation which we are opposing has no effective method of controlling production. The set-aside provisions in the proposal affect only allotted

acreage, and when such allotted acreage is required to be set aside, a farmer may grow as much rice as he wishes on non-allotted acreage. The compromise bill, S-2386, provides for more elasticity in the control of acreage and would undoubtedly result in unrestricted planting in most normal situations, but would retain the very important provision for definite control of production when needed.

Proponents of the Target Price concept have accused those of us who have been opposed to it of attempting to restrict production to something less than the market demand in order to unduly enhance prices. This is entirely false. No rice grower in California objects to raising or having other growers raise all the rice that the market can absorb. Our present program and S-2386 both contain the flexibility whereby the operations of the rice industry can be adaptable to changing conditions. The formula in S-2386 as well as in our present program makes it mandatory that there be unrestricted planting when the production can be marketed.

The actions taken by the Secretary of Agriculture in regard to the 1974 and 1975 crop rice program in removing marketing quotas and allowing unrestricted production have proved the flexibility of our current legislation, and S-2386 would increase this flexibility. We must not throw away the valuable tool of production control. It is our opinion that the proposed Target Price legislation with its lack of production controls would eventually result in cost to the Federal Government and ultimately to the consumer is a substantially greater amount than can occur under the present program. No realistic grower wants to place the rice industry in the position of raising rice simply to receive payments from the U.S. Government.

Our present rice legislation has operated to the benefit of the farmer, the consumer and the Federal Government. In most years it has provided stable prices at reasonable levels to the advantage of both the consumer and the rice industry, and has avoided burdensome surpluses. We respectfully urge members of this Committee not to recommend the adoption of the Target Price legislation contained in S-2260 and, if they feel that a change is needed in the present rice program, to recommend the adoption of S-2386.

Thank you.

Senator LEAHY. The next witness is Marshall E. Leahy, executive vice president, Farmers' Rice Cooperative, World Trade Center, Sacramento, Calif.

I will state for the record that Mr. Leahy and I are not related.

STATEMENT OF MARSHALL E. LEAHY, EXECUTIVE VICE PRESIDENT, FARMERS' RICE COOPERATIVE, WORLD TRADE CENTER, WEST SACRAMENTO, CALIF.

Mr. LEAHY. My name is Marshall E. Leahy. I am executive vice president, Farmers' Rice Cooperative, World Trade Center, West Sacramento, Calif., which is the representative of a group of rice growers in California.

We possess an exemption certificate from the Government that we are devoted to that occupation and that occupation only. We have a vital interest in this. We have about a fifth of the California crop in our group. We have some great concern over this so-called target price theory.

Most of the growers in California are somewhat larger than those in the other states. In other words, historically the acreages are larger and the investments are larger in installation and that type of thing, so the problem becomes more aggravating in terms of what the proposed target bill would do to an existing organization.

I have been quite interested in something that hasn't been touched on, and that is that in both the target price bills which were supported

by Arkansas and some of the other people, there is a provision that has the famous payment limitation in it, which at the moment is \$55,000 and I don't know whether it is going to remain there, but if it is changed, I am sure it is going to go down rather than remain where it is or, certainly, it is not going to go any higher.

That renders practically useless this entire concept that they are taking care of the existing producers by the target price on this \$8 and \$6 arrangement. As a matter of fact, the payment limitations in California based on the average acreage out there would wipe out the so-called protection. There wouldn't be any protection for the historical grower, even if he remained in a program and didn't grow any excess rice. That, to me, has not been mentioned. I know it is sort of the no-no type of thing to talk about, but it has to be mentioned because it affects the ability to finance the crop and that is what this is all about.

This year, with marketing quotas off, which was dictated by an action of the Secretary of Agriculture, we have a huge increase in rice production in California as Mr. Freeland just stated.

We have rice in every facility that we could possibly imagine out there, and we don't know where it is going. We have so much rice with very little export programming. At the moment, the outlook is grim in rice in California up to now. In the past, we have been quite successful.

It just points up and in fact, it is a clear indication that this is not the right time for a bill that is dedicated to increasing rice production. I think that with the 1975 crop, despite what Mr. Carter said, that, I don't share his optimism that there is not going to be more than 10 million bags carryover at the end of this marketing season. I think it is going to be closer to 18 to 23 million bags which is what the Department thinks, and for once, I agree with them.

Senator LEAHY. You say that, Mr. Leahy, as though that is not a common occurrence, that kind of agreement.

Mr. LEAHY. Well, I have had some differences of opinion on that figure. But I think as Mr. Freeland just stated that, he gave you an excellent resume of the current situation. The gentlemen, when they first started supporting the target-price system a year ago, said that there would be substitute markets to take care of the gap that is created by the elimination of Cambodia and Vietnam markets.

Now, when they were asked that question by some of the members in the House, they weren't very specific about what countries they were talking about, but they were positive a year ago that there would be countries that would take up the slack and they have failed to appear. The Department is having quite a bit of difficulty programming the 800,000 tons they have got on the books now.

I really am not so confident as some of the other people are that this is the time to increase rice production, particularly while it is true that the surplus rice is going to be unsupported. It is also true that these new growers are going to have to have financing and that the Government is going to have to take some position if they put this target bill through and they end up with a surplus; a great deal of the surplus will be the unsupported excess price.

And even though there is no program, the Government will be hearing from these people and that has been the history of agricul-

ture from the beginning. Once we get people into something, you can't wipe them out.

The bill that was sponsored by Senator Long which we call the "Houston plan" had really one feature that distinguished it from the target price bill and that is the provision that says that if a surplus develops 20 percent more than the normal market can handle, why, then, automatically we will go back to marketing quotas.

That is what we call the trigger provision and that is just to protect people from themselves. You can't—

Senator LEAHY. You prefer the Long bill as a compromise?

Mr. LEAHY. Yes, we would prefer the present system as it exists. If we are going to have a bill, I can only say as far as our information is concerned, it was the administration that forced the rice industry and told them they were going to have a new rice bill whether they liked it or not and they better come up with a bill, and we came up with the Houston plan which is the bill that Senator Long supports.

We think that has the only meritorious section in it which means that assuming that all of these things go as they plan and they find a place for all this new rice, that is fine, but once the surplus develops the Government is going to then be faced with a serious problem in coming up with a milling program or some other method of disposing of it, whether it is supported rice or not, in my judgment.

Senator LEAHY. Your complete statement will be put in the record in toto. Those five lights mean I have about three minutes left to go over to vote. I will be back.

Mr. LEAHY. Thank you.

[The prepared statement of Mr. Leahy follows:]

STATEMENT OF MARSHALL E. LEAHY, EXECUTIVE VICE PRESIDENT, FARMERS' RICE COOPERATIVE, WEST SACRAMENTO, CALIF.

Farmers' Rice cooperative, organized under the Agricultural Code of the State of California is engaged in the milling, marketing and processing of rice for more than 600 grower-members. In the 1975 season, this Cooperative will process over 600 million pounds of rice, more than one-fifth of the California crop. This Cooperative in common with all elements of the California rice industry oppose HR 8529. We are opposed to the scrapping of a two decade system providing for the orderly control for rice production in exchange for an experimental target price concept. The United States Department of Agriculture, which supports HR 8529, would attempt to substitute an experimental and unproven target price concept for a stable program in rice.

On April 30, 1975 the undersigned testified in opposition to this target price concept before the House Subcommittee on oil seeds and rice in the House Subcommittee on Agriculture. This testimony was made at a time when no member of the industry could safely predict the amount of rice to be planted by producers in 1975. The Secretary of Agriculture had eliminated marketing quotas on the 1975 crop prior to the hearings before the House Committee and planting was still underway at the time this testimony was given. At the present time, the 1975 crop in California has been practically all harvested and it has been demonstrated that there has been considerable overplanting in California, far in excess of the rice acreage allotment. Additionally, the yields on the 1975 crop have been extremely favorable and as a result the California rice industry now has in its possession a huge amount of rice, greater than any crop produced in California in its history in rice production. This fact coupled with the very limited demand in export, both under the PL 480 program and for dollars, finds the entire United States rice industry presently in a surplus position facing a huge carryover in 1976.

If HR 8529 is enacted, the problem would increase and the rice production would further expand. With this additional rice production in 1976 and 1977,

the rice industry will be faced with chaotic surplus conditions similar to those which occurred a few years ago. This would impose a burden upon the Commodity Credit Corporation to dispose of the overplanted crops and to avoid heavy surpluses. As a result of the present huge production of rice in 1975 in the United States, we are already faced with the alarming fact that the 1975 rice crop will require a huge milling program between now and the harvest of the 1976 crop and in our judgment, will result in a sizable surplus that will have to be carried into the 1976 marketing year.

House Bill HR 8529 has other sections in it with which the undersigned is in disagreement. Section 102 of the bill provides for a discretionary set-aside of crop land when the carryover exceeds the total supply of rice by 15%. This section provides that only the historical and traditional growers of rice could be forced into this program while new growers would not be affected by this provision. The obvious fact is that if farmers in the existing industry are forced to cut back production at the time when new growers cannot be compelled to reduce production, there will be no stable market for the traditional producer to return to. A recent United States Department of Agriculture estimate of HR 8529's program costs based upon the \$8.00 target price and \$6.00 loan rate reveals that in the 1976-77 crop year the government could pay out to producers as much as \$168 million in subsidies should the price drop to \$5.00 per bag. The \$5.00 price is not inconsistent with the history of rice production. Three years ago, when production was 30% less than today, the price of rice was indeed \$5.00 per hundred weight and, for this reason, it is not at all impossible that the price of rice could drop to \$5.00 per hundred weight, which could create an enormous expense to the government under H.R. 8529.

It does seem that all members of the Congress should strive to cut government costs and avoid for the first time direct government payments to rice farmers under the target price concept. The bill is supported on the theory that there is a need for increased rice production in the United States to take care of impoverished nations in the world. If such is the fact, then why is it that we are having difficulty disposing of the 1975 crop in export. The export market simply does not exist at this time nor does it warrant more United States rice production. The current rice program has done great service to the country for many years and any attempt to change this program to create a target price concept will be a devastating blow to the producers and consumers alike. It is obvious that the present supply of rice is ample enough to provide for world sales and still provide for reasonable retail prices for United States consumers of rice. The effect of the HR 8529 is that it permits rice production without restriction with government supported target prices. For the traditional rice producer, its objective is to just transfer much of the traditional rice production to other states with available land and water, which can only have the effect of destroying the traditional rice producers who have been encouraged over the years to make investments of incalculable millions in rice land acquisitions, rice units, equipment and water development. In the past, the rice producers consistently responded to the urging of the Secretary of Agriculture year after year curtailing production or expanding production as the nation's economy dictated. Remaining in compliance was often costly to the rice producer which was demonstrated several years ago when rice producers reacted to the request of the Secretary to increase the capacity to produce rice. It would seem logical that in view of history, the traditional rice producer should be entitled to some consideration for his years of faithfulness to the United States Department of Agriculture's rice programs and should be entitled to the protection of the investments made at the urging of the government.

It would appear obvious that the principal support of this bill is coming from commercial millers and brewers. Apparently, they would welcome a surplus condition and a buyer's market which would create conditions under which commercial mills and breweries could acquire their rice requirements on their own terms and at their own prices. Many of our growers can testify to years in which they received less from the market for their crop than they paid for their seed. It would seem logical that favorable conditions for the rice producers rather than advantages for the commercial millers and brewers should be the primary concern for any responsible committee on agriculture.

It has been the purpose of the Secretary of Agriculture to reduce the costs of agricultural programs. However, this purpose and cause is not being served by the present rice legislation governing the production and marketing of rice.

The cost to the government under the present legislation has been negligible. The only consequential expenditure was made under PL480 which is based and grounded more in connection with United States Foreign Policy and aid to needy nations. The extension of PL480 was currently labelled "The Food for Peace Act of 1966." It is not proper to charge the PL480 expenditures to the rice program since the fact that rice may have been a purchased crop to satisfy the demands of the needy or friendly nations was not by way of a designed sop to the rice producers but only that the staple diet of the needy or friendly nations demanded rice. Delivery of any other commodity would not have satisfied the demands of such needy or friendly nations. Therefore, the bill for such benevolence should be placed on the State Department rather than charged to the Department of Agriculture. If the cost of the rice program is of major concern in the support of HR 8529 the Committee must have regard for the expenditures that will be required under this bill to subsidize innumerable experimental growers and the government will eventually be faced with the incalculable costs involved in the recommencement of the cycling of purchasing the surplus rice crop. The need of a new program that will insure increased production is also questionable. During the 1975 crop year under existing legislation all demands for rice will be met and a surplus of millions of bags is projected.

The questioning of the Secretary of Agriculture by Chairman Poage, Chairman of the House Committee on Agriculture, on August 7, 1975 exposes the real purpose of this target price concept. That testimony by the Secretary established that the crux of the question is "not how much rice is to be grown but who is going to grow rice." It is an obvious attempt to provide geographical changes in rice production and to take production away from Texas, Louisiana and California and to encourage it in Arkansas and Mississippi (See Page 375—Hearings on the proposed changes in the rice program—Serial. No. 93—ZZ). There can be no doubt in my mind that the provisions of HR 8529 which purports to "establish an improved program for the benefit of producers and consumers of rice" will not provide beneficial progress for either producer or consumer as the advocates of the bill allege. It is our opinion that the enactment of this legislation will cause the rice industry to face greater economic woes than it faces today. The advocates of this bill claim that its adoption would increase rice production and still protect the present rice industry. It is my opinion that the facts do not support these assumptions. The cost of production in rice has risen and the indications have shown that the consumption is down and no new markets appear on the horizon to absorb the increased production of rice. With wages, machinery and fertilizer costs spiraling upward it is difficult to see any justification for increased rice production when there are no new export markets that will accept the additional rice. The rice producers will be the ones to suffer when their return drops to nothing due to the price of rice having dropped substantially. Encouraging new production and new farmers for rice would appear to be contrary to the facts as they presently exist based upon what occurred in the rice production of 1975 when marketing quotas were removed.

The Department of Agriculture estimates that the carryover of the 1975-1976 harvest will approach 18.2 million bags; that is an increase of 11 million bags over the 1974-1975 crop. The adoption of this target price bill will encourage overproduction by guarantees offered by the government which will eventually be needed for the new producers of rice. Producers who are presently producing an unprofitable crop other than rice would undoubtedly switch to rice under this target price concept: then when they find that inflation and the loss of the market outlets force their returns from rice downward, they will appeal to the Congress to bail them out with government subsidies or milling programs. At the present time, the government is not paying any money to rice farmers and with the adoption of this bill it would appear that it would encourage the possibilities of government intervention that will serve to destroy the rice industry or to force their demands for further government aid.

It is respectfully urged that no legislative change be made in the existing rice program which has proven to be effective and inexpensive.

Senator LEAHY. The next witness is Mr. Worth Bayles, United Rice Growers & Millers, Maxwell, Calif.

**STATEMENT OF WORTH BAYLES, UNITED RICE GROWERS &
MILLERS, MAXWELL, CALIF.**

Mr. BAYLES. Mr. Chairman, members of the committee, my name is Worth Bayles. I live on a farm near Biggs, Calif., where I have been in the business of producing, drying, and storing rice for almost 40 years. I am president of United Rice Growers & Millers, a group of some 35 independent rice producers. I have come here today to speak against the rice legislation proposed in S. 1645 and S. 2260.

It is clear that the present rice program is achieving the desired goals in a fashion that could not easily be improved upon by the proposed legislation. I do not make this statement without supporting information. We, in the United States, produce only 2 percent of the rice that is produced in the world, yet at the same time the U.S. share of the world market is approximately 40 percent, which is approximately two-thirds of the U.S. crop. Clearly, the fact that the United States can export such a large portion of its rice bears witness to the fact that domestic needs are very easily met, while providing the desired year to year carryover, under existing rice legislation.

I might add that this is a good statement up until the 1975 production which is almost an unimaginable inventory.

With the knowledge that domestic supply is assured, I believe it is important to examine the existing and potential international markets. During the most recent debate, before the House Agriculture Committee, it was argued by proponents of the new rice legislation that there is and will continue to be, an expansion of the new international markets.

Again, I have to add that these international markets are rapidly disappearing, and we don't have a place to go with these current crops. However, whenever the proponents of new rice legislation were pressed as to where these new markets would be, they could do no better than mumble that they are there, but they never answered as to where there is. Let's look at the facts. First, the former substantial export markets of Cambodia and Vietnam are lost to the United States. Second, there have been promises by proponents of the new legislation that the Middle East would be a substantial new market.

Again, they were a substantial market last year. They did buy a lot of rice in fear of war and with the chaos in that area, they bought huge bodies of rice, but today they haven't bought any rice. Presently, this is not the case.

Iraq, which is a major purchaser of U.S. rice, has recently acquired substantially all of their 1975 crop requirements from other sellers. Iran, the largest cash purchaser of 1974 crop U.S. rice, has indicated that its requirements will be substantially less than the previous years; and further, that Iran, according to ADI, wishes to achieve rice production independence within the next 5 years. Third, little interest is being shown by any so-called new markets in U.S. rice, and some rice producing countries that have normally been deficit in rice are indicating that they will have at least small amounts for export. It is my understanding that this will be amplified by others who have

just returned from promotion trips around the world, so I will leave that to others.

It is hard for me to believe that Congress would base a change in the U.S. program upon the elusive promise of new and better markets which cannot be substantiated.

Surely, you have heard the arguments from the proponents claiming that the increased production will insure lower prices to the consumer. This argument is totally without merit. The facts clearly show that the price received by the farmer bears almost no relationship to the price paid by the consumer.

I think that has been brought out here amply today by other people testifying.

You should note that the farmer is receiving 2.1 cents a pound less today for his crop than he was in August 1973. However, during that same period the price the consumer is paying has increased by 18.6 cents per pound.

Consequently the farm-retail price spread, during this 2-year period has increased from 14.8 cents to 35.5 cents per pound. Clearly, it appears that the farmer has not increased his prices but rather has decreased his prices while consumers are forced to pay even greater prices. Based upon these facts it is clear that the legislative attention is misfocused upon the rice program, while it should be focused upon the disparity in the farm-retail spread. Someone is at fault for the increase in consumer prices but it is clearly not the farmer-producer in the face of the before-mentioned facts.

While this new legislation, in and of itself, will not reduce prices, let us examine what it would do. It would indisputably be the ruination of many hundreds, or perhaps thousands, of small producers. This ruination of small producers would result from the problems of overproduction coupled with falling farm prices. Since a small producer normally is growing as much rice as he has acreage to accommodate, he cannot double his crop to compensate for a severe drop in the price he receives.

If he did, he would just be driving another nail in his pocket.

Clearly, the main result of the proposed legislation would be the termination of rice production by many small and medium sized producers. Consequently, the industry would become dominated by fewer and fewer large operators. If the large operations could insure lower consumer prices, it might be an argument for this legislation but, as I stated earlier the farm price bears very little relationship to the consumer price. I urge you not to destroy small farmers when there will be no benefit to the consumer by such action.

Finally, Mr. Chairman, there have been arguments that this new bill will bring more food to the starving of the world. If that were true, Mr. Chairman, perhaps this bill would be defensible; however, the realities of the situation of world hunger are not so easily answered. The people in the poor nations of the world, who are starving could not afford to pay for rice no matter how far the price was reduced. Speaking realistically, we could not be expected and could not long afford to sell at a loss or to give rice away to hungry nations. The cost for any U.S.-assistance program to the hungry nations would be borne by the American taxpayer at a cost which would wipe out any possible

financial gains of this legislation, and perhaps over the years would result in a net increase of cost to the taxpayer. The proposed legislation provides no new markets or mechanism to distribute new surpluses.

Other rice-producing countries have also had record crops this year and are exporting small amounts. Consequently, some rice will rot in the field while the rest will be sold at bankruptcy prices.

If there is any doubt about the severe economic impact of overproduction in rice, I respectfully suggest that the members of this committee refresh their recollections and read the first 100 pages of William Manchester's "The Glory and the Dream" where he recounts the problems of farmers and other Americans during the 1930's. I dare say that if this legislation passed there would be the equivalent result to rice growers today.

Finally, the U.S. Department of Agriculture projects the cost of this legislation to the Government, and thus the taxpayer, to be between \$78 million and \$168 million in the first year, escalating to a possible \$844 million by 1981 if surpluses increase as they are expected to do and prices drop to \$5 per hundredweight. This is a real possibility and something that should be given a great deal of consideration by this committee.

Rice production and marketing is a complicated business and due to the unanswerable controversies characteristic of this bill I urge this committee to withhold action on further legislation.

Thank you.

Senator LEAHY. Thank you.

[Additional comments by Mr. Bayles follow:]

WORTH BAYLES, PRESIDENT, UNITED RICE GROWERS AND MILLERS, MAXWELL, CALIF.

Mr. Chairman, I appreciate the opportunity to expand upon my remarks and to comment upon those made by other witnesses at the rice hearings of November 14. My purpose mainly will be to outline the proponent's arguments for S. 2260 and then to present my arguments against such a legislative concept.

Before I begin my discussion to rebut the proponents, I would like to first point out some of the many advantages of the present program. First, the program we presently have has provided for our domestic needs, with the desired year-to-year carryover. Second, under the present program we have had ample supplies to meet our international commitments. Third, the program of the last 20 years guards against the pitfalls of overproduction as it affects the producers, particularly small producers. Fourth, the existing program encourages production at a price to the farmer which should result in quite reasonable prices to the consumer, if a way could be found to close the unprecedented farm-retail spread which has recently developed. Fifth, the present program guards against the excessive program costs which are certain to occur under the provisions of S. 2260. Sixth, rice, unlike wheat, corn and other commodities, is not traded on commodity exchanges. Consequently, this creates a situation that does not permit rice farmers to hedge their crop, thus, making rice marketing substantially different from other commodities. Because this creates such a difference, I urge the Committee to explore the differences created by this factor before amending the rice act.

Finally, before I begin my discussion of the proponents of S. 2206's points, I would like to refer you to an article in the Washington Post of November 18, 1975, "New Problems for Japan: Overproduction of Rice Causes a Costly Embarrassment." The article points out that a long hot summer helped the nation's farmers to bring in a bumper harvest—750,000 tons *above* the crop predictions. "We are suffering an overproduction of rice" said an Agriculture Ministry official. "How to dispose of the costly abundance is a headache which currently helps civil servants in the Agriculture Ministry toiling at their desks until after midnight. The politics which enmesh rice production in Japan are said to be get-

ting in the way and talks with high level finance officials have not so far produced a solution." This crisis in Japan should forewarn us that Japan will most likely move into some of our markets. It also should provide us with an understanding of the costly pitfalls of overproduction which we might experience if the Congress adopts S. 2260 or similar proposals, thus abandoning our present cost free program.

Now, I would like to focus upon some of the arguments made by proponents of S. 2260.

During the course of the hearings of November 14, 1975 it was intimated by proponents of S. 2260 that the financial risk to the federal government would be minimal. Put simply, this is not the case, especially when compared with the present rice program. One of the most attractive features of the present rice program is that it entails no cost to the federal government. By contrast, the legislation conceptualized in S. 1645 and S. 2260 will require direct payments to farmers when the rice price falls below the target level. For example, under the proposed target price bills if the price of rice fell to \$5.00 per hundredweight, which was the price only three years ago when production was 30 percent less than today, the annual payment by the government would be \$168,000,000. As you can see, it is very likely that a change to target price legislation with open production could transform a cost-free rice program into a very costly burden on the American taxpayer.

Proponents of target price legislation maintain that the fears of large government payments for rice are unrealistic since the target price concept has been virtually cost-free with other commodities, i.e. wheat and corn. Such an argument ignores the realities that make rice very different in a number of ways from other commodities. Perhaps, the most important difference is that rice is not traded on futures markets as wheat and corn are. Wheat and corn farmers can go to an exchange and hedge their crop and by so doing establish a market price. Fortunately or unfortunately, rice is not traded on the futures market and as a consequence there is no accurate way of determining a market price except through the direct sales. As you can see, rice is not as flexible in its trading and as a result should not be compared with commodities which have market flexibility. Second, it is unrealistic to compare wheat and corn, which we produce in vast amounts, 2.1 billion bushels and 5.8 billion bushels respectively, compared to rice which we are only a marginal producer in the world, approximately 2 percent of world crop. Wheat and corn are substantially larger U.S. crops, thus policy decisions made by USDA can substantially affect the world prices and keep those prices above the target level established by USDA. Unfortunately, the situation is different for rice, we produce so little rice that U.S. agricultural decisions, in and of themselves, cannot assure a market price above target levels, which if the price drops below target under a target price concept it would be extremely costly to American taxpayers.

I believe it is sheer folly to say that because target prices work for some commodities they will necessarily work in another. We do not have markets in rice created by agricultural failures in rich nations such as those created for wheat and corn by Soviet agricultural failures. Rice generally is shipped to poor nations who can barely afford the commodity. A great deal of investigation should be done before comparisons of this nature are made to justify changing the rice or any other program.

Another argument made by proponents of the target price concept and open production is that such legislation would provide relief to consumers. Regrettably, when one examines the relationship between the price received by the farmer and the price paid by the consumer he encounters facts contradictory to that view. He finds a virtual *lack* of relationship between farm and retail prices. To amplify this I would ask you to carefully review the following figures. Since August 1973 the price received by the farmer is 2.1 cents less per pound while the price paid by the consumer has increased 18.6 cents per pound. Interestingly, as well as it is distressing, facts show that over the last two years the farm retail spread for rice has increased from 14.8 cents to 35.5 cents per pound. Enlightened by this fact, I firmly believe that an investigation of the middle man and the retail industry is in order rather than legislative action at the producer level. Perhaps, as a means to benefit consumers, legislative attention would be better focused on the great disparity of the farm-retail spread rather than the rice program itself.

Beyond domestic consumers, you will recall that the proponents of S. 2260 outlined the benefits of this legislation to meet humanitarian needs. If I could

will it I would will that this legislation were so broad gaging as to meet world hunger needs. Unfortunately, wishing does not make it so, and in the face of the realities of world hunger the attempted cure of simply changing rice production programs without substantial changes in many other areas will not ensure food to the hungry while possibly imperiling small and medium sized rice producers. Let us look at just a few of the many considerations that should be examined before rice legislation of any kind is enacted. First of all, 90 percent of all rice production occurs in Asia where, incidentally, 90 percent of all rice is consumed. At the same time, the U.S. is an insignificant producer, producing only 2 percent production. Consequently, even if we double our production we will not have a great impact on the world's hungry because of two very simple facts. The proposed legislation provides no markets or mechanism to distribute the rice to those who need it. You should note that none of the proponents want to give rice away but without more than just a simple rice production act that may be just what will have to occur. If open rice production were ever looked at in conjunction with a comprehensive agricultural and humanitarian relief policy it might be defensible to argue that increased rice production would aid the starving. However, increased rice production, in and of itself, does nothing except possibly imperil small rice farmers with little or no actual benefit transferred to the hungry of the world.

Perhaps a more realistic way of dealing with world hunger has been expressed by population control groups who maintain that present food production is not the problem but rather that a way must be found to curb the geometric rate of growth in population. Any policy intended to stave off world hunger must encompass agricultural, economic and population control programs rather than a piecemeal approach of changing the rice production program.

An apparent discrepancy during the course of the hearings was the market price of rice. Many witnesses quoted the 1975 price of rice to range between \$9.00-\$10.50 per hundredweight. Unfortunately, this is simply not correct. First of all, there is no market price of rice established on the commodity exchanges. Second, the only real market price is that price for which rice is presently sold. Figures on price, when reflected back to the farmer, for the last four PL 480 sales of rice range between \$6.75 and \$7.75 per hundredweight which is below the cost of production for most producers. In the fact of overproduction, if open production legislation is enacted, there would be a very clear danger that the price of rice could fall to \$5.00 per hundredweight. Such a price under the target price concept would trigger government payments of about \$168,000,000 the first year and up to \$883,000,000 in five years.

Middle East demand for rice was cited as a rationale by proponents of target price legislation for changing the program. Many proponents felt that "new" and expanded markets could be found in the Middle East. Regrettably, recent circumstances do not prove that to be the case. In the Middle east this year Iraq, previously a major purchaser of United States rice, has recently acquired the major portion of their 1975 crop requirements from other countries. Iran, the largest cash purchaser of 1974 U.S. crop rice has stated that its 1975 requirements will be substantially less than last year. Further complicating the Iran market is the report that Iran anticipates being rice self-sufficient within five years. Regrettably, little interest is being shown in U.S. rice from any so-called new markets, and some rice producing countries that have been normally deficit in rice are indicating that they will have at least some amounts of rice for export.

Congressman John Breaux, who has just returned from Cuba, and others mentioned that Cuba would like to purchase rice from the U.S. Congressman Breaux stated that the rice import needs of Cuba would be around 245,000 tons. Certainly, if trade restrictions were dropped, Cuba would be a tremendous market for U.S. rice. However, we must realistically examine the diplomatic problems that might prevent rice trade between Cuba and the U.S. Many companies and citizens in the U.S. will demand reparation payments for the losses of land, machinery and livelihood, which the Cuba government has not yet paid. Other pressures of equal or greater force will also be involved in any agreement with Cuba. Perhaps most important when considering Cuba as a market, is the fact that negotiations have not yet begun between the two nations. Consequently, it would appear from one, not a student of foreign policy, that it may be many more years before Cuba will be permitted to make direct payments of U.S. rice.

Proponents of the open production legislation expressed the belief that there is a strong demand on behalf of recipient nations for shipments of PL 480 rice. Inconceivably, they argued that the full 800,000 tons of rice would be shipped this

year. However, the facts portray a substantially different picture of P.L. 480. Most notably was when Mrs. Bitterman, Deputy Coordinator of the Office of Food for Peace, AID, testified in June that she was not clear on where all 800,000 tons would or could be shipped. Mrs. Bitterman stated that "within the allocation, which has been made by USDA, we have not programmed, that is, we have programmed out on an illustrative basis only 600,000 tons by country. So that leaves 200,000 tons that we can program for either other countries or, as I suggested, put more into Bangladesh." She went on to say that 400,000 tons were to be programmed for Korea; however, subsequent to her statement Korea has requested permission to export some of its own rice and still receive PL 480. USDA denied this request based upon the law enacted to authorize PL 480. At present, it appears that Korea will not take its entire allotment of PL 480 which must certainly complicate the PL 480 rice picture. Korea has informed USDA that it does not presently require more PL 480 shipments. As for the increase in aid to Bangladesh, one has only to read the newspapers to note the crucial internal problems Bangladesh is experiencing. With its government stability at such a tenuous point, it is doubtful that Bangladesh will be able to take the 200,000 tons allocated let alone take up the slack that Mrs. Bitterman suggested. Realistically, I believe it to be unlikely that the U.S. will be able to dispose of the 800,000 ton allocation of PL 480 rice, thus creating an intolerable and dangerous surplus carryover of U.S. crop rice.

In testimony before the Subcommittee you heard much discussion that large operations would dominate the rice producers under a target price, open production program. Unfortunately, I believe this would be the case, since the problems of overproduction and falling farm prices are a particular menace to the small and medium sized farmers. Normally, he is growing as much rice as he has acreage to accommodate and cannot double his crop to compensate for a severe drop in the price he receives. One bad year is often all it takes to force the small producer out of business, and two or three years of depressed prices guarantee his ruin. This is not so true of the large producers which are able to survive the period of surplus and then make their profit when swings back to short supply and prices occur. There is no question that a principal result of the proposed amendments would be to ruin many hundreds, even thousands, of small producers, thus leaving the industry to be dominated by fewer and fewer large operations.

Finally, the intimation was made that the target price—open production approach would not penalize or take anything away from traditional producers or areas of production. However, an examination of S. 2260 shows that this is not the case. Under S. 2260 if the Secretary of Agriculture estimates that a rice surplus of 15 percent or more of annual production will occur, he is authorized to order the set-aside of rice crop lands by growers under allotment, in order to reduce surplus. Consequently, if the production of rice continued to be in oversupply year after year it is very possible that under S. 2260 much of the acreage of allotment holders would be eliminated.

Before closing, I would like to briefly review once again the reasons why S. 2260 would be a tragic mistake and why the present program should remain intact. First of all S. 2260 could cost the American taxpayer as much as \$883,000,000 in five years if the price of rice falls to \$5.00 per hundredweight. The present program is not costing the taxpayer a single cent. Second, the facts are clear that the present rice act is not the villain of the rising consumer prices. Clearly, the ever expanding farm retail price spread directs us to an answer of the high consumer costs rather than the present rice program. Third, there is no merit to the argument that S. 2260 will do any more to assist the hungry of the world. S. 2260 does not provide for the markets or mechanisms to distribute the rice to the needy. Put simply, proponents failed to tell us how the hungry of the world could pay for the rice U.S. farmers produce. Fourth, the new markets do not presently exist and markets generally believed to be expanding have shown signs of stagnation and retrogression. Finally, PL 480 seems at present to be an effective mechanism this year to ship 800,000 tons of rice which could have serious adverse effects on domestic surpluses.

Mr. Chairman, I want to again thank you for this opportunity to express my views and to hopefully enlighten the Committee as to problems in the rice industry.

Senator LEAHY. Mr. Sherman Webb, Southeast Missouri Rice Farmers. Mr. Webb is from Butler County, Missouri.

**STATEMENT OF SHERMAN WEBB, SOUTHEAST MISSOURI RICE
FARMERS, QULIN, MO.**

Mr. WEBB. Mr. Chairman and members of the committee, my name is Sherman Webb, and I am a farmer from Butler County, Missouri. I am here on behalf of the rice growers of southeast Missouri.

While rice production in Missouri is limited to the southeastern part of the State, rice production has, nevertheless, become a very important crop in our farming operations. Much of our land is ideally suited for rice production, and we have an abundant supply of water for irrigation purposes.

We believe that the current rice law is too restrictive. While quotas were lifted in 1974 and 1975, producers have no assurance that quotas will not again be imposed, because of provisions of this law.

We therefore endorse changes in the rice program to make this program more responsive to national and world needs. We believe that Senate bill 2260, provides the flexibility needed by our producers to feel free to make their own decisions, and thus be able to respond to market conditions without fear of restrictive quotas and penalties.

S. 2260 embodies the same kind of legislation that now governs our corn, cotton, and wheat production. We believe that rice production should be treated no differently.

Gentlemen, we are consumers as well as producers. We believe that if we are afforded the opportunity to grow rice on a permanent basis, we will be able to contribute significantly to the economy of our Nation through our purchases of additional supplies and materials which are needed in the production of rice. We will also be contributing through our production, and the potential to increase this production, if called upon by our Government to do so at any time.

In conclusion, we believe that the target price legislation permitting open production will benefit growers, consumers, and taxpayers. I appreciate the opportunity to speak before you in support of this badly needed legislation.

Senator LEAHY. Thank you very much, and I appreciate your standing by to give your statement.

Peter Wong, secretary, Chinese-American Restaurant Association of Greater New York, New York, N.Y.

**STATEMENT OF PETER WONG, SECRETARY, CHINESE-AMERICAN
RESTAURANT ASSOCIATION OF GREATER NEW YORK, NEW
YORK, N.Y.**

Mr. WONG. Mr. Chairman, my name is Peter Wong, and I am secretary of the Chinese-American Restaurant Association of Greater New York. I am here to speak on behalf of S. 2260. I am here as both a rice consumer and as an operator of a Chinese Restaurant which serves a great deal of rice. Rice consumers and operators of Chinese restaurants were shocked recently when the price of rice, which we purchased, more than tripled. From September 1972 to December 1973, a 100-pound sack of rice bought at wholesale by restaurant owners in Chinatown, New York, went from \$12 to \$40. At the same time, a 10-pound bag bought at retail by Asian families went from 16 cents a pound to 52 cents a pound. We were shocked. Demonstrations occurred

as our businesses and our food became too expensive. Customers stayed away from our restaurants. It seemed to us that a total breakdown had occurred in the U.S. rice program.

I am here today hoping that such a breakdown never again occurs in the rice program. It would ruin our restaurants and us.

Because rice is so important to us, we have studied the U.S. rice program and found that open production of rice greatly helps the consumer. We have seen rice prices drop because of open production. For example, from December 1973 to October 1975, the wholesale price of the 100-pound sack went from \$40 to \$22. The retail price of a 10-pound bag dropped from 52 cents a pound to 27 cents a pound. The prices at wholesale and retail are still high but at least they have come down. These prices are from the New York Chinatown area where a large volume of rice is sold and where there is a lot of competition.

As I look at the list of people here, I do not find many consumers. A lot of the rice in this country is eaten by poor people, old people, and minorities. Many work very hard running small businesses and restaurants. It is very difficult for them to come here.

We are very afraid that another big increase in rice prices would destroy our business and drive our customers away. We feel that open production must be passed by the Congress. The old program has already caused us too much hardship. Thank you.

Senator LEAHY. Thank you, Mr. Wong.

Mr. Edwards Barham of Oak Ridge, La., representing Northeast Louisiana Growers Association, accompanied by James Larrison, president of the Northeast Louisiana Rice Growers Association, Jones, La.

STATEMENT OF EDWARDS BARHAM, REPRESENTING NORTHEAST LOUISIANA GROWERS ASSOCIATION, OAK RIDGE, LA., ACCOMPANIED BY JAMES LARRISON, PRESIDENT, NORTHEAST LOUISIANA RICE GROWERS ASSOCIATION, JONES, LA.

Mr. BARHAM. Gentlemen, I am Edwards Barham, and with me is Jim Larrison. We both farm rice in Morehouse Parish, in Louisiana.

Mr. Larrison is president of the Northeast Louisiana Rice Growers Association.

We appreciate the opportunity of speaking before you here today on a subject that is of great importance to our area.

The producer allotment area of Louisiana, of which northeast Louisiana is a part, represents about one-half of the geographical area of Louisiana and the farmers in our area want an opportunity to expand in rice production. I would like to emphasize that many of our farmers are allotment holders under the current law; and yet we are all agreed that open end planting is in the long term best interest of ourselves and our area.

You see, there is a very small quota compared to potential rice production.

It is only through removal of the threat of Government controlled, restricted production, that our farmers can justify making investments in needed wells, machinery, drying and storage facilities, and processing plants.

Gentlemen, the farmers in our area want and need to be given the freedom to choose the crop that is best suited to their individual cir-

cumstances, if we are going to be able to satisfy consumer demand at home and continue to feed a hungry world.

Different farmers have different situations. They have the essential quota they need. We have not. We are asking for ability to compete. We need this.

Our farmers are ready to accept the responsibility of producing to meet this need. In return, you gentlemen must preserve for us an open line to the world markets, free from the whimsical and political, curtailments of export controls and selective sales embargoes.

We would like to go on record in support of Senate bill 2260. We would urge its passage because we believe that it would serve the best interest of the consumer and the farmer and it would definitely open the way for the development of the rice industry in our part of Louisiana.

Senator LEAHY. Thank you, gentlemen.

Mr. Curt Rocca, president, Pacific International Rice Mill, San Francisco, Calif.

STATEMENT OF CURT ROCCA, PRESIDENT, PACIFIC INTERNATIONAL RICE MILL, SAN FRANCISCO, CALIF.

Mr. Rocca. Mr. Chairman, I am Curt Rocca, president of Pacific International Rice Mills, San Francisco, Calif.

Pacific International Rice Mills is an agribusiness handling the drying, storing, milling, and merchandising of rice for hundreds of California rice producers.

Our growers prefer the present program over any changes being proposed by the new legislation, but if a new bill is to be adopted, our full support will be behind Senator Long's S. 2386, and we violently oppose Senate 2260.

Briefly, the reason 2260 will not work is as follows:

S. 2260 has no way to positively plan and control production which is essential for a stable and healthy rice industry.

The proponents of this 2260 state that production controls are not necessary because we are marketing our increased production in expanded overseas markets.

This is fallacious, as the overseas markets are variable, and at this time dwindling as the green revolution makes one country after another self-sufficient in rice.

Korea has been the largest export market for California rice. This year, they have exceeded their target of 4.6 million tons and are self-sufficient.

This is the result of new varieties, ample fertilizer, and improved technology and favorable weather.

Their new variety Tongil is yielding 30 percent more than the old varieties, and they have a newer variety, Yushin, that yields 30 percent more than Tongil.

India is experiencing a near record crop, in excess of 70 million tons or 15 percent over 1974.

Dwight Frinck, at one time head of the California Rice Research Station, and more recently with the Ford and Rockefeller Foundation in New Delhi, said he could double the Indian crop with fertilizer alone and India is on a crash fertilizer production program.

India, Indonesia, Phillipines, Japan, Taiwan, Vietnam, and Cambodia are our old Far East markets which no longer need our rice this year.

The United States has programed 800,000 tons under Public Law 480, and the largest proposed recipient, Korea, for 400,000 tons, says she doesn't want any more rice this year.

The United States is hard-pressed to even give away under Public Law 480, 800,000 tons of rice, and why should U.S. production continue unrestrained under the proposed S. 2260, at a high cost to the taxpayer and a depressing price for the producer, at a time when world demand is down?

The world demand for rice is inelastic and foreign buying does not respond to price alone. Rice in the majority of all large rice importing countries is controlled by the government and free dollar purchasing is only done in dire situations. Reduction in price therefore does not mean an increase in exports.

The argument that reduced acreage would drive up domestic prices is also fallacious.

Under the present system in recent years, domestic prices were below export prices on a paddy return basis.

I have just completed a 5-week trip around the world trying to sell rice. As a result thereof, I have just two questions to ask of the proponents of S. 2260.

Where are we going to sell this bumper crop, to say nothing of the future production induced by the continued uncontrolled rice acreage, and, second, why should the taxpayer be stuck with the tab caused by such uncontrolled production?

Thank you, Senator. It is a pleasure to be here.

Senator LEAHY. Thank you very much. I appreciate your coming all the way across the country to be here.

The last witness on our list is King Mott, member of the Northeast Louisiana Rice Growers Association of Oak Ridge, La.

He has waited patiently all day.

STATEMENT OF KING MOTT, MEMBER, NORTHEAST LOUISIANA RICE GROWERS ASSOCIATION, OAK RIDGE, LA.

Mr. MOTT. I am King Mott. I am a member of the Northeast Louisiana Rice Growers Association.

I have testified three times in favor of the Houston plan, and we still support it. It is known as S. 2385.

We are against any kind of target price program. We can still live with the old program, if we have to.

Thank you.

Senator LEAHY. Then you have not changed your opinion in any way since the time you testified last year?

Mr. MOTT. No.

Senator LEAHY. Thank you very much.

I believe that is it for the witnesses. We will keep the record open for 10 days. If anybody wants to submit anything further or anything based on any testimony you have heard today, you may.

If you have conflicting views other than the views that you have already testified to, or any views you would like added to the record, write to the Senate Agriculture Committee. They will be made a part of the record and be made available to other members of the committee.

I thank you for your patience. It probably has been a very trying day with all our votes.

Thank you.

The subcommittee stands adjourned.

[Whereupon, at 3:20 p.m. the subcommittee adjourned subject to call of the Chair.]

It is a well known fact that the
the world is a very small place
and that the people of the world
are all connected together in a
great chain of friendship and
kindness. It is for this reason
that we should all strive to be
good and kind to one another
and to the world as a whole.
The only way to do this is by
being true to our own hearts
and to the principles of justice
and honesty. Let us all strive
to be the best we can be and
to make the world a better place
for all of us.

