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1978 PEANUT PROGRAM

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HEARINGS

BEFORE THE
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
NINETY-FIFTH CONGRESS

SECOND SESSION

- NOVEMBER 9, 1978
ELIZABETHTOWN, N.C.
- NOVEMBER 14, 1978
DURANT, OKLA.
- NOVEMBER 15, 1978
TIFTON, GA.

Serial No. 95-VVV

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1978 PEANUT PROGRAM

THURSDAY, NOVEMBER 9, 1978

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Elizabethtown, N.C.

The subcommittee met, pursuant to notice, at 10 a.m., in the band room, East Bladen High School, Hon. Dawson Mathis (chairman of the subcommittee) presiding.

Present: Representative Whitley.

Also present: Representative Rose of the full committee.

Staff present: Leighton W. Lang.

Mr. HESTER. I want to welcome you to Bladen County. I think it is the first time that we have ever had this type of congressional hearing in Bladen County. And we are, of course, very appreciative to the chairman of the subcommittee that is with us this morning.

There are a couple of ground rules I would like to lay out. One is no smoking, a ground rule that our band director lays out in regard to his band room. There is no circulation, No. 1; and No. 2, there is carpet on the floor.

At this time, I want to recognize our Congressman, who is also on this subcommittee and is a member of the House Agriculture Committee; a man we are extremely proud of and very appreciative of his efforts of getting this hearing here this morning.

I am not going to make any long speech. I am just going to introduce at this time Third District Congressman from North Carolina, the Honorable Charlie Whitley.

STATEMENT OF HON. CHARLES WHITLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. WHITLEY. I want to thank all of you for being here. In addition to what Robert Hester has said about what we are attempting to do, we are here this morning to get testimony from farmers, from peanut processors and those who have a direct interest in the operation of the present peanut program.

If you would like to testify and be heard, give the clerk your name and address for the record. We will call on persons in the order in which their name appears. We do want to encourage everybody who has something to say, to say it. Whether you have a formal statement and 50 copies for the record and this kind of thing is not nearly as important to us as knowing what your experience has been under the new peanut program as it has operated this year.

We have another microphone at the back of the room. If you want to testify, we ask that you go to that microphone in order that you might be heard, and to insure that our recorder gets your testimony.

We are extremely pleased to have with us here in Bladen County, N.C., this morning a gentleman who is the chairman of the Subcommittee on Oilseeds and Rice of the House Agriculture Committee.

He comes from south Georgia. He represents a district, which, like this district and this area, is a large producer of flue-cured tobacco, as well as a large producer of peanuts.

I have been to his district and I am going back again next week. This is the first in a series of three field hearings on the operation of the new peanut program.

The second one of those hearings will be held in his district in Tifton, Ga., next week, along with the other hearing in that series which will be held in Durant, Okla.

There are three basic types of peanuts: The Georgia-type peanut, commonly known as the "runner," which is grown in this area; the North Carolina-Virginia-type peanut which we grow here and which is also grown in large quantities in northeastern North Carolina and in southeastern Virginia; and the third is the Spanish-type peanut, which is grown in Texas, Oklahoma, and in that section. That is the reason for the three hearings, one in each of the areas.

We were very fortunate to have the chairman agree to hold the hearing on the North Carolina-Virginia-type peanut here in Bladen County. I believe, and I am sure he agrees with me, that the problem of the farmers and the processors here in Bladen County are common to the same experience of other growers of our type of peanut in North Carolina and Virginia and other places. We expect the testimony we get here to be indicative of the situation throughout the area.

We do want to encourage all of you to give testimony to us on the record. We will make a printed record of our hearings and we will be able to take it back to Washington with us. That will give us a basis for discussion within our own subcommittee, the House Agriculture Committee, and discussions with the Secretary of Agriculture and other officials of the Agriculture Department.

That is why we are here and I am particularly pleased to introduce our chairman. I want all of you to help me welcome him here, the Honorable Dawson Mathis of Georgia.

Mr. MATHIS. Charlie, thank you very much for your kind introduction. Let me say that it is a pleasure to be in Bladen County, N.C., for the purpose of holding these hearings. I would point out as Charlie already has, that this is an official hearing of the Subcommittee on Oilseeds and Rice. Therefore, in my capacity as chairman, I call this meeting to order and have a brief opening statement prior to the time that we receive the testimony.

STATEMENT OF HON. DAWSON MATHIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. MATHIS. The first thing I would like to say is thank you for sending Charlie Whitley to the Congress. I don't know of anyone who has been there for such a short period of time who has created for himself and brought distinction to his district in the way Charlie has. I understand, and I am not sure that this should appear in the records of the Agriculture Committee, but I will go ahead and let it stay in anyway, that you all had that kind of appreciation too with pretty near 90 percent victory in Bladen County on Tuesday of this week. Charlie, I think they appreciate you the way I do.

It is good to be down here. I think that all of us knew at the time that we were forced into a legislative change of a program that had served the farmers and the consumers of this country extremely well for a long number of years, that as we went through a transitional period, that we were going to have some problems legislatively and regulatory with the peanut program. We certainly were not disappointed. There were some problems.

That, of course, is the reason that we are here today. We want to try to pinpoint those problems and to see what can be done in terms of being able to find solutions, whether it would be a change of regulations or a change in the law.

I would be very hopeful throughout this series of hearings, that we will find that the changes that are necessary, in some instances that are obligatory, would be made through changes in regulations rather than through changes in law, because every time we go to the floor of the House with any kind of commodity program, whether it is tobacco or peanuts or whatever it is, we open up and jeopardize the continued existence of that program.

The peanut program has been one that we have fought hard for for the past several years. We almost lost it. We came very close to losing that program in 1977, when we brought the new program to the floor. On several instances, had it not been for the active participation and the political acumen of people like Charlie Whitley, we would have lost the program, because it has been in a great deal of danger in the Congress.

Therefore, we would hope that the changes that might be necessary would be regulatory in nature rather than legislative. But we don't know that. That is what we are here to find out.

As chairman of the subcommittee, I can make a statement that Charlie could not make in his home county. We want to ask you if you could please, because of the time constraints and the limitations that we have on us, that you keep your oral testimony as brief as possible. If you have written testimony, that, of course, will be made a part of the record.

But if you do have oral testimony that you want to give, we do want to hear from you. But we ask that you keep the testimony as brief as you can, and that you avoid if possible any redundancy. If somebody else has already made your point, then you can be sure that Charlie and I will have taken cognizance of it at that time.

Therefore, with that statement out of the way, I think the first fellow signed up to testify did so previously in the form of a letter to the subcommittee. I now call our first witness, the executive director of North Carolina Peanut Growers Association, Mr. Joe Sugg,

**STATEMENT OF JOE SUGG, EXECUTIVE DIRECTOR,
NORTH CAROLINA PEANUT GROWERS**

Mr. Sugg. Thank you, Mr. Chairman and Mr. Whitley. We are certainly indebted to both of you for taking the time to be here to hear the statements that our growers would like to make.

We are very sorry that a lot of growers could not be here. And for your information, I talked to Marshall Trad and John Sledge last night of the North Carolina Farm Bureau. They asked that I express

to you their regrets that they couldn't be here because of a conflict with another hearing up the road, and to tell you that the North Carolina Peanut Growers Association and the Farm Bureau are so closely allied together, that their statements would be essentially the same as the statement that I will present.

I would also like to state that, as you mentioned, this was a compromise law. It was put on us by necessity. I want all of my people here to know that you have made a terrific progress success story in getting this legislation.

There are a lot of people who won't agree that what we have got is worth much. But any time you get a compromise, as you well know, to the extent that we have, a lot of people are not going to like it. As a matter of fact, nobody is going to like it all. But it was either this or nothing.

I think this program has the potential of salvaging what looked like almost a disaster situation if given the opportunity to work it.

Before I make any comments of the prepared statement, I would like to state that being new as it is, many of the rules and regulations, and even parts of the law, had to be promulgated on a hypothetical case. It was not known whether they would work or not until they were given an opportunity to work.

Many of the rules turned out to be not exactly like we would like to have them. Some parts of the law, because we made a little mistake in verbiage, prevented the rulemakers from making the kinds of rules and regulations they would like to have made.

So, in making that preface, I would like to state that Mr. Fitzgerald at the annual meeting, the director of ASCS, pledged his support in making all changes necessary to make this program more workable after reviewing those problems which were encountered during this marketing season.

This is a little bit premature for us. As you know, we haven't finished all together our marketing. We have some people just now getting the last peanuts into the bins and they haven't been marketed.

We have so many variations within the two class system that we have some people just as they could be, because they have sold all their peanuts; they have gotten or will get full loan for the entire production.

We have had other people that had annoyances; that they had to go back to the county office to get 1-and 2-pounds adjustment and things of that nature. I believe that the result of this hearing and the cooperation that we are going to get from Mr. Fitzgerald and his staff will be such that next year will be an entirely different thing.

I will be supported by statements here from some people. My president is due here. He would not make a statement, as I am making it for him. Mr. Wilbur Ward over here is a member of my board. He is from this county, He would like to make a statement. Mr. Everette Byrd here, a very active member, also would like to make a statement, and possibly some others.

Quickly I will run down this abbreviated listing of what we decided was some of the major problems and positions at the board meeting of the North Carolina Peanut Growers Association last week. A copy has been supplied to Mr. Lang. I would like to tell you, Mr. Chairman, that as you well know, a statement that we make today, when the marketing is over and the situation finalizes, might be changed somewhat later in your hearings. I will assure you we will give you the benefit of whatever constructive suggestions we can get.

Now, as a result of the "Hear Ye Notice" in the Federal Register, we have already mailed to the hearing officer our position on the three items requested. No. 1 is the national poundage quota. We recommend that remain the same as it was last year, 1,680,000 tons, rather than have the Secretary reduce it to the statutory limitations that he is authorized under the law. The market has taken our crop. Your good friend and my friend, Delton Hardin, told me yesterday they are selling Seg 3's down there at domestic quota low level. Nobody ever anticipated anything like that for this year.

The No. 2 item is the national acreage allotment be retained at the minimum level of 1,614,000 tons, just as it was last year. On the apportionment of the distribution of allotments and quotas, that they be apportioned the same as it was last year. The North Carolina Farm Bureau has sent in a similar letter to this—Mr. Sledge asked me to tell you.

On quota support rate, we have recommended that the rate be at the statutory minimum of \$420 a ton plus such adjustments that would be required by the application of the index of prices paid by farmers. That reflects the increase in cost of production.

The additional support rate on the additional peanuts—that level at which the Department figures it can dispose of additional peanuts at no loss to the Government, those additional, as I say, are selling at at low level now.

On loan differentials, this refers to a problem that a lot of people have experienced on 7 cents a pound for loose shelled kernels. Some people wanted to raise it up to 14 cents. That only encourages lousy harvesting. The 7 cents a pound reflects a recovery of oil price. But if you increase the price on loose shelled kernels, you reduce the price on sound mature kernels, which is the better part of the crop. So we recommend that that stay at that figure.

On the contracting, we recommend, and this was a result of the data that we picked up yesterday in a national growers meeting—we are going to recommend that the sign-up date be moved forward from June 14 to May 14. It will get a little closer to planting time. The farmers will know quicker what they can get for additional peanuts as contracts.

The undermarketings to be carried forward to the future year, or years, be the difference between the total segregation 1 peanuts produced and the quota. This is a preliminary recommendation as a result of a suggestion by administrators thinking that a limitation would make it more efficient. But I understand that would require a legislative change. We would just like to firm that position up at a later time.

On the farm storage loans, we take no position to change it from what it has been. Transfer of poundage quota and allotments—we state here on the prepared sheet that June 14 be retained. We would like for you to change that in a note there to May 14 so we will be uniform in the other areas which you will be conducting hearings.

There is a penalty for handling errors. When an error is not intentional, we don't think the penalty should be applied. Therefore, we state that there should be a tolerance and that the county committee review handling errors and be authorized to assess penalties, where appropriate, based on their findings, rather than just have a blanket. If I am a farmer and somebody else makes an error, I should not be penalized. This, we think, would take care of it.

Lease and transfer limitation—that the 50-acre limit now remain; that the 1-acre provision in the law since we have had a price support program, be retained, and for some of those people in the deep south, that the boiling peanut regulation continue in effect.

New grower allotments would be no change. Allotments for undermarketings would be no change. Seed peanuts should be retained as quota peanuts. Skip-row planting—we had no position at the time of our board meeting. But yesterday, because of the terrific increase in acreage as brought about by a mechanical application of skip-row, they informed us that you can get a third more land on what would be considered an acre. Some farmers this year, with irrigation, using the skip-row system, had gone to 8,300 pounds per acre. That is not an acre like I plant. But we make the application now. We recommend that skip-row planting not be permitted in the future.

The southwest had a problem on baling peanuts for hay. If the crops are sorry, they dig them up out there and bale them. Once a peanut is harvested, it is classified, if used on the farm, as quota. We recommend that bales be permitted under strict supervision by the county office.

The adjustments on farm yield, we recommend no change. The marketing card—we reserve position pending the completion of the marketing season. There are some changes which we know would be beneficial on the mechanical make-up of the card. But we would like to make that later.

The sales policy on loan stocks—we recommend that the minimum sales price, which this year was \$400 per ton—and we fought for \$420; got \$400—we are recommending that it be \$420 for next year because of the fact that if CCC cannot go into the marketplace at less than \$420, then the buyers who purchase our loan peanuts will then have a floor under them to enter into the world market.

If the foreigners know they can buy them cheaper from CCC than they can from our buyers, then we have pulled the rug out from under the people who make our marketing possible.

On freeze damage—that is a tough one. Some of the people who don't have freeze damage don't know anything about it. But those who do, it is a problem. Now we have two standards: A CCC for the purpose of loan classified any freeze damage above 0.5 as being a segregation 2 peanut not available for a segregation 1 loan, and would have to get the loan at \$250.

On the other hand, if a buyer wants to buy that peanut in excess of 0.5 and less than 0.249, he may buy it as a seg 1 peanut. If a farmer goes in and one man says, "You have got a Seg 2; it is worth \$250," and a man down the road wants to buy it and says, "Oh, I will take that peanut and give you \$420 a ton," it is creating a lot of confusion, plus some hardships for the farmers that didn't know this.

We are recommending that the definition for CCC and the market be exactly the same, which it was in 1977, of 2 percent.

This other recommendation on Gold Kist just means that we recommend that the area associations administer the price support program with the contract with CCC as it has been in the past.

New Mexico—well, we discussed them yesterday and told them they just couldn't have a program all by themselves. They want to sell a lot of farm material. They want to let a man ride by and say, "I will get you \$100 or \$200 or \$500 for that load of peanuts"—no grade, no nothing.

Being as plain spoken as I am, I told the fellow—I said, “Now, if you want to be a part of the national price support program, you act like it. Otherwise, forget it.”

Now we get down to a couple that we think will be a potential solution to most all our problems, and that is this No. 25; that we make a recommendation to the Administrator that a special committee be set up, consisting of workers who actually compute and handle the forms used in marketing peanuts, to make recommendations as to improvements with respect to such forms for use by the peanut task force and that such recommendations be adopted inasmuch as these people have had more experience in the day-to-day use of said forms than have the members of the task force.

With all due respect to the members of the task force, all of them who are farmers are good farmers, but they don't go compute MQ 94's; they don't compute the problem. They don't handle the day-to-day problems. They sit up there and make the rules and regulations and they haven't been in a buying station.

We asked and invited one man who is influential in making rules to come down here and stay at a buying station 4 or 5 days and help the clerk. He refused to come out of Washington.

But that is just a little battle we have, Mr. Chairman, that goes on all the time, as you well know. But we feel that a subcommittee advisory to the task force, with a very strong suggestion that the task force listen to these people. I don't know anybody that is any better equipped to take care of a child than the mother that bore it. So, that is the basis of this one.

The last recommendation: Recommend to the task force that more time be allowed for handling for forms in designating disposition of peanuts by farmers and by buying stations—at least 1 day more be allowed farmers and 1 day more be allowed buying stations.

If a farmer goes in and he is not satisfied with his grade, if it is a seg 2, if it is a seg 3, and he wants to carry it back home and clean it up, he has got to have it in by the end of tomorrow. If he gets there at 5 o'clock this afternoon, then he has got to have it in by 5 o'clock. If he got there at 7 o'clock this morning, he has got a little longer. It just does not give the farmer enough time to be able to go back and clean the load and get it back, because right at that time all the cleaners are bogged up, and all the handling facilities are bogged up.

Also, the people at the buying stations that are handling the paperwork have been as much as 3 or 4 days behind. If their paperwork on immediate buy-backs is not postmarked by the end of the next day, then they have to automatically pay \$20 a ton more for those peanuts than they would have to have paid 12 hours before. So we are asking for an extension of 1 day on both of these categories.

So we are asking for an extension of 1 day on both of these categories.

Mr. Chairman, I hurried through this. If there are any questions that you would like for me to answer, I will be glad to attempt to do so.

Mr. MATHIS. Mr. Sugg, thank you very much for your testimony. What I would like to do, if there is no objection from other members of the subcommittee, is to ask that we retain time at the end after all the witnesses have had an opportunity to testify for some questions. We do not know, at this point, exactly how many witnesses we will have.

I would live to thank you for that excellent testimony. I think you have pretty well covered the waterfront, as you always do, sir. Thank you very much for the presentation.

Next on the witness list is, Mr. Wilbur Ward. While Mr. Ward is coming to the microphone, let me also point out to the members of the audience that Congressman Charles Rose has now joined us. He is a very distinguished, able, and valued member of the Agriculture Committee, and we are delighted that he could be with us.

Congressman, we welcome you here where I have already been welcomed. Glad to have you with us.

Mr. Ward, we would be happy to hear from you at this time, sir.

STATEMENT OF WILBUR WARD, FARMER

Mr. WARD. Thank you for the opportunity to visit with this group in this manner. The provision in the new law that strikes me as being the most unfair is the provision regarding freeze damage.

Part of our responsibility to our program is to produce and deliver to the market a sound product in good shape. Being with the frost average—the first frost date being what it is in this particular area and not the same as it is in southern Georgia, it puts us at a disadvantage to avoid a first frost date completely and allow our peanuts to mature in a normal fashion.

We feel that the one-half of 1 percent freeze damage to constitute a seg 2 peanut to be delivered at \$250 a ton less deducts is a little bit hampering to our part of the program.

Also, in that provision, there is a clause that says once we deliver a wagonload of peanuts to a buying station and they have been found to have at least one-half of 1 percent frost damage or freeze damage, that we have a maximum of 24 hours to clean this load of peanuts up and have it regraded and sold. We do not have the option to retain these peanuts on the farm for hog feed or what have you.

To me, any time you have a product that you cannot keep or sell as you so desire, that, for the lack of a better word at this time, your rights have been violated.

I believe in freedom in its truest sense. And if I choose to sell a load of peanuts, all well and good. But if I choose not to sell a load of peanuts, I feel like I should have this privilege.

I would also like to endorse Mr. Sugg's provision or the peanut grower's provision; excuse me, concerning undermarketing to be that figure from the amount of quota that we sell up to the total amount of quota.

Thank you.

Mr. MATHIS. Thank you, Mr. Ward. Like Mr. Sugg, we would like to ask you to remain here, because I am sure there will be some questions at the end of the period.

The next witness we have scheduled is Mr. Everett Byrd. Mr. Byrd, we would be happy to hear from you, sir.

STATEMENT OF EVERETT BYRD, FARMER

Mr. BYRD. Congressmen, farmers, and friends, it is a privilege to be here. I would like to say first I thought there was a whole lot wrong with the peanut program. But when I sat down and tried to put it on paper,

I found out that I didn't have as many gripes as I thought I had. I think the rest of the farmers, if they will sit down and put it down, they will be in the same position that I am.

There are one or two things that Mr. Sugg touched on that I would like to emphasize as a farmer. It would be some repetition, but maybe it would be worth something in the record.

The farmers, the handlers, and the graders all would like a simplified MQ 94. There can be as many as four copies of an MQ 94 made. It is confusing to all concerned and it is time consuming. And I feel that it can be done.

The marketing card, we think, should have the producer's name on it as well as the owner's name. We get MQ 94's when we have rented farms that, as we pay for the peanuts, that we don't even have any—our name is only on the check, it is not on the MQ 94. It seems to me that the IRS would at least want it on the MQ 94.

These two things would simplify things for us, the handlers, and the graders. We know that we need the PGCMA. We may not need it as bad this year as we could need it in other years. The PGCMA needs money to operate on.

In the redtape that the buyers have had to go through and that they are complaining about is the buy-back proposition. We farmers are also complaining about our money being tied up.

I would like to make a suggestion to save some paperwork, to make the farmers happy, that where a seller and a buyer agrees that the buyer will buy the additional peanuts, instead of paying him for the PGCMA draft, that he pays the farmer the full amount; send the 60 cents that he is paying the PGCMA for handling it to PGCMA.

That way all the buy-back redtape will be eliminated. The seller will be getting his money, and the buyer won't be paying any more.

It seems to me that this could be worked out, and I know it would make a lot of farmers happy. There are some provisions in the program that restrict the amount of peanuts that you can sell for export. As I understand it, the export program is one reason the peanut program was changed like it is so we could put some peanuts into export.

We should be able to sell any amount of peanuts in export above our quota peanuts that the buyer is willing to buy, and not a percentage of the quota. We are limited in the amount that can be sold. Some of the peanuts that would go to export are going into additional peanuts.

This concludes any comments that I have. There are a lot of other things that we could think about, but I think that these things would help if they can be implemented.

Mr. MATHIS. Thank you, Mr. Byrd, for that testimony.

The next witness scheduled is Mr. Autry Johnson with the Columbian Peanut Co., who is speaking on behalf of the Virginia-Carolina Shellers Association.

Mr. Johnson, we are glad to have you here and I am glad to be here. If you will, just come on down and we will be glad to hear from you.

STATEMENT OF AUTRY JOHNSON, ON BEHALF OF THE VIRGINIA-CAROLINA SHELLERS ASSOCIATION

Mr. JOHNSON. Mr. Chairman and other Congressmen, I don't have a whole lot to say this morning. It is really a little early for the shellers

to come up with any recommendations on the program. We have been extremely busy trying to get the crop housed and take care of it.

We do have one thing that we want to express, the provision about the buy-backs. I won't go into the details of how it is recorded in your Federal Register and so forth. But it does state that on the buy-backs we have to have the check and the MQ representing that sale on the additional peanuts that we are buying back completed and this letter with the check in it postmarked not later than the work day following the day when the peanuts are inspected.

Our experience in complying with this 24-hour limitation has imposed a hardship on us, and many of our buying points. The paperwork connected with this program has been quite burdensome and there are many circumstances where it is just physically impossible to have these papers postmarked on the following day. We ask that you exert your efforts to have this section amended to allow the period between the date of purchase and the remittance to the associations a more reasonable time. And we suggest at least 3 to 4 working days, and further make this amendment retroactive to the 1978 peanut crop.

We also ask that we have opportunity to make further recommendations at a later date. As some of the other speakers have mentioned, the paperwork is quite burdensome, and if we could simplify that, naturally we would be in favor of that.

That is about all I have at this time. Thank you.

Mr. MATHIS. Thank you very much, Mr. Johnson. And not only to you, but to all the other witnesses and those who are here who are not in fact testifying, we would say that the committee would be happy to receive recommendations at any time, not just today. I know that I speak for Congressmen Whitley and Rose when I say that, because the only way that we have to know how these programs, whether it is the peanut program or anything else is working, is if we hear from the people who are involved.

So, we would certainly welcome any additional suggestions.

You and Mr. Sugg said you would have some later. We would be happy to receive them.

Mr. JOHNSON. Dawson, I might also mentioned that we have not and possibly none of the other shellers have gotten into milling these contract peanuts.

This is one reason why we just don't know how the thing is going to work—we don't know the complete picture yet. Therefore, we do need opportunity to make further recommendations.

Mr. MATHIS. That opportunity certainly will be afforded you. And in that regard, let me also say that we waited a considerable length of time to hold the hearings, and we wanted to do it prior to the time that the Congress went back in January, to get our recommendations to the Department for these necessary regulatory changes as soon as we could.

We realized at the time that we scheduled the hearings that we would not be able to get a complete set of recommendations. But at the same time, we didn't want to wait too much longer because of the time constraints and getting the recommendations made to the Department for what we feel they need to do, because they need the information as soon as we can get it back to them, too.

Our next scheduled witness is F.L. McDaniel. Mr. McDaniel, we would be happy to hear from you at this time, sir.

STATEMENT OF F. L. McDANIEL, FARMER, FAYETTEVILLE, N.C.

Mr. McDANIEL. Chairman and fellow farmers. I am F. L. McDaniel, route 5, Fayetteville. My biggest objection to the proposed program is that it denies the farmer his right of choice.

I have been growing peanuts for the past 25 or 30 years. There are a lot of things about the farm program that I don't agree with. Simply because I disagree, the ASCS office in Elizabethtown contends and does deny me my right to the marketplace and support price. That I cannot tolerate.

On the buy-back by the buyer, I can see no useful purpose whatsoever in that buyer having to buy the peanuts and send a portion of your money to the Peanut Growers Association, and then the buyer when he wants the peanuts, has to buy them back.

So there is a lot that is not very desirable with this program as it is written. It is unclear; it is complicated, and just anybody can do whatever they want to do with it.

On the acreage and poundage, I am opposed to acreage—not opposed to acreage and poundage—but I am opposed to acreage or either and sell what you make on that acre or either have poundage and eliminate the acreage. There is no need for a double check.

If you cannot control the amount of the commodity that is marketed by pounds, I don't know how in the world you can do it by acres. That is about my biggest complaint.

I have carried my peanuts to offer them for sale, and the buyer says, "I can't buy your peanuts under any condition with the type of marketing card you have got."

Now, gentlemen, whenever it gets to where you can deny a man his right to the marketplace, then you have the right to deny him his livelihood. And that is his life. Thank you.

Mr. MATHIS. That completes the list of witnesses who had signed up. We do have some time remaining prior to the time that some questions will be asked of the witnesses who have testified.

If there are others who desire to be heard, we would certainly be happy to hear from you at this time.

If you will, please, for the record identify yourself.

**STATEMENT OF RUSSELL SCHOOLS, EXECUTIVE SECRETARY,
VIRGINIA PEANUT GROWERS ASSOCIATION**

Mr. SCHOOLS. I am Russell Schools, executive secretary of the Virginia Peanut Growers Association. I did not sign up. Hopefully some of my other folks will come down. I was waiting for them, the true farmer, to testify this morning. But evidently they saw fit not to drive the distance.

We appreciate the hearing being held in the area. Yesterday I had an opportunity to review the paper that Mr. Sugg previously gave you. The Virginia Peanut Growers Association supports that paper, as we did yesterday with the other peanut-producing States.

If I may, I would like to write to the committee in a few days and submit other comments if I might have that privilege. It is a privilege to be here with you today, and we appreciate your coming down. Thank you, sir.

Mr. MATHIS. Thank you, Mr. Schools.
Are there others?

**STATEMENT OF H. C. EATONS, JR., CHAIRMAN,
SOUTH CAROLINA PEANUT GROWERS**

Mr. EATONS. Mr. Chairman, I am H. C. Eatons, Jr., chairman of the South Carolina Peanut Growers. We were invited to this meeting a couple of days ago, but we did not have time to get up a crew to come with us, so I am here by myself.

I haven't had my complete board together, but I am sure we will concur with everything that Mr. Sugg had in his statement. If something else comes up, we will be writing to the committee.

It is nice to come this far; to come to North Carolina. It wasn't too far, but it was quite a little trip this morning. It is good to be here, and we appreciate you fellows listening to us. You will hear from the peanut growers of South Carolina probably in a prepared statement. Thank you.

Mr. MATHIS. Very good, and we thank you, sir.

Is there anyone else who would desire to testify? If not, let me recognize my distinguished colleague from North Carolina, Mr. Whitley, for any questions that he might have. Charlie, go ahead with whatever question or statement you might have.

Mr. WHITLEY. Mr. Chairman, I was going to suggest that we invite Mr. Henry Hester, who is our local ASCS manager, to testify. It has been my experience in all of these programs that the county ASCS people have had expressed to them throughout the season some of the complaints and problems and other experiences that the farmers have with the program.

I am sure that Mr. Hester could give us some enlightened remarks and information. I would just like to invite Mr. Hester to come up to the mike and talk with us a little bit.

Mr. MATHIS. Mr. Hester gave me some valuable insight prior to the time that we came in here.

Mr. Hester, we certainly would welcome anything that you would have to say at this time, sir.

**STATEMENT OF HENRY HESTER, MANAGER, ASCS, STATE OF
NORTH CAROLINA**

Mr. HESTER. Mr. Chairman, other Members of the Congress, I appreciate the opportunity. I did not prepare for this.

The administration of the peanut program has been rather exciting to learn. There is much that we in the administration do not know and understand about it as yet from my position.

I think that it has gone through very smoothly. Our farmers have responded in an excellent way, better than I could have anticipated. We do have a few farmers who have planted in excess of their acreage and they are being penalized.

We did have aerial observation, acreage determination in our county this year. We were one of the six counties in North Carolina—the six pilot counties—and it seems that we have had bad weather when the airplane was due to come in to Bladen County to do the flying and taking pictures. Therefore, we have our compliance coming a little bit late, even sometimes whenever the harvest had already begun on the farm.

It has been necessary for us to notify farmers of penalties even after they have marketed their peanuts. But that problem certainly lies with the ASCS operations. I think that it can be amended, hopefully, within another year.

We had only 10 contracts in this particular county. And I think we had only a few contracts relatively speaking for the entire State, in comparison to the report that seems to come from the Southeast part of the country.

Therefore, our farmers perhaps are experiencing a different situation in selling peanuts from those in the Southeast area. Our buyers are confronted with the buy-back program, and there is a demand for peanuts. And we are grateful for the situation. I think the farmers are very appreciative, although they have placed their peanuts or additional peanuts under loan and they hardly know what to expect, although they are hopeful maybe in the next spring, February or March, that they will be receiving some dividends from the quota.

There has been some mention this morning about placing producers' names on marketing cards. I see no reason but what that can't be accomplished very easily, if it is so established in the regulations. As you probably know, the name of the operator of the farms—sometimes the operator is a different person than the owner—is printed on the marketing card. We have not entered the names of producers on the marketing card.

I think that could very well be done. There has been some problem where there is more than one tenant on a farm, and we have issued maybe one marketing card. And there has been some problem of dividing or appropriating the pounds according to each tenant's share. I know of one situation where one tenant was about to sell all the quota and another tenant did not even know the marketing card had been issued. He was about to lose out having his particular share of the quota to sell. But I am glad to say that we caught that just in time to get that corrected last week.

We have used identification cards this year for farmers to identify their peanuts when they got to the dryer or to the market. I don't know that I am in position to make comment about that as much as perhaps the buyers could comment about the use of those identification cards.

Some farmers have complained that they did not have enough of these identification cards. By the time they found out about the use of identification cards, we had them already ordered into the county ASCS office. We could have ordered additional cards, but it would have taken some time and perhaps the peanuts would have been placed on the market or ready for market before we could have obtained the identification cards from Kansas City Data Processing Center.

I think more than anything else, the farmers have operated somewhat in a bind. They don't know where they are going exactly under the new peanut program. It is hard to figure out. And I think that is obvious—that they are waiting to see what is going to happen so far as the undermarketing; whether they are going to be able to carry all the undermarketings over and have that as part of their quota in 1979.

I had one farmer yesterday who had some 1,700 pounds on his marketing card, and he was trying to make a decision as to whether he should transfer this poundage over to another farm in which he is the producer on and on which he had sold his peanuts under the quota and

additional loan. He was questioning whether he could transfer these pounds to the other farm, and then transfer from under the additional loan peanuts back to quota—to the quota loan.

He was trying to make a decision, and also whether it would be wise to do that. He doesn't know what he is going to get for his additional loan peanuts on the farm. Also, he doesn't know whether he is going to be able to carry over his entire undermarketings to 1979, because of some regulation saying that this will depend upon whether, I believe, 110 percent of the national—I am not quite sure on that part of it, but it depends, I believe, on what the total undermarketing carry over is after this year's crop is all tallied up.

This is about all the remarks that I have, since I had not made preparation at this moment, unless you have questions.

Mr. MATHIS. Thank you, Mr. Hester. Mr. Whitley, thank you for suggesting that we hear from Mr. Hester, it is obvious that he has first-hand working knowledge of what the problems are.

Before we go any further, let me recognize Mr. Willis Nichols and his government class in the hearing room this morning. Let me ask all the students to stand and be recognized, if you will, with Mr. Nichols.

It is not very often that this subcommittee has opportunity to meet with such a fine looking group of young folks. It is a pleasure for us to have you all here today.

Is there anyone else now, as sort of a final call, who wants to be heard or would have any desire to be heard before we begin the questioning process?

All right, sir.

STATEMENT OF BRADFORD BARBER, FARMER, PARKTON, N.C.

Mr. BARBER. Congressmen Whitley, Mathis, Rose, and fellow farmers, my name is Bradford Barber, Route 1, Box 218, Parkton, N.C. I run into this problem as a peanut farmer myself this year. We need a carry-over poundage. I have rented a lot of poundage on one farm in particular that I did not produce the peanuts on the farm. My money is tied up in this, and we need a carry over just like we do in tobacco for this. We would like to recommend a provision for this. Thank you.

Mr. MATHIS. Mr. Barber, we appreciate your suggestion, Thank you, sir.

I think there was somebody over here. Yes, sir?

STATEMENT OF GARTH HANCOCK, HANCOCK PEANUT CO., PORTLAND, VA.

Mr. HANCOCK. I am Garth Hancock from Hancock Peanut Co., in Portland, Va. I wanted to bring my bookkeeper since he is the one who is close to the marketing problems. But he is still busy trying to unfoul the paperwork tangle we have.

I just wanted to go on record that we are interested in some changes. I am going to send something along from this gentleman. As I say, he just couldn't get free because he has got so many problems with ASCS and PGCMA and dealing with this program.

That is about all. I did want you to know that we are interested up in Virginia in some changes and streamlining this paperwork. It is very difficult to meet the time limits when there are no provisions or insignificant provisions for honest errors.

When you are handling thousands of documents in a very limited amount of time, it is very difficult, no matter how sophisticated the equipment or how well-schooled your people are, to avoid errors.

With the penalty provisions in this law, it is very difficult to live down an error when you are looking at \$500 a ton or 1 cent a pound for being a moment or two late getting to the post office to mail off a document or a check to PGCMA.

I think the time limits on getting this paperwork done need to be altered. I think that possibly in payments to PGCMA for buy-backs, shellers could seem to indicate their intentions in advance; perhaps deposit money in advance with PGCMA that could be deducted as the MQ 94's arrived, from that money that we deposited, so we wouldn't have to be meeting a time limit. We would be sending the money to the agency before the transaction actually occurred.

But we have a lot of problems. We have also problems with understanding export provisions. We entered into contracts with a good many farmers, and we promised to export the peanuts from the contract peanuts that we buy.

But there doesn't seem to be anyone in Washington, or at least anyone that we know of that we can call to get answers to various questions about what we have to do to comply with the law.

We are dealing with a whole lot of different ASCS offices in buying peanuts. They seem to have slightly different interpretations of the law. I think someone mentioned earlier that there were plenty of these plastic identity cards available. I believe in one county in North Carolina, the ASCS manager or agent or whatever he is called, decided that one or two cards per farm was enough.

Somehow or another, we need to streamline the paperwork in order to make this law work. Thank you.

Mr. MATHIS. Thank you, Mr. Hancock.

If there are no others who desire to be heard relative to testimony, let me call again on my friend and colleague, Congressman Whitley, for any questions or comments he might have.

Mr. WHITLEY. Mr. Chairman, thank you very much. Before I do that, I want to join you in welcoming our colleague, Congressman Charlie Rose from the adjoining Seventh District. We are very fortunate in this part of the State, I think, in that Congressman Rose and I who represent adjoining districts here, were also joined on the Agriculture Committee by Congressman Jenrette who has the South Carolina border district right across the line.

Close together as we are here geographically and otherwise, it is a big help to all of us to be able to work with each other, as we do very closely, on matters that relate to our joint congressional districts and agriculture in this part of the country. Our problems are very similar ones.

Mr. Jenrette would have been here this morning himself except that he was otherwise unavoidably detained. But I do want to join the chairman in welcoming Charlie.

We have some transportation here this morning from South Carolina as well as Virginia, and all of us do work very closely together in attempting to solve the problems of the farmers of our area and in trying to work out the best commodity programs that we have.

I have just a couple of questions I would like to ask Joe Sugg. Joe, let me commend you on a very fine statement. I think it is significant that both the Virginia Growers Association and the South Carolina Growers Association have pretty well adopted your statement, as well as the North Carolina Farm Bureau. I commend you for your usual fine job and the North Carolina Growers Association for its fine job and its interest.

One thing that caught my attention was your reference to freeze damage. We had a little bit of reference to that in informal discussion earlier this morning. Of course, the chairman doesn't have any freeze damage down in south Georgia. This is a problem that is area wide.

I would suspect that we really don't have as much of it here in Bladen County and in South Carolina as our friends do from the northeastern part of the State, and from southeastern Virginia. But we have been told that it has created a rather difficult situation in those instances where limited freeze damage is found.

So, could you elaborate on that just a little bit?

Mr. SUGG. Yes, sir. Congressman, the freeze damage problem is more prevalent, naturally, in the northern sections of the peanut producing areas. The southwest has a lot of freeze damage because they have a lot of late planted peanuts that are really not dug until some time after frost and even ground freeze has started.

As you progress in a southerly direction, you get less and less. But I might add that Congressman Mathis is not immune to it. If it had been 5 more days later on this year, he would have had it too.

The freeze damage is a condition that causes off-flavored peanuts. It is bitter. It is undesirable in high quality peanuts which we try to market.

There is really no accurate scientific method of determining precisely what freeze damage is. We have here Mr. Len Davenport. His grading service could expound on what freeze damage looks like. If you taste it, you are not going to eat it. And if you do eat it, it ain't going to hurt you. It will just make you wish you hadn't eaten it. It is just bitter and off-flavored.

If it gets in a cooked peanut and you are eating salted peanuts and get a freeze damaged peanut, it is bad. You don't want it anymore.

Some shellers and handlers feel that they can handle different levels of freeze damage. We had one this year, I think, that officially bought at 0.8 freeze damage. In the past, we have had them to buy more than 1 percent freeze damage.

Some feel they can work it out, and some feel they can't. Water blanching seems to remove some according to some people. Other people tell you it don't take it out.

CCC has taken the position that they will not permit going into their warehouse any level of freeze damage above which the domestic handlers are willing to buy back. And the domestic handlers, according to Mr. Tom Garland, said they wouldn't buy anything above one-half of 1 percent. He wouldn't allow it.

Therefore, seg 2 for support level was 0.5. And as I say, some millers buy at a higher level. This makes it very difficult for a farmer to market his product. It has the peculiarity of being kind of will-o'-the-wisp, so to speak. You pull us out when you got 0.8. You can carry that home, park it under the shelter and leave it there a week and go back and you have got zero. You haven't got any. It is gone. You can't find it.

What happens to it? Is it a sampling error, or is it some physiological situation that takes place? We don't know. But if it is there, we would like to protect the quality of the peanut by isolation. But if it is something where a man is going to get \$250 for an examination by the grader today and tomorrow he could get \$420 or \$450 for that same load of peanuts because it is not there, it makes it difficult to understand. It makes an economical penalty on the farmer.

I hope I haven't rambled too much. I hope I have covered that point.

Mr. WHITLEY. Do you have specific recommendations on it in your statement? I haven't had an opportunity to read your statement.

Mr. SUGG. Yes, sir. We made the recommendation that the authority be put up for the same damage level for seg 2 peanuts. That would be 2.49 for CCC peanuts; for commercial peanuts. Then if a man wanted to buy them at 2.49, Mr. Hancock, for example, or Mr. Grissom, they could buy them. If they didn't want to buy them at 0.5, they didn't have to buy them. They could set their own standards and buy them once they know what it is.

But then CCC could put them in their warehouse and then they could handle them later based on out-grade or some other method to determine just to what extent those peanuts had been damaged by the freeze.

And with the loss to the Government going down to the extent it has, our good friends in the Department of Agriculture estimated, Mr. Mathis, last year it was going to cost \$110 million for last year's peanut price support program. The official figure, I think, is somewhere in the neighborhood of \$10 million. They were just a little off.

This year, I think somebody has estimated it in the neighborhood of \$90 million when we had a few hearings up there. We were estimating yesterday that the outlook—if it is \$2 million, we don't know exactly where the loss is going to be. It is going to be down real low.

We feel that in cooperative efforts between Government handlers and growers in getting these peanuts in a place where they can be watched and handled just like on segregation 3's, that the Government would spend \$2 million or \$3 million. It is not asking a great deal to protect the consumer, which is a big item in this whole thing.

Mr. WHITLEY. Thank you, Mr. Sugg. I have no further questions at this time.

Mr. SUGG. While I am up here, if you will, Mr. Chairman, I would like to recognize the president of the North Carolina Peanut Growers Association, Mr. Dixon, who came in just a little late. Did you have anything you wanted to say?

Mr. DIXON. No; not really, unless there is a question that I might answer. I brought my secretary to do all the answering.

Mr. SUGG. There is one other point or two that I would like to make, Mr. Chairman. We would like to reaffirm our past position and especially this year. Some of these legislative changes need to be made so that they can have the regulations put in proper order; we would like to classify if possible as technical corrections on the suspense basis. We don't want to go up there unless they go suspense. You know what I am talking about. Some of my friends here don't understand this legislative terminology, but you can understand just why I am speaking of that.

The other thing: so far as I have been able to ascertain as has been supported, the total problems as far as this program is concerned is two words, paperwork. I believe a lot of that can be ironed out with sincere and diligent pursuit of solutions on the part of people that really know cooperating with the people that have got the authority to accept these things. Thank you.

Mr. MATHIS. Thank you, Mr. Sugg.

Let me now recognize any questions or comments that he might have—our other distinguished North Carolina colleague, as I said earlier, who is a member of the House Agriculture Committee and one who it has been my pleasure to work with over a number of years, and who has risen very rapidly to a position of great influence and leadership on the Agriculture Committee and within the whole House, Congressman Charlie Rose.

STATEMENT OF HON. CHARLES ROSE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. ROSE. Dawson, thank you first for coming to Bladen County and for holding this hearing. I think that you see the interest that exists in Charlie Whitley's district and in those that are here from my congressional district in this program.

I don't have any specific questions. I would just like to observe, though, that it appears we have a pretty good channel of communication open here.

Joe Sugg does a great job of staying in touch with us in Washington, especially the three of us from North Carolina on the House Agriculture Committee. We are the only State in the Union that has three members on the Agriculture Committee.

Mr. MATHIS. Only one from Georgia, and that causes me some problems, I want to tell you.

Mr. ROSE. That is right. And they are talking about—well, I won't say. If they leave you in the House Agriculture Committee and don't move you over to the Senate, Dawson, we will be all right.

But sincerely, between what Joe brings to us on a personal basis in Washington and Dawson being from Georgia and the first crop down there being the peanut, we have a pretty good line of communication and a pretty good system for ironing out complaints. The only problem that we have is occasionally we have to remind Dawson where the best peanuts are grown. And the difference between Georgia runners and Carolina-Virginia is something that we don't want him to forget when it comes to how the pricing is fixed. But he understands that and we work together very closely with Joe's guiding hand in the background.

I am hearing you very clearly talk about the paperwork and about some of the impracticalities that have come into this program. We have had some horrendous problems with the peanut program in the Congress.

A couple of years ago we had a Congressman from New York who decided that killing the peanut program was going to be the way he was going to make himself a reputation and run for the Senate. He was a good Republican, but he hadn't figured out how the peanut program worked or what it had done.

So, the missionary job that we have had to do—that Dawson Mathis has done in telling his colleagues in the House of Representatives about the peanut program—is something that I want to go publicly on record in thanking him for. He has held it together in the face of a lot of opposition.

I talk about the tobacco program not having a lot of friends in Congress. I think the peanut program has had less. So that the job that Dawson and Joe and his staff have had to do have been even greater.

I think you have given us some great suggestions for fine tuning. I will certainly support what you in your wisdom and what Dawson and his staff are willing to do to help make this more practical and more workable.

I think all of you know that Charlie Whitley and I are ready to receive specific recommendations from you at any time. But the health of this kind of a gathering is to hear everybody express themselves in front of everybody else.

All I would like to say is thank you for coming. Are there any of you here who have felt moved to speak who didn't speak earlier?

You know one of our favorite jokes in Congress is that somebody will get up and say, "I hadn't intended to speak, but I felt moved by something." I don't want to prolong this hearing. But I think you have pretty well covered it, Dawson, and thank you for letting me sit in with you.

Mr. MATHIS. Thank, you, Charlie, for your comments and particularly your elaborate praise for the chairman. I may yet put you on that committee to go to Hawaii and study the peanut problem over there.

One thing I would like to ask. Mr. Sugg, in your testimony, you proposed that the contracting provisions be moved from the middle of June back to the middle of May, as I recall your testimony. Knowing originally my intention was to give that additional month to the farmer to attempt to have the flexibility to decide whether he wanted to contract those peanuts or put them into a loan, I would just like to ask the rationale for wanting to move that forward. I know it is a good one.

Mr. SUGG. The rationale behind that is to try to get the contracting date moved forward toward planting time in order that the farmer will know what he is going to get for his additional peanuts before he ever plants them.

We had people from Texas who said, "Let's make it February." Some from down in the Rio Grande area said, "Let's make it March." They wanted to get it closer to planting. What they want to do is get a date moved up so that the handlers would be forced into finalizing contracts as close to planting so that they will know whether to plant additional or not.

You see, the additional are supported at \$250 a ton. Our folks can't grow peanuts at \$250 a ton. But if he can go out there and a man says, "I will contract to pay you \$400 a ton for them," he says, "Well, I will plant them." And that is the rationale behind that, is to move it up. It was a compromise.

We have got different areas and we understood that some of the shellers wanted to wait as late as possible so they would be able to sell as many future sales to the foreign countries and then come and contract.

Of course, some of the handlers would want us to wait until you got to digging before they contract. But there is a compromise that has to be reached by May 15. We didn't vote on but five different dates and finally we settled for May 15 to recommend.

Incidentally, this will cause a legislative amendment, because it is in the bill June 15. So, this is what I would hope would be classified as a technical correction.

Mr. MATHIS. You are absolutely correct, it would require legislative change as such. We hope that if legislative changes have to be made that we can put together a package that would be so noncontroversial that we could go to the floor on a suspension calendar.

Any time you start doing that, you still run the risk of losing it on a suspension calendar. But at least if you have done that, you do not open the entire program up to amendment. This is what you were saying earlier that you hoped to avoid. And I think that all of us would certainly concur in that thinking.

Mr. SUGG. To show you how serious we are about that, yesterday we agreed at the National Growers group—you are familiar with the organization, it represents peanut growers all over—if we got a subcommittee who will take our recommendations which deal with legislative and with regulations and get technical advice on which is which and what has to be in the form of legislation and then consult with you and your colleagues to determine which of those could be classified as technical corrections and could go along in on the suspense basis—we just don't want to open it up to Margaret and a few of those others up there. They ain't our friends.

Mr. MATHIS. You are absolutely right. You are talking about a Member of the Congress from the State of Massachusetts who picked up the ball when the Member Charlie mentioned left. And then, of course, in Tuesday's election, we all got the good news that the New York Member is coming back to the Congress.

If there are no further questions or comments, I would like to again thank all of you for coming out this morning and for letting us come. It has been a privilege being in North Carolina. I think that the suggestions that we have received and the testimony that has been received by the subcommittee will be beneficial in terms of attempting to formulate policy for next year.

I assure you that it is not going to be something that is going to be filed away in committee records, but will be something that will be used, and not just in terms of legislative changes that might be necessary, but also in terms of being able to recommend to the Department those regulatory changes that Mr. Sugg was just talking about that might be necessary.

Mr. WHITLEY, I want to thank you publicly and on the record for the hospitality that you and the people from Bladen County have shown.

If there are no further comments or suggestions, the subcommittee will be adjourned until next Tuesday morning at 8 o'clock in Durant, Okla. Thank you for coming.

[Whereupon, at 11:35 a.m., the subcommittee was adjourned.]

1978 PEANUT PROGRAM

TUESDAY, NOVEMBER 14, 1978

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Durant, Okla.

The subcommittee met, pursuant to notice, at 8 a.m., in the Bryan County Community Center, Hon. Dawson Mathis (chairman of the subcommittee) presiding.

Present: Representatives Thornton and Volkmer.

Also present: Representative Wes Watkins of Oklahoma.

Staff present: Leighton W. Lang.

Mr. MATHIS. The subcommittee will come to order.

We are in session in Bryan County, Okla., Wes Watkins' district. It is an official meeting of the subcommittee and I can't think of any place I would rather have it than in Wes Watkins' district.

Even though Wes told you he is not a member of the Agriculture Committee, he has fast become a very highly respected Member of the House and is recognized as having a great deal of expertise in the field of agriculture. And as such, he has done yeoman work on your behalf in helping those of us who serve on the subcommittee to formulate legislation that he was speaking of, because of the absolute necessity that existed to change the program, or as he has said to lose the program.

When we were forced into that position, and I can assure you that I didn't have a single peanut farmer in Georgia that wanted to make a change in the program, but when we felt the time had come when it was either move or lose, we knew that as we began this new program for this year we would have a number of problems.

Any time you go to a new farm program, the simple transition of going from old to new creates problems. We had a series of new regulations that we knew had to be formulated by the Department and we had a whole new ball game in terms of administering that program, so we knew problems would exist.

What we are here for today and what we are holding these series of hearings for, and I might point out that this is the second of three hearings that are being held; one in the Southeast, one in the Virginia-Carolina area, and one here. We have already held one in Elizabethtown, N.C., and we will be in Tifton, Ga., tomorrow morning for a similar hearing.

Our purpose is to attempt to pinpoint those problem areas and we sincerely hope that in doing so we'll be able to give you a program for next year that will be superior in every way to the program that we had this year. I hope the things we find that have gone wrong this year can be corrected by changes in regulations or administration, not in terms of changing that program legislatively.

Those of you who have followed the history of this program know what our problems are in Congress. We survived, by three votes in 1977, an amendment by Congresswoman Heckler of Massachusetts who sought to destroy the program entirely.

So I would be extremely reluctant, and I say this candidly and frankly, to go back to the floor with any kind of change in the program unless it is absolutely essential from a legislative standpoint.

But we do want to hear from you this morning about any problems that you think exist with the administration of the program and any suggestions that you might have to improve it. That's what we are here for.

With that opening statement out of the way, let me call on other members of the subcommittee for any opening comments they might have.

First is my dear colleague from Arkansas, Ray Thornton, who is a very valued and valuable member of the committee who, coincidentally, I might add, will not be with us in the 96th Congress and whose services, expert advice, and sound judgment will be sorely missed not by just the Agriculture Committee, but by Congress.

Ray, do you have anything to say at this point?

Mr. THORNTON. Thank you very much, Chairman Mathis.

I would like to say that our purpose today is to hear from the farmers themselves, to find out from them what changes and adjustments might be made to make this program more workable during the next year.

As you pointed out in your statement, we cannot always get in legislation exactly what we would like to have. Our tasks, those of us who represent rural districts, and my district, as you know, is the border district to this one right over in Arkansas. We have a little peanut production in Little River County and along the Red River.

Our purpose as representatives of agricultural districts is to come up with the best legislation that we can possibly pass. And when, under your leadership, Mr. Chairman, we come up with a proposal which survives the House of Representatives by three votes, that's calling it mighty close and mighty good.

What we need to do is to find out what changes can be made that we can reasonably expect to achieve and to get that kind of information this morning. I'm looking forward to doing that.

I would like to also echo your comments with regard to the work that Congressman Wes Watkins is providing in the Congress. I have the privilege of serving with him on another committee and he is making a valuable contribution to this country's work in science and technology. I know that in this district there are a couple of installations that are responsive to that committee and it's just a real pleasure to be here in my neighbor and colleague's district this morning for these hearings.

Mr. MATHIS. Thank you, Mr. Thornton.

Now, let me introduce to you another very valuable member of the committee who is a freshman like Wes and in a very short time has staked out his position in the House as an agricultural expert and as a hard working fighter for agricultural positions. It is a pleasure for us to have him on the committee and for him to be with us this morning in Bryan County.

Harold Volkmer from the great State of Missouri.

Mr. VOLKMER. Thank you very much, Dawson.

I am very happy to be here with you, Ray, and my good friend, Wes. I don't have any peanuts in my district. I represent the northeast quadrant of the State of Missouri, one-fourth of that State; 90 percent of my district, of course, geographically is rural agriculture.

Though we have got about everything else, we don't have any cotton or rice, but everything else we have.

I came today to hear from you and to learn the problems we are having with the peanut program, as Dawson said, to try to do what we can to make it better for the growers.

I sincerely look forward to the testimony and I think it's great to have this hearing in Bryan County, because so many times in Washington you listen to the people up there and some of them think they know all of the answers. I'm sure you know from your Congressman, Wes Watkins, many times I know he comes back, lots of times the answers are right back here with the people and I'm sure we will find some good answers here today.

Thank you very much.

Mr. MATHIS. Thank you, Mr. Volkmer.

The first witness that we have scheduled, and let me digress at this point just a second to say that we do have some time constraints. We want to hear from as many people as we can about their experiences with the program this year and their suggestions.

If you want to testify, come and sign up here. We ask that you make your oral testimony as brief as you can, and also not be redundant if somebody else has already covered your point.

Let me assure you that the hearings this morning, and the record that we are establishing, will not be just a part of the committee record. It will be something that is going to be used in negotiations with the Department to attempt to get these regulations to the point where they ought to be.

The first witness we have scheduled to testify is Dee Keeton, chairman of Oklahoma Peanut Commission.

Mr. KEETON. I would like to yield to Jack Coppedge.

Mr. MATHIS. All right.

Jack is a peanut grower, as most of you know, and this morning is representing the peanut growers association of which he is president.

So, Jack, we are happy to hear from you.

Mr. COPPEDGE. Thank you, Mr. Chairman. I appreciate this opportunity.

First of all, I would like to say, isn't it great and wonderful to live in America where we can hear our expressions expressed and people will pay attention to what we say. This is the only place on Earth that we can really do this. The poor farmer is trying to make a living and that's hard to do.

Mr. Chairman and members of the subcommittee, Mr. Watkins, I thank you for inviting the Southwestern Peanut Growers Association with the other areas to come and testify about our peanut program.

[The prepared statement submitted by Mr. Coppedge follows:]

STATEMENT OF JACK COPPEDGE, PRESIDENT, OKLAHOMA PEANUT GROWERS ASSOCIATION

RECOMMENDATIONS RELATING TO TITLE VIII—PEANUTS, FOOD, AND AGRICULTURE ACT OF 1977

Mr. Chairman, my name is Jack Coppedge. I am a peanut producer from Hughes County, Oklahoma. I am president of the Oklahoma Peanut Growers Association and a member of the Steering Committee of the National Peanut Growers Group

My statement is made in behalf of the New Mexico Peanut Growers Association, Oklahoma Peanut Commission, Oklahoma Peanut Growers' Association, Texas Peanut Growers Association and Southwestern Peanut Growers' Association. With me here today are Stanley Harrison, President of the New Mexico Peanut Growers Association, Dee Keeton, Chairman of the Oklahoma Peanut Commission, Clifton Stacy, President of the Texas Peanut Growers Association and James Neal, President of the Southwestern Peanut Growers' Association.

We should explain, Mr. Chairman, that our five organizations have communicated as best we could during the final days of harvest in consolidating our thoughts. While we believe we have identified the principal items of interest, we would like to reserve the right to supplement the statement later.

Mr. Chairman, the National Peanut Growers Group in a meeting in Atlanta, Georgia on November 8 voted to support in principle all of our recommendations except the last two administrative proposals. Item No. 2 entitled, "Exclude 'Buy Back' From Pool", was adopted by the Southwestern groups only yesterday and therefore was not considered by the National Peanut Growers Group on November 8.

We appreciate the opportunity to present the following observations and recommendations regarding the peanut program, as amended in 1977, for the period, 1978-81. Given a choice we would prefer to return to the program of 1977 and prior years. That program did work well and the 1977 crop operation showed that with reasonable administration low program costs would result.

Our purpose here today, however, is to comment on problem areas of the 1977 Act and to suggest changes that we believe will improve the program and provide the stability that is urgently needed by growers. The aforementioned Southwest area grower organizations therefore recommend the following legislative modifications in the Act:

1. Adjustment of quota support rate

The top priority item is an increase in the quota support rate which is absolutely essential to cope with rapidly rising production costs. Members of the subcommittee will recall that the current law calls for a quota support rate of \$420 per ton as the minimum national average for all type for the years 1978-1981. The \$420 figure was projected in May, 1977 to reflect 70 percent of parity at marketing time in 1978. As is often the case, in respect to projection, however, we now find that the projection was incorrect as, in actuality, \$420 is only 67 percent of parity.

We are in no way critical of this subcommittee in establishing the \$420 support rate because we know full well that this was the best support rate you could have gotten when the bill passed and we appreciate your many efforts in protecting our interests.

We believe the record now shows, however, that an upward adjustment in the support rate is warranted and will show further that such action should not adversely affect peanut program costs. The 1977 crop peanut program cost is estimated by USDA to be in the range of only \$10 million. The 1978 program is now estimated not to exceed a cost of \$10 million.

The 1977 Act not only freezes the minimum support price for quota peanuts at a national average level of \$420 per ton but also imposes a sharp reduction in farm production at the quota support level. Although the Secretary may raise the support level after considering various factors, including the index of prices paid by farmers, he is not required by the law to do so. Removal of a formula applicable in prior years to automatically adjust the support level to partially offset the adverse impact of inflation is without doubt the most severe modification for growers in the amended law. The peanut producer must have an opportunity for a reasonable profit margin over the years. Producers in the Southwest do not have this opportunity in the absence of a price adjustment mechanism. Without a price adjustment factor and with yields averaging about 1,500 pounds in Texas and less than 2,000 pounds in Oklahoma in the good years large numbers of producers will be eliminated in the Southwest prior to the tenure of the present Act. The economic damages in peanut producing countries and communities and to farm families would be catastrophic. The farmer should be treated no differently than other segments of the nation's work force who expect and receive increased return to offset higher costs.

Major farm implement manufacturers have advised growers that prices on their products will be up at least 10 percent next year. Electrical power companies have informed growers of irrigated peanuts that they can expect rate increases from 20 percent to 50 percent in 1979. In most parts of the Southwest, irrigation of the crop is the only way of assuring sufficient moisture for peanut production. Chemical and fuel cost increases follow the same pattern as do other production items.

The 1977 Act reduced production of quota peanuts 20.64 percent in 1978 and will in all likelihood impose additional reductions of about 4 percent per year in 1979, 1980 and 1981. The combination of price and production cuts will result in a substantial decline in producer net income. With the level of support held constant in the face of ever increasing production costs, the grower's margin of net return becomes increasingly thin or, in the case of the Texas irrigated producer who produces the state average yield in 1981, is estimated to show a loss.

Such severe adverse economic impact in our opinion is totally unwarranted. The major reason cited last year for peanut program change was the need to reduce cost. Peanut growers attempted repeatedly to demonstrate that peanut program cost can best be controlled by cutting production—not price. The first year's experience under the amended law appears to verify this point. From the 1978 crop it appears that a maximum of 150,000 tons (8 percent) of peanuts under price support loans will be diverted at a loss to CCC. The remaining 1,750,000 tons (92 percent) were purchased commercially by shellers. No losses to USDA will result on the 92 percent purchased by shellers regardless of the level of support. With a higher support level USDA's peanut program losses would have been only slightly higher on the 8 percent of total production that went under USDA loan. For example, had the national average support rate been \$450 per ton in 1978 rather than \$420 per ton, USDA's losses would probably have been increased \$4.5 million (\$30 x 150,000 tons diverted). But the gross income to growers would have been increased \$59.2 million (\$30 x 1,976,000 tons of total production).

Program costs accrue only on that fraction of the crop which USDA acquires under loan and is subsequently diverted at prices less than the CCC support rate plus costs. That portion of the crop purchased commercially by shellers and the CCC loan inventory sold at break-even or better prices costs CCC nothing. Using the 1978 crop as a barometer, we would expect in 1979, 1980 and 1981, some 90 percent of the crop to be purchased commercially by shellers. This means the risks of CCC losses is restricted to the remaining 10 percent of the crop that goes under loan.

Again, we are attempting to illustrate that the poorest way of reducing program cost is a reduction in support price to growers. The best way of reducing program cost is to reduce production of quota peanuts. But a reduction of both factors is too much. Growers generally are willing to incur production reductions of the magnitude necessary to control program costs. We sincerely believe that the 32 percent reduction in quota production as called for in the bill will be more than adequate in maintaining CCC costs at low levels.

We, therefore, urge that present legislation be modified to provide that beginning in 1979 the \$420 minimum quota support rate be increased annually to reflect changes in the index of prices paid by farmers for production items, taxes and wage rates during the period beginning January 1, and ending December 31 of the calendar year immediately preceding the marketing year for which the level of support is being determined.

2. Exclude "Buy Back" from pool

We recommend that USDA through administrative action exclude "buy back" transactions from the area type pool operation by providing that net profits on "buy back" transactions be paid back to the individual grower as evidenced by the "buy back" documents without regard to earnings or losses attributable to any other growers in the area type pool.

3. Modify planting qualification for undermarketing

The current law in Section 802(o) provides that the poundage quota for a farm shall be increased by the number of pounds by which marketings of quota peanuts from the farm during the immediately preceding marketing year were less than the farm poundage quota provided, among other things, that the grower must have planted in such preceding marketing year that part of the farm allotment estimated on the basis of the farm yield to be sufficient to produce the total farm poundage quota.

The language has been interpreted to mean that the grower must plant the entire quota portion of the farm allotment in order to qualify for undermarketing. This means that a grower must plant the entire farm less the applicable national reduction factor (20.64 percent in 1978; to be further reduced as the national farm poundage quota is reduced).

In many instances growers may produce the farm poundage quota by planting considerably less than this amount and thereby have a more economical production unit. We therefore recommend that the grower be required to plant only 50 percent of the farm allotment in order to be eligible for undermarketing.

Section 802(o) beginning on line 11 would read as follows; "*Provided further, That the grower must have planted in such preceding marketing year at least 50 per centum of the farm allotment*". It may be that this change can be accomplished administratively.

4. *Modify qualification for preserving allotment*

We recommend also that the requirement for preserving farm allotments in Section 806 be changed so as to be consistent with the qualification for undermarketing—that planting 50 percent of the farm allotment will also preserve the farm acreage allotment.

Section 806 would then read as follows:

Effective for the 1979 through 1981 crop of peanuts, Section 377 of the Agriculture Adjustment Act of 1938, as amended, is amended by inserting after the words "farm acreage allotment for such year" the following; "or in the case of peanuts, an acreage equal to 50 percentum of the farm allotment".

5. *Exclusion from definition of "quota peanuts"*

We recommend the definition of quota peanuts be modified to exclude whole peanut plants including all kernels, harvested but not threshed and marketed (used on the farm) as hay for livestock feed.

At present, utilization of the whole peanut plant including all kernels on the plant for hay is interpreted by USDA as "marketing" the peanuts and therefore such marketing is considered quota peanuts. We feel that a change to correct this problem is badly needed.

The grower will bale his crop for hay without threshing the kernels only when he estimates that the value of the kernels will not justify the expense of threshing. The County ASCS Committee will be in a position to know the probable condition of crops in all parts of the county. A certification procedure to be followed up by checks if needed by the County office should make administration of this provision workable. At the same time it would permit a grower to salvage the hay value from his crop without having such production charged against his farm quota thereby reducing his undermarketing credit for subsequent years.

Section 802(0)(1) would then read as follows:

(1) Quota peanuts means, for any marketing year, any peanuts which are eligible for domestic edible use as determined by the Secretary, which are marketed or considered marketed from a farm, and which do not exceed the farm poundage quota of such farm for such year; except that whole peanut plants including all kernels, harvested but not threshed, and marketed as livestock feed shall be excluded; provided that crop production on a farm for a year of low yields caused by utilization of the crop for livestock feed shall not be considered in future calculations of the farm base production poundage. Mr. Chairman, if this matter can be handled administratively by USDA, we would prefer that route.

6. *Change contracting deadline*

We recommend that Section 804(i) be modified to provide that all contracts between handlers and growers for the purchase of additional peanuts for export and crushing be completed and submitted to the Secretary for approval prior to April 15 of the year in which the crop is produced.

RECOMMENDED CHANGES IN GENERAL REGULATIONS GOVERNING 1978 AND SUBSEQUENT PEANUT CROPS

1. *Extend "buy back" time*

Section 1446.7 of the General Regulations provide that a handler may purchase additional peanuts for domestic use upon delivery from the farm under certain conditions. The regulations state that the handler's check and the sales memorandum covering the lot of additional peanuts must be postmarked not later than the workday following the day the peanuts were inspected. Considerable difficulty has been encountered by growers and handlers in complying with the time limitation on such purchases.

We suggest that the regulations be changed to specify that the grower marketing the peanuts be given until the close of business the second workday following the date of inspection to designate how the peanuts are to be marketed and that the handler be given until the close of business the third workday following the day the peanuts were inspected to have his purchase documents postmarked.

Such an extension of time will not in our opinion result in any adverse program effects, but will make for a smoother operation on the part of all parties involved.

2. Simplify marketing of contract peanuts

Section 1446.5(b) provides under certain conditions peanuts may be contracted by growers to handlers in excess of peanuts produced between the farm poundage quota and the farm base production. However, in order to deliver peanuts produced above the farm base production the grower is required to return to the County ASCS Office for the issuance of a second marketing card on which to market peanuts produced above the farm base. At that time the producer is required to estimate the percentage of peanuts above the farm base yet to be marketed. If such estimate exceeds 10 percent of the farm base production (yield \times farm allotment), ASCS personnel must physically check the remaining peanuts on the farm. This procedure requires considerable time at a critical point in the marketing process and should be simplified.

We recommend that a better procedure would be to permit the producer to continue to market peanuts after having made his estimate to ASCS (even though the estimate exceeds the 10 percent limitation). At the time of his estimate to ASCS of peanuts remaining to be marketed, the producer signs a certification form assuring that all remaining peanuts on the farm will be delivered under his contract to the sheller.

3. Provide tolerance for weight errors

At present there is no provision for a tolerance to take care of weight miscalculations by the handler, recorded on the CCC Form, MQ-94, Inspection Certificate and Sales Memorandum, affecting the grower's quota poundage. Errors honestly made by handlers can cause growers to exceed the farm poundage quotas and thereby incur penalties at the rate of \$504 per ton. We feel that the time and effort expended collectively by grower, handler, ASCS, buyer, grower association and inspection service in correcting such errors involves a cost factor sufficiently significant to warrant elimination by providing a tolerance for errors.

We recommend that USDA establish an appropriate administrative tolerance regarding net weight of the load involved as recorded on the farmers stock marketing forms. Errors within this tolerance would be disregarded by the County ASCS office in determining program compliance by the handler and grower. We also recommend that the County Committee review handling errors to assess penalties where appropriate based on their findings.

4. Modify freeze damage provisions

Section 1446.3(gg)(1) stipulates among other things segregation 1 peanuts shall have no more than 0.5 percent freeze damage and Section (gg)(2) stipulates among other things that segregation 2 peanuts include peanuts containing more than 0.5 percent freeze damage. We recommend that the part of the definitions for segregation 1 and segregation 2 peanuts pertaining to "freeze damage" be eliminated so that the resulting definition for segregation 1 peanuts would read "farmers stock peanuts which have at least 99 percent peanuts of one type, have not more than 2 percent damaged kernels nor more than 1.00 percent concealed damage caused by rancidity, mold or decay and are free from visible *Aspergillus flavus* mold". The definition for segregation 2 peanuts would read "farmers stock peanuts which have less than 99 percent peanuts of one type, have more than 2 percent damaged kernels or more than 1.00 percent concealed damage caused by rancidity, mold or decay and are free from visible *Aspergillus flavus* mold."

The identification of freeze damage at the level of one-half of one percent in our opinion is extremely difficult. The risk is entirely too great that the inspector will score minor damage or discoloration as freeze damage. Such errors could result in needless financial losses to growers.

We feel strongly that growers should not be penalized for freeze damage between $\frac{1}{10}$ of 1 percent through 2.49 percent since freeze damage is largely uncontrollable by the grower. We feel that growers should be entitled to the degree of price protection provided by amending the proposed definitions of segregations 1 and 2 as we have recommended above. In the past we have priced peanuts with freeze damage in excess of $\frac{1}{2}$ of 1 percent through 2.49 percent in accordance with "historical" damage schedules but have physically stored such peanuts separate from other loan peanuts. This has afforded quality protection to industry buyers and economic help to growers at the same time.

5. Waive foreign material limitation

We recommend that USDA permit Buy Back of loan peanuts containing foreign material in excess of 10 percent, but otherwise meeting loan eligibility requirements.

Section 1446.14(b)(2) would be changed to read, "contain not more than 10 percent foreign material except that if such peanuts are purchased upon delivery during harvest season for domestic edible use the foreign material limitation is not applicable".

6. Adjust planting requirement to transfer quota after June 14

Section 729.30(J)(2)(ii) requires the planting of 59.52 percent of the farm allotment in order to qualify for the transferring of quota poundage after June 14. We recommend that the planting requirement be lowered to 50 percent in order to be consistent with planting requirements for undermarketing eligibility and preservation of farm allotment. This subsection would then read "Not be made unless the planted acreage of peanuts on the transferring farm is equal to or greater than 50 percentum of the farm acreage allotment in effect at the time the farm operator filed a report of the planted acreage of peanuts for the current year".

Mr. Chairman this concludes our statement. I will be happy to try to respond to your questions.

Mr. MATHIS. Mr. Coppedge, thank you very much for a very fine and thorough statement. Without objection, we will proceed to hear all the witnesses, and then proceed to the questioning at that time.

Mr. COPPEDGE. Mr. Chairman, I would like to yield my chair to Dee Keeton, president of the Oklahoma Peanut Commission.

Mr. MATHIS. Mr. Keeton was the next witness that we have scheduled on the list, so, Mr. Keeton, we would be happy to hear from you.

**STATEMENT OF DEE KEETON, CHAIRMAN, OKLAHOMA
PEANUT COMMISSION**

Mr. KEETON. Mr. Chairman, my name is Dee Keeton. I live at Willis, Okla., and I am the chairman of the Oklahoma Peanut Commission.

May I say that the Oklahoma Peanut Commission is pleased to be allowed to make a statement at these hearings on behalf of all Oklahoma peanut producers, but we are especially pleased that this subcommittee chose this locality for these hearings and you were able to take time out of your busy schedules to come here. We are honored by your presence and we hope we can help shed some light on what has turned out to be a rather complex problem.

We recommend that members of the peanut trade, which would include buying point employees, grower association personnel and handlers be utilized by USDA peanut task force in fully evaluating present USDA regulations, records, and marketing documents so as to streamline the process for 1979, 1980, and 1981. What this means is the paperwork involved in administering this new program is monumental. Most of us don't understand it and we would like to see it made simpler if it could be done so.

Thank you very much.

Mr. MATHIS. Thank you, Mr. Keeton.

As I understand your suggestion, what you are saying is that the people who are actually dealing with it know more about it than somebody in Washington who has never been to a peanut buying; I agree.

Our next scheduled witness is Mr. Jimmie Jarrell, vice president of the Oklahoma Farmers Union.

**STATEMENT OF JIMMIE JARRELL, VICE PRESIDENT,
OKLAHOMA FARMERS UNION**

Mr. JARRELL. Mr. Chairman, I am Jimmie Jarrell, vice president of the Oklahoma Farmers Union and representing about 77,000 members of this general farm organization.

We sincerely appreciate the opportunity of appearing at this hearing of the Subcommittee on Oilseeds and Rice on the important subject of the USDA 1979 peanut program.

I feel that this meeting today of bringing a congressional committee to farmers is a giant stride forward and bringing Government closer to the people. This meeting is one that I hope precedes many similar meetings throughout the Nation for farmers and ranchers.

I, too, am a peanut farmer, a small peanut farmer. I grow very many. But there are problems within this program and Oklahoma Farmers Union's position on the peanut program is as follows:

We urge that the Secretary of Agriculture maintain price supports at no less than the 1977 levels;

We feel that consideration should be given to appropriate acreage adjustments to deal either with short or long stocks as the peanut program progresses;

If an excess of peanuts held by the CCC occurs, they should be sold on a competitive bid basis for overseas sales as edible peanuts or crushed for oil and meal and sold overseas;

We support continued options for sale and transfer of allotted acres within the State. Also that allotted peanut acres not planted each year be reallocated in that county, then if not planted, reallocated within the State;

The sales price for CCC held peanuts for domestic edible use should be determined by competitive bids;

We are opposed to production of peanuts outside of allotted acres. We, therefore, recommend that:

No. 1, the amount of the national acreage allotment is that the national acreage allotment for the 1979 crop of peanuts be established at the legal minimum of 1,614,000 acres.

No. 2, the apportionment of such allotment to each State should remain the same as in the 1978 program.

No. 3, the national poundage quota should be established at 1,848,000 tons.

By establishing the national poundage quota at the recommended level, which is 10 percent above last year's level, approximately 90 percent of the Nation's peanut production will be eligible for the support rate of \$420 a ton. As evidenced by the attached table, the domestic support rate established the domestic market price. It is imperative that the national poundage quota be increased by the 10 percent as recommended in order to provide a stable supply of peanuts for domestic and export use, and provide a reasonable return to producers.

I sat in yesterday on the Oklahoma Growers Association meeting. We've covered the testimony that Jack Coppedge has given and Oklahoma Farmers Union supports the points brought out by Mr. Coppedge and I feel that we definitely have some problems and we're hopeful that this meeting today can resolve some of the problems that we have in this industry.

We certainly appreciate anything and any help that you can give us in solving our problems.

Thank you, Mr. Chairman.

Mr. MATHIS. Thank you, Mr. Jarrell. The attachment to your statement will be placed in the record.

[The attachment follows:]

PEANUTS

<u>Year</u>	<u>National Average Support Price (Dollars/Ton)</u>	<u>Support Level as % of Average Price Received</u>	<u>Average Price Received by Farmers (Dollars/Ton)</u>
1941	\$ 87.00	93.3	\$ 93.20
1942	132.00	108.5	121.60
1943	142.00	99.7	142.40
1944	146.00	90.8	160.80
1945	150.00	90.7	165.40
1946	172.00	94.5	182.00
1947	200.00	99.0	202.00
1948	216.00	102.9	210.00
1949	210.00	101.6	208.00
1950	216.00	99.1	218.00
1951	230.56	110.8	208.00
1952	239.40	109.8	218.00
1953	237.60	107.0	222.00
1954	244.80	100.3	244.00
1955	244.80	104.6	234.00
1956	227.04	101.4	224.00
1957	221.40	106.4	208.00
1958	213.20	100.6	212.00
1959	193.50	101.2	191.20
1960	201.24*	100.6	200.00
1961	221.00	101.4	218.00
1962	221.40	100.6	220.00
1963	224.00	100.0	224.00
1964	224.00	100.0	224.00
1965	224.00	98.3	228.00
1966	227.00	100.4	226.00
1967	227.00	99.6	228.00
1968	240.25	109.2	220.00
1969	247.50	100.6	246.00
1970	255.00	99.6	256.00
1971	268.40	98.7	272.00
1972	285.00	98.3	290.00
1973	328.50*	101.4	324.00
1974	366.00*	102.2	358.00
1975	394.50*	100.6	392.00
1976	414.00*	103.5	400.00
1977	430.50	102.5	420.00
1978	420.00 Quota 250.00 Additional		

* Before deduction for storage, handling, and inspection costs.

Mr. MATHIS. Our next scheduled witness is Mr. Roy Johnson, listed as a peanut farmer from route 1, Desdemona, Tex.

**STATEMENT OF ROY JOHNSON, PEANUT FARMER,
DESDEMONA, TEX.**

Mr. JOHNSON. I thank you for the privilege of appearing before this distinguished group.

These are just some thoughts that I have to offer as a result of being a peanut farmer and going through this year of marketing my peanuts.

One farm that I had I did not contract the additional poundage for and produced over my quota. And in an effort not to sell these into the additional pool I set about to lease quota poundage to take care of it. It proved very difficult due to the fact that most of the people in my area were not finished with their peanuts, therefore they didn't know if they would have quota to lease. In view of this problem I would suggest we establish a pool that these seg 1 peanuts could go into and the farmer would have the option of then after completing harvest of leasing them back out, if he could obtain the quota pounds.

Now I understand that this year there was a pool that these could go into and if a farmer didn't make his poundage quota he could lease them out after he finished—or not lease them out, but get them back out. And perhaps he might have leased them out, I don't know. There was some confusion about this locally. But if that wasn't the intent I would certainly think that a pool established for this purpose and mechanics put in would certainly be of benefit to farmers as they market their crop if they do not contract them.

Also, I would like to reaffirm some of the previous testimony in that we would like to see the national poundage for 1979 remain at the 1978 level. I believe that this could be done without too much additional expense on the agricultural program by USDA. There seems to be utilization of these peanuts in the domestic market.

Also, I would like to speak to a situation that has involved a great amount of controversy, and that was the combination of a farm outside the adjoining county in Texas. As I understand it now, and I have this situation of two farms that I wanted to combine in adjoining counties which until this situation came up of moving allotment from Eastland County to Gaines County, we could do this. I went in to make an application to combine my farms which adjoin in Eastland County and Commanche County and they told me pointblank that I could not do this. I feel that this is a legitimate operation and that it should be allowed to be done. It had been done previous to this problem arising.

It seems to me that the horse got out and then we closed the barn door after he got out. I think it should be continued to be allowed to combine your farms if they are in adjoining counties.

Also, it has been mentioned earlier about the contract and I would like to reemphasize what the gentleman said. That if contracts are going to be offered they certainly should be offered with enough time that we can plan our planting operation and our preparation. This year those of us that felt we might produce more than our quota had spent money leasing extra quota pounds and since the contracts didn't come out early enough this cost many growers \$1,000 to \$3,000 that they wouldn't have to pay otherwise. Cost of production which is certainly inflationary to my way of thinking and goes against the President's present policy on inflation, it seems to me. So if these contracts are offered, they certainly should be well in advance of planting season.

Also, I would like to go on record as asking the Secretary of Agriculture to take into consideration the cost of production increases concerning our inputs into peanut production and that the price of our quota poundage be raised accordingly to our cost of increased production. That historically has been the case in the peanut program.

I want to thank you for this opportunity.

Mr. THORNTON. Thank you very much, Mr. Johnson.

According to estimates I have recently seen, the overall cost of production increases across the spectrum of all agricultural products amounts to some 8.6 percent anticipated for this oncoming year. That is certainly a major factor to be considered.

Our next witness is Dr. Syd Reagan of the Southwestern Peanut Shellers Association. He will be accompanied by Mr. Tim Ratliff and Mr. Max Rice. I understand that his prepared statement has not yet arrived. Because of that and because Dr. Reagan is the last witness scheduled to give testimony, we would like to ask if he would come up and summarize his statement. We will leave the record open for insertion of the prepared statement.

Mr. REAGAN. Congressman Thornton, I expect the statement to arrive in about 15 minutes. If it would be possible for the subcommittee to open up for questions in the meantime, if we could defer my statement, I would prefer it, but if the subcommittee wishes I will proceed and summarize.

Mr. THORNTON. I think maybe we have a good opportunity here to open the hearing to a statement of any peanut farmer who would like to take advantage of this slight delay to give any additional testimony that may not yet be scheduled.

Are there any farmers who would like to make a statement to the subcommittee at this time?

Mr. WATKINS. Mr. Chairman, it's my understanding that Representative Ray Roberts has one of his staff members in the audience, Mike Allen.

And, also, Mr. Chairman, if you might yield further, I know that State Senator Boatner was with us last night and had to go to Oklahoma City today. He may have gotten to slide in the back some place, but also Representative Guy Davis was going to try to be here. If he's in the audience, stick his hand up. I know Representative Bob Trent, Bob, stick your hand up so the folks can see where you are. We appreciate you being out today also representing your people. Mr. Chairman, I just wanted to pay recognition to those individuals.

Mr. THORNTON. Thank you very much, Mr. Watkins.

I think it would be more appropriate for us to delay our questioning until all of the witnesses have presented their testimony in order that we may have a full opportunity for all panelists to respond.

Mr. VOLKMER. I was just wondering, because there seemed to be some nods of agreement at the time that statement was made by Mr. Keeton about the paperwork, how many of the peanut growers that are here have actually incurred problems with the paperwork under the new—just hold up your hands so we could get some idea.

Mr. THORNTON. Maybe it would be more appropriate if you got a showing of hands of those that did not.

Mr. VOLKMER. How many of you have not really had any difficulty with the paperwork?

We've got growers. How about handlers, have we got any handlers here at all? What do they think about it?

UNIDENTIFIED. Worse.

Mr. VOLKMER. Worse than it was before? Sir, please identify yourself.

Mr. TRENT. Ed Trent. I'm a handler up at Atoka.

STATEMENT OF ED TRENT, HANDLER, ATOKA, OKLA.

Mr. TRENT. I would just like to give you one example. One example is on the buy back, it takes three 94's and three checks just to buy back about 30 pounds of peanuts if they go through. Something should be done to alleviate that.

Mr. VOLKMER. What would you estimate the time period?

Mr. TRENT. Let me give you an example.

Say you buy a load of peanuts and it goes over about 150 pounds and you've already shipped those peanuts back to the main place, then you have no out other than the buy back. So it takes you three 94's, you have got to go back to the grader, get him to date them and then after you do this you still have to write three checks; two to the producer, one from your company, one from SWPGA and then you have to write one from your company to CCC. This may be only on 30 pounds of peanuts, but why can't you just pay the farmer for these 30 pounds of peanuts and save an awful lot of paperwork? Yet the quota poundage won't allow this, you don't have any leeway whatsoever, but you've spent all of this time and money just to buy this 30 or 40 pounds of peanuts.

Mr. VOLKMER. Thank you very much.

Mr. WATKINS. The Chairman would like to know what the problem is out there in trying to get this job done and you all can tell him. That will become a part of this testimony that goes right back up there where all the staff members and the committee can start working it over, so if you have got some problems in this thing, this is the time to get your word to Washington right here today. So I hope that you will feel free to make those comments.

Mr. MATHIS. Yes, sir.

Mr. Helm, is the next witness, please proceed.

**STATEMENT OF H. R. HELM, PEANUT FARMER,
COMANCHE, TEX.**

Mr. HELM. Mr. Chairman, I'm H. R. Helm of Comanche, Tex.

In referring to some of the paperwork, I had a personal example happen to me and I'll explain it to you a little bit. A mistake made by the clerks at the buying station of having me selling additional peanuts before my quota was filled. At which time it took an awful lot of struggle to correct that mistake.

Then because of another clerical error later on my additional peanuts were marked up on the MQ-94 as quota peanuts, which this again took quite some time and effort to straighten up the mistake. Also, if I remember reading the rules and regulations correctly, there is a penalty imposed jointly on the handler and the producer if a mistake is carried all the way through on the marketing card and it's not caught and corrected. This I feel is very unfair to the producer for a mistake that he has no control over. It is a clerical error made by the clerks who work for the buyers.

So in view of this, I had to spend quite some time in checking all serial numbers on the MQ-94's against recording on the marketing cards before that I would sign the marketing cards that marketing was completed on the cards.

Now, this is something that agitates me a little bit, if I remember correctly the penalty rate was \$504 a ton on incorrectly marketed peanuts, incorrectly marketed peanuts which is not the producer's fault.

As was said before, this is a very rushed time. The farmer wants to be in the field getting his crop out. He doesn't have time to fool with the shellers except just market the peanut. He's never around to fault so this is one area that I would definitely appreciate that something be looked into and corrected.

Mr. MATHIS. Thank you, Mr. Helm. I think you bring us a different individual perspective with it. I think Mr. Coppedge mentioned the same thing earlier. This is the kind of example that we are looking for this morning. We know there are going to be clerical errors made. When they are honest mistakes it's my very strong feeling, and I think those of the members of the subcommittee, that the producer nor the handler ought to be punished when it's an honest mistake that can be corrected and no lasting harm is done.

Now, we have to have some kind of penalties, you understand, that everyone of us does, if somebody is willfully and knowingly trying to violate the law. But in instances where honest mistakes are made, I feel very strongly that this penalty should not be imposed, and I think this is something that we're going to see corrected prior to the next year for the program.

Are there others who would like to be heard this morning? When I left the table a minute ago and went to the back I heard a fellow go out the door saying "Well, I'm leaving. This ain't no place for the farmers to be heard." Fellows, that isn't the case. I didn't come all the way to Durant, Okla., not to hear from you. If there is anybody here that has got anything that they want to contribute to this testimony we want to hear from you.

Now, we will hear from Mr. O'Brien.

**STATEMENT OF HERIN O'BRIEN, PEANUT FARMER,
COMANCHE, TEX.**

Mr. O'BRIEN. Mr. Chairman, gentlemen of the subcommittee; fellow peanut farmers, shellers, growers and neighbors, I am Herin O'Brien from Comanche County, Tex.

I see in our group a number of my friends and neighbors from within the county around DeLeon, Comanche, and Dublin. We have got a nice representation. I'm sure there are many from Oklahoma. We are glad to be here with you.

I think this is an indication of some degree of unhappiness with the program, the fact that there is this degree of unhappiness which I know I, myself, a member of the Farm Bureau. We have some neighbors who are members of the Farmers Union, American Agriculture. We all agree we have got problems in this particular area and that is the reason we are here.

I have a little trouble I should admit, I have trouble knowing which end is up except when I'm outside and I'm bareheaded and it's raining. And it doesn't rain much in our part of the country so we have had considerable problems with peanuts.

I raise this question, gentlemen, and to me it's a serious question. Whenever we get together in the discussion of peanuts, I raise the question, if we are in trouble on the peanut program, why can't we cut the acreage if it's costing too much, and someone in authority always says, well, you can't do that. This acreage, this minimum acreage is set by law. I say why not change the law and someone always says it really wouldn't do any good if you cut the acreage, the farmer would just put more fertilizer, more intensive effort and he'll raise more peanuts and I say more power to him if he can do that, let's cut it again and again and bring our production in line with demand.

Is that an overstatement of the problem?

Mr. MATHIS. Mr. O'Brien, if I can respond to that very briefly. I think that there are a lot of us who come from peanut-producing parts of the country. Wes Watkins and I do, and Ray represents some peanuts as he has said earlier who would like to have seen that happen very much. I think I can say to you and I think those people who are in this room who worked with us to try to formulate this bill would agree with the statement. We would have done that except for one thing, when we changed that law we didn't have the votes on the floor of the House to do it.

Now, we sit today in what everyone of you know is a consumer-dominating Congress and, quite frankly, I don't see that situation being any better in the 96th Congress that convenes in January. We are looking at 77 new Members of the House, none of them ever voted on a peanut program before. We don't know what they are going to do and that's why I said in the beginning that I would be extremely reluctant to carry a bill to the floor that would provide for any changes in the law unless it looks like it is absolutely necessary to do so. Because any time we go to the floor with an amendment, under the legislative rules of the House it opens the whole program up for an amendment. If we go in with an amendment that suggest that the minimum price support quota be raised to \$440 a ton, an amendment could be offered to lower that to \$250 a ton and we don't know what's going to happen on that. And that's the fear of knocking out altogether, as Congressman Volkmer correctly points out. That's why most of us—well, just to be candid, are scared to carry any change to the floor. What you have talked about we discussed, we tried it, and I don't think the votes are there today to attempt to do that. I wish it were because I assure you that's what my people would prefer.

Mr. O'BRIEN. Mr. Chairman, I thank you for that explanation. I think we as growers and I think to a large degree we've accepted and swallowed this program to the extent that we have because we were aware of the very real dangers that did face us in losing the program.

We do appreciate the opportunity, and I do have one more comment that I would like to make and I hope it is related. I have wondered this, and I throw the question out. In regard to payments; in regard to oilseeds, in regard to the other commodities, wheat and other support—commodities that are supported, I raise this question in all sincerity, why we couldn't have a full support price, a full parity price on that portion of these commodities that are used for domestic consumption. Then I raise this question, why couldn't our Government make an estimate well in advance of the planting time for cotton, wheat, rice, or peanuts as to what the estimated world price

would be on any one of these commodities. That estimated bid, if you please, or price would not necessarily have to be made for the American public, why not give Russia or China or whatever country wanting to buy peanuts, wheat, rice, whatever, why could they not submit a bid of what they would pay and then the grower has the option of planting that estimated acreage, whatever the commodity would be. If he felt he could support that particular market, then he could plant it. I raise that question in sincerity. It may be a foolish one.

Mr. MATHIS. No, I don't think it's foolish at all, Mr. O'Brien, and I don't hold myself to be an expert on all of these things, but if I can address the first point that you raised and that is, full parity for domestic consumption, we get right back to the same thing, we sit in a consumer oriented Congress and I'm convinced that there are Members of the Congress who sit with us in the House today who would vote to import food from overseas to keep from seeing food prices go up in this country. That is a case of total ignorance, you know it and I know it, but that's the problem we have up there.

Mr. O'BRIEN. I think we've seen those expressions brought to bear on the executive.

Mr. MATHIS. There is no doubt in my mind about that. I've been very disappointed in the President's position. He comes from my home State, but I've been very disappointed in the position that he has taken on agriculture. I have said that to him, so I'm not making a new statement here.

In regard to your other question, I think that we are in altogether too many instances, there is no way for us to know in advance what the Russians want because they don't know. They don't know what kind of crop they are going to make. I don't think we know after they announce what kind of crop they've made and in that regard we are doing some interesting things. I don't know how much I can talk about, but we have got some new procedures we are using to try to get estimates on their crop production. I think in the long run it is going to be very helpful to the farmers in this country.

Mr. Coffee, your statement please.

**STATEMENT OF HAROLD COFFEE, PEANUT FARMER,
CADDO COUNTY, OKLA.**

Mr. COFFEE. I am Harold Coffee, a grower from Caddo County, Okla.

I would like to talk a little bit about moving the contract date back. The biggest percentage of peanuts in our area were contracted this year. But the contract didn't come out until well after planting time. Of course, we were assured all along that we could contract our additional peanuts and we were also assured that we could contract only our additional peanuts and that it would not affect our quota peanuts. So just about everybody went ahead and planted their quota and then they planted their additional and they still hadn't seen a contract. After we were through planting they came out with a contract and at that time they informed us that if we contracted additional peanuts we also contracted our quota peanuts. That's the only way we could get a contract for our additional peanuts.

In other words, we guaranteed to deliver all of our quota peanuts to this handler at the same time. And this is one reason that I agree with the statements that were made earlier that we definitely need to get this contract date moved back where the grower has a little leverage over—instead of policy being dictated to us because in our area there was a number of growers that would have liked to have an opportunity to go into, maybe go into loan with their quota peanuts but we couldn't do this because in order to get a contract we had to tie up our quota peanuts also and I think it's essential that we get this date moved back.

Also, with another year coming up I think we need to take a long hard look at this acreage reduction and I think after a year like we've had this year that it would be quite possible that this 20-percent cut that we have taken this year would be more than enough to handle another year.

I thank you for the opportunity today.

Mr. MATHIS. Mr. Coffee, I have not heard of this particular problem that you've had with the buyers here. This is the first time we've had that. What you are saying, in essence, is that the buying point said if we are going to contract with you, you are going to have to deliver your quota peanuts to us, all of them.

Mr. COFFEE. Yes, sir. We were told before planting that we would just contract our additional peanuts, but since the contract didn't come out until after we had already planted then when they came with them, if we wanted a contract we guaranteed delivery of all of our peanuts to that handler. In essence the grower at that time lost any control over his peanuts.

Mr. MATHIS. We'll certainly look into that aspect of it. Let me say this about the contract date that Mr. Coppedge recommended. I believe we moved up to April 15 instead of the June 15 that is there now. The reason the June 15 date, and it's arbitrary—pick a date and it was arbitrary June 15—but I think that most of us, and as I recall, the National Rule Group recommended that date initially to try to give the farmer a little more flexibility to decide whether he wanted to put his peanuts into loan or whether he wanted to contract them, because he would know well in advance of June 15, what the loan rate was going to be, and what the resale policy was going to be. It was not put in there for any reason except to attempt to give the farmer a little additional flexibility. Now, if it hasn't worked that way, we need to take a look at changing it. But we wanted the farmer to have the right, as late as he could, to decide what he wanted to do with his peanuts. I think that was the feeling of the National Grower Group at that time.

We had this same question raised in North Carolina last week, and I think it's something that we definitely are going to have to look at.

Thank you, Mr. Coffee. Now, Mr. Sturgeon is next.

STATEMENT OF ROY STURGEON, EXTENSION PLANT PATHOLOGIST, OKLAHOMA STATE UNIVERSITY

Mr. STURGEON. Mr. Chairman, I'm Roy Sturgeon, extension plant pathologist out of Oklahoma State University. My responsibility is peanut diseases and I wanted to point out one of the problems that exists among our growers in the Southwest—soil diseases, and they are on the increase.

At the present time many of our soil diseases, we have no real good control, in fact, with many of the farmers we have no control. As those that work with diseases and have lived with them know, environment plays an important role on disease innocence. Innocent environment is not only the moisture situation but soil conditions and how the farm is laid.

What I would like to support is the instances that I have run into in our State this year, and in past years, that growers do need to move from certain farms to other farms because of the environmental situation. They can improve the situation in moving to a better environmental situation, say, a farm in another county that has a better soil condition or a better environmental condition which is not conducive for disease development.

At the present time we have a very serious problem of pod rot. We do not have a control for pod rot. We have a large-sized grant, we're working on it and hopefully we will be able to solve it, but that may be way down the road and in the meantime many of our farmers are going to have a lot of problems and you're going to get your yields reduced as pod rot increases.

I feel that is a real cruelty to a grower who cannot move if he owns two farms in adjoining counties. We have an instance where following the recommendations for disease control of pod rot did work on one farming situation there, but it absolutely did not work on the other farm. I know this to be a fact, because I had my demonstration plots in that area.

So I would like to point this out, in the area of soil diseases which includes aplitoxin [sic], Aspergillus, our dematose [sic], our southern blight, our area pod rot. Well, I just wanted to point out that in the soil there are so many different organisms there, that we deal with, that as you change from different farms these things change. I hope you can appreciate a farmer that is trying to make a living, and is going to be restricted to this farm which is conducive to the disease. He could take this acreage and just move to another farm which has better drainage, different soil type, different environmental situation, and he can live with it. We know this to be a fact and I would, as I said, like to offer that as support.

Mr. MATHIS. Thank you, Mr. Sturgeon. I think that tracks what Mr. Helm from Texas had to say earlier.

Dr. Syd Reagan with the Southwest Peanut Shellers Association was scheduled to testify earlier.

I have on my note pad that you have asked to be accompanied by Mr. Tim Ratliff and Mr. Max Rice, is that correct?

Dr. REAGAN. Yes.

Mr. MATHIS. The record will duly note that they are here.

Dr. REAGAN. I want to join the other persons that have testified from the Southwest area in welcoming this subcommittee to the Southwest. We appreciate very, very much their coming down here to listen to us, to get our advice as we see things in terms of the way the program can be improved.

Now, it is very gratifying to have heard the preceding witnesses and to recognize the tremendous areas of agreement among all groups in the Southwest area with respect to the present program.

[The prepared statement submitted by Mr. Reagan follows:]

STATEMENT OF DR. SYD REAGAN, GENERAL COUNSEL, SOUTHWESTERN PEANUT SHELLERS ASSOCIATION

I am Syd Reagan, General Counsel of the Southwestern Peanut Shellers Association, and I am presenting this statement on behalf of the members of that Association.

The members of the Southwestern Peanut Shellers Association include all of the peanut shellers in the Southwest Area with the exception of one group. Our members buy farmer stock peanuts from farmers and then dry, store, clean, shell, size, grade and bag them and sell the shelled peanuts to manufacturers of peanut products such as candy, peanut butter, and salted peanuts. Furthermore, our members cooperate with the Department of Agriculture in making price support loans available to farmers.

Our members have discussed in great detail both the legislation and the administration of the new peanut program. The recommendations that I will present have been approved unanimously by the members of our Association.

Our recommendations fall into two main categories: One, to create a situation where farmers will be encouraged to produce peanuts for the commercial market, and two, to eliminate a great deal of the red tape, confusion and inefficiency in the administration of the program.

The first three recommendations require changes in the legislation and are aimed at encouraging farmers to produce peanuts for the commercial market. The last 10 recommendations are aimed at improvements in administering the program.

RECOMMENDATION NO. 1

Support price on quota peanuts in 1979, 1980 and 1981 should be adjusted upward from the 1978 level by the Index of Prices Paid by Farmers.

While we recognize that under present legislation the Department of Agriculture has the authority to make upward adjustments from \$420, we do not believe it will do so voluntarily; consequently, we believe that Congressional action is needed to insure that peanut farmers will not be victimized by spiraling costs.

RECOMMENDATION NO. 2

The support on additional peanuts should be set at not less than 75% of the support on quota peanuts.

While we recognize that under present legislation the Department of Agriculture has the authority to do this, we do not believe they will do it in view of the ridiculously low support of \$250 it set in 1978, when the world market price completely justified a substantially higher support price.

RECOMMENDATION NO. 3

We recommend that any further cuts in marketing quotas be suspended pending a re-evaluation of the method used to make these cuts. We strongly believe that any further cuts in marketing quotas should be taken in the producing area with the largest surplus.

Under present legislation the quota acreage will be cut further in 1979, 1980 and 1981. The cuts should be made uniformly in all peanut producing areas of the U.S. only after all areas have been brought into balance with commercial demand. That is, when the same percentage of Segregation I peanuts in each area are actually surplus. Once this balance is achieved, each year quota poundage should be adjusted in relationship to the actual surplus of peanuts in the immediate 5 years. In this manner peanut production in each area will maintain a steady harmony with actual demand.

RECOMMENDATION NO. 4

We recommend that the time allotted to farmers and shellers for the selection of marketing options and the completion of a sale be extended to 96 hours instead of the present 24 hours. Under the current provisions the producers marketing designation option elapses concurrently with the shellers buy-back provision option. If the farmer takes the full 24 hours allotted, then the shellers buy-back option is in effect voided. Both farmer and shellers need more time to react to the demands of the harvest and to market conditions.

RECOMMENDATION NO. 5

Farmers should be permitted to sell and shellers permitted to buy peanuts marketed under the "buy-back" regulations without placing any limits on the foreign material content of the peanuts—provided, of course, that reasonable and normal discounts for high foreign material are in effect.

Present regulations do not permit farmers to market additional buy-back peanuts through the CCC Loan Program which contain more than 10 percent foreign material. However, the prevailing commercial practice is to buy such peanuts with adequate discounts. Since additional buy-back peanuts are actually commercial purchases and pass through CCC hands only in a bookkeeping sense, it is quite ridiculous to insist on the 10 percent limit for foreign material. Physical crop movement is hampered and economic loss is imposed on producers for a product that is otherwise commercially marketable.

RECOMMENDATION NO. 6

The regulations for contract additional peanuts should be changed to simplify and facilitate marketing of excess poundage.

Specifically, the sale of contract additional peanuts between handlers and/or transfer of such peanuts between plants within the same company now may give rise to two or three MQ-94's on the same lot of peanuts. This is an unreasonable burden and creates additional opportunities for mistakes. We would like the USDA to study this and come up with something simpler—for example, could the peanuts not be simply transferred by endorsement on the MQ-94's?

RECOMMENDATION NO. 7

We recommend that all of the paperwork requirements of the peanut program be thoroughly analyzed to simplify wherever possible and some allowance should be made for obvious, honest errors and that the correction of these errors should be made easier by the agency involved. We must recognize that human error is inevitable in any system as complex as the peanut program. Shellers have found that repeated trips and lengthy conferences with ASCS personnel are necessary each time a simple error is made. This is a large problem made up of many small, but important incidents experienced by our members; We would be glad to share the details with your staff at an appropriate time.

RECOMMENDATION NO. 8

Existing regulations should be changed to allow shellers to accept delivery of additional peanuts under contract without regard to the effective farm poundage yield, provided the producer certifies that the peanuts were produced on the farm identified on the marketing card presented with the peanuts. At the present time, farmers must apply to his local ASCS office for permission to market these peanuts as excess additional peanuts, and often a representative must go and inspect his farm before permission can be granted. Apparently, there are cases where multiple inspections were made on the same farm, mostly for sake of formality.

RECOMMENDATION NO. 9

The Inspection Service may need more help in handling paperwork at inspection stations in a timely manner. The rigid time requirements for executing a purchase have had some effect on the quality of service rendered. If our other recommendations are accepted this particular problem would be solved.

RECOMMENDATION NO. 10

The MQ-94 should be redesigned and simplified. It is entirely too complex at the moment and it is not well-suited to the function it must perform. Some marketing situations now arise where we must fill out two and three MQ-94's for the same, identical load of peanuts! And, the mathematics involved are such that it is confusing and error-prone. We have been told that the present procedure lends itself to computer processing. It may be easier for a computer, but it delays the movement of the crop and causes human error. The peanut industry and the government working together should be able to solve this problem.

RECOMMENDATION NO. 11

The designation of the marketing category on the FVQ-95 should be deleted. The marketing option cannot be effectively determined until the peanuts have been graded. The completed MQ-94 ultimately and necessarily reflects the marketing option selected; Therefore, use of the FVQ-95 for this purpose is redundant.

RECOMMENDATION NO. 12

Every effort should be made to simplify the regulations, forms, paperwork and administration. At present they are far too complex. The time spent coordinating the complex paperwork could be better spent moving the crop. Excessive and unnecessary regulations have the potential to cause serious cost inflationary pressures.

RECOMMENDATION NO. 13

All regulations, directions, policies, procedures and forms should be completed by the Department of Agriculture in Washington and received by area grower associations, county ASCS offices and peanut shellers by July 15 for the crop year beginning August 1.

Discipline should be brought to the rule-making process by USDA in order that producers and shellers can conduct business in an orderly manner. At present, we have unreasonable government impact on marketing decisions due to the paralysis brought about by the failure to promulgate the required rules and regulations in a timely manner. In fact, rules and regulations for the current crop are still coming out even though much of the crop is already produced, bought and sold. For the 1979 and subsequent crops we would like to see any and all rules out by July 15.

The members of our Association and I will be happy to work with this Committee and its staff on ways of improving the program.

On behalf of the members of our Association, I want to thank the members of this Committee and its staff for coming to the Southwest area to learn how we view the program based on the experiences during the first year.

I will be happy to respond to questions.

Mr. MATHIS. Thank you, Dr. Reagan for your testimony. Obviously, you deal with a lot of the problems that your people and the growers have faced over this past year, and I think that you make some good recommendations. Generally, there might be one or two that I disagree with.

Dr. REAGAN. I felt certain of that.

Mr. MATHIS. For the record, Dr. Reagan, would you list your address for the subcommittee.

Dr. REAGAN. Yes; my address is 6815 Prestonshire, Dallas, Tex., 75225.

Mr. MATHIS. Are there questions by members of the subcommittee of Dr. Reagan this morning? Go ahead, Mr. Volkmer.

Mr. VOLKMER. First, I wish to commend you on your statement and the general approach. On the paperwork problem, and the computerization, and making one work with the other, do you see any problems, like you say here, just endorsing on the MQ-94's? Surely a computer can be programed to take such information.

Dr. REAGAN. We were told that they were gearing the MQ-94 so it could be computer programed. I think here we have an example where the machine is the master of people rather than people the master of the machine.

Mr. VOLKMER. The second thing is, as a general statement, and you may not be able to give it, but perhaps you can give us an estimate. Of the shellers that you represent, do you have any idea as to the time that is necessary for people—I'm talking about man-hours—to comply with all of the requirements and to go back to SCS's and come back and go back and forth and fill out the forms and everything, as to what the additional cost is to the shellers on, say, a given year basis?

Dr. REAGAN. Yes. I would like to call on Mr. Max Rice, one of our members, who is on the firing line every day dealing with these problems.

Mr. RICE. Mr. Chairman, I think at this time probably it would be almost impossible to go back and reconstruct the man-hours that we had on taking care of that problem, but during the year, almost daily, we had problems that arose that made it impossible for us to know what to do, and we had to go back to the ASCS or to the Southwestern Peanut Growers Association or to Washington for clarification on rules and regulations and problems that came up in carrying out the peanut program.

Mr. VOLKMER. In other words, if they were able to simplify the full procedures, would you be able to reduce man-hours spent on such type thing?

Mr. RICE. Yes.

Mr. VOLKMER. And reduce shellers' cost then?

Mr. RICE. Yes.

Mr. VOLKMER. Which reduces the amount that the consumer actually has to pay at the end, is that correct? Because, the sheller has to have a margin of profit to stay in business.

Mr. RICE. We hope we do.

Mr. VOLKMER. That's the point I'd like to get at. I think that we in Government and Congress need to look at not only the rules and regulations that affect you, but all of them as they affect the whole inflationary trend, because the more we build into costs—yours, the producers, and everybody else's, by rules and regulations, the more it is going to cost on the other end.

But you are sure that there is additional cost incurred solely because of what you call unreasonable rules and regulations, is that correct?

Mr. RICE. Yes, sir, we believe that to be true.

Mr. MATHIS. On that point, I might also add, Mr. Volkmer, it's been our experience in Georgia, and I think that I'm hearing the same thing here, not only are you tying up man-hours but you are tying up equipment. You might have a wagon hooked up to the drier or whatever, waiting for a day or two until you can get somebody from the ASCS office to go out and check the farm and come back in and tell you it's all right to dump your peanuts. You might be right in the middle of a load when you've filled the quota before you get to additionals. In our instance, and from what I hear about the dry weather you've had out here, you have probably not had this problem, but we've got additional additionals that we had to deal with down there and I think this is what Dr. Reagan was referencing to in point No. 3 of his recommendations awhile ago. But it has created a great deal of problems in terms of paperwork and tying up equipment. Mr. Thornton?

Mr. THORNTON. With regard to the rules and regulations I would like to inquire, of how bad an effect is being experienced by the additional rules and regulations continuing to be promulgated. Have you had some specific instances where a change in rules or regulations has had a detrimental effect? I agree with your suggestion that the rules and regulations should be in place at the start of the growing season. I wonder what is the nature of the changes that occur, are they corrections or what?

Dr. REAGAN. Let me give you one example where the shellers and the growers were put in an almost impossible situation.

The regulation forms and so forth relating to the contracting peanuts did not arrive out here until 1 week before the deadline of July 15, and so we had a week or less—this includes a weekend, mind you—to try to get contracts signed up with literally thousands of growers. This is just an impossible situation.

Currently, we have a situation that I would like for Mr. Rice to comment on with respect to delays in rules and regulations which are working a real hardship.

Mr. THORNTON. Thank you.

Mr. RICE. Mr. Chairman, this is an area that I don't know completely about, but the one problem that we are having now is this substitution plan on export peanuts, when you're shelling contract peanuts and you've already exported some peanuts out of your domestic stock of peanuts that you have bought under quota, and on the substitution plan we do not at this time, I believe, or have very recently just received the regulations on substituting. The problem we've ran into is that we've exported several tons of peanuts before the regulations was completed. The regulations that have come out now have certain requirements that were not met on peanuts that we exported earlier and, of course, not knowing the regulations at the time we were exporting we will probably not be able to use the substitution plan that we exported at an earlier date.

Mr. THORNTON. I do understand the illustration, I think.

I was very interested in Dr. Sturgeon's comment about the increased incidence of soil diseases and his suggestion that some way should be found to allow a substitution of land upon some certificate by an organization which would be able to certify that the land was very highly susceptible to disease—to substitute other land.

Do you have any comment with regard to the desirability of this kind of substitutions?

Dr. REAGAN. Our members have not specifically discussed this issue and specifically taken a position on it, but I feel confident that they would support such a move because they are interested in growers having an opportunity to produce peanuts.

Mr. THORNTON. I would like to ask Jack Coppedge, also, if he has any idea or thought with regard to whether such a substitution might be appropriate, a form of certification that land has become highly susceptible to soil disease.

Mr. COPPEDGE. Congressman Thornton, I believe what we are talking about was the idea of moving your farm allotment, if you have a farm in an adjoining county, to a better land environment rather than continue to be forced to stay in one area. Now, this has pros and cons involved as to the goodness of it and the badness of it that might develop.

It's hard to say without really studying it and thinking about the total impact it might make on the total peanut-producing Southwest area and any other areas, too. I believe I could safely say that the general thought of it would be great, but we do need to talk about it in session and make sure we are talking about the right thing under the right conditions.

You make one rule and if you are not real careful you might upset the whole thing and we want to keep the peanut program as it is basically, if we can.

Mr. THORNTON. Are you experiencing an increased incidence of soil diseases?

Mr. COPPEDGE. Very definitely, and the costs are spiraling in that area trying to control those soil-borne diseases. It's unreal how much money we have to spend to try to control it where we don't have adequate land to rotate properly.

And it's been said, we've talked about the pod rot incidence. Dr. Sturgeon has some facts and figures on that and he said that if you would rotate 1 year out of 35 years, you might control that specific item, so it's impossible.

Mr. THORNTON. Do you have resources or capability of studying this question and proposing some changes if any need be considered, to help to overcome this?

Mr. COPPEDGE. We sure do. We have people and we can discuss this fully and come up with a proposal that the Southwest area would like to live with, if we have the opportunity to do so.

Mr. THORNTON. Thank you very much. We appreciate that testimony.

I see a couple of people who are trying to get the attention of the Chair.

Mr. JOHNSON. Mr. Chairman, I would like to speak to that just momentarily. I'm Roy Johnson of Desdemona, Tex. I've testified previously.

I mentioned this situation in my testimony and I believe that we have the current framework if the administrative rules were changed such that we can do what the doctor advocated. And I believe it would be best left to an economic situation rather than some stringent rules where we would have to meet some specific qualifications to be able to do this.

Right now the ability to buy a place in an adjoining county that is not diseased up and have allotment to move onto it from another county, I believe I should be allowed to do it. And this will automatically take care of the problem. Now, you will have a better quality of peanut, less diseased, and less cost of producing that peanut because even though there are limited controls for these diseases, we are like a drowning man grabbing straws trying to control them and we will put lots of money into chemicals that we think might help which are cleared for that particular problem but may not do the job that we wished them to be doing.

So if we had some freedom to do this I believe that economics would dictate the boundaries. Now I want to say again that I'm speaking to moving or combining in adjoining counties and that is as far as I'm going with my testimony. I'm against what happened in Texas, the one from Eastland County into Gaines County, but I'm still on record for letting it happen to adjoining counties.

Mr. THORNTON. Thank you very much.

I wonder if I might ask if Dr. Sturgeon is still here. I would like to inquire of him.

Dr. Sturgeon, I was very interested in your suggestion and would like to ask whether you have or know of resources in the State of Oklahoma which might be able to make appropriate examinations and certificates to the soil qualities of the farms involved in order to meet some framework for allowing a transfer?

Dr. STURGEON. We have the plant disease diagnostic laboratory at Stillwater. We can analyze the soil for disease potential, organisms present, and we work very closely with the State department of agriculture, at the present time shipping plants or going into nurseries and things like that, to establish potential disease problems. So this service is available.

And with the working relationship with the State department of agriculture and with various groups, I see really no problem of setting up a criteria or supporting this with good supporting evidence.

And as I say, I would support the comments made that if you can move you can improve the quality of the peanut and not having to carry out these high costs of use of chemical practices, you're going to reduce the cost of the grower production. No question in this.

We do have the capabilities and would be more than happy to work with the grower organization or any group in establishing evidence.

Mr. THORNTON. Thank you very much.

Mr. Chairman, obviously this is a matter which will require further reflection and study and I would like to yield back the balance of my time.

Mr. MATHIS. Mr. Watkins?

Mr. WATKINS. Mr. Chairman, on recommendation No. 2, we are all concerned about the ridiculously low \$250 price level on the additional peanuts there. You recommended a support on additional peanuts at 75 percent. Quick calculations show that that's about \$315 and \$420 which we know would be better and look better and we could all probably live with it better.

Let me ask a question. What did most of these additional peanuts market for at this time? Could I get some figures on that?

Mr. COPPEDGE. Congressman Watkins, I believe Ross Wilson could probably tell us—in our area, in the \$400 figure on additional peanuts. Now, the peanuts that went into loan, they went in at \$250 a ton and were sold back possibly at the support rate of \$420, which would mean another \$170; but the man that can do the best job for it would be Ross Wilson.

Ross, if you would explain that, why, I would appreciate it.

Mr. WATKINS. Mr. Wilson?

Mr. WILSON. Mr. Chairman, I'm Ross Wilson, manager of the Southwestern Peanut Growers Association at Gorman, Tex.

In answer to your questions. Sellers contracted about 90 percent of the additional peanuts produced in the State of Oklahoma and about 82 percent of the additional peanuts produced in Texas, at a price of a little better than 95 percent of the quota loan price, which is in the range of \$400. So some 90 percent of the additional peanuts in Oklahoma went into sheller contracting at about \$400 per ton and 82 percent of the additional peanuts in Texas. The remaining additional peanuts that were produced have gone under loan at a price of \$250 to the grower, but in every case where those peanuts were of the appropriate quality to be bought by shellers, they were bought back off the yard without ever going into the loan warehouse. But what happens on this transaction is that the grower still is issued a check for \$250 at the time he markets his peanuts. The sheller in order to buy these peanuts and put them into the domestic market, which is what he is doing, simply writes a check back to the association

area-type pool for \$420 plus a \$12 handling fee. He then takes the peanuts as though they were commercial peanuts and uses them in an unrestricted manner.

So what the grower will get eventually, ultimately on those peanuts, additional peanuts, that have gone under loan we don't know, but he will get considerably above \$250 in my judgment but probably quite a little bit below \$420 because all of those peanuts which were appropriate quality were bought by the sheller in that fashion and there were no costs to speak of incurred anywhere along the line.

We have gotten in the same pool quite a large quantity of what we call junk peanuts because of the drought conditions in eastern and central Oklahoma and east and north Texas this year. We got some regraded segregation 3's. The farmer has a right to take segregation 3's back in and get a regrade on them if they have *Aspergillus flavus* and sometimes they regrade segregation 1 because the inspection service misses the kernels with mold. So they go back into the same pool with these high-quality peanuts. The sheller doesn't want to buy these peanuts for domestic edible use, so they are eventually going to have to be sold for crushing at a low price, and this is going to pull the average earnings of this pool down. This is why I say that the eventual earnings to this grower marketing high-quality additional peanuts is going to be something less than \$420. We don't know exactly what it will be.

Now, if I may comment one step further. The change that Mr. Coppedge substituted on item No. 2 of the statement in front of you, this year, would largely cure this problem, I believe, for next year. The combined five area grower organizations out here are suggesting with these additional peanuts next year that are not contracted, but are brought back off the yard at the time the grower takes them to town, that the grower still get his check for \$250, that the peanuts go under loan in order that we can control and administer the program properly. But that instead of giving the \$170 additional difference between the \$250 support price and the \$420, instead of putting that back in the pool, that we just process those papers and pay that back to the grower putting those particular peanuts under loan. This will allow the grower to get the full price and compete with the man who contracts.

Mr. WATKINS. Have the growers been paid any back at this date—

Mr. WILSON. No, sir. On the peanuts that have gone in the pool he has not been paid back any. The CCC ruling on that, to my knowledge, is that as soon as this pool has been sold out and cleared and as soon as we can estimate what the cost will be then we will pay the grower a provisional payment, hopefully sometime after the first of the year, shortly after the first of the year and then the remaining balance will be paid later on. He has not been paid anything in addition to the \$250 loan rate at present time.

Mr. WATKINS. OK. Mr. Coffee had raised a thing—the chairman recognized it awhile ago—I don't want to be real personal, but your circumstances of marketing quota, would you mind elaborating what that contract was?

Mr. COFFEE. Are you talking about what the contract was on additional or—

Mr. WATKINS. Yes, additional.

Mr. COFFEE. Well, it was roughly \$400. But the point that I was trying to make was the fact we had to obligate all of our quota peanuts when we signed that contract and at that time we lost control of those peanuts, you might say, and I know in a lot of instances where growers were selling to a buying point, they were selling their quota peanuts. They signed a contract, they were obligated to deliver those quota peanuts and maybe the grades weren't running just like they wanted them to go. They would like to have the opportunity to go to another handler with those quota peanuts. They had no option whatsoever on those quota peanuts once they signed a contract. They were tied to that particular buyer.

Mr. WATKINS. I just kind of wondered there a little bit.

Mr. Chairman, I think also the recommendation was 75 percent of that. Now, that would deviate and be a sliding scale if the prices went up, they'd slide up; if it went down they'd go down. That's one thing that I just wanted to point out on the recommendations that were being made here so that you would be aware of it.

Thank you, Mr. Chairman.

Mr. MATHIS. This gentleman with the red jacket on has been trying to get recognized.

Mr. TRENT. Mr. Chairman and subcommittee members and Wes, we appreciate you bringing this group here today. I know all the farmers do.

I am a peanut grower and I want to speak of two things. One is the thing, Mr. Thornton, that you were interested in about the transfer. I just want to put it in this perspective. If I live on the county line or close to a county line, it's very easy that my farm could extend across the county line. Under the present law if I wanted to combine my acreage from one farm to another in the county I can do that. Why should the county line stop me if that was my land? Should just the county line say that I can't combine the acreage over there? Now we know since recorded history, even from Biblical times when Joseph was secretary of agriculture in Egypt they let their land lay fallow each year. They didn't know why, but they did, they knew it produced more. And even in modern day agriculture, ever since I was a little boy, the extension department through 4-H Clubs have recommended crop rotation, moving another crop over on it and another one here. They had some reason. And if you have some land just across the county line and you want to transfer your peanut allotment over there, it's your land, it's your farm, you're doing it already inside the county. What's wrong with that? I don't see where it is going to hurt anything. Now if it gets in the idea of transferring to sell or something like that, but as long as the person owns the land I don't see anything wrong with it.

But now I want to talk to the subcommittee, not to the farmers, Mr. Chairman. I heard you mention awhile ago, that in the legislative procedures you hated to bring up something like a \$450 increase for support price, because they might even cut it to \$220 or cut it out at all, I believe you said, Mr. Volkmer. But now let me ask you this and I believe you said, Mr. Chairman, that you were fearful of handling a bill that would do that.

Now, I don't know the procedures for the national Congress, but you tell me that any time a bill comes before the Congress that it becomes the property of the Congress and anybody can make an

amendment? Is there a time for making amendments and a time not for making amendments in the Congress?

Mr. MATHIS. Yes, sir.

Mr. TRENT. And when it comes before the Congress, can somebody say there is not going to be any amendments?

Mr. MATHIS. Yes, sir, there is a legislative procedure by which that can be done. The Rules Committee in the House establishes the rules under which each bill can be debated. The only time that I know of that a closed rule has been brought to the floor dealt with taxation by the Wage and Means Committee.

Mr. TRENT. Then any time an agricultural bill such as the peanut bill comes before the Congress, then in your opinion any Member of Congress would have a right to make an amendment, is that correct?

Mr. MATHIS. Yes, sir.

Mr. WATKINS. That's right.

Mr. TRENT. Would you have to open it up or would it be open?

Mr. MATHIS. It's automatically open when it—

Mr. WATKINS. Mr. Chairman, if I could elaborate to my good colleague, one of the differences in national and the State, Bob, was a new rule. There's a rule made on each bill. There are a lot of bills, you know, people ask me why didn't you try to amend that bill, or why didn't you change it. I found out that the rule sometimes is written so that your cannot touch that section of the bill. Now, the Rules Committee happens to be controlled and appointed by the Speaker of the House who happens to be Tip O'Neill from Boston, Mass.

Mr. TRENT. OK. Then if you specify one phase of the bill is not to be amended, then you could specify any one of them or all of them, then, couldn't you?

Mr. WATKINS. Technically, that's correct.

Mr. TRENT. But now that's beside the point.

My point is this. If the chairman—and I respect his ability and his knowledge on peanuts, but if he is fearful of submitting an amendment to increase the parity then I would say maybe you're fearful of submitting any bill at all, am I correct on that?

Mr. MATHIS. You are absolutely correct.

Mr. TRENT. Then what we are talking about here today, you are talking about in terms of our proposals not being put in a bill at all, because you don't intend to submit one, am I correct?

Mr. VOLKMER. Administrative.

Mr. TRENT. If that is correct then you are going to submit them for administrative action.

Mr. MATHIS. If the chairman might be heard for a minute.

At the beginning I said that I would hope that any change that we had in this program could be made on an administrative basis. If legislation is required, then obviously we are going to have to try it, but when we do I want every farmer in this room to know that we run the risk of losing the whole program as we did in 1977.

Mr. TRENT. OK. I wasn't here for your opening remarks, I'm sorry.

But then what we are talking about today, you propose to do administratively, am I correct?

Mr. MATHIS. Hopefully.

Mr. TRENT. Now, are the people that are administering the program that you intend to hear our voice, or any of them here?

Mr. MATHIS. Well, sir, I can't tell you that. I don't know of any that are here. There are some local people from the various ASCS offices and State committee.

Mr. TRENT. Then it is your intention to carry back what these boys say here to the administrative distributors and talk to them about presenting this as a program?

Mr. MATHIS. Yes, sir,

Mr. TRENT. Another thing I want to talk about were just questions I wanted to clear up, but I didn't hear your first statement.

The next thing I would like to ask you, this whole program here, I sense a great dissatisfaction among the people and I have one fellow here that came up a few minutes ago and said he had an allotment and overplanted 0.7 of an acre, which he didn't know. Then when he sold his peanuts—he didn't want to get up—but when he sold his peanuts he was under the poundage considerably; 1,700 pounds under yet they fined him some \$500. Now, farmers don't understand that. Since he was under poundage and overplanted and unknowingly, 0.7 of an acre, he was fined \$500. So that is the general thing I hear around. Being a farmer myself and having a peanut allotment and, Mr. Chairman, I don't have any across the county line either, but anyway I do talk to the people and I know their concern about those little things like that.

Anybody could come in and say, well, my poundage, I'm sorry about it, my poundage didn't exceed my limitation. What about it? I don't know what the law is. I'm not sure. I just leave my distributor and my purchaser which is my brother and I leave it up to him and he takes care of ours.

So I know you have a lot of problems, I've heard in the legislature for a long time and I know I don't have all of the answers, but I think your administrative goals could very well be obtained if the Secretary of Agriculture is receptive. Does he seem to be receptive to the recommendations of the subcommittees?

Mr. MATHIS. Well, by and large, yes. We have had cooperation from Secretary Bergland and I would say to you that one of the problems we have, and I don't mind this going on the record, is like this \$250 a ton loan rate that was established for nonquota peanuts. That was not made in the Department of Agriculture, that was made in the Office of Management and Budget. They also are about to come out with a resale policy of \$275 a ton and only through a series that I spent 6 hours personally with Bob Bergland, I went down and met with the Director of Management and Budget who happens to be from Georgia named Jim McIntire and they finally came around to understand that \$400 resale policy was not going to cost the Government money, which it has not.

But unfortunately there are too many decisions relative to agriculture policy that are not being made by the Secretary of Agriculture. That's not a criticism of Bob Bergland, whom we know and respect. We know that his hands are tied altogether too often by the Counsel of Economic Advisers and the Office of Management and Budget.

Mr. TRENT. Mr. Chairman, I want to say one more thing then I will sit down.

When a group of citizens from this district went to Washington last year on the agriculture farm movement, I went with them. I

found a very very active group of these people from Georgia. We ran into a lot of them in fact. I think they were some of the leaders, I thought, in the meetings that I attended and I respect them for it.

But our delegation, we visited a lot of Congressmen while we were there and it snowed, if you remember, and we were snowed in for 2 or 3 days and couldn't leave and we spent some time in cafes, motels, and airports, and we did a lot of visiting with people, including the Congress, and we didn't find your assumption awhile ago that all the people that were in the Congress were supposedly consumer oriented. We heard that a lot and we talked to Congressmen. For instance, we talked to Jim Jones of Tulsa, who doesn't have a half a dozen farmers in his district and he said:

I'm for the farmer 100 percent for this reason, because the farmers are feeding me and my family and feeding the world and we've got to have good agriculture.

We run onto that in several instances, even in New York City and Massachusetts and some of those places. We talked to people in airports, we would ask them what is their attitude and we would explain to them that there was as much cost in a wrapper of bread as there was in the flour that went in it.

Now, the question is do we have an educational program to let the public of this world know that all—just because of a little base price down at the bottom is going to escalate the consumer, it's not that amount. Why don't they jump on somebody in between. And if that's not it why can't the Congress set some sort of minimum in between instead of setting it all on the farmers?

Mr. VOLKMER. Mr. Trent, could I just comment very briefly.

Mr. TRENT. Now, I'm through, that's my question.

Mr. VOLKMER. I just want to relate back to what the Chairman has said earlier, and perhaps you weren't here at the time. But when we were working on the farm bill, you know, we had a young lady by the name of Mrs. Heckler from Massachusetts and she proposed an amendment that you wouldn't have had to worry about a peanut program. And that amendment only lost by three votes in the House.

Now, just recently, this year, we worked on the meat import quota system; we had a lot of difficulty with that bill in the House. So that's the problem we run into.

You've been a State representative for some time and I'm sure that you have some good ideas about State government in Oklahoma and the way things should be operated. But I'm sure that you and I will agree that you just can't go down to the Capitol and say this is a good idea, let's do it boys and get it done. That's the same problem we're in. And we're looking at it from the angle of, if necessary then we will go the legislative route if we can't do it administratively. But when it does go the legislative route, remember only three votes. We have got 71 new Congressmen and how are they going to vote on peanuts?

Mr. TRENT. My question was, if we sit here and talk and tell you and you all understand it and I know you do because I served on the legislature and I take the advice of the people that talk to me about things and I know you do, but now isn't there some place that we need to do some education, somewhere to the consumers that buy, that cost of production of peanuts, cotton or corn or anything else is not the biggest factor in the consumer's budget. It's somewhere in

between. Can we educate the other Congressmen to that effect like Jim Jones from Tulsa said he felt? Is there any way to do that? Does it have to be lobbyists or could each Congressman do that? What is the answer? We need to do that, don't you agree?

Mr. MATHIS. I agree completely and if you would let the chairman respond to that very briefly. We came here today, I'm sure you understand, for the purpose of hearing recommendations relative to the ways that the peanut program might be fine tuned, adjusted, whatever it can. We could discuss the entire farm situation all day and I can make a pretty good speech on it and it would go a lot like what you've said. But when these boys from Georgia were up there that you talked about and there was probably as many from my congressional district as anywhere in the country that were there. Day after day, hour after hour my office was full. We said go visit the other folks and they did and they came back and said, "Congressman, we ain't got a problem. All these folks up here are with us."

Well, we brought the bill back to the floor, I served on the conference committee and made the motion in the conference that we adopt the Dole flexible parity bill. We brought it back to the floor and all them folks that told my folks that they was with them weren't there to vote, you see, they kicked us in the teeth. Now, it's one thing to say "I'm for the farmer." Peggy Heckler from Massachusetts says that every time she starts questioning a witness or making a statement. "I want to do what's right for the farmer." And then turns around and votes against us on every instance. Now, it's quite one thing to say that I support you and something else to vote.

Yes, sir.

Mr. HELM. I would like to amplify on a statement I made a while ago.

In response to Mr. Thornton's question on the diseased land. At the present time there is a disaster provision in this peanut program concerning the segregation 3 and segregation 2 peanuts where that a person does not produce enough quota peanuts to fill his quota poundage, he may transfer those pounds of segregation 2 or segregation 3 peanuts, where that a person does not produce enough quota peanuts to fill his quota poundage, he may transfer those pounds of segregation 2 or segregation 3 peanuts over to quota and be paid for them. This goes along with the disease part of your question. This is the only redeeming thing that I have found in the peanut program for 1978, is the disaster provision. This one provision will keep any farmer in the Southwest area in business barely. Now, this provision should be retained at all costs.

Mr. THORNTON. Thank you. Thank you very much for that statement.

I would like to just say that I personally want to express my appreciation to each of the people who have come and given us testimony today.

Mr. Chairman, we've had some very good positive recommendations made to us.

I would like to also point out one thing that—with respect to the nature of what this committee and subcommittee can do as far as providing for administrative help. It's not necessary to pass a new law in order to carry into effect some of the suggestions that are being received at these hearings, because your chairman, Congressman

Mathis, has a long and good relationship with the people over at the Department of Agriculture and more than that, the Department of Agriculture comes to his subcommittee for their authorization and for the money that is used to provide agricultural programs. And the committee has an oversight function which it reviews the implementation of the laws that are passed. There is a very real impact that this subcommittee under its chairman and other members can have on bringing to the attention of the administration the suggestions that are being made here today. It's not just simply a question of going back and trying to write a new law. We can take these suggestions back and hopefully have an effect upon the rules and regulations themselves.

Mr. MATHIS. Thank you, Mr. Thornton.

Do you want to be heard over there? I thought I saw you get up once.

Mr. RICKETS. Thank you, Mr. Chairman.

My name is Arthur Rickets. I farm in Love and Carter Counties. I've farmed in two counties for 5 years. I have peanut allotments in both counties. Up until May of this year we had the privilege of combining farms if we desired to. So the change that was made evidently was administrative.

What I'm asking is, Will this subcommittee consider getting this changed?

Mr. MATHIS. Well, the answer is obviously yes. We will consider it.

I was racking my brain to try to remember, and I honestly don't remember whether that was a legislative change or not. I think it was. The purpose of it, as I recall, if it were and I ought not to admit that I don't know, but I don't, was to keep some of the low yield farms from being transferred over to high peanut producing areas which is, I guess, more of a problem in the Southeast than it would be out here, if you follow what I'm saying. Now, I don't know. We are going to go back and check on that and I certainly will, I will commit that to you right now, we are going to check on it and find out.

Mr. RICKETS. Thank you.

Mr. MATHIS. Yes, sir.

Apparently there are several witnesses who still desire to be heard so without objection, the subcommittee will stand in recess for 5 minutes.

[A short recess was taken.]

Mr. MATHIS. Back on the record.

Dr. REAGAN. The statements presented by the growers here today and the statements presented by the shellers were developed quite independently, but they were amazingly close together. There was one recommendation in a growers statement that we did not have in ours. We wished we had thought of it because we think it is a very, very excellent idea and we did wish to endorse it for the sake of the record. And that has to do with the proposal for the handling of additional buy-back peanuts. We think it would be a very fine way to handle them for the grower to get the full quota price for them very shortly after he marketed them. We think this would be excellent and we'd like to see this done. It can be done administratively, and no legislation is required on that and we hope that you will be able to persuade the Department of Agriculture to do it. Thank you.

Mr. MATHIS. Thank you, doctor.

As Wes told you; we do have to leave and we don't want to cut anybody off, but if anybody has a brief statement that they would like to offer, particularly those who have not been heard, we certainly would be happy to hear from you.

Mr. BUTLER. Mr. Chairman, my name is Tommy Butler from DeLeon, Tex. I would like to recommend in this more arid region down here that the skip row provision be continued.

Mr. MATHIS. Thank you, sir.

Are there others?

Mr. JARRELL. I have already spoken, but I would like to say one more word.

We greatly appreciate the subcommittee being here today to help us in every way that you can. I would like to ask you, the subcommittee, a question. How can we best make administrative changes that need to be made? How can we effectively do this so that we can get across and get these changes made administratively that need to be made?

Mr. MATHIS. Mr. Jarrell, if I might respond on behalf of the subcommittee, I would say that you have done that in coming here today and presenting your testimony. But I would not suggest that is all that you could do. You, for example, have a Washington representative who is there full time on behalf of the Farmers Union across the country. I am certain that he will be in touch with the proper people within the administration to assist us in trying to make these changes.

Any recommendations that you all have, let me suggest that you not only provide the subcommittee with those recommendations but you also get them to the Department of Agriculture in Washington, because I feel that it would be very helpful to do that.

But I think the greatest thing that you have done, and those present have done, is come here today and share with the subcommittee these proposed changes, because I assure you that we are going to make these recommendations to the Department of Agriculture.

Mr. JARRELL. Do you have an address that you can give us that each of us might be able to write to?

Mr. MATHIS. Other than just the Department of Agriculture?

Mr. LANG. Price Support and Loan Division, USDA, South Building, Washington, D.C. 20540

Mr. WATKINS. I'd like to ask, Mr. Chairman, if they would send me a copy of their correspondence, so I know what they are receiving, maybe I can do something.

Mr. MATHIS. That's a good suggestion. You can send it directly to Wes and I guarantee you it will get downtown.

Yes, sir, Mr. Coffee.

Mr. COFFEE. I'm Harold Coffee and I've got one more brief statement that I would like to make.

One thing that I would like to say is that in transferring these acres from farm to farm, you stated, I believe, that you thought maybe when this went into existence this was to keep low-yielding acres being transferred onto high-yielding acres. Since that went into effect, we've went on poundage and I can't really see now, all you would be doing is transferring pounds. If you have got a low-yielding farm out here, why, you are just allowed so many pounds of quota anyway, but one other thing was, and it has been brought to my attention in Caddo County, also, is a problem that I think could be taken care of administratively, is that on setting these yields we take the best 3 out of 5 years the way it is set up right now.

There have been instances where individuals had maybe leased their peanuts out for 1 year and that just left them 4 years to choose from. Well, in some instances they had maybe 2 years of near disaster out of those 4 and I know one gentleman told me he lost 400 pounds on his yield, what it had normally been up to then, but they kicked out the year that he leased and that just left him 4 years to choose from and he had to pick 3 years out of that. And he had to pick up 1 year that was a near disaster and there ought to be some way that the county committee or county ASC committee could go back and pick up some of these pounds and, say, that his yield would normally be—I know there is one man in Caddo County that lost 700 pounds to the acre through an instance just like this because he leased his peanuts 1 year and then he had some bad years in there and he lost 700 pounds to what he normally would yield.

That's what hasn't been brought up and it was called to my attention.

Mr. MATHIS. Thank you, sir.

Are there others now? Yes, sir.

Mr. WHITE. Mr. Chairman, I just had one question. What really is a clear definition of a new grower?

Mr. MATHIS. State your name.

Mr. WHITE. Howard White.

Mr. MATHIS. Mr. White, I don't have that law right in front of me. How does that read on the new grower?

Mr. WHITE. Well, the way it's been explained to me over there in Love County, a new grower is a man that's had peanuts for 3 years and then loses them and then he can put in for a new grower's allotment. But the way it looks to me he is not a new grower at all. But an absolutely new one, he can't put in for any.

Mr. MATHIS. I don't think that's the case, but I'm not sure. You can have a new application for a new grower allotment—Mr. Edmonson is here, Mr. Edmonson, what is that?

Mr. EDMONSON. We do not have such a thing as new grower. It's a new farm. Now the regulations are pretty strict and I think some of it even ties back to the law on your eligibility requirements for a new farm allotment.

One of the regulations is that you must have experience in growing peanuts at least 3 years out of the past 5. Another is you must be the owner-operator of the farm. There are still some others, but those are two of the real important ones.

Mr. WHITE. What I had in mind, it looks like it's really discriminating against the young farmers and you've probably been through that a lot of times. And I just wondered if there is not anything you can do about anything like that?

Mr. MATHIS. Well, I'm not sure that there isn't anything that can be done about it. This is something that we are going to have to continuously take a look at—how to get new growers into it. The way the thing is set up today it's very difficult, because there is very little acreage that is turned back in the southeast and I guess that's the situation out here. But it's something that we are going to have to constantly look at, not only in terms of peanuts, but some other commodity programs as well.

Mr. WHITE. Thank you.

Mr. MATHIS. Thank you, sir.
Yes, sir.

Mr. HAWKINS. My name is Elton Hawkins from Caddo County, Okla.

I would just like to ask a question going along with what Mr. Coffee had to say about the poundage on having a bad year. I was wondering if it would be possible to administratively change your poundage to be computed each year and take 3 of the best 5 years. In other words, pick up one and lose one, all the time with this program.

Mr. MATHIS. I believe that that's the way it's established now.

Mr. HAWKINS. I asked the ASCS office and they said it was not.

Mr. MATHIS. This is something else that we are going to have to go back and take another look at.

Mr. HAWKINS. Would you anticipate that that is something that could be changed administratively or not?

Mr. MATHIS. I think that that's going to require a change in legislation.

Mr. WATKINS. Mr. Chairman, that was one of the things we lost along the way. It would have to be a legislative change.

Mr. HAWKINS. I'd heard that previously, but then I was told otherwise. So you don't anticipate that that could probably be one of the changes—

Mr. MATHIS. It's something that certainly we could look at if a bill is carried to the floor. If it is the judgment of the subcommittee after hearing the testimony in all three parts of the country that we do need to make some legislative changes, that would certainly be a consideration.

That was in the original bill that I introduced in 1977, and it's something that I think I feel pretty strongly about. I think you ought to keep it rolling forward, adding one and dropping one as you say, but I'm not sure I would be willing to take just that to the floor.

Mr. HAWKINS. Well, I don't think I would either. I was just thinking it would seem more fair to the farmers everywhere. Certainly some are going to have some bad years, maybe two or three in a row and so if you were adding one and dropping one, it would be a more current and fair poundage situation.

Mr. MATHIS. Absolutely, I'm in total agreement with that.

We have still got about 10 minutes. Any others?

Mr. CALLOWAY. My name is Henry Calloway. I have a question here on this disaster deal like we've went through here in Bryan County. When we fall way under on our poundage on our quota peanuts, can we carry that over in our poundage in next year's crop?

Mr. MATHIS. Can you carry all of it over, Ross?

Mr. WILSON. You can carry all of it over as long as the total carry over doesn't exceed 10 percent of the national poundage quota which is 168,000 tons and it isn't going to do that; so, yes, you can carry that over.

Mr. CALLOWAY. Well, that's the question I wanted to ask.

Mr. MATHIS. The law provides that under certain circumstances you could not carry all of it over, but in this case it will be that you can carry it all over.

Mr. LUKE. I'm Eddie Luke from Bryan County, Okla. I don't have the answers, but this peanut program has taken all the incentive out of peanut farming. You tell a man that you have got x number of pounds to sell and all you make over that we are just going to give you half price or a little over half price. Now, I'm a young man. I've

farmed 12 crops of peanuts and I've lived in good years through the slim years, and it takes those good years when you make a good crop to get all the money you can out of it to carry you through those slim years. And when this program first came in there wasn't any mention of a contract. Now, with the contract that does ease it some, but I sincerely feel that if it looked like a pretty good year they might not offer those contracts, and if they don't offer those contracts and you've got a good year, you are not going to get any money out of it, and it takes money this day and time to operate.

Well, like I say, I don't have the answer on adjoining farms. I feel like if a man owns land in both counties, he ought to pretty well be able to work whatever crops is suitable to his needs, but that's going to get into some fine line discrepancies because what it says, he can't take peanuts out of this county—and in one sense he is going to have to lease those peanuts to his farm in the other county and if he has got too many peanuts then, he can lease them off of that farm to another man and he's not in trouble with those peanuts then, so there's going to have to be some real fine-line discrepancies. Now, as long as long as he owns the land and he's working the peanuts I think he ought to be able to, but we've went through this way back there and that out-of-county lease—I know our county is not for it and I'm definitely not for it.

I know that we have just barely got a peanut program at all and it has really taken the incentive out. You take a man and tell him, "I'll pay you \$4.20 an hour until you go over 40 hours and then I'm going to cut you back to \$2.50," how long is he going to stay?

This particular year I've farmed dryland peanuts. I don't have any irrigation. And this particular year I cut my acreage 20 percent. And I took just what the program took off of it. I took 20 percent off my acreage and I got right up to my quota pounds and, friend, I can't live on what I will make this year. There just ain't no way. If I don't have the bonus year to carry me through the thin year, I just can't survive. Thank you.

Mr. SHIRLEY. My name is Rowell Shirley. I'm from Pittsburg County, home of Carl Albert, and this reminds me of a story of this coach who was hitting baseballs out to a second baseman and he kept missing them and he missed several, so the coach said, "Come in here and you hit me some and I'll show you how to play second base." The kid hit him the ball and he missed it. The kid said, "What about that?" He said, "Well, you messed up second base until nobody can play it."

And I get the feeling that we get that attitude sometimes, but the man awhile ago that said you weren't going to listen anyway, I would like to say that I feel confident that I can go to my Congressman, Mr. Watkins, any time I want, and I think he will listen to me and I appreciate you gentlemen coming down here and listening also.

I had an opportunity to meet you last night and I felt comfortable and said what I felt free to say. And I'm thankful that we are living in this kind of a country. Thanks a lot.

Mr. MATHIS. Gentlemen, our time is just about gone; is there anything you want to say in closing?

Mr. WATKINS. I would like to say this, I would like to thank Loretta Carnes, if she is still here, and the Durant Chamber of Commerce for their great help, and the extension people for the facilities here today.

I would like to make just one other closing statement. Now, just to mention what the chairman said, not only did we just barely win that by three votes, but, if the person who was chairing the meeting that day had dropped the gavel when the time ran out, we would have lost the bill. They left the clock running, let it open for 15 to 30 seconds and luckily, we had enough people change their vote.

I would like to say also one other thing. Some of you have had problems with some of the Government agencies. I say this, if it's ASCS, if it's the Farmer's Home Administration, any others, I ask you to write to me and put it in black and white where I can help try to solve some of the problems. I know many of you have talked to me personally about this and I have tried to go to some of the State offices and other offices and many times they ask me for a letter and I didn't have it. They said well, we have got to have some proof. If you have got problems with Farmers' Home Administration or any other program, I need that information sent to me. I hope you will talk to your neighbor down the section line and send it to the Post Office Building, Ada, Okla., and I'll get it.

Thank you, Mr. Chairman.

Mr. MATHIS. Thank you, Wes. And for all of those who have testified and those who have not and who have been here this morning and sat through all of this, on behalf of the subcommittee I want to thank you for letting us come out here and listen to your problems and I assure you that if it is not going to be a situation where we simply take this record back and put it in the file of the committee, we are going to make some concrete recommendations to the Department and if it is determined that we have to make some legislative changes in the program, then we are going to be willing to do that.

Our task—as you know and most of you have recognized—is not an easy one because of the composition of the Congress, philosophically and on the basis of agriculture versus urban areas in this country, but I pledge to you on behalf of my subcommittee and, I think, all of us who are sitting here today, our continued best interest is in your behalf. It may not always be what you want but we are going to try to come up with a viable program that at least will keep us in production.

Thank you very much for being here and the subcommittee will be adjourned.

[Whereupon, the subcommittee was adjourned.]

The following is a list of the names of the persons who were present at the meeting held on the 15th day of the month of January, 1900, at the residence of Mr. J. H. [Name], in the city of [City], State of [State].

The names of the persons present are as follows:

[List of names]

The meeting was held for the purpose of [purpose] and was attended by [number] persons.

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1978 PEANUT PROGRAM

WEDNESDAY, NOVEMBER 15, 1978

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Tifton, Ga.

The subcommittee met, pursuant to notice, at 8 a.m., in the Rural Development Center, Hon. Dawson Mathis (chairman of the subcommittee) presiding.

Present: Representative Whitley.

Staff present: Leighton W. Lang.

Mr. MATHIS. This is an official meeting of the Oilseeds and Rice Subcommittee of the House Committee on Agriculture, and as chairman, I hereby call the meeting to order.

I apologize for getting the television people up so early in the morning to be here, but it is good to see you all who have come. The purpose of these hearings, as most of you know is to go over some of the problem areas that we have had in 1978 with the crop of peanuts, and the administration of the peanut program. I think all of us knew at the time that the year began that we were going to have some problems because it was the first year the new program was in operation under a new set of rules and regulations, and those were bound to occur, and, sure enough, they did. This is the third in a series of hearings. We held hearings last week in Elizabethtown, N.C., and with Mr. Charlie Whitley, who is with us this morning. Yesterday, we were in Durant, Bryant County, Okla., to hold hearings there. We have heard in both previous places some of the specific problems that we have encountered by growers, handlers, and shellers, and that is what we hope to do here today.

We would ask that everybody who wants to testify to be sure to come down and sign up, and we certainly want to hear from anybody who has anything at all to say.

Let me say, that I hope we find, after filing all of the testimony that we have received from all of the witnesses, in all three peanut-growing areas of this country, the problems that we have can be corrected, and that we can be successful in persuading the Department of Agriculture to make those necessary administration changes. We all know what the problem is when we carry peanut legislation back and forwards. We know what that is. You know what that story was before.

With that out of the way, let me introduce to you my colleague from North Carolina, Charlie Whitley, who is a very valuable member of the Agriculture Committee, and serves not only on the Subcommittee on Oilseeds and Rice, but also on the Subcommittee on Tobacco.

As I said, we were in Charlie's district last week, and we heard from a lot of farmers there, and received some good testimony. Charlie, we would like to welcome you to the Second District of Georgia, and if there are any remarks you would like to make, go ahead.

Mr. WHITLEY. Thank you very much, Mr. Chairman, and let me say that I very much appreciate the warm hospitality I have been tendered here in Tifton, Ga. I feel a little out of place, to tell you the truth. There are not but three towns in my whole district as big as Tifton. My home town is about half the size of Tifton, so I feel like I have come to the city, and I appreciate your hospitality.

I do want to say this, I hope the people of the Second District of Georgia realize how fortunate they are in being represented by a man who not only has the ability and personality of your Congressman, but who serves as the chairman of the Subcommittee on Oilseeds and Rice, which is, of course, peanuts and soybeans, and is also a member of the Tobacco Subcommittee. I just can't think of a more vital position for him to be in. I can assure you that there is nobody in Washington, either in the Congress or the Department of Agriculture, who knows more about the peanut program than Dawson Mathis, who is absolutely the ultimate, recognized authority on the subject.

As he said, we knew when we passed the 1977 Peanut Act last year, that we were going to run into some problems. It was certainly not the kind of program that we would like to have gotten out of our subcommittee, but we just barely got it out. If I remember right, I think Mr. Mathis passed it on the floor by one vote, with all of us from the peanut-producing areas twisting every arm that we possibly could. We have 70-odd brandnew Members in Congress, and they think that peanuts are something that are manufactured in factories, so we have to educate them.

The fact that the program is not perfect, is no surprise to us. The program is not as we would have liked to have it. We hope that we are going to be able to straighten out some of the problems that we have run into.

When we talk with you, and you talk with us about peanuts, it is a little bit like the minister on Sunday mornings preaching to the choir. We all feel the same about it, and we are all trying to accomplish the same objectives. The purpose of holding these hearings is to give us some hard facts and information that we can take back with us, and to try to do some fine tuning with the program, and do the very best we can with it the way it is—again without taking it back to the House floor with major changes, where we might run the risk of losing the program.

Like I said, I am very happy to be here and to join the chairman. If you have something to say, please come forward. Thank you very much.

Mr. MATHIS. Without further ado, we will call the first witness. As I said before, and for those of you who might have come in after we got started, if you want to testify, we want to hear from you. Let me ask you to come down and sign up.

The first witness that we have scheduled this morning is the chairman of the Georgia Peanut Commission, Mr. George Whelchel. Mr. Whelchel, I also understand, is speaking on behalf of the National Peanut Growers Group.

STATEMENT OF GEORGE WHELCHER, CHAIRMAN, GEORGIA PEANUT COMMISSION, ON BEHALF OF THE NATIONAL PEANUT GROWERS GROUP

Mr. WHELCHER. Mr. Chairman, my name is George Whelcher. I am a peanut grower from Cordele, Ga. I am chairman of the Georgia Peanut Commission and a member of the Steering Committee of the National Peanut Growers Group.

This statement is made in behalf and with the support of the National Peanut Growers Group and the Georgia Peanut Commission.

We appreciate the opportunity to present the following observations and recommendations regarding the peanut program, as amended in 1977, for the period, 1978-81. Given a choice we would prefer to return to the program of 1977 and prior years. That program did work well and the 1977 crop operation showed that with reasonable administration low program costs would result.

Our purpose here today, however, is to comment on problem areas of the 1977 act and to suggest changes that we believe will improve the program and provide the stability that is urgently needed by growers. The National Peanut Growers Group and the Georgia Peanut Commission therefore recommend the following legislative modifications in the act:

(1) ADJUSTMENT OF QUOTA SUPPORT RATE

The top priority item is an increase in the quota support rate which is absolutely essential to cope with rapidly rising production costs. Members of the subcommittee will recall that the current law calls for a quota support rate of \$420 per ton as the minimum national average for all types for the years 1978-81. The \$420 figure was projected in May 1977 to reflect 70 percent of parity at marketing time in 1978. As is often the case, in respect to projections, however, we now find that the projection was incorrect as, in actuality, \$420 is only 67 percent of parity.

We are in no way critical of this subcommittee in establishing the \$420 support rate because we know full well that this was the best support rate you could have gotten when the bill passed and we appreciate all you have done to protect our support level.

We believe the record now shows, however, that an upward adjustment in the support rate is warranted and will show further that such action should not adversely affect peanut program cost. The 1977 crop peanut program cost is estimated by USDA to be in the range of only \$10 million. The 1978 program is now estimated not to exceed a cost of \$10 million.

The 1977 act not only freezes the minimum support price for quota peanuts at a national average level of \$420 per ton but also imposes a sharp reduction in farm production at the quota support level. Although the Secretary may raise the support level after considering various factors, including the index of prices paid by farmers, he is not required by the law to do so.

The major reason cited last year for peanut program change was the need to reduce cost. Peanut growers attempted repeatedly to demonstrate that peanut program cost can best be controlled by cutting production—not price. The first year's experience under the

amended law appears to verify this point. From the 1978 crop it appears that a maximum of only 150,000 tons—8 percent—of peanuts under price support loans will be diverted at a loss to CCC. The remaining 1,750,000 tons—92 percent—were purchased commercially by shellers. No losses to USDA will result on the 92 percent purchased by shellers regardless of the level of support. With a higher support level USDA's peanut program losses would have been only slightly higher on the 8 percent of total production that went under USDA loan. For example, had the national average support rate been \$450 per ton in 1978 rather than \$420 per ton, USDA's losses would probable have been increased \$4.5 million—\$30 times 150,000 tons diverted. But the gross income to growers would have been increased \$59.2 million—\$30 times 1,976,000 tons of total production.

Program costs accrue only on that fraction of the crop which USDA acquires under loan and is subsequently diverted at prices less than the CCC support rate plus costs. That portion of the crop purchased commercially by shellers and the CCC loan inventory sold at break-even or better prices costs CCC nothing. Using the 1978 crop as a barometer, we would expect in 1979, 1980, and 1981, some 90 percent of the crop to be purchased commercially by shellers. This means the risks of CCC losses is restricted to the remaining 10 percent of the crop that goes under loan.

Again, we are attempting to illustrate that the poorest way of reducing program cost is a reduction in support price to growers. The best way of reducing program cost is to reduce production of quota peanuts. But a reduction of both factors is too much. Growers generally are willing to incur production reductions of the magnitude necessary to control program costs. We sincerely believe that the 32 percent reduction in quota production as called for in the bill will be more than adequate in maintaining CCC costs at low levels.

We, therefore, urge that present legislation be modified to provide that beginning in 1979 the \$420 minimum quota support rate be increased annually to reflect changes in the index of prices paid by farmers for production items, taxes and wage rates during the period beginning January 1, and ending December 31 of the calendar year immediately preceding the marketing year for which the level of support is being determined.

(2) CLARIFY SALE OF "BUY BACK" PEANUTS

Under the amended law it is provided that,

additional peanuts received under loan shall be offered for sale for domestic edible use at prices not less than those required to cover all costs incurred with respect to such peanuts for such items as inspection, warehousing, shrinkage, and other expenses, plus (1) 100 percentum of the loan value of quota peanuts if the additional peanuts are sold and paid for during the harvest season upon delivery by the producer.

USDA has interpreted this language to say that CCC stocks of additional peanuts sold for domestic edible use must be sold at 100 percent of the loan value of quota peanuts plus other CCC costs. The intent of the grower leadership in agreeing to this provision at the time the proposal was enacted into law was that the 100 percent of quota loan value be the minimum resale price. It was intended that the grower associations be permitted to move the price upward if market conditions with respect to a type of peanuts warranted an increase.

This procedure would create a greater potential for pool earnings for growers since we would expect such a change to result in increased peanut sales revenue.

We therefore suggest that the current law be amended by placing the words "a minimum of" prior to the words "100 per centum" in section 804(j) so that the amended provision would read,

Additional peanuts received under loan shall be offered for sale for domestic edible use at prices not less than those required to cover all costs incurred with respect to such peanuts for such items as inspection, warehousing, shrinkage and other expenses, plus (1) a minimum of 100 per centum of loan value of quota peanuts if the additional peanuts are sold and paid for during the harvest season upon delivery by the producer.

(3) MODIFY PLANTING QUALIFICATION FOR UNDERMARKETING

The current law in section 802(O) provides that the poundage quota for a farm shall be increased by the number of pounds by which marketings of quota peanuts from the farm during the immediately preceding marketing year were less than the farm poundage quota provided, among other things, that the grower must have planted in such preceding marketing year that part of the farm allotment estimated on the basis of the farm yield to be sufficient to produce the total farm poundage quota.

The language has been interpreted to mean that the grower must plant the entire quota portion of the farm allotment in order to qualify for undermarketing. This means that a grower must plant the entire farm less the applicable national reduction factor—20.64 percent in 1978; to be further reduced as the national farm poundage quota is reduced.

In many instances growers may produce the farm poundage quota by planting considerably less than this amount and thereby have a more economical production unit. We therefore recommend that the grower be required to plant only 50 percent of the farm allotment in order to be eligible for undermarketing.

Section 802(O) beginning on line 11 would read as follows: "Provided further, that the grower must have planted in such preceding marketing year at least 50 per centum of the farm allotment".

(4) MODIFY QUALIFICATION FOR PRESERVING ALLOTMENT

We recommend also that the requirement for preserving farm allotments in section 806 be changed so as to be consistent with the qualification for undermarketing—that planting 50 percent of the farm allotment will also preserve the farm acreage allotment.

Section 806 would then read as follows:

Effective for the 1979 through 1981 crop of peanuts, section 377 of the Agriculture Adjustment Act of 1938, as amended, is amended by inserting after the words "farm acreage allotment for such year" the following; "or in the case of peanuts, an acreage equal to 50 per centum of the farm allotment".

(5) EXCLUSION FROM DEFINITION OF "QUOTA PEANUTS"

We recommend the definition of quota peanuts be modified to exclude whole peanut plants including all kernels, harvested but not threshed, and marketed—used on the farm—as hay for livestock feed.

This is one of the problems that our peanut growers out in Texas, some of these things pertaining to a particular area, where they have a various problem, and if those farmers are not allowed to use their peanuts for not threshing, and use them for hay and for livestock, according to the law, as counted as full pounds, we would like for this to be clarified.

Mr. MATHIS. We ran into that problem yesterday, and just for your information, that appears to be normal with a lot of these growers.

Mr. WHELCHLER. At present, utilization of the whole peanut plant including all kernels on the plant for hay is interpreted by USDA as "marketing" the peanuts and therefore such marketing is considered quota peanuts. We feel that a change to correct this problem is badly needed.

The grower will bale his crop for hay without threshing the kernels only when he estimates that the value of the kernels will not justify the expense of threshing. The county ASCS Committee will be in a position to know the probable condition of crops in all parts of the county. A certification procedure to be followed up by checks if needed by the county office should make administration of this provision workable. At the same time it would permit a grower to salvage the hay value from his crop without having such production charged against his farm quota thereby reducing his undermarketing credit for subsequent years.

Section 802(O)(1) would then read as follows:

(1) Quota peanuts means, for any marketing year, any peanuts which are eligible for domestic edible use as determined by the Secretary, which are marketed or considered marketed from a farm, and which do not exceed the farm poundage quota of such farm for such year; except that whole peanut plants including all kernels, harvested but not threshed, and marketed as livestock feed shall be excluded; provided that crop production on a farm for a year of low yields caused by utilization of the crop for livestock feed shall not be considered in future calculations of the farm base production poundage.

(6) CHANGE CONTRACTING DEADLINE

We recommend that section 804(i) be modified to provide that all contracts between handlers and growers for the purchase of additional peanuts for export and crushing be completed and submitted to the Secretary prior to May 15 of the year in which the crop is produced.

Recommended Changes in General Regulations Governing 1978 and Subsequent Peanut Crops

(1) EXTEND "BUY BACK" TIME

Section 1446.7 of the general regulations provide that a handler may purchase additional peanuts for domestic use upon delivery from the farm under certain conditions. The regulations state that the handler's check and the sales memorandum covering the lot of additional peanuts must be postmarked not later than the workday following the day the peanuts were inspected. Considerable difficulty has been encountered by growers and handlers in complying with the time limitation on such purchases.

Now, what this really means is that if I carry a load of peanuts up to get them graded and then they have an option to buy back those peanuts, we need longer time to have a chance to circulate through the lines, and through the cleaners, and so forth. We would like to have this set up for instead of the first day, for the second day following the inspection, and that the handler be given the close of the third working day. This is just a time limitation that would help make the peanut season flow more easily.

Mr. MATHIS. Let me ask you this. Do you feel it would be better to have 24, 24, 24, or just say you got 72 hours? Would it run into more paperwork, in your estimation, if you had three 24-hours service?

Mr. WHELCHER. Congressman, there is an advantage to the 72-hour period, that I might go in late in the afternoon, and consequently I would get 12 night hours, which would not be working days. We feel that we have just got to have working days because the inspection service, you still by an hour would get caught, and the need for a date, working days, would take care of it. It might even be on a Sunday.

Mr. MATHIS. Let's say 3 working days, instead of breaking it down—

Mr. WHELCHER. Certainly, I think that would make it move more easily, because it gives the grower a chance to decide how he is going to designate these peanuts, plus the fact that he's got to get them cleaned, and so forth.

Mr. MATHIS. I can just see somebody from the Department of Agriculture deciding that they need two additional forms filled out. Excuse me for interrupting you.

Mr. WHELCHER. We suggest that the regulations be changed to specify that the grower marketing the peanuts be given until the close of business the second workday following the date of inspection to designate how the peanuts are to be marketed and that the handler be given until the close of business the third workday following the day the peanuts were inspected to have his purchase documents postmarked.

Such an extension of time will not in our opinion result in any adverse program effects, but will make for a smoother operation on the part of all parties involved.

(2) SIMPLIFY MARKETING OF CONTRACT PEANUTS

Section 1446.5(b) provides under certain conditions peanuts may be contracted by growers to handlers in excess of peanuts produced between the farm poundage quota and the farm base production. However, in order to deliver peanuts produced above the farm base production the grower is required to return to the county ASCS office for the issuance of a second marketing card on which to market peanuts produced above the farm base. At that time the producer is required to estimate the percentage of peanuts above the farm base yet to be marketed. If such estimate exceeds 10 percent of the farm base production—yield times farm allotment—ASCS personnel must physically check the remaining peanuts on the farm. This procedure requires considerable time at a critical point in the marketing process and should be simplified.

We recommend that a better procedure would be to permit the producer to continue to market peanuts after having made his estimate to ASCS—even though the estimate exceeds the 10 percent limitation. At the time of his estimate to ASCS of peanuts remaining to be marketed, the producer signs a certification form assuring that all remaining peanuts on the farm will be delivered under his contract to the sheller.

(3) PROVIDE TOLERANCE FOR WEIGHT ERRORS

At present there is no provision for a tolerance to take care of weight miscalculations by the handler, recorded on the CCC form, MQ-94, Inspection Certificate and Sales Memorandum, affecting the grower's quota poundage. Errors honestly made by handlers can cause growers to exceed the farm poundage quotas and thereby incur penalties at the rate of \$504 per ton. We feel that the time and effort expended collectively by grower, handler, ASCS, buyer, grower association, and inspection service in correcting such errors involves a cost factor sufficiently significant to warrant elimination by providing a tolerance for errors.

We recommend that USDA establish an appropriate administrative tolerance applicable to the net weight of the load involved as recorded in section G of the form MQ-94. Errors within such tolerance would be disregarded by the county ASCS office in determining program compliance by the handler and grower.

We would also recommend that the county committee review handling errors and be able to adjust and assess penalties as they see fit. If this is handled in the local counties, in preference to sending it to Kansas City, we feel it would be a whole lot less cost to us, and we would have local people dealing with a local problem. We would like to have more of that done.

(4) MODIFY FREEZE DAMAGE PROVISIONS

Section 1446.3(gg)(1) stipulates among other things segregation 1 peanuts shall have no more than 0.5 percent freeze damage and section (gg)(2) stipulates among other things that segregation 2 peanuts include peanuts containing more than 0.5 percent freeze damage. We recommend that the part of the definitions for segregation 1 and segregation 2 peanuts pertaining to freeze damage be eliminated so that the resulting definition for segregation 1 peanuts would read "farmers stock peanuts which have at least 99 percent peanuts of one type, have not more than 2 percent damaged kernels nor more than 1 percent concealed damage caused by rancidity, mold, or decay and are free from visible *Aspergillus flavus* mold." The definition for segregation 2 peanuts would read "farmers stock peanuts which have less than 99 percent peanuts of one type, have more than 2 percent damaged kernels, or more than 1 percent concealed damage caused by rancidity, mold, or decay and are free from visible *Aspergillus flavus* mold."

The identification of freeze damage at the level of one-half of 1 percent in our opinion is extremely difficult. The risk is entirely too great that the inspector will score minor damage or discoloration as freeze damage. Such errors could result in needless financial losses to growers.

We feel strongly that growers should not be penalized for freeze damage between six-tenths of 1 percent through 2.49 percent since freeze damage is largely uncontrollable by the grower. We feel that growers should be entitled to the degree of price protection provided by amending the proposed definitions of segregations 1 and 2 as we have recommended above. In the past we have priced peanuts with freeze damage in excess of one-half of 1 percent through 2.49 percent in accordance with historical damage schedules but have physically stored such peanuts separate from other loan peanuts. This has afforded quality protection to industry buyers and economic help to growers at the same time.

(5) OPPOSE SKIP ROWING

We believe the practice of skip rowing in the planting of peanuts if widely practiced will result in a massive increase in total crop production causing serious marketing problems that could defeat the peanut program. The practice though presently permitted by ASCS is not widely utilized because growers are not generally aware of it.

We recommend that the skip row practice in peanut production be eliminated by USDA.

We feel that there are so many hard hours, and long terms put on trying to get a peanut program that the growers could try to live with, that anything to upset the applecart, as far as production goes, would be against the peanut program, and is something that you need to take into consideration.

(6) MEASURING PLANTED ACREAGE

We recommend that all peanut acreage be measured. We believe this requirement will be a valuable tool in maintaining effective compliance with a number of program provisions.

We think that if all acres across the United States were measured to begin with, it would eliminate a lot of the problems that we have this year at harvest time.

(7) ADDITIONAL LOAN RATE AND RESALE POLICY

We recommend that the loan rate for additional peanuts be increased to a more realistic rate. Further, that the sales policy relating to the loan additional peanuts sold for export crushing be specified grades eligible for edible exports, and for edible exports to be set at the quota loan rate of our quota.

We feel certainly that the unrealistic figure of \$250 a ton that was put on additional peanuts for this year was drastically low, and we think that this price should be brought up to a full realistic type figure

(8) EVALUATE REGULATIONS

We recommend that members of the peanut trade—buying point employees, grower association personnel, and handlers—be utilized by the USDA peanut task force in fully evaluating present USDA regulations, records, and marketing documents so as to streamline the the process for 1979, 1980, and 1981.

(9) EXTEND TIME FOR SEGREGATION 2 AND 3 CLEANUP

We recommend that USDA regulations be changed to provide that that on both segregation 2 and segregation 3 growers be allowed until the close of business 2 days following the date of original inspection to market such lots. That goes back to some of what I was talking about, giving the farmers a chance, the growers a chance to clean these peanuts up, and to give them enough time to do it without their being rushed, so they can get as much money from these peanuts as possible.

(10) DEFINE UNDERMARKETING MAXIMUM

We recommend that USDA regulations be clarified to limit undermarketing to the difference between the segregation 1 peanuts produced on the farm and the farm poundage quota.

Mr. Chairman, this concludes our statement. I will be happy to try to answer any questions which you have. I appreciate the opportunity to come before you all. We are delighted to have you in Georgia, and we are delighted to have such sound people working for our peanut growers.

Mr. MATHIS. Thank you, Mr. Whelchel. We will ask you to step aside and wait. I am sure there will be some questions. We would like to go ahead and proceed with the other witnesses.

The next witness is Mr. Earl Cheek, with Senator Nunn. Mr. Cheek, do you desire to be heard this morning, or do you want to be recognized?

Mr. CHEEK. I just want to make two or three comments.

Mr. MATHIS. We will be happy to hear from you.

STATEMENT OF EARL CHEEK, ON BEHALF OF SENATOR NUNN FROM THE STATE OF GEORGIA

Mr. CHEEK. I am a retired teacher of vocational agriculture, taught 37 years, and worked in the Peanut Belt, and I don't think we can pay enough tribute to the peanuts. This is the top of the economy in soughwest Georgia, and I want to thank you and the subcommittee, on behalf of Senator Nunn, for keeping us a good, sound peanut program. The farmer is in bad shape now, but he is subject to be in worse shape if it hadn't been for the peanut and tobacco programs.

There are about three things that I want to bring to your attention, that we have had people bring to us. One was the turnaround time in marketing, and not being able to get the trailers unloaded, and this might be due to not being able to get inspected on Saturday and that type of thing.

The thing I am talking about is mostly administrative. I don't want to stand up here and tell you that I can give you details like George Whelchel.

Another point that we were called on to help is processing these grading cards. I went in one place and they wore the card out passing it back to the grader, and back to them. I believe I counted five times it changed hands, with a lot of paperwork involved.

In another area, of course, the problem is related to a financial institution that might be brought on farmers and satellite dealers that we had a lot of problems with in the area. Those are the main problems.

I would like to say, again, that we appreciate your having these hearings in southwest Georgia, giving everybody an opportunity to participate. I think this is the way it ought to be, and I encourage everybody here to say what they want to say, because I don't know where we would have been if it hadn't been for peanuts. Not just this year, and last year, but in years past.

The only fight I got in during World War II was a boy telling me that Texas grew more peanuts than Early County, and I was from Early County. I just happened to have Early County's paper there, and I showed him Early County grows 89,000 acres of peanuts. Of course, that was during World War II, and so, the peanut is big in this country, and we appreciate your efforts, and this subcommittee's efforts.

Thank you.

Mr. MATHIS. Thank you, Mr. Cheek. The next witness is Mr. Tommy Kersey, with the American Agriculture Movement. I am going to be up in your county on Friday, I believe.

STATEMENT OF TOMMY KERSEY, AMERICAN AGRICULTURE MOVEMENT

Mr. KERSEY. I think Mr. Whelchel covered most of what I had to say. There is one thing that I think you need to think about, and that is the contract date on peanuts. We do appreciate the fact that we were able to contract the peanuts, it did certainly help, but, the date is unfair to the farmers. Being on June 15, nobody knows what peanut yields are going to be, so the situation could change drastically. I think in years to come, and as well as this year in particular, with the peanut situation being what it was, that maybe the farmers might have had a little better understanding if he had been able to contract the peanuts up to market, for at least an extended period after the 15th. So, I think that is unfair, and we need to look into the possibility of changing that date, moving it forward some. I think that is something that would benefit the grower, and at this time, that is about all I have to say.

Mr. MATHIS. While you are here, I have heard from growers and all of them felt like moving the other way.

Mr. KERSEY. Well, the advantage I see, probably we have a little more sure thing here in the State than some of the others have.

Mr. MATHIS. You have said enough. I don't want to get this North Carolina fellow stirred up.

The next witness scheduled to testify is Mr. Frank Giles, with Giles & Hodge Farm Center, Inc., in Unadilla.

STATEMENT OF FRANK B. GILES, PRESIDENT, GILES & HODGE FARM CENTER, INC., UNADILLA, GA.

Mr. GILES. I am Frank Giles with Giles & Hodge Farm Center in Unadilla, a small and independent handler. We wrote this letter to Congressman Mathis, Congressman Brinkley, and both our Senators, and we thank all of you for the response that we got from it. Also I have copies of a letter from Mr. Weldon B. Denny, deputy administrator of the State and county operations, and it came back from Senator Talmadge's office, and from the Honorable Brinkley's office. I would like to also submit this just to show you the misunderstanding that we think some of the people in the ASCS had about the program.

[The letters and attachment thereto referred to above follow:]

SEPTEMBER 23, 1978.

Hon. JACK BRINKLEY,
Rayburn House Office Building,
Washington, D.C.

DEAR JACK: We are writing concerning the peanut program that is now in effect. We feel that every peanut buyer in Georgia has been made a victim of an unworkable program. We feel that this program is physically and mathematically impossible to administer as it is written. Regardless of the size of a buying point, every available person employed there is head-over-heels in work during the rush of any peanut season.

We will try to state some of the things that need your immediate attention.

No. 1. We have never seen a truck scale graduation other than in ten-pound graduations. The ASCS maintains that the quota peanuts must be brought to a zero balance. If there is someone in Washington who can show us how to take a ten-pound graduation and make a three- four- or five-pound balance come out to zero, we surely would like to see that guy. We are enclosing a picture of our unloading supervisor weighing out four pounds and some ounces from a wagon load of peanuts. This is an actual case and we are enclosing copies of the records to substantiate this. We handled it according to the instructions of the county ASCS office. It is easy to make the paper work come out even, but impossible to do the actual division of the peanuts. We are not in the habit of falsifying weight tickets and we do not intend to start.

No. 2. The wagons that were involved in this transaction were tied up for six days. This was long enough to run two loads of peanuts through each wagon. Of course, you can see that this results in a loss of revenue to us. In addition to this loss, we have had to hire additional people to help keep up with the red tape. We realize that ASCS is denying that it takes this long, but if the peanuts are graded on Friday afternoon there is no way possible to get a clearance to sell the additional peanuts before the following Tuesday.

No. 3. We have been instructed by ASCS that some mistakes made cannot be corrected. In other words, if we over-deliver a farmer's quota through an honest mistake, this cannot be corrected and we will be subject to a \$504 per ton penalty for this. We read in the paper and see on television that there are plenty of mistakes being made in Washington, and we feel that we should be allowed this same privilege.

No. 4. Probably the most important of all—this program has forced us to do business with people we didn't want to do business with. We are now involved with Camilla Cotton Oil Co., Camilla, Georgia, which has filed Bankruptcy under Chapter Eleven. These contracts were made in good faith by our farmers and were approved by the ASCS offices. We feel that ASCS should have investigated the financial responsibility of the contracting companies and should be liable to our customers for their default.

We appreciate the interest you have already shown in this matter and sincerely ask that you use every resource within your power to try to help make this program livable this year, and hopefully abolished before another year.

Sincerely,

GILES & HODGE FARM CENTER, INC.
FRANK B. GILES, *President*.

Enclosures.

MQ-94 Peanuts
(1-20-78)U. S. DEPARTMENT OF AGRICULTURE
Food Safety and Quality Service
Agricultural Stabilization and Conservation Service

INSPECTION CERTIFICATE AND SALES MEMORANDUM

0219094

FARM OPERATOR/SELLER NAME AND ADDRESS AND NO. J. J. ALLEN 701 N. MAIN ST. MARILLA, GA 31041	BUYING POINT (MKT) 31041	APPLICANT/BUYER NAME AND ADDRESS AND NO. J. J. ALLEN 701 N. MAIN ST. MARILLA, GA 31041
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DELIVERY POINT IF NOT SAME AS WAREHOUSE

SECTION II - SETTLEMENT SHEET

WAREHOUSE DESCRIPTION

DATE OF PURCHASE 9-18-78 CONVERTED PENALTY RATE PENALTY

WEIGHT TICKET/INSPECTION MEMORANDUM NO. 202386

SECTION I - INSPECTION CERTIFICATE-FARMER STOCK PEANUTS

This certificate is issued pursuant to the Agricultural Marketing Act of 1946, as amended (7 U.S.C. 1621 et seq.) and is admissible as prima facie evidence in all courts of the United States. Any person who knowingly shall falsely make, issue, alter, forge, or counterfeit this certificate or participate in any such actions is subject to a fine of not more than \$1,000.00, imprisonment for not more than 1 year, or both.

Serial No. of MQ-94 Used

G1 LOAN-QUOTA G2 LOAN-ADJL. G3 COMM. QUOTA G4 (COMM.) ADJL.

Resale Buy Back

NO. BAGS BULK TYPE WEIGHT (LBS) CROP YEAR TIME

SMK 22 % + Sound Splits 3 % = 72 %

Other kernels 4 %

Damage 0 %

Hulls 24 %

Total kernel and hulls (excl. LSK) 100 %

Concealed RMD 1.4 % Foreign material 0 %

Freeze Damage 0 % LSK 2 %

A. flavus not found Moisture 8 %A. flavus found (Seg. 3) Fancy %

ELK %

REMARKS

1. The undersigned, a duly authorized inspector of the United States Department of Agriculture, do hereby certify that at the request of the applicant and on the date indicated, samples of the above described products were inspected and the quality and/or condition as shown by said samples were as herein stated.

SIGNATURE OF INSPECTOR DATE

W. J. ALLEN 9/18/78

A. Wt. Incl. Truck 11530 lbs.

B. Wt. of Truck 2600 lbs.

C. Gross Weight (A minus B) 8930 lbs.

D. Foreign Material (% of FM x C) 179 lbs.

E. Weight Less FM (C minus D) 8751 lbs.

F. Excess Moisture (% of EM x E) 88 lbs.

G. Net Weight (E minus F) 8663 lbs.

1. Loan - Quota lbs.

2. Loan - Additional lbs.

3. Comm. Quota lbs.

4. (Comm.) Additional Contract lbs.

H. LSK (% of LSK x C) 179 lbs.

I. Net Wt. Excl. LSK (G minus H) 8484 lbs.

J. Kernel Value Per Ton (Excl. LSK) \$431.34

K. ELK Premium \$

L. Total (J + K) \$431.34

M. Damage \$ + Excess F.M. \$

+ Excess Splits \$

N. Net Value Per Ton Excl. LSK (L - M) \$431.34

O. Value Per Lb. Excl. LSK (N ÷ 2,000) 2156.70

P. Value Per Lb. Incl. LSK (O x I)

plus H x .07 = 1842.27G, 2126.60

Q. Total Value of this Segment 4 lbs.

from G 3 x P x 100 % 85

R. Deductions \$

Deductions \$

Other \$

S. Amount to Producer (Q - R) \$ 85

REMARKS DRAFT NOS.

APPLICANT/BUYER COPY

U.S. DEPARTMENT OF AGRICULTURE,
 AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
 Washington, D.C., October 6, 1978.

Hon. JACK BRINKLEY,
 House of Representatives,
 Washington, D.C.

DEAR CONGRESSMAN BRINKLEY: This replies to your September 26 letter to the Administrator concerning the questions raised about the peanut program by Mr. Frank B. Giles, President of Giles and Hodge Farm Center, Inc., of Unadilla, Georgia.

We strongly disagree with the contention that the peanut program is impossible to administer. There is no doubt that the two-price system requires more demanding compliance procedures—which requires better documentation of sales. This was acknowledged when the program was being developed; but, considering the benefits to farmers derived from the program, the extra procedures were deemed worthwhile.

Item numbers 1, 2 and 4 relate directly to the recent financial problems experienced by Camilla Cotton Oil Company. Neither the law nor regulations envision any physical breakdown of a load of peanuts upon delivery by a farmer. The copy of the Inspection Certificate and Sales Memorandum (Form MQ-94), submitted with your constituent's letter, shows the net weight of peanuts in the load as being 8,663 pounds, of which four pounds were sold as commercial quota peanuts to Tom's Foods Limited. The remaining 8,659 pounds would have been sold to Camilla Cotton Oil on MQ-94 Serial Number 0219093 (see Section 1 of the enclosed MQ-94). The law and regulations allow farmers stock peanuts purchased by different buyers to be stored commingled and exchanged on a dollar value basis.

The problem developed when Camilla Cotton Oil Company could no longer pay for peanuts delivered under contract, and the farmer could not deliver elsewhere for fear of being in violation of that contract. The delay of wagons in this transaction was caused by inability of parties under a commercial contract to perform—not because of program regulations.

The Giles and Hodge Farm Center, Inc., has purchased peanuts from producers for many years through a contract with Tom's Foods Limited. Because Tom's is a domestic manufacturer and not interested in purchasing additional peanuts for export, Mr. Giles had to find someone for which to buy contract peanuts in order to stay competitive with other buying points in service to farmers. He selected Camilla Cotton Oil, among other potential buyers in the area, to provide this service through a process known only by him.

There are numerous ways under which a farmer might be placed in a penalty situation due to overmarketings of the farm poundage quota—some obviously honest and some equally dishonest. The difficulty lies in determining which, in each case, and having procedures for correcting honest mistakes. Procedures are available which, hopefully, will provide a proper balance between excusing honest mistakes and penalizing dishonesty for proper program administration.

Sincerely,

WELDON B. DENNY,
 Deputy Administrator,
 State and County Operations.

Mr. GILES. Now, the point that we're trying to make is that Mr. Denny said that they never envisioned any physical breakdown of any load of peanuts, and I know all the handlers in our area, we all had to physically provide the peanuts to coincide with the MQ-94.

We have written another letter which will explain exactly how this happened, and this will conclude our testimony.

I wrote the letter to Congressman Brinkley.

[The letter referred to above follows:]

GILES & HODGE FARM CENTER, INC.,
 Unadilla, Ga., November 6, 1978.

Hon. JACK BRINKLEY,
 Rayburn House Office Building,
 Washington, D.C.

DEAR JACK: We greatly appreciate the interest you have shown in trying to help us get some type of relief from the present peanut program. We have received the copy of the letter you received from Mr. Weldon B. Denny, Deputy Administrator, State and County Operations, ASCS.

We strongly disagree with Mr. Denny's evaluation of the facts that we stated to you in our previous letter. Item No. 1 had nothing whatever to do with the financial problems of Camilla Cotton Oil Co. Had Camilla Cotton Oil Co., been able to perform as planned these peanuts would still have had to be physically divided and nothing in our original letter would have been altered.

We have no warehouse where peanuts are commingled and they have to be physically divided as they are unloaded from the farmer's wagon to coincide with the split MQ 94. Mr. Denny stated that the delay referred to in Item 2 of wagons being unloaded was caused by the inability of parties under commercial contracts to perform. This is also an inaccurate evaluation of facts. The truth is that the peanuts involved were what is being referred to as "additional additional"—subject to farm inspection, etc. by ASCS. Camilla Cotton Oil Co.'s inability to perform had no bearing whatsoever on the delay involved in unloading the wagons.

There are at least six handlers in a radius of twenty five miles of our buying point that also had to physically divide loads. We could provide you with these names and several more if this is what it takes to make everyone understand that the peanuts have to be divided to coincide with the split MQ 94.

It is very obvious to us that Mr. Denny and others in high administrative positions are unaware of these problems. We suggest that he send out letters of inquiry to handlers through out the peanut belt simply asking the question—Do you have to physically divide peanuts? We are sure this will bring new light to the subject.

We still maintain that this program is physically and mathematically impossible to administer as it is written. We stand by the statement of facts listed in our letter to you of Sept. 21st. We can prove these facts if we can get someone up there to listen.

Sincerely,

GILES & HODGE FARM CENTER, INC.,
FRANK B. GILES, *President*.

Mr. MATHIS. Thank you, Mr. Giles. The next witness is Mr. Danny Henley.

STATEMENT OF DANNY HENLEY, FARMER

Mr. HENLEY. Mr. Mathis, I am a farmer from Beard County, and my name is Danny Henley. I have been trying to establish a peanut allotment for 5 years, starting in 1972, and I would like to bring out the fact that if the peanut program has laws for a person to try to establish a new grower allotment, and that individual, when he goes through the process should get a fair and reasonable allotment in return. I was told, at the time I was going through the processes, the committee was not presently concerned with new growers at all, and if you didn't have an allotment to start with, you wouldn't get any new grower allotment. I wanted to make that statement, to point that out.

When a person goes through this process, and gets qualified, he should be given an allotment that is fair and reasonable, as the law provides in his area.

That's all I wanted to point out.

Mr. MATHIS. Thank you. The next witness is Mr. J. R. Odom.
[The prepared statement submitted by Mr. Odom follows:]

STATEMENT BY J. R. ODOM

I want to thank the members of the Oil Seeds and Rice Committee for coming to the heart of peanut country to hear recommendations from all segments of the peanut industry about our new program.

I am J. R. Odom, a peanut farmer from Worth County, Georgia and I have been active in the formulation of guidelines of the peanut program since we began in 1938. I know their economic value to this section of the United States and it has been my honor as past chairman of the Georgia Peanut Commission to work with members of this committee and other committees in Washington in helping to formulate our present program.

NEW PROGRAM

As most of you know our new peanut program is a compromise program. It is not exactly as the farmer wanted, but it is a compromise and I believe is working excellent in having this program cost the tax payers as little as possible. This year's program will cost less than \$10 million and last year was around \$10 million. That is considerably less than the \$105 million Earl Butz said it would cost in 1978 when he was talking four years ago.

Several of the recommendations we made last year to the USDA were accepted and many did not come out as we thought when rules and regulations were finalized by ASCS. Many rules and guidelines were imposed that were not intended and I hope that some of these recommended changes will be implemented.

RECOMMENDATIONS

1. My first recommendation concerns the poundage quota for next year. The New Peanut Bill calls for an 84,000 ton reduction in quota pounds adding more to additional peanuts. If you look at our market:

	<i>Tons</i>
U.S. production.....	1,950,000
Domestic production.....	1,275,000
	<hr/>
Difference.....	675,000
Reported exports.....	511,000
	<hr/>
Carryover.....	164,000

If you look at these figures, our carryover is less than 10 percent. If the department really studies these figures, they have no choice but to actually increase the poundage quota to provide a 20 percent carryover which the law requests.

The only alternative if an increase cannot be obtained for poundage quota peanuts by at least 5 percent, that it not be decreased as proposed. The Secretary has this authority and I strongly recommend that he increase the poundage quota by 5 percent and if not, allow it to remain the same since our domestic demand and export demand continues to grow.

2. I feel certain that no consideration is being given to increasing acreage of 1,614,000 acres and I strongly recommend that it remain the same.

3. Last year we had some difficulty in unloading peanuts and our growers actually came up with a new term which is not part of the program. It is additional additional peanuts. There is no such peanut * * * the program simply states quota and additional peanuts and was designed to first get your quota farm poundage and all other peanuts would be additional peanuts.

At many buying points last year, we had tremendous problems. Farmers could not unload waiting for a farm visit and measurement by the ASCS Office and when a farmer has 3 trailers hung up at the buying point * * * it's an emergency situation. In view of this problem, I recommend the following:

A. That all peanut acreage be measured by the ASCS as paid by the farmer and that they be certified by ASCS. If a farmer produces more than his 110 percent that his peanuts be unloaded, but hold up paperwork and check until the ASCS office can doublecheck. Don't hold up the man's trailers.

B. That farmers be assured of the option to tell a buyer if he is placing his peanuts in additional or quota except when a contract reads otherwise. Many farmers were not allowed that option this year.

4. I also recommend that the \$250 support of additional peanuts be raised, at least to \$350. World market prices are near \$350 and this creates a negative impression abroad that American peanuts are cheap. Peanuts are being bid out of the GFA and CCC at over \$400 and the farmer can't wait a year to pay his banker.

5. We've got to have some understanding on carrying over quota pounds to the next year. When we discussed this program it was the intent that if a farmer did not make his quota pounds that it would be carried forward and not factored by a national figure. That is robbing a farmer of his poundage if he had bad weather conditions. Some definite guidelines should be established on this segment of the program.

6. The new peanut program also set the quota pounds at \$420 as a minimum. I strongly recommend that the Secretary raise that figure by at least inflation of 7 percent. Most every item I use in producing my peanuts has gone up by more than 7 percent, but to compete with other world market prices and to take the risk of a good contract price for additional peanuts, I'll sacrifice the rest.

Finally, I want to publicly thank you and the members of your committee for helping us to save the peanut program. I also want to thank the Foreign Agricultural Service and the Georgia Peanut Commission for moving ahead with the export promotion. That's our future and I feel certain that next year we could hit the 600 or 700,000 ton in exports, a further need to keep our poundage quota high so we can continue to provide the American housewife with the best protein at the least cost she can buy.

Thanks for your attention.

Mr. MATHIS. Thank you, Mr. Odom. The next witness we have is Mr. G. C. Davis, representing the Southeastern Peanut Association. Mr. Davis, we will be happy to hear from you, sir.

For the people just arriving, let me again say that we want to hear from all of you, and ask that you come down and sign up.

STATEMENT OF G. C. DAVIS, PRESIDENT, ARLINGTON OIL MILLS, INC., ARLING, GA., ON BEHALF OF THE SOUTHEASTERN PEANUT ASSOCIATION

Mr. DAVIS. Thank you, Mr. Chairman, for this opportunity to testify. Our statement will be brief, but, first, we wish to express our deep appreciation for your continued interest and support of our industry, as evidenced by this timely series of hearings.

I am G. C. Davis, president, Arlington Oil Mills, Inc., Arling, Ga. I appear on behalf of the sheller and crusher members of the Southeastern Peanut Association in my capacity as chairman of the association's Committee on Peanut Legislation and Price Supports.

Our members met in Albany on November 8 and reviewed in detail the legislation, program regulations, and administrative procedures effective on the 1978 crop. While a number of problem areas were discussed in which improvements are needed for smoother operations in receiving and handling peanuts during and after harvest, these can be remedied at the administrative level. We have confidence USDA officials will act constructively in this regard.

As to the 1979 program, our members voted unanimously in adopting the following recommendations:

One: That the minimum support price for additional peanuts be set at not less than \$350 per ton.

Two: That the minimum CCC resale price for additional edible export peanuts be set at approximately 95.2 percent of quota value, announcement to be made prior to February 15.

Three: That direct sales of segregation 2 and segregation 3 peanuts by producers to handlers be permitted.

Four: That some type of program be initiated to assure the removal of segregation 3 peanuts from edible market channels.

Regarding the latter recommendation, our association has appointed a special committee to work with the administrative committee of the National Marketing Agreement for Peanuts, the Food Safety and Quality Service of USDA, and the respective grower groups to develop an effective program to this end.

Finally, Mr. Chairman, we wish to go on record at this hearing in recommending that peanuts be added to the list of eligible commodities under the CCC export credit program. Our request to Secretary Bergland, setting forth the reasons therefore, is attached as an exhibit to this statement. Your assistance in this matter, along with that of other members of your committee, is respectfully requested.

We will gladly attempt to answer any questions that may be forthcoming.

Thank you.

Mr. MATHIS. Thank you too, Mr. Davis. I think we have copies of that letter to Secretary Bergland, and it will be placed in the record. [The letter referred to above follows:]

SOUTHEASTERN PEANUT ASSOCIATION,
Albany, Ga., October 10, 1978.

HON. ROBERT BERGLAND,
Secretary of Agriculture, U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: I write on behalf of our members to request that peanuts be added to the list of eligible commodities under the CCC Export Credit Program.

We have in the past conferred with Administrative officials on this possibility, and it appears that the addition of peanuts to the eligibility list at this time would be in order for the following reasons:

(1) The almost unlimited potential and need for us to retain and increase our position as the World's number one peanut exporting nation contributing measurably to our International Balance of Payments.

(2) The actions of the Congress in recently voting legislation authorizing new promotion efforts and credit programs to expand foreign markets for American farm products.

(3) The expanded list of countries eligible for credit offers great opportunity for increased shipments of our peanuts overseas, thus going far to assure the effectiveness of our current Peanut Support Program, designed and geared for this purpose.

(4) Increased market outlets would add to the sorely needed income of peanut growers in the respective production areas (for the most part, drought-stricken) and to the economies of communities located therein. (Peanuts are highly drought-resistant and are, therefore, the most reliable source of income among commodities grown in the respective production areas.)

(5) Conceivably, the risk of Peanut Program costs to the American tax-payers would be lowered.

Mr. Secretary, as you know, the peanut industry is among those currently cooperating with the Departments' Foreign Agricultural Service in overseas promotion programs, and we feel that the inclusion of our commodity under the Export Credit Program would complement and enhance this mutual effort.

Your favorable consideration of our request will be greatly appreciated.

Sincerely,

JOHN W. GREENE,
Executive Director.

Mr. MATHIS. The next witness that we have scheduled is Mr. Emmett Reynolds, president of Georgia Farm Bureau Federation, and also chairman of the National Peanut Growers Group. We will be happy to hear from you, Mr. Reynolds.

STATEMENT OF H. EMMETT REYNOLDS, PRESIDENT, GEORGIA FARM BUREAU; CHAIRMAN, NATIONAL PEANUT GROWERS GROUP

Mr. REYNOLDS. Thank you, Mr. Chairman, my Congressman from the Second District. I am happy to testify on behalf of the Georgia Farm Bureau Federation, the National Peanut Growers Group. I serve as chairman for the southeast area; Russell Schools, the vice chairman from the Virginia-Carolina area, and Ross Wilson, from the southwest area, who is secretary and treasurer of this group.

On November 8, 1978, the members and alternates of this committee met in Atlanta. They were unanimously present, and we almost unanimously adopted the recommendation that I will give you.

Mr. Chairman, this testimony is very similar to that of which Mr. Whelchel gave, and the reason is that this is the testimony and the agreements as posed by the grower groups from the three growing areas of the United States, which includes all the peanut producers within these areas. So, the recommendations are a cumulation of the agreements by these three growing areas as you have possibly heard from the other areas involved.

I first would like to name the recommendations that I have.

One: We therefore recommend that present legislation be modified to provide the \$420 minimum quota support rate be increased annually to reflect changes in the index of prices paid by farmers for production items, taxes, and wage rates during the period beginning January 1, and ending December 31.

Two: We recommend "additional peanuts received under loan shall be offered for sale for domestic edible use at prices not less than those required to cover all costs incurred with respect to such peanuts for such items as inspection, warehousing, shrinkage, and other expenses, plus (1) a minimum of 100 per centum of loan value of quota peanuts if the additional peanuts are sold and paid for during the harvest season upon delivery by the producer".

The intention of the legislation was that the 100 percent would be the minimum resale policy plus cost of handling.

Three: We therefore recommend that the grower be required to plant only 50 percent of the farm allotment in order to be eligible for undermarketing.

Four: We recommend that planting 50 percent of the farm allotment would also preserve the farm allotment.

Five: We recommend that the definition of quota peanuts be modified to exclude whole peanut plants including whole kernels, harvested but not thrashed—used on the farm—as hay for livestock feed.

This would provide through the areas of drought and disaster conditions, whereby the ASCS could make a determination that there was not enough peanuts to profitably harvest, but they could be used for livestock feed.

Six: We recommend that all contracts between handlers and growers for the purchase of additional peanuts for export and crushing be completed and submitted to the Secretary prior to May 15 of the year in which the crop is produced.

I have, then, some recommended changes in the general regulations of the 1978 and subsequent peanut crops.

No. 1: We suggest that the regulation be changed to specify that the grower market be given until the close of the second workday following the day of inspection, to designate how the peanuts are to be marketed, and that the handler be given until the close of the business of the third working day, following the date of inspection, to have his purchase documents postmarked.

Mr. Chairman, on some occasions our shellers and our handling facilities become jammed with too many cleanings and other services that they were rendering, and this could not be handled within that period of time.

No. 2: We recommend that a better procedure be permitted to the producer to continue to market the peanuts after having his estimate given to ASCS. At the time of his estimate to ASCS the peanuts

remaining to be marketed, the producer would sign a certification form assuring that all of the peanuts on the farm would be delivered under this contract to the sheller at a later time.

No. 3: Tolerance for weight errors. We recommend that USDA establish an appropriate administration tolerance to the net weight of the load involved, as received in section G, and on MQ form 94.

No. 4: Freeze damage condition. We recommend the definition of segregation 1 and 2 peanuts pertaining to freeze damage be eliminated so that the resulting definition for farmers stock peanuts which have less than 99 percent, at least 99 percent of one type, and not more than 2 percent damaged kernels. We feel strongly that growers should not be penalized for freeze damaged peanuts, between six-tenths of 1 percent through 2.49 percent since freeze damage is largely uncontrollable by the grower.

No. 5: We believe the practice of skip rowing in the planting of peanuts, if widely practiced, will result in a massive increase in total crop production, causing serious problems that could defeat the entire peanut program. The practice, though presently permitted by ASCS, is not widely utilized because growers are not generally concerned or aware of it.

We believe and recommend that the skip row practice in peanut production be eliminated by the USDA.

No. 6: We recommend that all peanut acreage be measured.

No. 7: Additional loan rate and resale policy. We recommend that the loan rate for additional peanuts be increased to a more realistic price, further that the sales policy relating to loan additional peanuts sold for export crushing with specified grades eligible for edible export be set at not less than the quota loan rate.

No. 8: We recommend that members of the peanut trade, buying point employees, grower association personnel, and handlers be utilized by the USDA and the task force in fully evaluating present USDA regulations, records, and marketing documents so as to streamline the process for 1979, 1980, and 1981 crops.

No. 9: Extend the time for segregation 2 and 3 cleanup. We recommend that the recommendation be changed to provide that on both segregation 2 and segregation 3, growers be allowed until the close of business, 2 and 3 following days for inspection to market such lots.

No. 10: We recommend that USDA regulations be clarified to limit undermarketing to the difference between segregation 1 peanuts produced on the farm and the farm poundage quota.

Mr. Chairman, I present those to you for consideration. Thank you much for the opportunity for us to come and discuss this with you.

[Additional statement submitted to the subcommittee follows on p. 86.]

Mr. MATHIS. Thank you, Mr. Reynolds. That completes the witness list that we have. Again, let me say that if there is anybody that wants to testify, come on down and sign the paper, and let us hear from you. I don't want anybody to go away and say that they didn't have a chance to be heard. Ronald Thompson, you can come straight to the microphone and save us some time.

STATEMENT OF RONALD THOMPSON, FARMER

Mr. THOMPSON. Along the peanut program, on the poundage and all, I don't know, but it may be that it needs changing. We may need more peanuts produced, and in order to do it, we need to raise it up a little bit. The contract date, in most cases, we may need it extended. There have been quite a few points that have been brought up on the peanuts, and the problems and all. There are some changes, and if it had been a rainy season and all, we would have run into a lot more hindrance, and caught us where we wouldn't be able to sell our peanuts. There are some regulations, that to start with, they are not even sensible. Then, when you get down to where you get to talking to the ASCS people, in the meetings and all, they interpret the way they want all of what we say. Some of the ways we have had to do, to survive, they are ridiculous. You can take on peanuts, on the additional poundage that they charge, and you go to the field ahead of harvest, get an estimate that is pretty accurate.

On the poundage, there were two young boys that they hired that didn't know what they were doing. They were sent to a farmer's field to see if he needed additional pounds. Peanuts had been picked, they had probably been unloaded, which wasn't the way the regulations were supposed to be, but that's the way they did it.

Anyhow, these two boys were sent out by the ASCS office to see if a man needed additional peanuts, and they come back by the office, had to stop back in, and they told us that they didn't find any peanuts out there, they found a bunch of piles of stalks out there. The man knew what peanuts he had made, and everybody else did, but there he was and it had nothing to do with taking his work or anybody's else. They sent somebody out there and they didn't even know a peanut vine, it was a pile of stalks to them. There are a lot of them things that are in these programs, that are just like that. They don't take people's words. I know we need regulations, but why not take a sensible route. If they are going to check these peanuts, go ahead and do it in a way that would be halfway right, and would be orderly, and not cause all confusion and everything.

I guess I have been to as many peanut meetings as anybody else has, and I have seen Government people take the books and have the regulations in there, and stand before a crowd and just lie about what is in the books. I have seen it happen. They didn't tell what was in the books, they would tell what a certain group maybe wanted done. There is no way that I can see that ASCS man, or whoever he is, inspector or what, has the right to stand up there with the regulations that he has, and that very few of the farmers will see, and him quote it like he wants to, instead of like it is.

Thank you, Mr. Congressman. That's all I have.

Mr. MATHIS. Thank you, Mr. Thompson. At this time, if there are no other witnesses, we will take a 10-minute recess.

[Whereupon, a 10-minute recess was taken.]

Mr. MATHIS. The next witness we have scheduled to testify, and I did not realize it at the time we took the break, is Mr. Richard Barber, of Ocala, Fla., who is president of the Florida Peanut Association.

STATEMENT OF RICHARD BARBER, PRESIDENT, FLORIDA PEANUT ASSOCIATION

Mr. BARBER. Thank you, Congressman. I appreciate you and Mr. Whitley coming to this hearing. We don't have any Florida growers here because we really didn't find out about the meeting until Monday. So, I don't really have any formal statements to make, other than we do add our blessings to the National Growers Group.

One other thing is the recommendation to be able to transfer, and to buy, and to be able to increase that from 50 to 100 acres. Another thing we would like to discuss is farm storage, to be able to store all of your peanuts, on your additional, and your quota peanuts. We are from Florida, and we only have about 50,000 acres down there, and we are a new organization. We are 3 years old. We certainly do appreciate this opportunity to be here with you today.

Thank you, sir.

Mr. MATHEIS. Thank you, Mr. Barber. I am glad that you could come and be with us. We still have some time remaining. If there are other persons present who wish to testify, we would ask that you come on down, and restrict your comments to things that have not been covered. We certainly want to hear from you.

STATEMENT OF BUDDY JONES, PEANUT GROWER

Mr. JONES. Mr. Chairman, I am Buddy Jones, from Lumpkin, Ga., a peanut grower, and I am real concerned about the contract date. Our contract peanuts are peanuts that are being reduced and marketed on an open market, and all of our rights and privileges are being taken away by setting a date.

We have to contract peanuts at the time that we had an idea of what we were going to make. We know we got a stand, and that is about all we really do know. It is taking the bargaining away from the farmer. It is putting us in a position to where the man who buys our peanuts, he does all the bargaining after he gets them. In other words, we have got a system that says take it, or either take \$250, and that is not fair. It is not constitutional, I don't believe, when you get down to the legality about it. It needs to be to where I can bargain with my additional peanuts, if I so desire. And, when it comes time that I carry my peanuts to the market, I can either put them GFA, or I can sell them for what the buyer is willing to pay, or if I like, come this January, if I have a buyer that wants to contract my additional peanuts, and I want to sign a contract, that is fine. But, I think the grower should have the right to market his peanuts, and to bargain with them. They are telling us to produce these peanuts, and grow them on a free market, an open market, a world market that is flexible from day to day, and I think we should have the right to use them, and not be discriminated against.

One other thing I have to say is ever since I have been growing peanuts, since 1968, I have been receiving 7 cents a pound for LSK's. I think that for LSK peanuts, they have always been able to be sold as oil stock peanuts. Some shellers they can get, if they don't have to clean them out, if they are not dirty, they go on up to a No. 1 peanut. These peanuts should be at the minimum at an all-stock price. How come when the price of the peanuts go up, your LSK's stay the same. That is just a question that I had to ask.

I have heard several comments today that our excess peanuts should be set at a price not later than \$350 a ton. Why do we even consider \$350 a ton for our excess peanuts? This very past year we received \$400 a ton for them. In some cases we even received \$420. Why set a price below what you are now receiving? Why set a goal going backwards? Every meeting I go to, everybody that I talk to, when you go talking about exports, farm commodities in this country, they all want to talk about exporting cheaper. Why? The food cost in all other countries is far above the price in this country. The raw materials when they arrive there, are far above our costs here. Why? I would like to export my peanuts above our quota.

Thank you.

Mr. MATHIS. Thank you, Mr. Jones. Mr. Kersey, would you like to be heard again?

Mr. KERSEY. One thing that I would like to say, following up what Buddy said about these exports on prices. I know it is peanuts, and it is going to be involved in some other things to, but I think a lot of people, and I am sure that both the chairman and Mr. Whitley know what we are talking about. A lot of prices, a lot of our products that we export is this country, is what we are told is potential world prices, and then when they arrive in that country, the price is somewhat different. For instance, I happened to see some peanuts just yesterday, and I think it was in Pearl magazine, the Japanese magazine, their publication to farmers and their customers, it stated in there that from a recent survey completed, and this had to be done within this year, I guess, that at the present time this was done, wheat prices in this country was about \$2.88, I think, and at the very same time they were reselling our wheat in Japan at \$10.91 a bushel. I just can't understand why the politicians of our country let this thing happen. I know it is happening with peanuts and everything else. There ain't no cheap-food policy in the world, it is just cheap-produced policies.

Thank you.

Mr. MATHIS I have just been handed a note that Tyrone Spearman would like to testify.

STATEMENT OF TYRONE SPEARMAN

Mr. SPEARMAN. First, let me thank you for coming down to our area. I just want to briefly give you a report of what we are doing in export promotion. The news release this past week from Senator Talmadge and from your office, this past year we exported 511,000 tons. Last year that was less than, right at 200,000 tons, and 2 years before that it was almost zero. This 511,000 tons just didn't happen. There are three or four reasons that it did happen, and this is one reason that our farmers have had a good contract on this, and I wanted to bring you up to date, and also thank you for that last bill that you introduced there, to open up some trade offices in foreign countries. We have been in contact with several of them, and many of our shellers, and we need more shellers in the export business than we presently have. Competition is good, and if we can get the peanut information and the prices over there to these foreign offices, we have a good possibility of moving that market. Now, we have done some homework, and I think this is one reason, and if we had started it 5 years ago, we would probably would have been exporting more than 511,000 tons.

Jim Langford, whom you know, through the Farm Agriculture Service, has worked very close with us through the National Peanut Council. We set up \$100,000 raised through our Peanut Growers Association and the shellers, and others in our industry; \$75,000 of that \$100,000 was raised through our peanut growers in eight States that produce peanuts. Now, we took that \$100,000 and FAS matched us 2 to 1. And that is unheard of, as you know. Most people get a 1-to-1 match.

In the last 20 years, the soybean industry has secured \$18 million in foreign export development. Peanuts received \$130,000 at that same time. We asked why, and they said we didn't have a plan. We have been back with a plan, and they have been more than helpful in working with us, and we are planning next week to have a meeting with them to plan 2 years in advance to try to open up some more of these foreign markets. We took a factfinding team to England, Sweden, Germany, five of us went over there to find out that they don't like peanut butter. That floored me. I can't imagine nobody who don't like peanut butter. But, they didn't like it. The good thing that we found there was that they liked salted nuts, and are buying some. In Germany they buy 60,000 tons, but only 14,000 tons of those shelled peanuts came from America. So, we have a good possibility there. England has jumped to No. 1 in exports, or imports of our peanuts. We are working through Roundtree McIntosh, a company that is a peanut butter developer, and I have some of their peanut butter out in the lobby to show you that they are using 100 percent American peanuts, and it has on the label: Made from American peanuts.

They have increased their sales in the first 2 months by 24 percent in England and 44 percent in Scotland. Their consumption of peanuts there is less than 1 pound per person, compared to America's 8 pounds per person. The sky is the limit. So, we are working in this area, and I hope that we can increase the exports.

We have a program going on now through the Farm Bureau in the Middle East. This program is moving a tremendous amount of peanut butter over there, and there are 100 million people who don't even know peanut butter exists. Now, our total budget of \$300,000 is not nearly enough. We already have proposals over \$100 million, but we don't have the funds. FAS is willing to match us 2 to 1, as far as they can go, and we're going to have to do some homework and possibly get some more money here at home to capture these markets. We found in Sweden, and Mr. Wheelchel can back this up, we found the raisin farmers there, we found the orange juice people there, we found the citrus people there of all kinds, and most of them; farmer dollars going in to buy their way on the ship to sell to those people. This export thing, 511,000 tons, is just touching the surface, and I feel if we do our homework, the present peanut program, which is designed, we can move more into export, and only through moving exports can we keep that contract price up. They have got to sell them.

Thank you.

Mr. MATHIS. Thank you, Mr. Spearman. I appreciate the fact that you have been keeping me informed about what the peanut commodity business is doing in export.

Are there other people who want to testify?

If not, let me ask my colleague if he has any questions of any of the witnesses who have testified, or any comments he might want to make.

Mr. WHITLEY. I don't think I have any questions. The testimony we have heard this morning, in general, follows the pattern of the testimony we have heard at previous hearings. We have spotlighted some of the problems in the administration of this new program. Of course, some of the practices should be and can be altered. The time factors involved, where they are unrealistic, should be and can be altered. The problems that you have addressed this morning, we are certainly going to take back to Washington with us, and get with the people at the USDA, and see if we can't iron some more bugs out of this program. I want to thank all of you for coming down here today.

Mr. MATHIS. Thank you, Charlie. I want to thank all of you for contributing what you have to this hearing. We have heard some new things here this morning. We don't want to go to the floor unless it is absolutely essential to do so, because it requires two-thirds of the vote in the House. I think all of you know our record of success in terms of obtaining votes on the floor.

I have statements that have been submitted for the record, and without objection, they will be made a part of the record. On that note we will adjourn the hearing. Thank you, gentlemen, for coming here today.

[Whereupon, the hearing was adjourned.]

[The extraneous material submitted follows:]

STATEMENT OF H.B. SHEFFIELD, AMERICAN AGRICULTURE MOVEMENT, MILLER COUNTY, GA.

Please consider the following points on making changes in the peanut program.

- (1) The buying points be bonded.
- (2) The title to the peanuts be held by the farmer until he receives pay for them.
- (3) The farmer have the right to move his peanuts if he has A-Flavors toxin without presenting his grade sheet from the first grade.
- (4) The farmer have the right to market his contract peanuts first.
- (5) The farmer not be forced to sell quota first if he does not want to do this.
- (6) Poundage not be reduced this year because there is no shortage.
- (7) The farmers that were "forced" to sell quota first that did not produce enough to fill quota and contract be allowed to carry the poundage they lost over to the following year.

STATEMENT OF CLAUDE FLETCHER AND CHARLES McCONNELL, DAWSON, GA.

(I) Why are farmers forced to contract their peanuts while other producers enjoy the free enterprise system?

1. Why is there a deadline for contracting? Why not an open market?

(II) Since farmers are allowed only 2 grades on aflatoxin peanuts, why aren't graders required to use the acid test instead of the inaccurate black light.

The black light procedure is costing farmers dearly in their grades.

(III) Why are farmers receiving only \$.07 per lb. for LSK when they are going on the open market at \$.32½ to \$.33?

(IV) If peanuts are in surplus, why does ASCS allow allotments transferred from dry land peanuts in one county to irrigated peanuts in another county.

(V) Why will USDA cut the peanut quotas in 1979 when World Market is greater than ever.

STATEMENT OF C. A. McNAIR, SOUTHEAST AREA MANAGER, GOLD KIST PEANUTS

Problems With 1978 Peanut Program and Suggested Changes:

1. Line spaces on MQ-94 should be 1 or 2 spaces rather than present 1½ space.
2. Need one Buyer ID number to cover multiple locations in any one area—ie—S.E., S.W. and V/C—rather than different ID number for each plant location.

3. Need Farm ID Card issued to person to whom check is written rather than to landlord or some other disinterested party.
 4. Need to split weights on supplemental MQ-94's from Line C on down, rather than recording same weights—except net weight—on all MQ's.
 5. Need to eliminate necessity for new card or approval from ACSC for additional/ additional poundage before unloading.
 6. Buyer needs at least two copies of FVQ-95.
 7. Buyer needs at least three copies of MQ-94.
 8. Need clarification of procedure for superceding MQ-94 when error is made.
- The above recommendations submitted by Gold Kist Peanuts, Atlanta, Georgia.

COLUMBIAN PEANUT CO.,
Norfolk, Va., November 6, 1978.

Hon. DAWSON MATHIS,
Chairman, Oil, Seeds and Rice Subcommittee, U.S. Department of Agriculture.

DEAR SIR: We feel that it is too early at this time to make all of the recommendations pertaining to the 1978-81 Peanut Program; however, we would like to make one recommendation. This pertains to Chapter XIV, Commodity Credit Corporation, Department of Agriculture, Subchapter B, Part 1446-Peanuts, Subpart—General, pp. 1446.7 Use of additional peanuts as domestic edible peanuts.:

"The check and applicable MQ-94 will identify the peanuts as additional peanuts that, may be used as domestic edible peanuts and must be postmarked not later than the work day following the day the peanuts were inspected."

Our experience in complying with the 24 hour limitation has imposed a hardship on us, and many of our buying points. The paper work connected with the program has been quite burdensome and there are many circumstances where it is physically impossible to have these papers postmarked the following day. We ask that you exert your efforts to have this section amended to allow the period between the date of purchase and the remittance to the associations a more reasonable time, and suggest at least three to four working days; and further make this amendment retroactive to the 1978 peanut crop.

This peanut crop moved exceptionally fast to market because of the ideal harvesting weather, and all handlers connected with the movement of the crop, have been very busy.

We trust that we will have another opportunity to make further recommendations, either by ourselves or collectively through the peanut shellers area associations.

Thanking you for your consideration of our request, we are

Yours very truly,

L. C. BRENNAN,
Vice President, Finance.

NATIONAL PEANUT GROWERS GROUP,
Gorman, Tex., November 15, 1978.

Hon. DAWSON MATHIS,
*Chairman, House Agriculture Subcommittee for Oilseeds and Rice,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: In our haste to put our thoughts together in a statement in behalf of the National Peanut Growers Group to be presented at your hearing in Tifton, Georgia on November 15, we inadvertently omitted to state our support for retaining for 1979 the 1978 national peanut poundage quota of 1,680,000 tons.

I am enclosing a copy of a letter dated November 9, 1978 from the NPGG Chairman to the Department setting out our position on this matter. The members of the National Peanut Growers Group Steering Committee are unanimous in their support of this position.

Sincerely,

ROSS WILSON, *Secretary.*

NATIONAL PEANUT GROWERS GROUP,
Gorman, Tex., November 9, 1978.

Mr. THOMAS A. VON GARLEM,
*Deputy Director, Price Support and Loan Division,
U.S. Department of Agriculture, Washington, D.C.*

DEAR MR. VON GARLEM: In response to the Department's request for comment relating to the 1979 Peanut Program, the National Peanut Growers Group recommends the following:

A. NATIONAL PEANUT ACREAGE ALLOTMENT

We recommend that the 1979 National Peanut Acreage Allotment not be increased beyond the minimum of 1,614,000 acres. We believe that the acreage to be available as the result of the approximate 21 percent reduction in quota production this year will provide ample opportunity during 1979 for the production of "additional" peanuts.

To our knowledge all peanut shellers in the nation were able to contract an adequate supply of "additional" peanuts in 1978 to fill their export demands. We would expect the growers to produce at least as many additional peanuts in 1979 as were produced in 1978 provided the contract price is acceptable to growers. As growers, we feel strongly that export markets must be developed and expanded, but we feel equally strong that this should be done on an orderly basis. For this year, we are convinced that our goal can best be sought by maintaining the 1,614,000 acre allotment for 1978.

B. THE NATIONAL PEANUT POUNDAGE QUOTA

We recommend that the 1978 quota of 1,680,000 tons not be reduced. We believe that the current favorable market outlook on both domestic and export markets will result in the movement of the 1978 crop into these commercial outlets with a relatively small percentage of peanuts going under loan. It appears to us that CCC peanut crop losses for 1978 should not exceed the \$10 million loss on the 1977 crop. We believe USDA should retain the 1,680,000 national poundage quota for 1979 in order to insure an adequate supply of peanuts for domestic edible and related uses.

C. APPORTIONMENT OF THE NATIONAL ALLOTMENT

We recommend that apportionment of the national allotment be unchanged from that of 1978.

Sincerely,

H. EMMETT REYNOLDS, *Chairman.*











